

Hello Everyone.

*"The nine most terrifying words in the English language are: I'm from the government, and I'm here to help."*

Ronald Reagan

Terrifying is right. We have all seen the rise in homelessness...and the problem is growing. What we don't talk about is government's role in this rise.

Today's missive follows-up on the unintended consequences of government policies that are supposed to "protect us"---  
- but do just the opposite.

I hope it helps you see the housing situation in a different light.

Signed, Your Learned-A-Lot-About-The-Original-Jurisdiction-Part-Of-The-Constitution-This-Week Financial Advisor,

Greg

## KKOB 2020.12.11 Is Government Causing Homelessness?

**Bob:** So, Greg, I know you and Brandon talked about the housing market on Monday. And, apparently, it was a popular topic. So you want to continue today. Right?

**Greg:** I do. And more specifically, Brandon and I were looking at some of George Gammon's research that says government interference drives up home prices and reduces supply. And we concluded that building more affordable housing is almost impossible today because government mandates are so costly. Builders can't make a profit on smaller homes.

So, what else has this led to?

As home prices have gone up, so have rents. Not just because of competition, but because building, maintaining (!), and managing (!), rental properties also have embedded government costs. Government rules might

require you to pave the road before you can start your new project. Or, maybe you'll be made to foot the bill to upgrade the sewer system. Or, laws won't allow you to evict deadbeat renters. All these so-called "renter protections" come with higher costs.

**Bob:** I know. I have talked to builders and landlords who complain about this all the time. They know they can't eat those costs and stay in business. So, they are forced to pass them on to the homeowners or the renters.

**Greg:** Sure. All these are basically hidden and indirect taxes. And the king of this practice is California. The median home price in California is now \$596,000. That translates to around a \$3,000/month mortgage payment. Oh, and you'll need an income north of \$126,000 to qualify.

But, remember, that applies to the whole State..including the lower- cost inland areas.

If you look at say---- San Francisco--- the median price is \$1,035,000. That means a \$5,500/month payment. And you had better have \$220,000 in annual income.

So, let me anticipate your audience's response. *"Yeah, Greg, that may be true, but they make a lot more money in California than people in the rest of the country."* And my response is, *"I'm not so sure."* Average incomes in a big city like Houston, TX are about the same as in San Francisco and Los Angeles. But average rents in LA

are \$2420/month. The average rent in Houston? \$996/month.

**Bob:** So, this is why the homeless problem is so big in California. I'll bet there are thousands of people who can't come up with \$2,400/month to rent a place. And even if you found a fleabag place in the high drug, high crime areas, that would probably still cost over \$1,500/month. And, if you don't want to rent, I'll bet most people can't come up with the \$25,000-\$50,000 down payment to qualify for a home?

**Greg:** Exactly. And we have all seen pictures and videos of the homeless lining the streets in California's big cities. So, the very politicians who caused this problem, have come up with the solution. *"We, the government, will build affordable housing for our homeless!"*

But here is their problem. Their own onerous and expensive rules apply to them, too. For example, to build an emergency shelter in California runs around \$75,000 per person! It costs them \$100,000 per room to convert old hotels into low cost housing. Build a home from scratch? \$470 grand. And the politicians will blame land and labor costs, but they will never address their own failed policies.

This is why California has 33 homeless people for every 10,000 residents. New York state--another high-tax-high-regulation place--- is worse at 47 homeless per 10,000. Oregon and Massachusetts come in at 30 & 29. And our nation's capital of Washington DC? 98 homeless per 10,000!

And for the sake of comparison, Texas has 9 homeless per 10,000. New Mexico is at 12 and all the southern States are between 5 and 9.

In short, the areas with the biggest governments have the highest levels of homelessness. I'll bet you're shocked.

**Bob:** No, I'm not. Those near the bottom always get hurt the most. And I can't imagine what Coronavirus and the lockdowns are going to do to these numbers. How do people reach you?

**Greg:** Yes, you can imagine it. You just don't want to because you're a nice guy, Bob. And you know the awful toll it takes on those poor people. My number is 250-3754. Or, go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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