

# Letter: An alternative revenue source for S. Tahoe

**Publisher's note:** *This was first sent to the South Lake Tahoe City Council more than two weeks ago with no response. The author asked for it to be published on Lake Tahoe News.*

**Dear City Council members,**

As you are well aware, the city of South Lake Tahoe urgently needs to cover an annual budget shortfall of \$1,000,000 for at least the next four years. This proposal will present a brief outline of a plan for filling that shortfall without any significant environmental or otherwise negative impact on the city. Best of all, it will not require the city to spend a single dime in order to collect this additional one million dollars each year.

Instead of cutting back on services, or forcing loyal City employees to take reduced salaries, or installing parking meters or other odious projects that will only generate a fraction of the money needed and will probably upset many of your constituents, I am proposing a plan that will balance your budget – with little effort and zero additional cost on the part of the city.



Steve Kubby

Before I present my plan for putting South Lake Tahoe back in the black, you need to understand the extraordinary background

and exceptional talent of those who will be involved in ensuring this program is successful. My company, KUSH, of which I am founder and CEO, features an impressive all-star Board of Directors:

- former New Mexico Gov. Gary Johnson
- former LAPD Deputy Chief Stephen Downing
- Jurist James P. Gray
- former U.S. Sen. Mike Gravel.

These men who make up our board understand federal law, state law, case law, and the conflicting legal conundrum that exists with respect to medical marijuana. Our attorney, William McPike, was recently featured on the cover of the National Law Review as one of the nation's top marijuana lawyers. In addition, we have Dr. David Allen, a former heart surgeon, as our medical director. We also are proud to have world cannabis authority Ed Rosenthal as our director of research.

The famous inventor of the geodesic dome, Buckminster Fuller, once said, "You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

It is in this spirit of creative cooperation and building a new model that makes existing models obsolete that our company, KUSH, was founded.

Our management team consists of high profile experts who understand the convoluted world of medical marijuana law and practice. Our uniquely qualified team of experts understand the standards used by successful dispensaries to create a medical marijuana business program that is virtually invisible within the local community. For example, under our program, we would not allow any medical marijuana dispensary to display anything other than their address on or around their facility.

No signage or even names of dispensaries allowed. Patients know how to find dispensaries through online websites like WeedMaps, so there is no reason for dispensaries to publicly display anything besides the numbers of their physical address. Not only would we insist that dispensaries be invisible to the community, but under our supervision, their staff would be required to ensure that zero unauthorized consumption or sales takes place anywhere near their facility.

Speaking of staff, do we really want dispensary employees who are covered with tattoos and look like gang members, as is the case under the city's current program? Under our program, all dispensary staff will be required to maintain a professional appearance that is appropriate to a medical facility. Likewise, the community doesn't want to see young people hanging out at dispensary sponsored reggae parties, something which is currently allowed by the city.

Legitimate dispensary organizations understand these issues and are happy to comply.

An important part of our job is setting standards that are consistent with well run facilities, comply with state law, and carefully avoid setting off red flags with federal authorities.

The recent decision by the California Supreme Court that local cities and counties can ban dispensaries grabbed all the headlines. However, the court also officially recognized that dispensaries with over-the-counter sales are legal in California. Until now, some authorities had insisted that dispensaries are not legal, so it is important that this key issue was finally resolved by the high court.

The prospect of many jurisdictions banning dispensaries is creating a spectacular opportunity for our town, similar to what happened here in the past with the gaming industry. As you know, for decades South Lake Tahoe relied upon the nearby

Stateline casinos to attract large numbers of tourists and dollars. Clearly, those days are over. The harsh reality is that Indian casinos have devastated our local economy and our town has no choice but to step up our game.

The only real question is how can a town that allows gambling and liquor 24/7, claim any moral objections to medical marijuana. Nearly nine out of 10 Americans – including 80 percent of self-identified Republicans – now say that marijuana should be legal if its use is permitted by a physician, according to nationwide Fox News telephone poll of 1,010 registered voters.

While the past experience in South Lake Tahoe with medical marijuana did not go well, it is important to remember that I specifically warned the city manager and city attorney [who are no longer employed here], in a private meeting with all three dispensary operators, that these dispensaries were not in compliance with state law or even basic standards of the medical marijuana industry. That meeting took place on April 14, 2011, at the Blue Angel Cafe. Nobody wanted to hear or discuss my concerns then, but two of these three dispensaries have since been closed down and it is clear in retrospect that they were not in compliance, just as I had warned.

Unlike the city's current program, we would strictly limit cultivation for dispensaries to local growers and patients within the city boundaries. City residents would be able to supplement their income through a regulated and independently supervised cultivation program that benefits the entire community. Landlords would immediately benefit by this program because growers would be supervised and privately inspected on a regular basis in order to be allowed to sell their medical marijuana locally. Since most patients and growers would prefer to avoid the risks of transporting medical marijuana on the open road, they would have a strong motivation to allow our private inspectors to examine their home gardens to ensure no damage is occurring and proper health and safety procedures

are being followed.

Our licensing program would not give anyone permission to violate federal law, nor can we be responsible for any federal actions against dispensaries we license. Our mission would be strictly limited to providing supervision and inspections to ensure the health and safety of these dispensaries and their products, within the boundaries of South Lake Tahoe. Such actions are entirely consistent with both state and federal law, which recognize the right of local jurisdictions to enact their own laws to protect public health and safety.

The proposed program would also go a long way toward improving the appearance of blighted areas of South Lake Tahoe.

Most professional dispensary organizations that I work with are happy to locate in the most blighted and economically depressed areas, as well as in industrial zones, since they understand that this is where they are most welcomed. Furthermore, dispensaries often invest hundreds of thousands of dollars to upgrade the exterior and interior of rundown properties as a way to gain acceptance within their local community.

We also understand that marijuana odor is a very serious issue with the community. While you can threaten irresponsible growers with fines, we will get much better results if growers know that they must meet our strict standards for cultivation and odor control, before they will be allowed to sell to any local dispensaries. Growers don't want police or city officials visiting their gardens, but they will allow our private inspectors to verify they are in compliance.

Under the plan I am proposing, tourists and their dollars would again flock to our city for the same reason they once came here for gambling, in order to take advantage of something that is legal, but forbidden to them where they live. Now, with this decision by the California Supreme Court,

more and more patients will see their local dispensaries banned and be forced to go to the Bay Area to purchase their medical marijuana. If you are a patient and are faced with fighting traffic in the Bay Area or driving up to Tahoe instead, which would you pick? Likewise, if you or your family member is a medical marijuana patient and you are planning a vacation, you are going to find it safer, easier and more enjoyable to come to South Lake Tahoe than just about anywhere else.

In addition to the enormous tax and business license revenue from a carefully regulated medical marijuana program, we will see major new revenue streams for a wide range of businesses. Our local radio, newspaper and online media could see a badly needed boost in ad revenue from dispensaries. At the same time, our licensing program could specify strict limits on dispensary advertising so that their ads conform to what one would expect for a medical facility, such as a dentist or veterinarian. Local business property owners would also receive long awaited relief in the form of new rental income, from businesses that can pay top dollar and be relied upon to pay promptly each and every month.

Let's take a closer look at exactly how the city of South Lake Tahoe can generate a million dollars a year with a strictly regulated and taxed medical marijuana program. Let's say we were to license eight dispensaries, like Oakland does. That amounts to \$1,400,000 a year just in taxes for Oakland. In addition it provides employment for close to 100 people. Granted, Oakland is bigger than South Lake Tahoe with 390,724 residents. However, it is not unusual for our local population to swell to 250,000 during high seasons and holidays. In addition, unlike Oakland, our city is surrounded for hundreds of miles with jurisdictions that have already or will soon ban dispensaries. This city can draw upon a large surrounding area where patients have no real alternatives and a complex of eight well run dispensaries, offering a wide variety of

strains and edibles, would be a powerful draw throughout the state. Hence, the notion that the city of South Lake Tahoe could generate a million dollars in taxes and licenses is actually quite realistic.

The program I am proposing is really very simple. You sign an agreement with us that gives us the exclusive power to grant special licenses to dispensaries, edible manufacturers, and related businesses. We in turn thoroughly interview and investigate all potential licensees, set strict standards of operation, oversee operations and verify all fees are current with the city. Our company would not require any money from the city. Instead, we will bill all licensees directly to cover our services. We would have the right to suspend or cancel any license and oversee the operation of all licensees, sparing the City Council headaches, wasted time and expensive lawsuits.

Let me be very clear. I cannot promise that we will raise \$1,000,000 in our first year, but I can tell you that it is my sincere belief that this program can raise much more in the first year than you will ever see from parking meters or stricter traffic enforcement, or any other revenue generating program currently being considered. It is also my belief that we can raise \$500,000 by year two and reach our goal of \$1,000,000 by year three.

As much as you probably don't want to think about medical marijuana, you owe it to your constituents to look at anything that will balance the budget and bring money and jobs back into the local economy. Right now, South Lake Tahoe is on its way to becoming a ghost town with a population that is in decline, employment that is in decline and business in general, except for the ski hill, that is in decline. Raising taxes isn't an option, because it will only hasten the exodus of families, businesses and capital fleeing South Lake Tahoe. The only real and lasting solution to solving the city's budget problems is to generate new revenue. And the only

realistic new revenue stream for the City is medical marijuana. We can provide the expertise and structure to make medical marijuana a simple and practical solution for solving the current budgetary crisis.

In summary, our firm can offer the city of South Lake Tahoe the following benefits:

- Create a legal firewall between the city and the licensing and management of dispensaries.
- Generate up to \$1,000,000 in revenue through taxes and fees.
- Generate up to 100 new jobs within the city.
- Boost local economy and real estate market.
- Protect local landlords by creating a private inspection program to ensure homes are not damaged by cultivation.
- Provide a powerful draw for people to come to South Lake Tahoe over other travel destinations.
- Serve as a serious source of additional income for city residents.
- Operate under regulations that would forbid outdoor advertising and strictly limit other forms of advertising.
- Restricts storefront dispensaries to blighted industrial areas, out of sight of the community and children.
- Creates a self-supporting program that won't burden the City Council with any financial requirements or obligations.

If you are serious about fixing the gaping million dollar hole in your annual budget, I am ready to meet with you to answer your questions and to show you how we can create a program that is a win/win for all involved.

Sincerely,



**Steve Kubby, South Lake Tahoe**