

# ABC Purchasing Modes



Although the actual proposed implementation will be specified in the [business plan](#), this preliminary business plan has the [ABC](#) maintaining two categories of property for purchase into the [commons trust](#).

The first are high [land share](#) communities [where 30% of projected rent exceeds property taxes](#). These are communities with land share in excess of 40%. As seen in [Average Rent as a Percent of Purchase Price](#), average rent at 40% land share is 2.49% (handles 0.74% property tax), at 50% it is 4.16% (handles 1.25% property tax), and at 60% it is 5.83% (handles 1.75% property taxes).

Counties projected to see an immediate increase in revenue are more likely to accept the [property tax agreement](#). 39% of all U.S. communities have [average land shares](#) above 40%.

The second are communities, often within the same counties, that do not meet the 40% land share average. It is essential that one or two counties with extremely low land share be brought on board as a [monetary policy](#) tool (discussed below).

Properties in low land share communities are placed on a [waitlist](#) to be sold into the [ABC Commons Trust](#), both as part of a diverse group of properties and when essential for monetary policy.

The word “county” can be interpreted to include similar jurisdictions from other nations.

## Modes of Purchase

There are two modes of purchase into the Trust. The most profitable is [sales mode](#). The default mode is [advance rent mode](#).

## Sales Mode

Sales mode predominates during the early years, perhaps exclusively if the ABC is faced with frequent excess [VIP\\$](#) supply. The ABC is projected to purchase and [destroy](#) VIP\$ to maintain 99% peg.

Should this destruction exhaust the ABC [Land Fund](#), leading to VIP\$ below 99% peg, sales-only mode is employed. This happens after VIP\$ destruction has restored an equilibrium market at 99%. Some destruction of the VIP\$ from the supply shock of ABC [ram and jam](#) operations is normal and shown in the spreadsheet.

In sales mode, the ABC purchases homes, apartments, and office buildings explicitly listed for sale. This is true for high land share and low land share properties.

Low land share properties listed for sale are taken before other properties on the waitlist where the owner plans to remain on the property after it is purchased into the commons trust. "For sale" means exactly that. After the sale, the party surrenders the property to the buyer, which is the [ABC Commons Trust](#).

The ABC Commons Trust marks the property as abandoned. [Abandoned property is auctioned off to the highest bidder of ground rent](#) with the structures thrown in "for free".

Remember, the winning bidder now owns the structures, no matter what the rent is. If and when they are [trebled](#), they will be compensated for those structures with [a 33% premium](#). In 40% land share communities, this could be 60% of the purchase price.

This is true because [ground rent](#) is completely voluntary once the requisite upfront payment is made. This upfront payment may be the 5% withheld when the property is purchased into a commons trust, the amount bid at abandonment auctions, or the amount of a treble.

Abandonment auctions of low land share properties produce even better near-term results for recipients of the ground rent distribution, e.g., the county or the ABC. In these communities, rent bid could initially be 80% of the purchase price or more.

The buyer is both purchasing the structure and the right to use the land without paying property tax. Furthermore, buyers in communities with land share below 20% are unlikely to ever face a [trebler](#) due to the 33% premium. Bidders are purchasing a tax-free structure and rent-free land.

Demand for discounted VIP\$ by bidders should create much needed excess demand in the first six months. This bidder arbitrage is the greatest source of VIP\$ demand in the first three years.

This windfall for the county could exceed twenty years of property taxes. In some low land share counties, this will be all the property taxes the county ever receives from the property.

However, AFFEERCE economic theory suggests these counties will experience a significant increase in land share [due to an explosion of new construction](#) and an increased popularity of the county as a destination for businesses and residents.

Offer prices for all property, whether purchased in sales mode or not, are set by VIP Land Management ([VLM](#)). Commissions for sales mode purchases are not based on this price, but on the excess received at auction. If the land share is 20%, the structure is worth 80% and commissions are earned on excesses above that 80%. Commissions are paid in [salary equity](#).

Land share is determined for various neighborhoods and building types within the county by VLM shortly after the property tax agreement is signed. Purchasing agents benefit by having a better understanding of land share than employees at VLM and can select for-sale underpriced structures based on that understanding.

Sales mode brings in huge rents for both the ABC and the counties. However, it reduces the supply of VIP\$ by sequestering them in advance rent accounts and increases the demand for VIP\$ by auction bidders. The relationship of the VIP\$ to its U.S. dollar peg determines whether this is a good thing or not.

A VIP\$ over 99% peg lowers [retail consumer VIP\\$ demand](#) and lowers [treble demand motivated by the discount alone](#). A VIP\$ at or above 99.1% of peg even lowers the currency's [dividend](#). While these are a source of temporary equilibrium, the equilibrium will end with excess supply shock when the [advance rent accounts](#) empty into the economy.

[The VIP Treasury](#) sets rules on sales mode, such as sales mode is not allowed for at least 7 days after the VIP\$ trades above 99.9% of [peg](#). Or that sales mode can only be restarted after the ABC has [banked](#) some currency (99.04% peg or below).

More typically, the VIP Treasury will instruct the ABC to engage in a mixed mode with some sales mode purchases and some advance rent purchases.

Perhaps the group most likely to object to purchases into the ABC Commons Trust and sales mode in particular are real estate brokers. In the interest of preserving the peace and tapping their valuable closing and negotiating skills, brokers will receive priority to be hired as purchasing agents of the ABC and its franchises.

Because the seller promises to abandon the property on closing, there is no advance rent payment required when a property is purchased in sales mode. Sales mode as a part of a regular purchasing strategy is phased out in the spreadsheet [simulation](#) in year 4. The incentive not to abandon one's property will be too well-known.

## **Advance Rent Mode**

In advance rent mode, the seller must pay 5% of the purchase price as advance rent. This can be in discounted VIP\$, regardless of whether the purchase was done with U.S. dollars or VIP\$. Sellers have no incentive to abandon the property. Many will hope for the superprofits of the first treble.

There is real value created when land is moved into a commons trust. Instead of being monopolized, land becomes available to [the most efficient user](#). In sales mode, most of that created value goes to the commons trust in the form of advance rent.

In advance rent mode, property value, save for the 5% advance rent, goes to the property owner. The [property owner](#) receives the fair value of their property from the ABC minus the advance rent. Then, on occasion of the first treble, they receive [133% of the structure value](#), plus a refund of whatever remains in their advance rent account.

On average, for ABC selected counties, property owners will be paid 1.7 times total property value. Trebles on low land share properties are even more profitable. Many initial sellers into the commons trust will actively seek a treble and never pay rent beyond the advance rent account. However, if the land share is below 27%, the strategy usually fails. A treble is unlikely even when the rent is zero.

Most ABC selected properties (40% land share and above) will be in treble danger in under 8 months. Sellers seeking the superprofits of the first treble [allow rent to fall](#) until that happens.

As opposed to sales mode, the seller takes the profit rather than the commons trust. In the first treble as opposed to in an abandonment auction, most VIP\$ used

for the treble are released into circulation, rather than [sequestered](#) in an advance rent account.

Property owners are approached by a purchasing agent with an offer at fair market price for the entire property. Selected property owners who accept the offer will be compensated in U.S. dollars, with the property owner responsible for closing costs. Starting rent as a percent of purchase price is set to 5%. The property owner is always free to raise the rent or let it fall at the 66.67% annual rate.

Selected counties are chosen for two reasons which are caused by land share exceeding 40%.

First, 30% of ground rent will exceed current property taxes on average.

Second, this will quickly fund the ABC operations and profit fund with 10% of [net ground rent](#). Barring legal or political obstacles, counties in the states of California and Colorado are highly qualified.

Ideally, the ABC wants to keep the VIP\$ trading at 99.05% peg to 99.07% peg. Should it ever hit 99.1% peg, sales mode cannot be resumed until it drops to 99.04% peg.

Purchasing from the waiting list can be a very useful tool in maintaining the proper discount. As AFFEERCE grows in popularity amid increasing VIP\$ demand, the majority of purchases could be from cheap, waiting-list land.

In every case, the VIP Treasury sets the property offer price, which will be on the high end of market during excess VIP\$ demand, on the low end of market during excess VIP\$ supply, and exactly market for the waiting list.

The waiting list of properties to be purchased into the ABC Commons Trust is first-come, first-served. A fair market price will be attached to each offer on the list. If the price is not acceptable, the homeowner should exit the list. There is no negotiation. However, offer prices will be adjusted for U.S. dollar inflation for the waiting time period between the offer and the purchase.

All waiting list compensation is in VIP\$ and homeowners are responsible for closing costs (in U.S. dollars if that is required by the county). Mortgage holders can have VIP\$ converted to U.S. dollars at the market price as a condition of closing. Advance rent is 5% of purchase price.

Some counties will add a closing cost fee for implementation of the property tax agreement, as they are not likely to see any additional rent once the 5% advance rent fund is depleted.

However, the lure of large sales-mode windfalls might prevent counties from charging very high fees at closing. In counties where no future rent is expected, taking an additional 10% of purchase price at closing is reasonable. Once in the ABC Commons Trust, all properties are subject to identical parameters.

Prices are set by a random appraiser working for the VLM. The appraiser determines the [depreciated replacement cost](#) of the structure and divides by 1 minus the land share to arrive at the offer value.

If the depreciated replacement value of the structure is \$200,000 and the land share is 33%, the offer price will be  $\$200,000 / (1 - 33.33\%) = \$300,000$ . A 1% variance is allowed as a tool of monetary policy. There is no variance allowed on waiting list properties. There is no negotiation.

The ABC pays the VIP Treasury a fee for appraisal of selected community homes and businesses at cost. However, the VIP Treasury will do a free appraisal for all homes and businesses on the waiting list. The waiting list is an important monetary policy tool.

Purchasing agents earn no direct commission for closing on an advance rent sale. Instead, they receive a commission on these sales after 4 years. The commission is 1% of the previous year's net ground rent.

This is 10% of the net ground rent received on this property by the ABC. This encourages the purchasing agent to seek out desirable properties that will be trebled or properties where the owner will actively pay rent.

For homes and businesses on the waiting list, a random or next-up purchasing agent is assigned to the property at the top of the list.

## **New Development**

Prior to the start of new construction on private land in either a high land share or low land share county, it will be in the interest of developers to seek a promise-to-purchase contract with the ABC purchasing department. Once construction is complete, these purchases are ordinary advance rent purchases.

However, they carry an amazing benefit for the developer and generally serve to raise rents in the county overall. The ABC will only sign the promise-to-purchase contract if they believe the proposed development is meeting a real local demand.

Upon completion of construction, the developer sells the land into the ABC Commons Trust. The developer receives the replacement cost of the new construction, plus what they paid for the land. As in any advance rent purchase, the developer still owns the new construction which can be sold or used in business.

The actual implementation of purchasing modes and categories will be specified in the ABC business plan and the legal charters and other documents of the ABC Commons Trust. These ideas are no more than opening proposals.