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A LESSON FROM FAIRHOPE, ALABAMA.

An example of a jurisdiction which used higher land taxation to advantage.

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Included in a comprehensive 52 page Study, How Jefferson County, West Virginia, Could Improve its Economy by Reforming its Property Tax System, Carl Shaw added an essay about Fairhope, AL, which is reprinted here.

In 1894, 24 idealists from various states, created a Geor-gist trust. The organizer was Mr. E. B. Gaston of Iowa. He talked the members into going to southwest Alabama and purchasing 132 acres of idle land for \$771. Later, the group purchased 200 additional acres for \$250. Since then, thousands of acres have been acquired. The group wrote a new city charter unlike any ever writ-ten. It guaranteed equal economic and land rights to each member. Members signed leases which were renewable and transferrable to run for 99 years. Prospective new members are required to take an economics class so as to understand the principles under which Fairhope was founded. A membership fee of \$200 was required, and later reduced. The original intention was to tax only the rent of the land. This system obviates any net rent capitalization, and so rules out any sale price of land. Eventually all of the trust land (over 4,000 acres) was leased. New arrivals have since purchased nearby and adjoining property. Today, trust land equals about 20% of the total city land, and contains approximately 20% (continued on page 5)

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of the population. 80% of the population lives on deeded land. Population has continued to grow.

Fairhope is the only jurisdiction in America which taxes all of the annual rent of land. It has done this since its founding in 1894. This is the basic principle of Henry George, whose economic philosophy is behind the city's founding.

Shortly after its founding, the city was advised by Baldwin County official that buildings had to be taxed. Fairhope is the largest city in Baldwin County, although it is not the county seat.

In the 32 years since I retired here to Calhoun County, West Virginia, my county has lost 1,200 people – a loss of about 3 persons per month. In contrast, Fairhope, Alabama has grown by 10,087 people – about 27 persons per month during these 32 years. Fairhope, which was founded by liberal dreamers who were very concerned about the progress of society, has been so successful that today it is a lovely and prosperous community, low unem-ployment, lack of the usual slum housing, where even the streets are beautified with lovely flower planters.

The 2009 median household income for Fairhope was \$53,497. Unemployment for those over the age of 25 was just 2.4%. Fairhope saw a 34% population increase during the 1990s. In 2005 there were 520 building permits issued at an average cost of \$187,700.

In 2006 there were 375 permits issued at an aver-age cost of \$272,600. Despite the recession, 152 permits were issued in 2010, with an average cost of \$239,100.

This describes Fairhope's current property system. Inside the Fairhope Single Tax Corporation ("The Corpo-ration") there are 2,918 parcels of land worth \$303,572,542. Outside the Corporation there are 495 par-cels, worth \$38,881,397. Total land value is \$342,453,818.

Tax rates are:

Residential home lots – 10% of value

Business lots – 20% of value

Utility lots – 30% of value

Off hand, one can find a rough estimation of land rent by finding 6% of the selling price, which will give us the approximate annual land rent. If Fairhope taxes 10%, 20%, and 30% of land value, it is clear that all of the likely land rent is being taxed. And this has been the long-term goal of Fairhope.

Today there are two jurisdictions which govern Fairhope: "The Fairhope Single Tax Corporation: and the City of Fairhope. Today Alabama state property tax law dictates procedures and involves current market value, the taxpayer's taxable income, certain deductions, and the usu-al millage rate system (.0065 mills). Unfortunately, for now, both the land and the improvements are currently being taxed. <<