

## Introduction to the Structure and Workings of the ABC



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

In exchange for this service, the ABC retains 5% of the rental stream for a period ranging from 1 month to 50 years. The purchasing agent receives 1% of the ground rent for life or 25

years, whichever is greater. The ABC functions like a real estate investment trust that issues equity to finance each purchase. The equity also serves as a currency called the Elsie or VIP\$ alternatively.

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

However, the benefit is very much in the investor's ethical and financial interests. Bringing about a new world was likely the prime motivation behind the investment.

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

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.

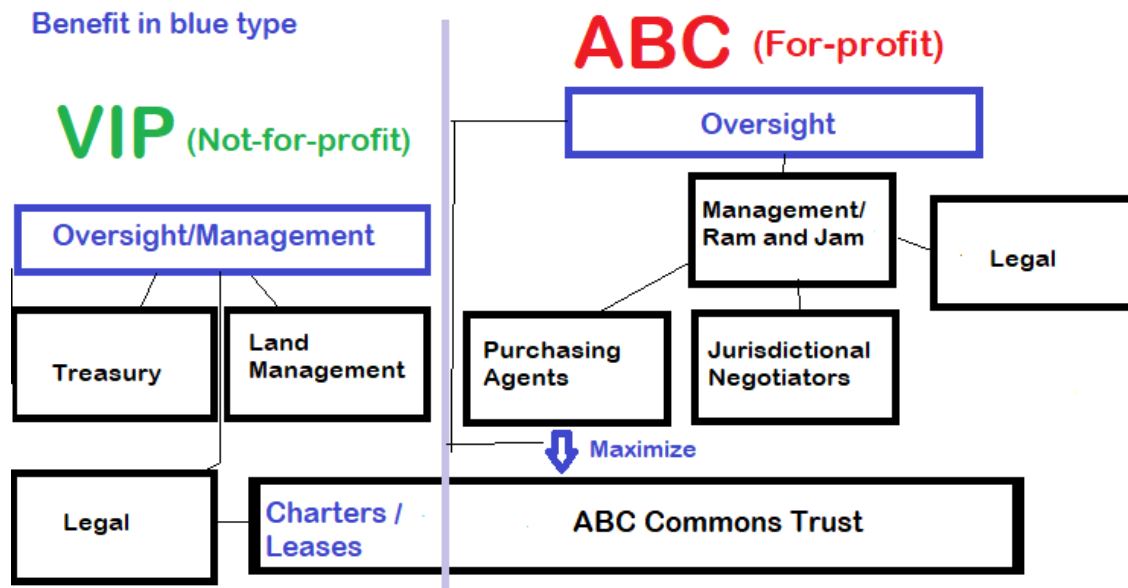
Maximum land purchases can benefit society at large, as eventually, all land in various commons trusts will be moved into a [Federation Commons Trust](#), with [ground rents](#) in the form of an [Earth Dividend](#) distributed equally per capita to every resident of the Federation. Most land outside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

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 sizeable rental stream. Deliberate attempts not to buy land in such a case violate the benefit and should be subject to an antitrust action. There are also [incentives to counter this temptation](#).

A diagram of the primary departments of the VIP Treasury/Land Management and ABC follows. The ABC is formed concurrently with the not-for-profit VIP organization responsible for [monetary policy](#), legal charters and leases, the currency ([Elsie/VIP\\$](#)), the [Elsie Toolkit](#), and land management.

**Initial Organization of the VIP and ABC**



Despite frequent interactions, oversight and management of the ABC and 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, be specified in two distinct [ISO](#) documents.

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

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

After 20 years, the amount of land in this 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 was created by the legal department at VIP Land Management (not ABC Legal).

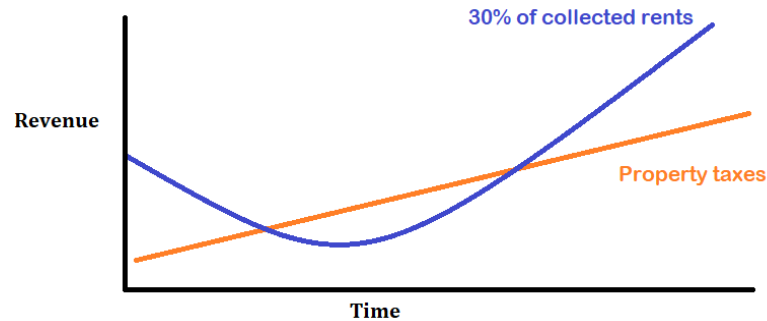
The agreement states that the jurisdiction agrees to permanently eliminate all property taxes on jurisdictional land purchased into the ABC Commons' Trust in exchange for 30% of the [ground rents](#) collected on that land.

This jurisdiction would typically be a county in the United States, and negotiators would try to persuade the county board. A vote by the state legislature might also be required. The county will receive immediate relief in the cost of assessment, enforcement, 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 more than 40%, and property taxes are no greater than 1% of total property value. Nevertheless, fees received from auction proceeds make this a good deal even for counties with high property taxes.

Negotiators will focus on those counties, as ABC income and other benefit-mandated distributions are as dependent on these conditions as 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 negotiator's job 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.

It will be with most counties. All counties have the right to sign the agreement. A diverse set of counties is welcomed. Some counties with very low land shares will be sought for monetary policy reasons.

Typically, low land-share counties have high property taxes on structures. Nevertheless, even these counties can benefit. The agreement can include a seller premium to the county at closing for the conversion. Transfer taxes can be higher. Because structures are the main value component, auction proceeds will be much higher, and the county will get a one-time payment of almost 30% of the property value, even if the ground rent drops to nothing over time. Lack of property taxes will drive development, and rents will slowly rise.

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

Agreements with all counties and similar jurisdictions worldwide will be sought by the start of year 4.

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](#) to estimate the county's return.

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

Only properties listed for sale that the owner plans to vacate at closing will be purchased in the first few years. Since the seller is abandoning the property, the

seller's agreement with the lease is not an issue. The property will be auctioned off to the highest bidder of ground rent on [LGATS](#).

If “for sale” properties are exhausted, properties will continue to be purchased directly into the ABC Commons Trust. The structure title remains with the property owner, who becomes a tenant on the land. Near the end of Phase I, half of sales will be of this nature. What motivates a property owner to sell without moving?

Here are several 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.
- The seller can avoid massive increases in property tax for planned construction.
- The seller keeps all rental revenue streams.
- Rent falls by about 2/3 annually unless raised or frozen by the landowner.
- To get a significant profit from the first treble.
- To simulate reverse mortgage cash for older people yet allow heirs to inherit the structure.

Regardless, 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 purchase into the commons trust and handles the closing whether this is an auction mode sale or direct mode sale.

The currency is created when the contract is signed. If the closing fails, no money will be created on subsequent purchases until the extra currency is accounted for.

Purchasing agents receive 1% of the auction proceeds plus 1% of the ground rent on that structure for life or 25 years, whichever is greater. They receive additional benefits from ABC revenue.

**How the ABC Makes Money** – The ABC receives 5% of ground rent. In addition to this revenue stream, the ABC gets 5% of 95% of auction proceeds in auction mode, 5% of a 5% fee in direct mode, and 5% of revenues from other purchasing modes.

Rent is distributed in the ABC's currency of choice, as specified at least 2 months in advance. In its market-making capacity, the ABC guarantees the U.S. dollar value of these distributions to be 99% of the peg. Should the market value of Elsie fall below 99% of the peg, U.S. dollar payments to the counties, ABC operations, and VTLM will not be affected. The market maker is not required to handle revenue from auction proceeds in this manner. Auction proceeds in a different currency become a standing order in the Elsie Market.

## 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 theory holds 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, after 20 years of operation, ABC rent revenue can be estimated.

$10\% \text{ (of world's land)} \times \$217.67 \text{ trillion (land value)} \times 5\% \text{ (average rent)} \times 5\% \text{ (ABC Commons Trust distribution to ABC)} = \$54 \text{ billion annually from rents alone.}$

However, the rent is only part of the ABC remuneration. Typically, 95% of 50% of the property value (not land value) is distributed in auction mode. Most "for-sale" properties will be distributed in auction mode.

$10\% \text{ (of world's property)} \times \$326.5 \text{ trillion (property value)} \times 95\% \times 50\% \text{ (auction proceeds)} \times 5\% \text{ (ABC Commons Trust distribution to ABC)} = \$775 \text{ billion.}$  While the rent is annual, these are one-time payments.

The total ABC operation revenue and profit over 20 years, under the generous assumption that the average rent is  $\$54 \text{ billion} / 2 = \$27 \text{ billion}$ , is  $\$775 \text{ billion} + \$27 \text{ billion} \times 20 = \$1.32 \text{ trillion}$ .

A close look at the cost of operations will show that over a successful 20 years, there is about \$1 trillion in profit.

Of that profit, a small amount will go to Phase II communities through a Phase II commons trust. Profit will also go to franchises. [Franchise agreements](#) should be generous to curtail criticism of the ABC's protected monopoly status.

## Operation

Given enough U.S. dollars in the land fund, a property purchase contract is signed, and a closing is scheduled. Elsie is created for the purchase price and sold 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 must be replenished from the land fund. Demand for the Elsie must be sufficient to support the ram and jam. Otherwise, the operation ends, and Elsie is not purchased and is destroyed. A good selling strategy can increase the money multiplier.

The business plan is designed around “virtual months.” The spreadsheet is 20 360-day years long. Each month has objectives, and the “month” does not officially end until the goals are met. Twenty years is ambitious, so a slow start is not that surprising. Time can be made up in the later months. Nor is it a severe problem if Phase I extends beyond twenty years.

The 50% ground rent benefit fund is split equally between a [land fund](#) and an [Earth Dividend Subsidy Fund](#) (EDSF) used to fund Earth Dividends through [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 gain Phase II dominion will become a megacity.

In this module, we have examined the ABC's essential workings and how it earns a profit. However, this is only a preliminary business plan, and the ABC could change substantially in actual implementation.

The following four modules cover the not-for-profit VIP on the left-hand side of the diagram. They will also cover [commons trusts](#), including charters and leases, [VIP Land Management](#), the [VIP Treasury](#), [Elsie currency](#), and [Elsie Toolkit](#).