10479

October 17, 1985
TO: Claude and Dian Arnold, Fairhope, Ala.
FROM: Nadine Stoner, Beloit, Wis.
SUBJECT: COLUMN ON FAIRHOPE FOR WPOL NEWSLETTER

Dear Claude and Dian,

Enclosed is the column on Fairhope that I propose to print in WPOL's newsletter. Also enclosed is a carbon copy, which I would appreciate your returning to me as soon as possible, either with corrections marked or with your approval. Thanks.

Nadine

FAIRHOPE SINGLE TAX CORPORATION

The idea of the land value tax colony that became Fairhope, Ala., was conceived in Des Moines, Iowa, following the economic crisis of 1893. The Des Moines Single Tax Club, influenced by Henry George's book, Progress and Poverty, organized the Fairhope Industrial Association, which was incorporated under the laws of Iowa in Feb. 1894. Three men were leaders in the colony's formative stages: Ernest B. Gaston, James Bellangee, and Joseph Fels. Starting in May 1894, a Search Committee spent two months investigating locations in Arkansas, Alabama, Louisiana, and Tennessee before a pine covered site in Baldwin County, Ala., on the eastern shore of Mobile Bay was selected.

Instead of advocating that land be privately owned, the founders of the Fairhope Single Tax Colony advocated a community ownership of all the lands. These lands would be "rented" to homeowners and others, who would be charged economic rent. From this economic rent, the Corporation would pay the property taxes levied by the county and state.

A corporation charter was secured, and to supply the corporation with funds to defray expenses and buy land, a membership fee of $200 was provided. The first prospective colonists to arrive in Baldwin County were from Iowa, Minnesota, Ohio, Pennsylvania, and the Pacific Coast. In Nov. 1894, a group of 25 boarded a steamer in Mobile and crossed the bay to establish their "fair hope." They assembled at Battles Wharf, a shore community about two miles south of the chosen site, with their first concern being to secure title to some land. All of these pioneers were relatively poor people. Hence land could not be bought in the quantity that would have been desirable.

In the first days of Jan. 1895 they took possession of 135 acres with 2800 feet of frontage on Mobile Bay. The price paid was less than $6 an acre. Later in the year they added 20 acres more on the bay. In 1897 title was secured to an additional

(Fairhope, continued)

320 acres inland. Almost every year from 1900 to 1907 saw the colony's holding increase in area.

During the year 1904, the Fairhope Industrial Association was reincorporated as the Fairhope Single Tax Corporation under the laws of the State of Alabama. The Constitution, established by members when the organization was reincorporated in 1904, provides that there shall be no individual ownership of land within the jurisdiction of the corporation, but the Corporation shall hold, as trustees for its entire membership the title to all lands upon which its community shall be maintained. Further, the Constitution provides: Its lands shall be equitably divided and leased to members at an annually appraised rental which shall convert into the treasury of the Corporation, for the common benefit of its members.

The first colonists were faced with many difficulties. Much of the land was submarginal and most of the colonists were strangers to each other as well as to the South. The land was poor for agricultural purposes. The site was not well located with respect to the nearest trading center, Mobile (across the bay). Until 1927 the only means of transportation to Mobile, now 18 miles distance by highway, was by water. The main attractions were a mild climate and a favorable location on Mobile Bay. Fairhope is 15 miles from the nearest railroad.

By 1907 the Fairhope Single Tax Corporation had grown to 4,000 acres, 125 homes, and a population of 500. A school and library had been built by the Corporation, and Fairhope had the only water works in Baldwin County. The commodities needed from other places were brought in by bay boats to the pier which had been built by the earliest settlers. The business district contained a dozen stores, three hotel a saw mill, brickyard, blacksmith shop, and a printing shop.

(Fairhope, continued)

In 1908 the town of Fairhope was incorporated and 500 acres of Fairhope Single Tax Corp. land was included in the city limits. A municipal government was set up in 1908. The Fairhope Single Tax Corporation and the city of Fairhope are two separate entitles. (Today the city of Fairhope is responsible for all administrative duties pertaining to the city, including the maintenance of utilities and streets.)

Not all of the land composing the present incorporated city of Fairhope is colony owned. After the colonists had established a community that showed promise of permancy, outsiders were attracted to adjacent land and several real estate interests bought tracts that the colonists had been unable to purchase because of their limited finances. These tracts were subdivided and sold in fee simple. Colony land comprises only a fifth of the total city area, but upward of 60% of the population of Fairhope lives on it.

When Fairhope was founded, Daphne (5 miles to the north) was already an established community and the county seat. But Fairhope has grown faster because it is too expensive to under-develop valuable sites upon which lessees are paying land rent (or land taxes). Also, residents know if they improve their properties, they need pay no tax increases for doing so. Fairhope has been one of the most progressive small cities in Alabama, because it has not become stagnant; it is continually attracting new businesses. Land value taxation also reduced land speculation; it keeps down the price of land and takes the profit out of land speculation.

Throughout the years, the Single Tax Corp. has provided the city of Fairhope with numerous benefits. In 1931 and 1932, the town of Fairhope received its more valuable assets--the beach front park, the parklands on the bluff above the beach, Henry George Park, and the pier grounds. These lands were an outright gift made by the Single Tax Corporation.

The original colony now operates as a private landlord. It is organized as a non-profit corporation within the town of Fairhope. For an initial charge of $1 the Corporation leases--to any acceptable applicant--a lot on a 99-year basis. The Executive Countil then determines the rental

(Fairhope, continued)

value of each lot and collects, semi-annually, from its lessees the determined amount. The revenue thus derived is used to pay the local, county, and state taxes for each lessee. What is left of the rent fund after payment of these taxes--and in a normal year about half of it remains--is used for public improvements.

The principal taxes of which the lessee is relieved are the property taxes, real and personal, levied by state, county and municipality. (Indirect taxes as well as income taxes must be borne by the lessee.)

Economic rent on land value provides an abundant fund for public improvements. In other words, land rent from sites leased to residents and businessmen has been used to support local government in lieu of taxes on buildings and wages.

Rents are determined on the basis of size, use, location and natural qualities and are determined by the Executive Council of the FSTC. A computer system supports the calculation of rents. The program uses the elements of the system developed for the FSTC in 1914 by W. A. Somers and additional elements which recognize the developments which have taken place in the area.

The extra municipal services financed by the rent from leased land has made Fairhope an extra pleasant town in which to live. Practically every street in the corporate limits, as well as several miles of country roads (the colony owns over 3000 acres of county land), are paved; a record that can only be envied, not approached, by other Southern communities of like size. Nine-tenths of FSTC land is rated agricultural land. All of the agricultural land is presently leased, as is practically all of the most desirable and most accessible of the urban land. The Single Tax Corporation's holdings extend back into Baldwin County for five miles.

Fairhope Single Tax Corp. has 1299 leaseholds; some are homesites, some are business sites, and some are farms. Each piece of land leased is legally described and lessees are encouraged to record the lease with the Probate Judge.

In Fairhope, land leases convey full and absolute right to the use and control of lands so leased and to the ownership and disposition of all improvements made or products produced thereon as long as the lessee shall pay the annually appraised rentals. Leaseholds shall be assignable but only with the approval of new lessees by the Executive Council of the Corporation. Members have no special advantage in acquiring leaseholds already under lease by individuals whether they are members or non-members.

The Constitution further provides that if a lessee shall exact or attempt to exact from another a greater value for the use of land, exclusive of improvements than the rent paid by him to the Corporation, the Executive Council shall immediately, upon proof of such fact, increase the rental charge against such land to the amount so charged or sought to be charged. Improvements may be sold provided there is not site value involved in the selling price of the improvements.

Fairhope in 1984 is a beautiful city of over 7,000 people. PSTC has 4300 acres of land, 500 acres of which are in the city of Fairhope, representing 20% of the city lands, and making the Single Tax Corporation the city's largest landlord. PSTC has 3000 feet of land near the waterfront.

REFERENCES:

"The Fairhope Colony," by C.A. Gaston, chapter in Land Value Taxation Around the World by Board of Editors, published by R.Schalkenbach Fndn., NY, NY (1955?)

Fairhope and the Single Tax Corporation, published by Fairhope Single Tax Corp., Fairhope, Ala., 1981.

Incentive Taxation, C.S.E., Indiana, Pa.: "The Story of Fairhope," April 1981; "The Story of Fairhope STC," Dec. 1984.

nws