

# Introduction to the Structure and Workings of the ABC



The [ABC](#) generates a profit by purchasing land into a [commons trust](#) with an unlimited supply of free capital that exists only to purchase land into a commons trust.

In exchange for this rather inexpensive service, the ABC retains 10% of the net rental stream for a period of time ranging from 1 month to 50 years.

The ABC functions like a real estate investment trust that issues always well-received equity to finance each purchase. The equity also functions as a currency called the VIP\$.

The AFFEERCE Benefit Corporation (ABC) is chartered as a benefit corporation. Legally, that places the benefit it is providing to the general welfare ahead of investor interests.

In reality, however, the benefit is very much in the investor's interests, both ethically and financially. It is likely that bringing about a new world was the prime motivation behind the investment.

The "Benefit" in the AFFEERCE Benefit Corporation is to purchase as much land as possible into the [ABC Commons Trust](#) and to follow the directives of the [VIP Treasury](#) in controlling the supply of VIP\$.

Distribution of ground rent and [movement of land between commons trusts](#) is specified in the charter, enforced by the VIP Treasury, and outside the control of the ABC.

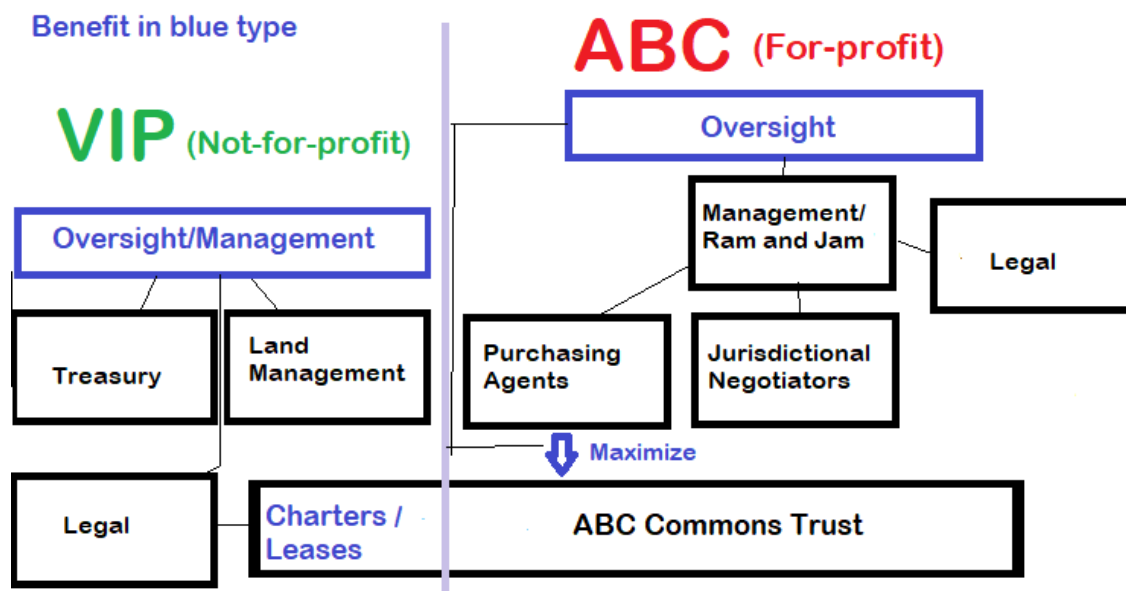
Maximum land purchases can be considered a benefit to society at large, as eventually, all land in various commons trusts will be moved into a [Federation Commons Trust](#), with [ground rents](#) in the form of an [Earth Dividend](#) distributed equally per capita to every resident of the Federation. Most land outside of cities will be freely available.

Attainment of the benefit leads to a material monopoly on land, mandating strong government and [community oversight](#) of the VIP Treasury in its adherence to the charters. Government oversight of the ABC is needed to ensure maximum land purchases as prescribed in the benefit.

While maximum purchases are in the interest of the ABC, there is little incentive to purchase land in a community nearing [Phase II](#). Once the Phase II threshold is crossed, all land in that community will be moved to a [Phase II commons trust](#), and the ABC will lose a large rental stream. Deliberate attempts not to buy land in such a case is in violation of the benefit and should be subject to an antitrust action. There are also [incentives to counter this temptation](#).

What follows is a diagram of the primary departments of the VIP Treasury/[Land Management](#) and ABC. The ABC is formed concurrently with the not-for-profit VIP organization responsible for [monetary policy](#), legal charters and leases, the currency ([VIP\\$](#)), the [VIP environment](#), and land management. The VIP will be described in subsequent modules.

### Initial Organization of the VIP and ABC



Despite frequent interactions, both oversight and management of the ABC and of the VIP must be separate and at arm's length. Oversight committees for both organizations are chosen from community leaders and other interested parties, such as activists and AFFEERCE scholars. Charters should require that oversight of both organizations, within several years' time, be specified in two distinct [ISO](#) documents.

On the right side of the gray line are the primary departments of the ABC. Besides management, these are purchasing and negotiation. Legal is much smaller than VIP legal, but critical due to the disruptive power of the innovation.

The ABC Commons Trust is not a department. It is a virtual/legal construct consisting of a secure database, along with charters and leasing templates. Purchasing agents purchase land into the trust. Rents are distributed out of the trust.

At some point after 20 years, the amount of land in the trust starts to drop. When the trust becomes empty again, the ABC ceases to exist. How this happens will be explained in other modules.

**Jurisdictional Negotiators** – it is the job of these negotiators to obtain a legal agreement with the local taxing jurisdiction. The core of the agreement is universal and created by the legal department at VIP Land Management (not ABC legal).

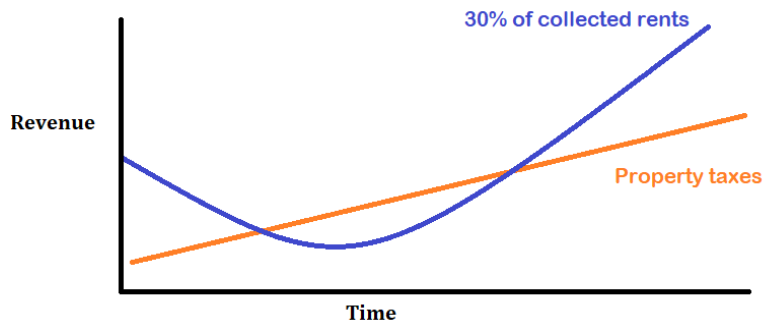
The agreement states that the jurisdiction agrees to permanently eliminate all property taxes on jurisdictional land purchased into the ABC Commons' Trust in exchange for 30% of the [ground rents](#) collected on that land.

In the United States, this jurisdiction would typically be a county and negotiators would try to persuade the county board. A vote by the state legislature might be required as well. The county will receive an immediate benefit in assessment and enforcement costs and [other benefits](#).

Based on projected market forces, the counties selected, and land purchase modes, 30% of ground rent is expected to exceed the original property taxes on average. However, this relationship holds only for counties where the average homeowner [land-share](#) is in excess of 40% and property taxes are no greater than 1% of total property value.

Negotiators will focus on those counties, as ABC income and other benefit-mandated distributions are as dependent on these conditions as is county revenue.

In a more typical community with only 33% land share and property taxes over 1%, the relationship over time will look like the diagram below. Land shares below 27% might never recover to initial property tax levels.



The job of the negotiator is to convince states and counties that the agreement to replace property tax with 30% of ground rent on land purchased into a commons trust is in the county's best interest.

With selected counties, it will be. All counties have a right to sign the agreement. A diverse set of counties is welcomed, but not sought. For reasons of monetary policy, some counties with very low land share will be sought.

However, even those counties will have low property taxes and the agreement will be of net benefit to the county. The agreement can include a seller premium to the county, at closing, for the conversion. Other arrangements that do not affect the commons trust lease can be included in the agreement.

In many low-property-tax areas, such as California, property taxes are kept artificially low and land shares are very large. These are prime targets for the negotiators. California counties should be eager to sign.

By the start of year 4, agreements with all counties and similar jurisdictions throughout the world will be sought.

Negotiators are skilled lobbyists and should be paid accordingly. However, it would not be unreasonable to promise a \$10,000 to \$50,000 bonus for signing a county, based on the county's size. Negotiators should consult the module [Average Rent as a Percent of Purchase Price](#) for estimating county return.

**Purchasing Agents** – After a jurisdiction signs the agreement, land within the jurisdiction is available for purchase into the ABC Commons' Trust.

In the first few years, only properties listed for sale, where the owner plans on vacating at closing, will be purchased. Since the seller is abandoning the property, seller agreement with the lease is not an issue. The property will be auctioned off to the highest bidder of ground rent on [LGATS](#).

Once “for sale” properties are exhausted, provided the VIP Treasury agrees this is consistent with monetary policy, land will be purchased into the ABC Commons Trust, without a change in property ownership. That is, structure title remains with the property owner who becomes a tenant on the land. In two or three years, most sales will be of this nature. What motivates a property owner to sell without moving?

Here are several of the reasons a sale might happen (more detailed descriptions can be found in [How Much Will the ABC Pay](#)).

- To get a large cash infusion.
- To pay off the mortgage.
- Because rent is less than mortgage plus property tax.
- To eliminate both rent and property taxes in low land share communities.
- So that seller can avoid massive increases in property tax for planned construction.
- So that seller keeps all rental revenue streams.
- Because rent falls by 67% annually unless raised or frozen by the landowner.
- To get a large profit from the first treble.
- To simulate reverse mortgage cash for the elderly, while heirs can inherit the structure.

Regardless of the reason, the purchasing agent finds willing sellers and signs the contract. Like all real estate transactions, closing takes place at a title company. The purchasing agent is well-trained in the special procedures required for this kind of purchase and handles the closing.

Closing costs are paid by the seller. At the closing, the seller surrenders land title to the ABC and receives structure “title”, plus an ABC Commons Trust lease, plus the purchase price.

The seller has the right to choose between U.S. dollars (or other national currency), the VIP\$, or any combination thereof. VIP\$ are created regardless of the seller’s choice.

The currency is created at the time the contract is signed. Should the closing fail to occur, no currency will be created on subsequent purchases until the extra currency is accounted for.

VIP\$ in an ABC account following a land transaction are sold at market [according to strict rules](#). The U.S. dollars can only be used for future land purchases or to purchase [VIP\\$ for destruction](#). This process is called [ram and jam](#) after the poker phrase.

Purchasing agents receive a standard salary. The commission structure is complex and described in [ABC - The First 20 Years](#).

**How the ABC Makes Money** – for properties where the homeowner is planning to remain, rent starts at 5% of the purchase price and [drops by 67% annually](#), unless raised or frozen by the property owner.

Many property owners will allow the rent to rapidly fall forever, until somebody tries to bid the property away (this is called a [treble](#)). However, homeowners cannot be assured that even keeping the rent at 5% is sufficient to stop motivated [treblers](#).

Rent can be paid in either U.S. dollars or VIP\$ at the U.S. dollar [peg](#). After 30% is transferred to the county, 10% of the remaining rent goes to support the VIP. Another 10% of the remaining rent goes to the ABC for operations and profit.

The U.S. dollar value of these distributions is guaranteed by the ABC to be 99% of peg. Should the ABC land fund run dry, [arbitrage](#) opportunities ensure that the [lowest possible floor for the VIP\\$ is 75% of peg](#). This is not expected to happen.

## **A Quick Estimate of Potential ABC Ground Rent Revenue**

The total value of the world's real estate reached [\\$326.5 trillion in 2020](#). Assuming an average 33% land share, and that total land value (including vacant land) [is greater than or equal to total structure value](#), the total land value in the world is  $2/3 \times \$326.5 \text{ trillion} = \$217.67 \text{ trillion}$ .

Rent, on average, is 5% of land value (1.67% of purchase price). Should the ABC Commons Trust hold about 10% of the world's land, on average, after five years of operation, and continuing for 35 additional years until Worldwide Federation, ABC rent revenue can be estimated.

$10\% \text{ (of world's land)} \times \$217.67 \text{ trillion (land value)} \times 5\% \text{ (average rent)} \times 70\% \text{ (rent not going to county)} \times 10\% \text{ (ABC Commons Trust distribution to ABC)} = \$76 \text{ billion}$ .

This annual revenue of \$76 billion for the ABC would be mostly profit. Not all land will go through the ABC Commons trust on the way to a Phase II or Federation commons trust. Much of it will, however.

Some parcels will be in the ABC Commons Trust for a few weeks, and others will remain there for decades. The deciding factors are exogenous to the ABC, and the oversight committee will ensure that this remains the case.

Not all profit will go directly to the ABC. [Franchise agreements](#) should be generous to curtail criticism of the ABC's protected monopoly status.

## Operation

Operation is covered in much more detail in [ABC-The First 20 Years](#). In short, with plenty of U.S. dollars in the land fund, a contract to purchase a property is signed and a closing scheduled. VIP\$ are created for the purchase price and placed in an ABC account. The ABC will strategically sell these VIP\$ on the open market for U.S. dollars to be added to the land fund.

This does not lead to an infinite supply of U.S. dollars. The 1% discount and [two different banking rates](#) (rates that control the necessary destruction of VIP\$) rapidly deplete the supply of VIP\$. A good selling strategy can increase the money multiplier. This process is called [ram and jam](#).

The business plan is designed around "virtual months". Each month has objectives, and the "month" does not officially end until the objectives are met. The greatest acceleration of land purchases occurs in years 2 and 3.

The 75% net rent benefit fund is split equally between a [land fund](#) held in U.S. dollars, and an [Earth Dividend Subsidy Fund](#) (EDSF) used to fund Earth Dividends through the [auction lotteries](#).

The EDSF is further split between providing nominal auctions for original residents of [Phase II dominions](#), and holding worldwide auctions where the maximum bid is unlimited.

Auctions cannot begin until at least one [community reaches Phase II dominion](#). Staffing is minimal as auctions can usually be scheduled sequentially. It is theorized that the first community to reach Phase II dominion will become a megacity.

In this module, we have taken a look at the basic workings of the ABC and how it earns a profit. This is only a preliminary business plan. The ABC could change substantially in actual implementation.

The next four modules cover the not-for-profit VIP on the left-hand side of the diagram. Modules will cover [commons trusts](#), including charters and leases, [VIP Land Management](#), the [VIP Treasury](#), [VIP\\$ currency](#), and [VIP environment](#).