

# FAIRHOPE

## FAIRHOPE

Fairhope is famous as the model community established to demonstrate the beliefs of economist Henry George. And for all its fame it's an even greater place to live and work. So if you're getting into the business growth of Baldwin County . . . or perhaps planning to live amid the unconstrained beauty of the Eastern Shore, look into the benefits offered by leasing Fairhope Single Tax Corporation land. You'll find distinct advantages. Take a look at some:

First there's the likelihood you'll make a smaller cash outlay to invest in either a home or a business than with a purchase that includes land. Fairhope was founded as a model in land tenure, to demonstrate a means by which people could assume land easily. Easy access to land has been a key to the success of the community.

A 99-year lease by the Corporation is renewable and title is guaranteed. Also, the Corporation doesn't set out policies governing land use, so use is restricted only by normal governmental ordinances. The improvements placed on a piece of property: home, business, buildings, etc., belong to the lessee. More, Fairhope has a proven record of success in financing and sale of improvements. Financing in some cases has gone as high as 90% of the total cost. Leasehold transfers generally run at around 10% of total Corporation leaseholds per year. You'll find Fairhope a saleable investment.

Fairhope is a unique idea at work. And one aim is to reward individual effort. Leasehold rentals are used by the Corporation to pay the lessees' property taxes and to finance public improvements. The Fairhope Single Tax Corporation is not, like a real estate developer, in business to make a profit.

Up to the amount of the rental, a leaseholder's rent is used to pay his real estate taxes plus taxes on his equipment, autos, etc. Those taxes represent penalties on individual effort, and under Single Tax theory production is not penalized. Rentals also go to finance community improvements such as streets, sewerage, parking, recreational areas, etc. In many ways, Fairhope is the prototype of the planned community.

Prospective leaseholders frequently hear that holding Single Tax Corporation land is "not any different" from holding deeded property. Like a lot of generalities, this is true — generally. But there are some important differences and for someone considering taking up a Corporation lease he should understand them. First, a leaseholder should know that he cannot make a speculative profit in Corporation land by taking it out of use.

This has been true of Fairhope for all of its 80+ years. It's important to understand that the profit in the land — taken as rent — goes to the Corporation to pay taxes, administer and make improvements.

Of course, a leaseholder who transfers his lease receives payment for his improvements, but nothing could legally be included in the transfer for an increased value in the land.

Conversely, anyone accepting a lease should not pay the previous leaseholder a sum for such a value. It is something he *does not own* and further has agreed in his lease not to charge for.

Another interesting and important aspect is that leaseholders pay rent based on *current market value* of their leaseholds. This is done under an annual appraisal. And rentals can, therefore do, vary according to changes in land values and due to inflation, population changes, changes in site value, etc. This, however, doesn't mean rentals can "go out of sight" overnight. Over the years Corporation rents tend to reflect the values of comparable Baldwin County lands and if anything are a somewhat modest proportion of the land's capital value.

The name itself, Single Tax Corporation doesn't mean that the Corporation is a form of government. It does not have powers of taxation and has never levied a tax since the day the experiment began. The name "Single Tax" originates from the Corporation's purpose as a demonstration of the reforms proposed by Henry George. He proposed taxing away land values but making no tax on improvements or personal effort. The Corporation executes the single tax idea by making rent collections on its lands and then paying the property taxes of lessees and making public improvements. Over the years the Corporation has financed vital public projects and cultural efforts.

Fairhope's lovely bayside parks were a gift to the citizens by the Corporation. For 64 years the public library, also a gift, was mainly supported by the Corporation. It still provides the building rent-free. Municipal sites, well sites, the sewerage plant site have all been deeded to the city without cost. Streets on Corporation land were engineered and developed at the Corporation's expense.

Altogether, Corporation lands, constituting about 15 per cent of the total lands of Fairhope have provided a major share of the total needs of the community. What's accomplished should provide ample evidence that the confidence placed in the idea by the original settlers . . . was well placed.



### A HENRY GEORGE PROFILE

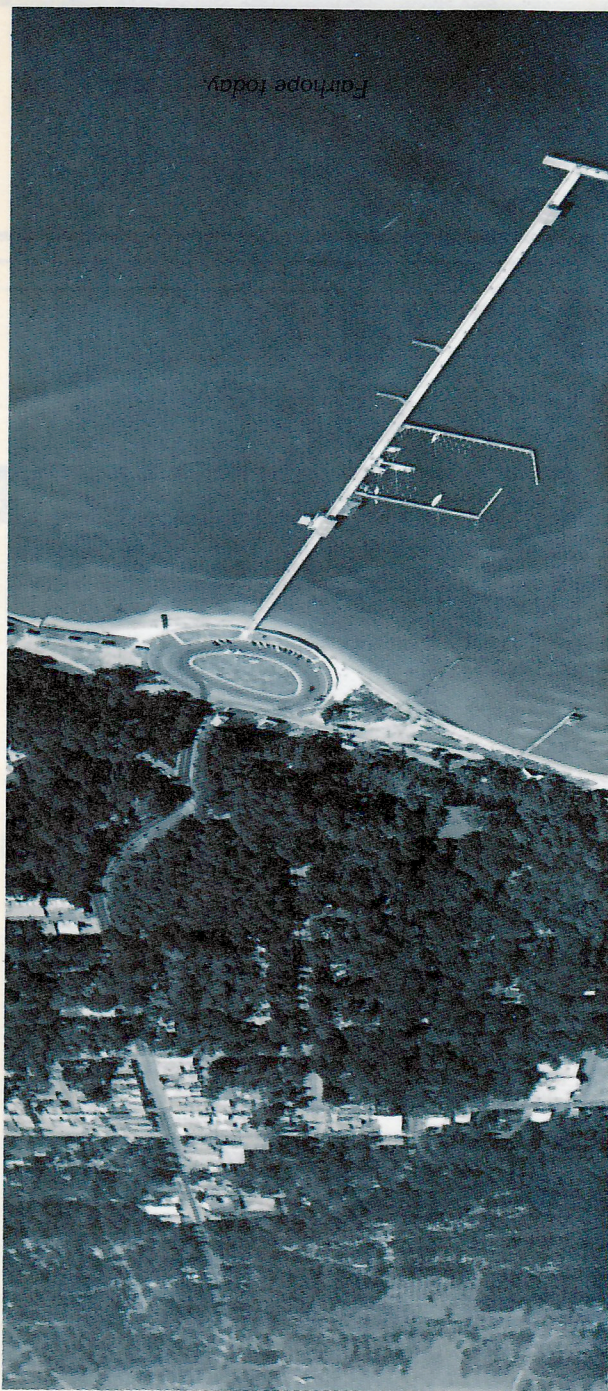
Like Charles Darwin, Henry George chose a monumental theme for his life's work: the struggle of mankind. No one who reads George's book *Progress and Poverty* finds within it a misstep in its carefully laid down logic. George sets down thinking as good bricklayers lay bricks: each thought carefully plumbed and cemented to the next. *Progress and Poverty* is not only a blueprint, it is also literature. "His alma mater was the forecastle," wrote his son in 1905. By then his father's work had been printed some two million times in English and perhaps three million more times in other languages. Man's genetic struggle to exist was the theme of Charles Darwin. Civilized man's struggle to progress was Henry George's.

Henry George's theories were first published in a pamphlet called *Our Land and Land Policy* in 1871. That became the basis of a more thorough

work, which was published as *Progress and Poverty* in 1879. It was a success; published in paperback. Papers serialized it, the way novels were. It created a large following. "Single Tax clubs" became numerous. Henry George became a public figure.

In 1886 he became a candidate for mayor of New York and he ran second to the Tammany Hall regime candidate.

The system he advocated never was popularly applied, but economists still see merit in it. It contains as much social reform as fiscal reform, because as George wrote: "The facts which I have relied are not facts which can be verified only by a search through libraries. They are facts of common observation and common knowledge, which every reader can verify for himself just as he can decide whether the reasoning from them is or is not valid."



The Wharf, 1908.

# FAIRHOPE

In 1894 a small group of settlers, mostly strangers to each other, arrive by bay boat to a spot on the eastern shore of Mobile Bay . . . to establish on rough pasture land a model community. This is the community . . . four score years later.

# FAIRHOPE

## ... A STATEMENT BY THE FAIRHOPE SINGLE TAX CORPORATION

Usually, cities and towns grow up around fort sites, harbors, transportation hubs, near minerals and at trading sites. So, it's somewhat hard to explain what were the strategic advantages of "Stapleton's pasture," when in 1894 it became the site of Fairhope. That the land did not cost much at the time was, of course, one major consideration. Today, in a little more than 80 years Fairhope has grown into an asset and a partner in the growth of Baldwin County — and at the same time still makes its case as a demonstration of Henry George belief.

The lifeblood of the Single Tax experiment in Fairhope today is a consistent administration of the Fairhope Single Tax Corporation, which owns the colony's lands. The Corporation leases its lands on a long-term basis and all kinds of uses are represented: agricultural, residential, commercial.

It's an effort built around belief in the full collection of economic rent, promoting the common benefit, prohibiting land speculation and making land easily available. But as we all know, it's still a human effort, and Henry George philosophy expects high values in individuals. Sometimes the Fairhope Single Tax Corporation has to bridge the gap between doctrine — and what actually happens. The Corporation feels it is building a positive approach to some of these problems. For example, special

appraisals have been made on representative parcels of Corporation lands, separating site values from improvement values. A Review Board has been formed to give more extensive attention to problems of lessees. The Executive Council has weighed the rapidly shifting site values of country lands to urban and commercial and the consequent impact on rents. (It is unlikely that property in other localities is appraised as frequently as Fairhope property; and rents can vary since they are set annually based on appraisals.)

The Corporation is proud of the progress made in Fairhope. Eighty years after its founding, Fairhope is the most valuable tax asset in Baldwin County. This has come from people working cooperatively, both on lands owned by the Corporation and on deeded property. All citizens have contributed.

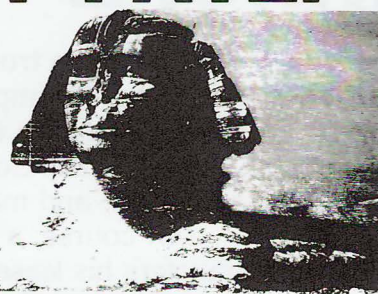
The Single Tax Corporation is as pledged as it ever was to a continued administration of Single Tax belief. Not to continue so would cause a fatal disruption to the economic life of the community and to many of its citizens as well. Thus "continued administration" is a pledge not only to principle but also to the economic well-being of the community. Moreover, many of the problems Henry George perceived a century ago have not changed; they're just a century older.

— Executive Council  
Fairhope Single Tax Corporation



# FAIRHOPE

## "SPHINX OF FATE:" THE SINGLE TAX



Single Tax doctrine is not difficult to understand. Though in its context it is economic, political, social and philosophic.

Economic in that it should bring about economic development; political in that it would give funds to government, but without saying much about "how" to govern (except "minimally"); social in that it organizes society around the just cooperation of one man and his fellow; and philosophic because its main preoccupation is to liberate man to the greater heights of civilization.

Many people seeking to understand Single Tax stumble along the way. Some because they feel it has to do with turning land over to government. No. In fact, Henry George saw government, if anything, cynically. His was an era of "help yourself" government — politicians were busily helping themselves to the local treasuries.

Nonetheless, in the 1870's Henry George was a modern man. It was a hundred years after the Revolution, and Walt Whitman could see Democracy as "the fervid and tremendous idea, melting everything with its restless heat." And America as: "the loftiest final meaning of history and man."

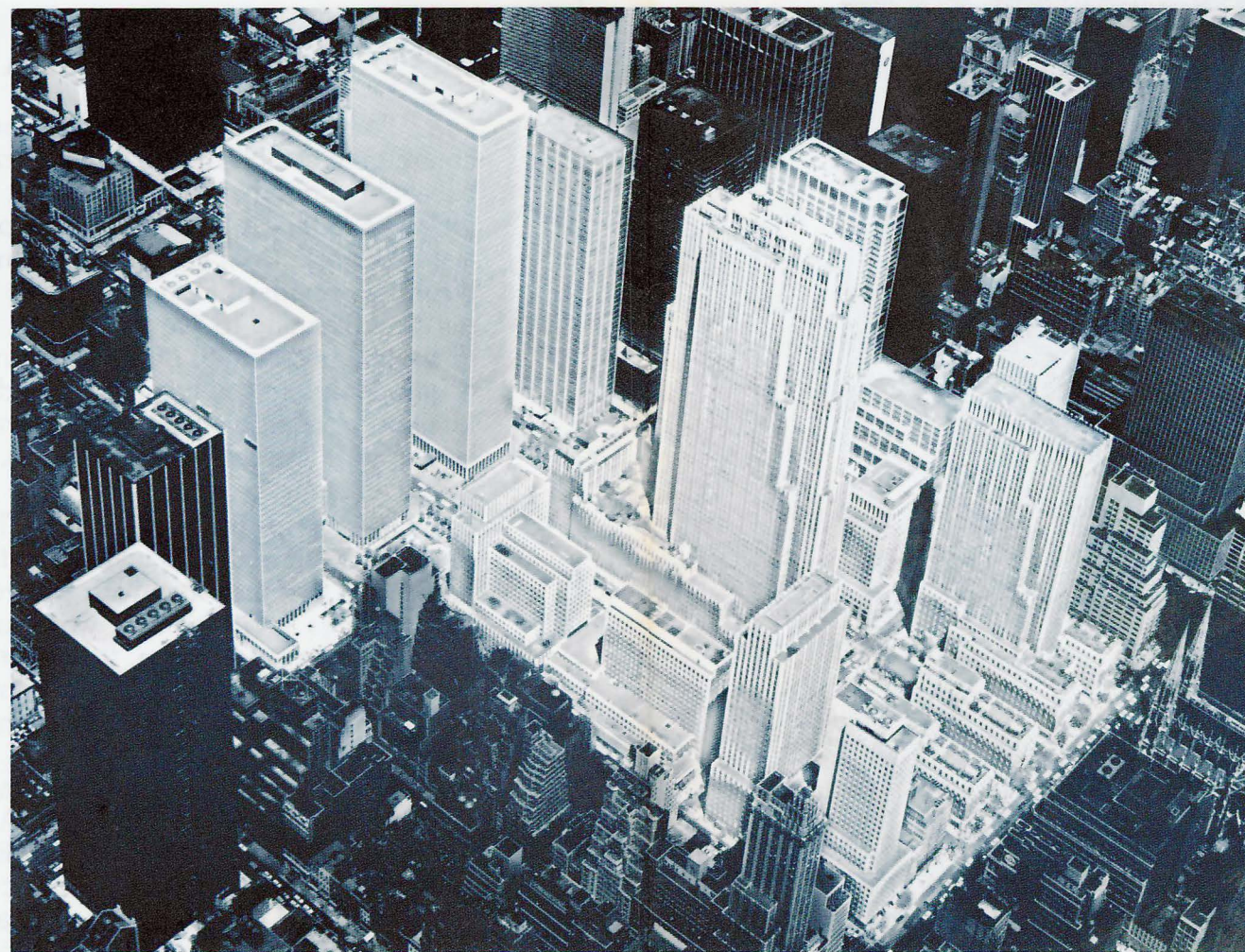
The American Revolution had put the political rights of man on record for all time. Amid so much equality, Henry George could see very much inequality. The country made material progress but so did poverty. He wrote: "The association of progress with poverty is the great enigma of our time. It is the riddle which the Sphinx of Fate puts to our civilization and which, not to answer, is to be destroyed." George saw parallels in the declines of Rome and Greece. When Rome fell, her territory was owned by 2% of her people. The majority felt that what they had was not worth fighting for. In America, George saw, again, the downwardness of civilization.

The remedy he proposed was based on the natural law governing distribution of wealth. Land and resources locked in the hands of monopolistic owners denied access and opportunity to the individual. (Churchill was later to call land monopoly "the mother" of all other forms of monopoly.) The few who owned land and resources extracted excessive payment from others for the privilege of using it. That leaves, after most of the resulting wealth goes to the landowners, only the barest of wages to sustain labor. Hence, amid progress: poverty.

His book *Progress and Poverty* contained his attack. He reasoned first against the idea that individuals could own the natural elements of land and resource. Human effort had neither produced them nor could it increase them. Land value was created by the demands of population. Society was responsible for making and increasing the value of land because it required the use of it. Society should therefore have the value it had thus created. This could be accomplished through taxation. He proposed that government tax away the economic rent, or the speculative value of land. Improvements would not be taxed at all. This Single Tax in turn would finance the government.

Taking away the market value of land in the form of a tax would therefore give no profit to those who were interested in holding back on land and so it would go into production. And with that would come jobs. And with jobs, fewer swindlers and welfare cheats; fewer crooks for society to guard itself against; no higgly-piggly of unequal land taxes to favor some; less buckpassing and, finally, everyone kept what he earned and produced through his own effort. And everybody then produced all he could because taxes didn't penalize him for being productive. Henry George didn't advocate government seizure of land. The flexible tax rate in effect gave all land a common value; zero; and so in that sense it was "common property."

Nor did Georgian doctrine ever put the right to individual possession of land at stake. The right of an individual to have the exclusive use of land was vital to making it successfully productive. Central government wasn't the instrument of progress; the individual was. George's reform was intended to open the door to opportunities; he didn't foresee anyone refusing them. George felt that a government which cost more than land values would bring in, cost more than it was worth. And he had no detailed mandate regarding the use of taxes. Today Henry George's belief seems almost Jeffersonian in its approach: ("Whenever there is in any country uncultivated lands" Jefferson wrote, "it is clear that the laws of property have been so far extended as to violate natural right.") the soil sustains the individual and his liberty; the government governs minimally; progress emanates from your effort and mine; and tyranny over people is to be opposed, as if "on the altar of God," one theme appropriates both to Henry George and Thomas Jefferson.



Are permanent improvements on leased land a good investment? Rockefeller Center in New York is evidence yes. John D. Rockefeller Jr. leased nearly 12 acres of land from Columbia University in 1928 as site for opera house and commercial development. Rockefeller Center has expanded to 24 acres, has 17 million square feet of rentable space, a daily population of 241,000. Its construction in the Depression employed over 225,000. It's the world's largest privately-owned business and entertainment center.

## DIFFERENTIAL PROPERTY TAXES ELSEWHERE

A form of taxation stemming directly from Henry George thinking has been proposed to cure the decay and blight of New Jersey cities. The New Jersey Tax Policy Committee in 1972 recommended in their final report the use of site value taxation, or "differential property taxes" as a means to draw private-venture capital into the older cities. Buildings would be given special tax-exemption. "Government money just can't do it alone," observed the former chief economist of Newark, P. Bernard Nortman. Site value taxation impressed one of its chief advocates, Dick Netzer, Dean of the NYU Graduate School of Public Administration "with the possibility of encouraging private

investment in older cities." Henry George advocated that only land should be taxed, not what is built on it. Elsewhere, a modified site-value taxation has been in effect in Pittsburgh, Pennsylvania, since 1913 and is given a lot of the credit for Pittsburgh's tremendous downtown rehabilitation. Pittsburgh taxes buildings at half the rate of land and the rationale for the law was that it would discourage speculators from buying land and holding it, unimproved, while values increased. Paul Rittle, a Pittsburgh realtor, and one-time president of the National Institute of Real Estate Management, said the graded tax had never really been disputed. One effort in the Pennsylvania legislature to change the law got nowhere.

## UNDERSTANDING THE APPRAISALS: A VISIT TO "SOMERS CITY"

People familiar with the appraisal process in Fairhope use the term "Somers System." It applies to the method for calculating land values, and its adoption in 1914 gave the Single Tax Colony its first mathematical method of arriving at rents. To find out how it works, we can simply appraise the main street of a mythical town. (let's take for example a place called "Somers City.") In Somers City, the most desirable lot in town is at the corner of Main and First. Every other lot is appraised in relation to this. If the most desirable lot is worth \$1.00 per year for each foot of street frontage, we can appraise all the way down to the least desirable by taking percentages (90¢, 85¢, 70¢, 20¢, 5¢, etc.) of the most desirable. If

we do this for all of Somers City we will get the evaluations for every specific piece of property in town. (And we do have to consider both dimensions of the lot so we're really determining square foot values.) In Fairhope's case an additional step is taken to accommodate the tendency for all land values to rise in uniformity. This is done through the application of a "multiplier" which is adjusted, or not adjusted, by a percentage and then applied. It can of course be adjusted downward as, say, in the case of depression. Country lands belonging to the Corporation are judged by the acre, and on a slightly lower scale of values than the city lands.

## TAKE THIS QUICK QUIZ ABOUT FAIRHOPE SINGLE TAX

Choose the correct answer by circling the appropriate letter

- The uses to which a leaseholder can put property are restricted by:
  - Single Tax Corporation policies
  - Single Tax Corporation policies and local laws
  - local laws only
- Single Tax Corporation rentals are used:
  - to purchase additional property
  - to declare dividends
  - to pay lessees' property taxes and finance public improvements
- Annual rentals vary because:
  - market prices of comparable lands in Baldwin County increase
  - there are annual appraisals of all Corporation lands
  - rents reflect market values
  - all the above
- Under Henry George reforms, which is taxed higher?
  - buildings
  - land
  - personal income
- The Single Tax Corporation has these powers of government:
  - special authority to levy taxes
  - no powers whatsoever
  - it can make laws but cannot enforce them
- A leaseholder transferring his lease asks the new leaseholder to pay:
  - value of improvements plus latest market value of the land
  - fair value of the improvements but no profit for the land
  - just the profit in the land
- Fairhope was founded in 1894 to test the economic philosophy of:
  - Henry George
  - The Somers System
  - Thomas Jefferson
- New Jersey's tax reform committee saw "site value taxation" as:
  - causing massive decay of their cities
  - a means to draw capital into older cities
  - unrealistic

Answers to the Quiz:  
1. c. 2. c. 3. d. 4. b. 5. b. 6. b. 7. a. 8. b.



A new street, developed at Corporation's expense.

## IF YOU DISAGREE

Sometimes disagreements arise. Lessees and the Corporation can disagree over the setting of rents and the consideration involved in lease transfers. Both kinds of disputes have come up in the past and undoubtedly will again. But there's a machinery for handling both kinds of disagreements. If a lessee disagrees over the amount of his rental he can take the matter up either with the Executive Council or the newly-established Review Board. The Council has been known to remove rental increases — even retroactively. But it's a tricky question at best, for two reasons: 1. The experiment calls for the full collection of economic rent and every lessee agrees to this, and 2. rents finance benefits for everybody such as street paving, installation of drainage, curbs, sidewalks, gutters and other improvements, and pay taxes. *Leasehold transfers* bring about disagreements: occasionally, too. No leaseholder is supposed to charge more than the fair market value for his improvements. A disagreement over this value ultimately leads through lease mechanisms to a binding settlement through disinterested arbitrators selected by both parties. Each side picks one arbitrator from the other's list. Those two arbitrators then pick a third. What the appraisers say, is binding on the Corporation — not the lessee.

### DO CORPORATION RENTS ACCURATELY REFLECT TRENDS IN LAND VALUES?

