

IS IT TIME TO SAY GOODBYE?

What Should Housing Providers Do in Response to the Current Crisis.

So we are sitting here resting, and thinking about what every other Housing Provider in Santa Monica is thinking about: The current crisis. But this crisis is more than the virus. It is many things, the top three being: (1) the COVID19 virus; (2) inflation and the high national debt; and (3) the onslaught of new and oppressive governmental regulations which are being pressed down upon the brow of owners, like a crown of thorns. Our crisis is full.

According to all levels of governmental bureaucracies, it is somewhat strange and curious that the greatest danger from the virus that we are all facing is the loss of tenant housing. That does not seem fair to HPs or other people either. Why always this incessant attention to all things “tenant” ? What is the value in “tenancy” and why does government cater to it? If you remember when the virus broke out the very first thing our Ex-City Manager did was to freeze evictions for non payment of rents. It wasn’t a freeze on the payment of poor tenants’ rents only, it was a freeze on payment of all tenants’ rents, all levels of wealth — whether the tenant could afford to pay or not. Sounds political to us. And then it went from bad to worse. Plenty of attention to tenants, no attention to HPs.

Inflation.

Remember, the current debt is \$25 trillion dollars or more. At this time who who really cares or knows. The national debt seems irrelevant and meaningless. It wasn’t always that way. Back in the day, it was important to try and balance the national debt. Who is going to sue the United States of America to collect on the debt? Even if it needs to be paid why not just print more money to pay off the old debt. All of this is quite mysterious to us.

But history teaches us that as the debt increases, and more money is printed, real estate increases in value and rises above the inflationary tenancies of printed money. Thus real estate has always been the gold standard of investment. It is clearly the safe harbor to weather the storm of inflation. An owner is able to pay off today’s mortgage balance in inflated dollars. Rent control has eroded that value somewhat, and the Nov 3, 2020 split role initiative will further erode real estate as a safe harbor. ¹ California no longer protects its real estate.

In the very old days, economists used to preach that high a national debt brings inflation and high interest rates, and ruined economies. Today we have a high national debt, but we have low interest rates, and very low inflation as well. What happened? Our low inflation rate is due to the fact that all our goods are purchased from china. You see China produces our products with prison slave labor. Labor remember is the root of all wealth. When labor wages are low, so is everything else. Thus cheap china labor is responsible for our very low inflation rates in the United States. Not only are wages low,

¹ The split roll initiative is meant to remove Prop 13 protection on commercial and industrial properties, requiring these properties to be taxed at fair market value each and every year.

but they keep getting lower. We in American are living the life of Riley on the backs of the Chinese slave labor market. But it probably will not last.

Remember “wealth” is nothing more than human labor; everything else is derivative of labor.

Trump Elected in 2020?

It will not last if Trump is re-elected in November 2020, because it is becoming clearer and clearer to him that the Chinese communist party intentionally allowed the virus to spread around the world to protect their own economy. Trump and his folks are furious and if given enough time will require retribution from China in the form of payment of damages and reduced reliance on their trade. In other words, Trump will require all goods to be manufactured in the United States; and bring back production to our country. But when the economy comes home, the Americans will be working — good thing; but costs of goods will go up. Thus inflation will be back. So what happens when we break with China and start making our own medicines and goods in this country? Clearly the cost-of-living will go up. ²

If Trump loses this election in November 2020 to Biden and / or Michele Obama, then it is clear that the progressive party in power will clearly continue business as usual with china. More Chinese investments will be placed with Biden’s and John Kerry’s sons, and so on. When progressives are in power, money talks to power. If this happens there will be very little or no inflation, because more and more of our goods and services will be manufactured in china. The progressive government will discover that actually it was not china that allowed the virus to infect the world, but rather it was the United State’s fault, so the US will be paying the rest of the work money to compensate for their losses. But all this will have a bad end as well.

So What Do We Do in California ?

California’s progressive party ascendancy and financial decline is pretty obvious. We are suffering under increased taxes, more and more regulations, and now a new move by state government to pay all the medical, educational, and housing expenses of the illegal immigrants who come into our state. As the news gets out, guess what? More and more illegal immigrants will be coming here, and why not? We can’t blame them for wanting a free lunch.

If the progressives win the national election, the border wall Trump is building will be pulled down, and more and more illegal aliens will be coming across the Mexican boarder into the United States. Who is going to stop them? Not the progressives. They have been criticizing Trump for the last 3 years about this issue. The problem is that most of the illegals will be coming to California because of its progressive policies of financial support. This of course means our state government budget will need extra cash, and that will mean higher taxes to the bureaucrats.

² Costco will still be there for us, but pots and pans will cost much much more, sleeping bags will go from \$20-\$100, and the fabulous black pullover synthetic sweaters will go from \$20 to \$40 each.

On the Santa Monica Scene

Santa Monica is heading to a financial disaster. The City Manager quit with no explanation; the assistant City Manager was passed over, and the City Attorney with absolutely no experience running a city was selected. What's that all about? SMRR has not given us an explanation. However, we know that SMRR insisted on building a new public library for 65 million dollars after the voters rejected their ballot initiative to give them permission to do so; they built a police station costing 70 million dollars, which was clearly not needed, they have spent 10 million to turn the County Court House parking lot into a soccer field; and they are just finishing up on a fantasy City Hall Annex at the cost of 70 million which should have cost \$10 million. The extra cost was because SMRR wanted it to be environmentally friendly, and pure "green." SMRR wanted to be loved by the World Order for its dedication to anti-global warming construction. Nice touch with tax payers money. Actually the building was never needed, and it clearly is not needed now that they fired 400 employees. ³Maybe they will be able to make it into a homeless shelter. The point is that the City has incurred in less than 10 years over \$250 million in debt for these worthless buildings. Worse is the SM School District. Not to be outdone by City Council they have spent tens of millions on their own buildings, on Lincoln near the freeway.

How can the city financially survive? SMRRs initial solution is to raise business sales taxes. The progressive mantra of tax and spend. Clearly SMRR is bankrupting the City.

On the State Scene.

First: The problem is that Governor Gavin Newsom has just announced "Voting by Mail" for all voters. What this means is that the state will issue a mail-in ballot to every registered voter for the November 3, 2020 election, whether that registered voter is alive or dead. This is a form of "ballot harvesting." The progressives will go door to door with mail in ballots, get the voters to vote at their front door, and then mail in the ballot for them. In the last election 2018, in Orange County -- once seen as a Republican stronghold in the state -- every House seat went to a Democrat after an unprecedented "250,000" vote-by-mail drop-offs were counted. The San Francisco Chronicle reported. "People were carrying in stacks of 100 and 200 of them. Orange County Republican Chairman Fred Whitaker said the ballot harvesting "directly caused the switch from being ahead on election night to losing two weeks later." Pretty nice trick?

With that and all the illegality that goes along with mail in voting it is clear that the progressives are going to capture the vote for all progressive items on the November 3, 2020 ballot.

Second: What are the issues on the November 3, 2020 ballot which are going to pass?
(1) The anti-Costa Hawkins vacancy decontrol initiative.

³ The annex is 50,200 square feet. It will house about 240 employees.

- (2) The abolition of Prop 13 tax protection for industrial and commercial buildings. ⁴
 - (3) The Criminal Sentencing Initiative and Cash Bail Referendum (no bail needed to release captured criminals while awaiting their trials)
 - (4) Remove the exemption from tax, for transfers between parents and children.
- What is pending to be placed on ballot from state legislature's referral
- (5) Voting for felons
 - (6) Voting age lowered to 17 years old
 - (7) Abolishing Local Voter Requirements for low income housing projects to be built.

All the progressive issues will be carried, come election day. The financial burden will rest upon property owners via increased taxes, and middle and high income earners via greater income taxes. In California 70% of all revenue obtained for the state's budget comes from income taxes. Now, 1% of all the taxpayers in the state pay 50% of the state's total personal income taxes collected. In other words, 1% of the population produces 35% of the state's total revenue. That 1% is only 145,000 people. Then 60% of the lowest income earners pay only 2% of the state's income taxes. And 10% of the highest earners pay 80% of the taxes collected (that's 11,450,000 people). ⁵ So what happens when 50,000 of the 145,000 highest income earners leave the state? A huge hole in the budget will happen, that's what. And it will snowball, because as services decrease, taxes increase on the remaining wealthy, forcing more and more of them to leave. See the example of New York City.

Third: 2021 The Next Year At Sacramento.

Clearly look for the introduction of laws to abolish the Ellis Act. The timing is perfect for such a move. Once Ellis is gone HPs have no protection or push back against rampant government regulations. And the regulations will be coming. We will then see the true face of governments. Worse, the fear is that Sacramento might abolish Ellis Act with an emergency law, taking effect immediately, rather than January 1, 2022. Thus we will be caught like sitting ducks.

Next comes the run of the mill annoyances. Reducing security deposits to one month's rent; outlawing background tenant checks for criminal activity, and even financial conditions. The unlawful detainer registry will be completely closed down, and it might be illegal to even ask a tenant if that tenant has been evicted from a prior apartment. One needs to read Animal Farm to understand the coming wave of events. None of this will be good.

⁴ This means that those properties will be assessed each year based on fair market value and not original purchase price. The ballot cry for passage of this amendment is "Why shouldn't property owners pay their fair share" of government. Why indeed? The answer starts with an analysis of what really is anyone's fair share of a government budget that is bloated to pay for high speed trains not being built, high salaries and retirement pension plans, etc. However, what the progressives don't understand is that with the removal of the tax limitations, rents will go up to pay for the higher taxes, vacancies will increase, small mom and pop owners who cannot afford to pay the higher taxes will be selling their properties, and values will actually go down. However, California will still need additional monies to pay for its progressive agenda, so the next round will be abolishing Pro 13 on residential homes and apartments. Why not. Shouldn't they pay their fair share as well? Of course they should. Clearly the value of residential properties (including apartment buildings) will drop.

⁵ To be in the top 10% a family has to earn \$150,000 or more a year.

On the National Scene

Many years ago at an Action meeting, it was predicted that Michelle Obama would be the presidential choice for the democratic party to run against Trump in November 2020. Then it did not seem possible, today, people are talking about Biden as presidential choice and hopefully Michelle Obama running his vice presidential choice. She hasn't spoken about it. She does not want to run for vice president, because her husband ran for president, she thinks she is as good as he is, and she should run as the democratic presidential choice. She is holding out for the presidential position and will not run as the vice presidential choice. This will force the democrats to move Biden out, allowing her run as the presidential choice. Can they do that? The democrats can do anything they wish. There is nothing to stop them. Both the press and the core Democratic voters have an overwhelming hatred of Trump. Anything and everything will be Kosher as long as Trump can be defeated.

If Michelle runs for president 90% of the national and local press corp will be on her side. Really on her side. There will be no intelligent discussion of her abilities, nor any worthwhile discussions comparing her to Trump. She might not even engage in debates with Trump, claiming he is too rude and vulgar. If she is elected, or if any other progressive candidate is elected, then we will have federal rent control and increased forced Section 8 housing vouchers, with more and more regulations controlling how and when a HP can rent their units. With more control will come less and less housing units, and greater and greater need for more and more housing, and thus more and more governmental controls. The cycle will continue, free market housing will become almost unbearable to manage under the burdens of ultra bureaucratic controls. California and New York will be at the forefront of disaster.

Ayn Rand; A Message From the 1950's

Remember Ayn Rand? She was a Russian born, then American writer and philosopher. She believed in laissez-faire capitalism, which she defined as a system based on recognizing individual rights, including property rights.⁶ In Atlas Shrugged the heroes of the book go on strike to resist against the welfare state, and build their own independent free economy. They decide to stop contributing their efforts to feed the totalitarian government against which they rebelled.

The Hollywood and New York progressives have declared Ayn Rand simpleminded and wrong. It is easy for them to destroy her philosophy; it is easy for them to destroy any citizen; since they control the press, TV, websites, newspaper commentators, and the like. But we believe in Ayn Rand, and her message. Her message was that when government gets too controlling, too overbearing, too oppressive, then its time to move on. Pick up and get out. Because when good people leave, and leave the business of running an economy to the worthless bureaucrats, these bureaucrats will fail, the system will fail, and like a house of cards all will come crashing down. Only then can good

⁶ Her most famous books, Fountainhead (1943) and Atlas Shrugged (1957).

government be restored. And while this destruction is happening, the relocated HP and HP's investments will be safe in a safe state. The HP can always continue to live in California, the HP could even rent an apartment and become a ward of the state, just like the other tenants here. But the HP's investments will be safe and secure; and growing in value.

The great and wonderful Santa Monica HP, James Baker once argued way back in 1979, that it was wrong for HPs to want to burn down the barn to get rid of the rats. He always thought HPs should negotiate with SMRR, that solutions existed to peaceful co-existence. He even negotiated (with much work and effort) the Chapter 17 Incentive Housing Program to Santa Monica Rent Control law.⁷ After some ups and downs with SMRR it appears times are at the cliff. It appears that the time has come again, where we are being pushed against the wall, worse than April 10, 1979. Why be beat up continually by dime store politicians, why be criminalized by city government lackeys, why take the abuse?

Let's let the government take over and provide housing to their own constituent tenants. It cost about three times more for government to do what private enterprise does in building, owning, and operating residential apartments — and that means tenants' rent should triple. Let SMRR decide what to do about that. We say let them have it. Santa Monica would be a perfect test city to see and how well a government can provide housing for its people without the help of private enterprise. Santa Monica would be a perfect city to see how well government can manage housing and further tenant rights.

And there is another reason to sell California apartment buildings and exchange into out-of-state warehouses. Compared to Wall Street Investors (who are lionized by the Hollywood progressive community even while selling out America to Chinese interests), the HPs are the scourge of the land. We are looked upon as thieves, harassers, and opportunist. All the pejorative terms the progressives may wish to recite. But it is and always has been the HPs that keep housing together, not only in Santa Monica, but throughout the state and the nation.

Why are the HPs so stupid ? Why are they willing to take the politicians and their lackey's abuse, why are they willing to earn less and less return on their investments and hard work, and why are they willing to take more and more misery from tenant attorneys and politician advocates? It is in the same reason pigeons live under bridges. With pigeons, it is because it is where they were born, and thus what they are familiar with. With HPs it is because it is what they first purchased and thus what they are familiar with. HPs are afraid to try something else.

Are HPs Being Used By SMRR TO Control Tenants' Votes?

When one looks at Santa Monica and SMRR, one sees huge similarities to the old European feudal system. The feudal system was built on a structure of a privileged ruling class surrogating a farmer-renter working class.⁸ There was the ruling class, with a King and Queen at the head surrounded by nobels, and this entire system was based on the

⁷ A program David Shell stated was worse than Section 8

⁸ See also Animal Farm, by George Orwell.

working class of farmers. The farmers would grow food, and raise money, and pay rent, which in turn would go up the system to the nobility. The structure was in place so that the nobility could keep the peasants under control. The nobility rides the back of the farmer/renter.

And the renter and farmer has inadvertently been the foundation of all rulers' worlds wealth. And so it is now with SMRR. They are the nobility of Santa Monica, and they have allowed HPs to hold an interest in their own apartments (thank you very much) and rent to tenants. But SMRR by indirectly providing housing to tenants has obtained control over the tenants votes through the free lunch idea of rent control. HPs have allowed themselves to be used as pawns, to promote the rule of SMRR. Remember, SMRR cannot provide housing to their voters, only the HPs can do this. HPs are like work horses, being ridden by the SMRR elite.

Ask SMRR why it is illegal to to make apartment buildings into condominiums? Why is it bad for 10 families to each own one unit in a 10 unit apartment building, but good for tenants to rent and pay one property owner to manage and control the lives of the 10 families. The answer is that SMRR knows what all the past rulers of the world knew, that workers need to be controlled. They cannot be allowed to own, they cannot be allowed to be free from government reliance and control, otherwise they will throw off the yoke of improper government and rule themselves.

What SMRR has been doing since 1979 is using HPs as tools of oppression to enforce the tenant-vassal ⁹ into submission to SMRR. SMRR keeps the tenant a tenant and not an owner, continues to convince them they are being harassed by HPs, and require HPs to house these vassals at below market rents, subsidizing their living at the cost to HPs. HPs somehow have until now decided to play the role of enablers. ¹⁰ So Ayn Rand's message is not too far from correct.

Time to Say Goodbye?

Many normal people have decided to move to safe states within the Union. The safe states are those states which have low property and income taxes, and which have a history of respecting people's property rights. States such as Montana, Utah, Nevada, and Wyoming. There, people feel and are free from government overreach. Selling California property and doing tax deferred exchanges into Opportunity Zones, or simply buying warehouses in these safe states, just makes sense now. ¹¹

⁹ Merriam Webster defines Vassal as - a person under the protection of a feudal lord (SMRR) to whom he has vowed homage and fealty : a feudal tenant.

¹⁰ Merriam Webster defines enabler as one who enables another to persist in self-destructive behavior (such as substance abuse) by providing excuses or by making it possible to avoid the consequences of such behavior. How well this definition fits us .

¹¹ Note that your income from your real property in a safe state is not taxable (13% savings against California's personal income tax) and carries a much lower real property tax. Warehouses have shown a 10 year history of increased value — mostly based on need. There are fewer and fewer retail stores and more and more on line shoppers, requiring more and more warehouses.

Conclusion

The professor Victor Davis Hanson ¹² has stated that the United States will once again arise to become the leading country in the world. Akin to the Egyptian mythological bird called the Phoenix. ¹³ Well if we are going to arise from this mess, we still need a place within which to temporarily shelter. California, it is time to say goodbye, or at least arrivederci.

¹² Victor Davis Hanson is a classicist and historian at the Hoover Institution, Stanford University

¹³ The Phoenix repeatedly burns itself and then rises from its own ashes even more beautiful than before. It is the symbol of immortality.