

Class II Infrastructure Contracts and Covenants



The [cellular democracy](#) enforces the [subjective rights, covenants](#), injunctions, and contracts of the [direct democracy](#).

The direct democracy has the right to raise revenue for the building, [trebling](#), and ownership of infrastructure. This is either done with [parallel cells](#), or in harmony with a [district council](#) at some slightly higher [level of federation](#). For instance, a level-2 dominion will build a fire station in coordination with a level-3 fire district that plans to rent it as a fire station.

In the case of the fire station, the level-2 direct democracy would ratify (2/3 plurality) a legislative package. This package contains a contract with a construction company, and a fully [VIP-budgeted consumption tax](#) set to expire when the construction contract amount has been raised (there is a constitutional limit of 2 years). It will also contain a contract of ownership describing who owns the infrastructure after it is completed, and a covenant restricting its use.

The VIP-enforced budget requires sign-off on certain phases of construction before the money can be released. The percentage rate of the consumption tax is based on multiple variables such as the mean and variance of the community's spending patterns and late fees and other penalties charged by the construction company.

The contract of ownership describes the extent to which current and future residents of the community own the infrastructure. This determines distribution of proceeds from infrastructure rent, from a treble, or from a sale. Associated with the contract is a covenant, and the authorization procedures for sale are included as well.

There are contingencies in the event the infrastructure is not put to its intended use. This can happen due to a change in intent by either party (the level-3 fire district or the level-2 investors in the station), or from denial of [access rights](#) by the [judiciary](#).

Private Investment Preferred

Private investment is preferable to a consumption tax and a complex contract of ownership. The [landed aristocrat](#) and other community-minded or investment-minded members of the community can place funds in escrow in order to purchase ownership of the infrastructure, in advance of the vote.

Should the funds in escrow meet the terms of the construction contract, a vote of the direct democracy will be unnecessary. A cellular council member will sign the contract as a representative of the community and escrow funds will be disbursed as provided in the VIP-enforced budget.

If the only way to complete funding of the project is through a consumption tax, a 2/3 plurality of the dominion is required to ratify the package. In the case of the fire station, the vote would be held by adult residents at level 2.

The actual creation of the package was likely done by members of the level-2 council who have greater experience in putting together such a package. If the vote fails, any funds in escrow are returned to their owners.

Once the package is passed, the contracts are considered signed, and construction begins. A new contract is prepared between the owners of the fire station (typically represented by the level-2 district council) and the appropriate fire district at level 3.

The contract grants a long-term lease to the fire district and assigns access rights (this building must be used as a fire station). Because access rights are involved, the contract must go through [judicial preview](#) to determine whether those rights are [class II](#) or [class III](#).

If the court finds they are class II, the access rights will be granted. In the case of a fire station, it is highly likely access rights would be granted, assuming there was not another fire station in the next block. A [trebler](#) would need to honor the long-term lease or negate the externality in some other manner.

If all parties are willing to share the risk, the best option is to merge the contract with the fire district into the initial package. The entire initial package would go through judicial preview and then be ratified by a 2/3 plurality.

Because access rights are involved, a 2/3 plurality of the level-2 dominion is required, even if the consumption tax has been removed and there is no ownership by the community. However, access rights can be granted by either a

2/3 plurality of the level-2 dominion (where the fire station is located), or the level-3 dominion (where the fire station is also located).

Ownership conditions within the community can be contingent on compensation with new currency by the Federation Treasury in the event the infrastructure can be shown to increase land value. It is likely contracts will stipulate that ownership lies with the original funding taxpayers until compensation from new currency or rents exceeds the future value of the taxpayer investment at 5%. Following the event, community ownership is shared equally by all current members of the community. This does not apply to escrow investors.

There is an [infrastructure distribution](#) that is part of the [Earth Dividend](#). Infrastructure distribution that cannot be commingled with private investment, community ownership, or consumption tax revenue. Infrastructure built with the Earth Dividend can have no associated rent or tolls.

Should such infrastructure be trebled, 133% of the [depreciated replacement cost](#) is returned to the [Federation bank](#) – a deflationary operation that must be accounted for in monetary policy. 100% of the revenue from sale of Earth Dividend-built infrastructure is returned to the Federation bank. Efficiency, not profit from the sale, is the reason such infrastructure would be sold.