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## Fairhope, Alabama Real Estate Sales: We're Not in Kansas Anymore, Toto

by Caroline Walker  
Sirote & Permutt, P.C. — USFN Member (AL)

Fairhope, Alabama is located near the beautiful beaches of the Gulf of Mexico and has become a very popular retirement community in recent years. Fairhope was founded in 1894 in an effort to demonstrate the values of Henry George's single tax theory as outlined in his book *Progress and Poverty*. Basically, George's theory was that all men are common heirs to the earth and must extract everything they need from the earth. The value of land is calculated by measuring the market value of the land, assuming that it is used at its fullest productive capacity, regardless of how the land is actually used. In theory, this valuation technique encourages citizens to utilize land at its best and most productive use. While George's economic theories failed to catch on in Alabama, Fairhope continues to be a "single tax" community.

The Fairhope town fathers created a community in which the Fairhope Single Tax Corporation owns the land that the residents rent. The corporation is governed by members who must take an extensive class on Henry George's economic theories, pay \$100, and be approved to join by a majority of the members. The amount of the rent is set by the corporation and there is no negotiation between the corporation and the resident. Paid twice a year, the rent covers the residents' *ad valorem* taxes on the property and on vehicles up to the amount of the rent payment. Rent payments also fund community government and services such as parks and a library. The lease signed by residents has a 99-year term that can be renewed at any time and is, in essence, a perpetual lease.

When property is sold or mortgaged in Fairhope, only the leasehold interest is transferred. The corporation must be notified of any changes in ownership. Any new owner must attend a class explaining the community's single tax theory and

origins as well as the explanation of the lease and what it covers.

Fairhope's Single Tax Corporation has a very interesting effect on the sale of REO properties. It is highly recommended that when a bank sells such assets, it engage a firm that is familiar with all the moving parts involved with the Single Tax Corporation in order to minimize future exposure.

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14471 Chambers Road, Suite 260, Tustin, CA 92780  
P (800) 635-6128 or (714) 838-7167 · F (714) 573-2650 · E [info@usfn.org](mailto:info@usfn.org)  
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