

California Scheemin - Time To Get Down On Your Knees As Prey

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In 1965, the Mamas & The Papas released the hit song California Dreamin'. The lyrics are "Well, I got down on my knees, Got down on my knees and I pretend to pray." Well the political songwriters in California are asking the states taxpayers to get down on their knees once again and be treated as prey.

Arnold Schwarzenegger, the failed RINO Governor of California, and Department of General Services (DGS) hoax person Ron Diedrich announced that the Golden State is selling off 24 government office buildings for \$2.33 Billion to pay down debt and free up \$1.2 Billion for the state's general fund. Sounds like prudent financial maneuvering in this "the worst economy since the Great Depression" right. Wrong. It's a cynical ploy to fleece the taxpayers and reward political insiders.

Over the past three years, California has "balanced" its books by using accounting gimmicks, economic slights of hand and other tricks to accelerate income and defer current operating expenses to the tune of tens of billions of dollars. Try that at home folks and see how long that lasts before you get to spend some quality time with the Franchise Tax Board or Internal Revenue Service.

So what made the so-called leaders in California adopt this new financial strategy and stop dealing the states 28 million residents another hand of three card monty? It's very simple and very cynical. This recipe to reward political insiders and perpetrate the good old boy and gal network is cooked up with one part "never let a crisis go to waste" and an equal part of "adversity creates opportunity." The resulting half-baked outcome leaves the little guys sitting at the kiddies table and once again getting fed the table scraps.

So who are these "adults" and who decides who gets to sit at the big table? You need to analyze the seating chart and look closely at the guest list.

DGS Director Mr. Deidrich states "after an extensive review of more than 300 bids that were received, I have determined that this offer presents the best value for the state and achieves the goals set forth by the Legislature and Governor. This sale will allow us to bring in desperately needed revenues and free the state from the ongoing costs and risks of owning real estate." So it begs the question. Who would want to assume these astronomical costs and related risks and why?

The successful bid came from California First LLC, a partnership led by Hines, a private real estate firm out of Texas and Antartica Capital Real Estate LLC, a private equity firm headed up by Rich Mayo of Spyglass Realty Partners. There are other undisclosed private investors. Mr. Mayo has an extensive and impressive 25 year real estate background. He also has extensive and impressive connections.

In reviewing his bio from the Spyglass Realty Partners web site, we learn that Mr. Mayo was an appointee of former Governor Pete Wilson, responsible for the privatization of the State of California's 35 million square foot real estate portfolio. He also served as Vice President, Senior Real Estate Manager of Citigroup. Keep in mind that Pete Wilson served as the 2003 co-chair of Arnold Schwarzeneggers' successful bid for Governor. The key players at Spyglass reads like a who's who and who knows who but let's keep it simple. One can only imagine who the "other" undisclosed investors are and who they have ties to.

Now I'm not suggesting that the successful bid out of more than 300 was not properly reviewed and selected. Nor do I find it anything more than a mere coincidence that the successful bidders have connections to the current Governor and more importantly to the money needed to finance the deal that puts 40% down, finances the remaining \$1.4 Billion and is estimated to generate \$6.4 billion in rent over the term of the lease back. I thought banks weren't lending because of the Orwellian financial uncertainties, capital reserve concerns, the current political environment and unstable market conditions?

So why would anyone want to assume this level of risk? Because there is none! Does anyone believe the State of California is going to skip it's rent payments to the politically well connected? The politicians know not to bite the hand that feeds their political beast. This deal carries about as much risk as floating Bill Gates a loan on a Prius.

California's Public Employees' Retirement System is estimated to be in the hole to the tune of half a trillion dollars. Governor Schwarzenegger commenting on this financial time bomb stated "We cannot wait any longer. Without reform, pension debt will only grow." Why not have the pension system buy up these 24 properties, hire a qualified property manager to oversee the portfolio, book the revenue and be in a position to lay off these properties at a profit when the real estate market turns around? Because the pensioners are mere pawns on the political chess board. The pawns are expendable but necessary. The marching orders for the pawns is to protect the King and Queen at any cost. I thought 235 years ago we left behind the whole notion of royalty worship? Apparently not.

California is not alone in this kind of scheming. In Chicago, the public parking system was privatized in a billion dollar plus deal led by Morgan Stanley shortly after Morgan Stanley was bailed out by the taxpayers. How were the taxpayers in the windy city rewarded for coming to the rescue? Parking fee increases of 300% and fines that in some cases doubled and tripled. Assume the position and repeat after me, "thank you sir - may I have another."

All across the soon to be fruitless plain, we see our roads, bridges, tunnels, buildings and infrastructure being sold off to the politically well connected, both domestic and foreign. They keep buying the mine. We keep getting the shaft.. You don't need a financial GPS to understand that if you follow the money all roads lead back to the same cesspool. Until people start to push back against the throne sitters, send political foreclosure notices, drain the swamp and demand that we get to sit at the grown-ups table, the "royalty" will do everything they can to manipulate us to get down on our knees and be treated as prey.

Merriam-Websters definition of prey as an intransitive verb is "to make raids for the sake of booty."

No more raids on our good will.

No more raids on our money.

No more "booty calls"!

Jerry Doyle

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