

## Can marijuana save the ‘dying’ town of Blythe?

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**Amy DiPierro** Palm Springs Desert Sun USA TODAY NETWORK

**BLYTHE** — In this desert town on the California-Arizona border, where locals fear the economy is withering and the future is drying up, there is the seed of an idea to turn it all around: marijuana.

Blythe sits in the Palo Verde Valley, an agricultural community where some families can trace their farms back to the founding of the city 100 years ago. In satellite images, the valley stands out as a spray of green pixels in a sea of desert tan, with the Colorado River feeding its honeydew melons and alfalfa, its cotton and wheat.

And soon, if all goes according to plan, its cannabis.

Marijuana is a 21st century cash crop – and one that Blythe did not immediately embrace. The city rejected a ballot measure to regulate medical marijuana in 2014, but after California legalized adult use marijuana in 2016, Blythe City Council decided in a split vote to allow cannabis businesses. Blythe is on its way to joining a small group of border towns along the eastern edge of California that are seeking to capitalize on legal weed. Proponents of bringing marijuana into Blythe say the city can compete against the Coachella Valley and coastal cities because of its

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cheaper land, plentiful water and, potentially, lower taxes.

Plus, Blythe could attract a different set of customers – visitors from Arizona, who might cross the border to enjoy some cannabis before returning to their home state where recreational marijuana is still illegal.

But some Blythe residents are ambivalent about marijuana, worrying that the drug could threaten public health and safety. They are also skeptical that the pot industry will be the economic infusion the city needs, pointing to previous attempts to revive the city’s commercial prospects that have come up short of expectations.

Tim Wade, a recently retired city councilman, voted in favor of regulating the marijuana industry in Blythe when it came before council in 2017. He views marijuana as a potential source of revenue for the city.

“It’s here,” he said. “We might as well make some money on it.”

Wade, 53, grew up in Blythe in the 1960s, back when the bedrock of the Palo Verde Valley’s economy was agriculture.

But as farming has waned, residents say, no other industry has given the area the boost it needs.

Blythe's state prisons have provided some relief, but not enough. As of the most recent Census estimates in 2016, Blythe is a city of 19,700 people, counting 5,600 inmates held at Chuckawalla Valley and Ironwood State prisons.

The city also has come to be known by outsiders as a mere pit stop for gasoline and fast food – and even that source of money could taper off, since gas is cheaper in Arizona.

“People think there's going to be some savior that's going to come to Blythe, that's going to help them out,” Wade said. “There's no shopping here. Big corporations don't want to come here. My personal opinion is, we've got to do something.”

Blythe residents repeat their economic woes like a mantra. They mourn the city's Kmart, which closed last year, taking with it sales tax revenue and necessities like clothing and home goods that are now hard to come by in Blythe. They say the population is shrinking, a fact which is due in part to a decline in the prison population. Many sum up the condition of Blythe in one word: dying.

The numbers fill in what the locals can feel. In 2016, the unemployment rate in Blythe was 13 percent, more than two and a half times the national average, according to the census. Per capita income in Blythe ticked up slightly between 2010 and 2016, but the percentage of people whose income put them below the poverty line rose from 16.8 to 23.7 percent over the same period.

So far, the marijuana industry has been eager to move into Blythe. Some 40 marijuana businesses are seeking the city's blessing to put down roots. City Council has inked a development agreement with a startup planning to build more than two million square feet of cannabis space in the town.

Wade hopes that the promised investment will be good for Blythe.

“I care about the community. I want it to prosper. I want it to be something,” he said. “I don't want it to die.”

### **The promised land for pot?**

Steven Gregory first laid eyes on Blythe nine months ago.

“It was almost like when Brigham Young saw the Great Salt Lake,” he said. “Like, ‘This is the place.’ It was like literally the planets lined up.”

Gregory was on the lookout for a spot to develop marijuana real estate. Somewhere between Blythe's historic advantages and the symptoms of its decline, Gregory saw the makings of a marijuana mecca. Blythe, he points out, has cheap land and plentiful water, as well as a zip code on the six-hour drive between Los Angeles and Phoenix. It has a population in need of work.

“I look at this as a once-in-a-lifetime opportunity,” Gregory said. “Not only is it going to be financially very rewarding, but how many times do you get to change the trajectory of a city that has had a very sad last 30 years?”

Gregory, 63, is now the CEO of Palo Verde Center, a startup that plans to build 2.4 million square feet of marijuana cultivation and processing facilities on an expanse of raw land south of Interstate 10. After Gregory retired from a career in finance at the end of 2005, he dug into real estate development. From there, he got interested in cannabis.

But Gregory decided early on that he didn't want to “touch the plant,” meaning that he wouldn't grow pot, or sell it, or do any of the steps to process it in between. Palo Verde Center follows that code. It will lease space to marijuana companies and give them all the things they need to get started, but it won't work with the herb itself.

The startup's vision resembles a homeowners association. Like an HOA, Palo Verde Center plans to provide basic common resources like facilities, lights, water, power and security services. The startup might also have a hand in hiring, rounding up contract laborers that tenants can use as needed. Gregory even wants to get into residential development and has proposed building 86 houses in Blythe.

In some ways, the project's expansiveness is a necessity of Blythe's isolation; in a city that just lost its Kmart, marijuana companies can hardly hope to find the more specialized goods and services that they are bound to need. Palo Verde Center will have to fill in the blanks. It hopes to have a tenant that would serve as a testing laboratory, and a retailer that could sell supplies to its neighbors. The startup is in talks with a distribution company that could truck product out of Blythe.

Gregory says Palo Verde Center is set to hit two major milestones in February: it will close on 133 acres for its sprawling development and strike a deal to fund the project.

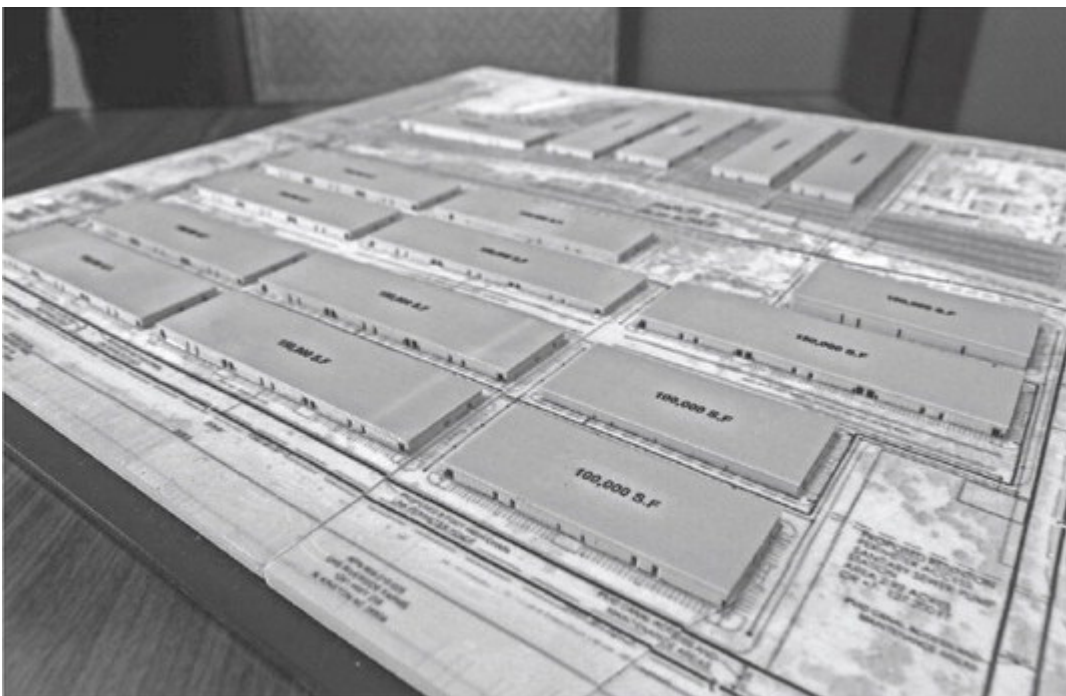
If all goes according to plan, the project will cost more than \$300 million and will rank among the largest cannabis business campuses in North America when complete.

The trick to it all is keeping the costs of doing business in Blythe cheap. Gregory is convinced that as more businesses grow marijuana, and as more markets open up to the industry, the price of the

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**"There's no shopping here. Big corporations don't want to come here. My personal opinion is, we've got to do something."**

**Tim Wade** Retired Blythe city councilman



**A scale model of the Palo Verde Center, which is a proposed cannabis production facility to be built in Blythe.**



**The Palo Verde Center is a proposed cannabis production facility that would be built in this open field in Blythe. PHOTOS BY JAY CALDERON/THE DESERT SUN**



Blythe Mayor Dale Reynolds talks about how his town could benefit with revenue from future cannabis production.

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plant will plummet like any other commodity crop. “The only reason why cannabis was ever very expensive was that it was illegal,” he said.

Gregory’s hope is that businesses that put down a flag in Blythe will benefit from economies of scale – and from cost savings unique to the city.

Gregory believes that land in Blythe is cheaper than other parts of California. Palo Verde Center expects to pay \$2.3 million for 133 acres of land, Gregory said, which comes out to about \$0.40 per square foot. (That sum seems like a bargain even in Blythe, where a nearby property was listed for \$3 per square foot.) Comparing land costs to other cities can be tricky, since land that already has city approval to grow marijuana can cost a lot more than land that doesn’t. But some evidence backs up Gregory’s theory.

For land in Desert Hot Springs – one of the most pot-friendly towns in Southern California – raw property without city approval sold for \$4.45 per square foot on average in 2017, according to sales data from real estate firm Desert Pacific Properties. In the nearby city of Coachella, Desert Pacific Properties’ 2016/2017 cultivation land sales averaged \$3.31 per square foot.

Blythe might have another ace up its sleeve, too: lower taxes. Pending voter approval on a ballot measure in June, Blythe’s city marijuana taxes would be up to \$6 per square foot of cultivation space and up to 2 percent of gross receipts from dispensaries, testers, manufacturers and distributors.

The proposal appears to be well below tax rates in other cities. In Desert Hot Springs, a grower with 10,000 square feet of marijuana would pay up to \$145,000 a year in taxes. In Coachella, it would pay \$150,000, plus a gross receipts tax. In Blythe, its annual taxes would amount to \$60,000 or less.

The future site of the Palo Verde Center is also crisscrossed by two important resources: canals from the Palo Verde Irrigation District and a natural gas pipeline. Because the district charges by the acre for unlimited water usage, Palo Verde Center will include water with rent. And because the startup plans to install generators onsite, Gregory estimates that tenants will shave a third off their energy bill compared to other indoor grows in California.

Besides Gregory, Palo Verde Center has three business partners – Kent Martin, a former investment banker, David Garcia, a former city attorney in Lynwood and Jason Teramoto, who worked for former U.S. Representative and Pete Stark, a medical marijuana proponent before going into the pot industry himself. (Garcia is not to be confused with David Garcia, the former city manager of Coachella.) Gregory is the first to admit there are downsides to Blythe. For one thing, it’s far away from customers in major cities. It’ll also have to attract workers from out of town – people who could otherwise work in the Coachella Valley or coastal California.

But Gregory doesn’t see those flaws as fatal.

“If you think about it, does it really matter?” he said. “No one says, ‘My goodness, Napa Valley is so far away from Los Angeles.’ You grow in areas where you have a lower cost of operations and you sell into areas where you have more affluent consumers. The cost to transport cannabis, relatively speaking, is far below the costs of transporting fine wine.”

As for workers, he says, housing is cheaper in Blythe – and because the legal marijuana industry is still young, there’s opportunity for entry-level hires to move up the ladder.

“We look forward to competing against Desert Hot Springs and the Coachella Valley,” he said.

## A city in search of a savior

It would be generous to say that Blythe supports marijuana.

“This town is not what I’d call a procannabis town,” Gregory said. “It’s like, ‘We’re pro-salvation. We’re pro anything that will help this town survive.’” The motion to move forward with marijuana regulations passed 3-2, with “no” votes coming from Councilman Oscar Galvan and Joey DeConinck, who was serving as the city’s mayor at the time.

“There is a lot of homework that needs to be done here,” DeConinck warned at one City Council meeting in March. “It is not all about money.”

DeConinck is now on his fourth term on City Council. The 63-year-old started visiting family in Blythe in the 1950s and moved there in 1972, drawn by the region’s access to water for farming. Like other locals interviewed for this story, he worries that marijuana is a gateway drug to addictive substances, even if it’s a balm to patients and the elderly.

DeConinck also sees economic reasons to be skeptical about cannabis. People think marijuana will save their town, just like they thought that jobs and development would follow when Chuckawalla Valley State Prison opened in 1988 and when Ironwood State Prison followed in 1994.

But he doesn’t think Blythe has always benefited from its two state prisons. DeConinck remembers that local dentists and doctors shut down their private offices after the prisons opened, taking jobs working for the state instead.

DeConinck’s instincts as a farmer also make him cautious to hitch his city’s future to a single crop. Prices fluctuate. Markets change.

“If cotton’s good, you plant cotton,” he said. “I believe (marijuana) is going to get cheaper and cheaper as more supply comes on board.”

Even Mayor Dale Reynolds, who voted in favor of regulating the industry in Blythe, voted against Proposition 64, which legalized recreational marijuana use in California in 2016. As for the potential economic impact of marijuana on Blythe, his optimism is qualified.

“If the (marijuana) industry comes to town, it will help,” he said. “Is it going to be the savior? No. But it will help us to move forward and get other needed things for the city. Our infrastructure, our roads, matching funds for grants. Things like that.”

“Hopefully this is the start and we can continue building on it,” Blythe Interim City Manager Mallory Crecelius added. “So it won’t just be the cannabis that comes, and we can get some new housing, some new retail. That’s really what we’re looking for.”

Worries about federal law are also casting a shadow over Blythe.

Ned Hyduke is the General Manager of the Palo Verde Irrigation District, the agency that supplies Colorado River water through canals to a 189 square mile territory that includes the City of Blythe. The federal Bureau of Reclamation oversees the Colorado River.

“When I heard about cannabis coming in to the Palo Verde Valley,” Hyduke said, “my first reaction was to do some homework on what the Bureau of Reclamation’s policy was.” The short version of its policy is this: Reclamation won’t approve using its water to grow marijuana, and if it learns that anyone is using its water to grow marijuana, it has to tell the Department of Justice. But the agency doesn’t itself enforce federal drug law.

On the other hand, the Palo Verde Irrigation District has its own obligations to customers. So long as a cannabis grower stays up to date on its water bills and tax, Hyduke said, PVID will supply it with water. Unless the



federal government decides to shut down marijuana growers after all.

“The feds might get a wild hair and say, ‘We’re going to enforce it,’” Hyduke said. “People ask me, ‘What do you think is going to happen?’ And I don’t know.”

Or maybe the marijuana industry will never take root in Blythe, like so many other would-be boons before it.

“There was a Walmart that was going to come here. It didn’t make it. There was a casino that was going to come here. It didn’t make it,” Hyduke said. “Things never quite finish to the end.”

Bud border towns For now, Blythe is a city cut off from its two closest metropolitan markets for pot, Phoenix and Las Vegas. So long as marijuana is prohibited under federal law, it can’t cross state lines – even though Arizona is a medical marijuana state and Nevada, like California, has fully legalized the drug.

But if federal law embraces cannabis, Blythe would be one in a string of California border towns between Los Angeles, Las Vegas and Phoenix that are positioning themselves to profit from the weed trade.

Drive one and a half hours north of Blythe, following U.S. Route 95 along the west side of the Colorado River, and you’ll arrive at Needles, another cannabis- friendly stopping point. This city of 5,000 people passed its first tax on marijuana businesses in 2012 and has ushered in a new group of pot businesses since updating its city ordinance in 2016.

Needles reportedly has approved 40 cannabis facilities to date. One marijuana business is moving into an auto shop. Another wants to take up residence in an old KFC building. The City Manager of Needles, Rick Daniels, has credited medical cannabis with turning around the city’s property values and inspiring residential developers to start new housing projects.

Travel another hour and a half north and there’s Nipton, a tiny town that is owned by a marijuana company aiming to turn it into a destination for cannabis tourism. Nipton is “bring your own bud” at present, since it’s illegal to sell recreational pot in unincorporated San Bernardino County. And then there’s Blythe. Palo Verde Center is set to close on its site in February, putting it on track to break ground in June. Tenants could start moving in early 2019, Gregory thinks.

Over the border in La Paz County, Arizona, law enforcement is taking a pragmatic approach to pot.

“Are we going to seek it out? No,” said Captain Curt Bagby with the Office of the La Paz County Sheriff. “It’s like a drunk driver.”

Officers will confiscate any marijuana they find during a stop and have discretion to write up the driver, he said. But as public sentiment shifts to support legalization, fighting marijuana users is “a waste of the taxpayers’ money and time.”

*Reach real estate and business reporter Amy DiPierro at [amy.dipierro@desertsun.com](mailto:amy.dipierro@desertsun.com) or on Twitter @amydipierro.*



**Developer Steven Gregory talks about the cost benefits of building and operating a cannabis production facility in Blythe. PHOTOS BY JAY CALDERON/THE DESERT SUN**



**The Palo Verde Center is a proposed cannabis production facility that would be built on this former cotton field in Blythe.**