

COMMUNITY BENEFITS AGREEMENT

between

CONTRA COSTA COUNTY

and

703 CHESLEY, LLC

County File LP20-2015

This Community Benefits Agreement (“Agreement”) is entered into as of _____, 2021, (“Effective Date”) by and between Contra Costa County, a political subdivision of the State of California, (“County”) and 703 Chesley, LLC, a California limited liability company (“703 Chesley”).

Recitals

A. On February 17, 2021, the County issued 703 Chesley a land use permit (the “LUP”) for 703 Chesley’s commercial cannabis cultivation facility (the “Facility”), located at 703 Chesley Avenue, in the unincorporated community of North Richmond, Contra Costa County (County File No. LP20-2015).

B. In addition to obtaining the LUP and other discretionary state and local approvals to operate the Facility, 703 Chesley intends to obtain a County building permit and make improvements to the Facility. Once those improvements are complete and have passed all required inspections by the County, 703 Chesley will receive a certificate of occupancy from the County (“Occupancy Certificate”), allowing it to operate.

C. A commercial cannabis cultivation facility is a unique land use with unique impacts on the community. When 703 Chesley submitted a proposal to apply for one of ten land use permits to operate commercial cannabis cultivation facilities in unincorporated Contra Costa County, it pledged to enter into this Agreement with the County. This Agreement includes voluntary commitments made by 703 Chesley when it submitted a proposal to seek an opportunity to apply for one of ten land use permits to operate commercial cannabis cultivation facilities in unincorporated Contra Costa County.

Agreement

NOW, THEREFORE, the County and 703 Chesley agree as follows:

1. **Purpose.** The purpose of this Agreement is to memorialize 703 Chesley’s commitment to paying the County a portion of the Operating Income (defined below), endeavoring to hire residents of North Richmond and the City of Richmond for a certain percentage of its workforce, making purchases from vendors in the North Richmond area to the extent feasible, and participating in the North Richmond Resource Center.

2. **Term.** The term (“Term”) of this Agreement begins on the Effective Date, and it expires upon the earliest of any of the following to occur: (a) the expiration of the LUP and any extensions and renewals thereof; (b) the revocation of the LUP; (c) the effective date of any court decision that invalidates the LUP or that prohibits the cultivation of cannabis at the Facility; (d) the effective date of any change in the law that invalidates the LUP or that prohibits the cultivation of cannabis at the Facility.

3. **Community Benefits Payments.**

a. 703 Chesley shall make an annual community benefits payment to the County (each a “Payment”) for each year, or portion thereof, during the Term that the Facility operates (each an “Operating Year”). The first Operating Year begins on the date the Occupancy Permit is issued, and it ends one year thereafter. Each subsequent Operating Year begins on the anniversary of the issuance of the Occupancy Certificate, and it ends one year thereafter. Each Payment shall be calculated in accordance with Section 3(b). For the purpose of this Agreement, the term “Operating Income” shall mean the result of the following calculation for an Operating Year: [Facility’s gross income during the Operating Year] – [Facility’s cost of goods sold during the Operating Year] – [Salaries, benefits, and social security payments for with the Facility’s employees during the Operating Year] = Operating Income for the Operating Year.

b. For each Operating Year, 703 Chesley shall pay the County a Payment that is equal to the greater of (i) five percent (5%) of the Operating Income for that Operating Year, or (ii) the annual minimum payment for the Operating Year (“Minimum Payment”). The Minimum Payment for the first Operating Year is \$19,000. Beginning with the second Operating Year, and for each Operating Year thereafter, the Minimum Payment for the Operating Year shall increase based on any increase in the Consumer Price Index for the San Francisco-Oakland-Hayward Combined Statistical Area (U.S. Bureau of Labor Statistics) for the 12-month period ending on the last day of the prior Operating Year. For example, the Minimum Payment for the second Operating Year is calculated as follows: [\$19,000] x [CPI increase, if any, for 12 month period ending on last day of the first Operating Year] = Minimum Payment for second Operating Year.

4. **Timing, Verification, and Use of Payments.**

a. Timing of Payments. 703 Chesley shall make each Payment to the County within 60 days after the end of the Operating Year. 703 Chesley shall make its final Payment to the County under this Agreement within 60 days after the expiration of this Agreement.

b. Payment Documentation. When 703 Chesley makes a Payment to the County, 703 Chesley shall include with the Payment a financial statement showing the Facility’s gross income, cost of goods sold, salaries, benefits, and social security payments during the Operating Year, or portion thereof, for which the Payment is

made, and a written calculation of the Payment required for that Operating Year, or portion thereof.

- c. Verification of Gross Sales. During the term of this Agreement and for three years following its expiration, the Director of Conservation and Development (“Director”) may request copies of 703 Chesley’s state and federal tax returns, cash-flow reports, financial statements, income statements, books, journals, and other financial records for the Facility (“Financial Records”), to enable the Director to independently verify the Facility’s Operating Income for any Operating Year. Within 30 days after receiving the Director’s written request for Financial Records under this section, 703 Chesley shall provide the Director copies of all Financial Records requested by the Director. If the Director determines that 703 Chesley has underpaid any Payment, 703 Chesley shall pay the County the balance owed, as determined by the Director, within 30 days following a written request for payment from the Director.
- d. Deposit and Use of Payments. The Director will ensure that all Payments are deposited in an account administered by the County. The use and allocation of all Payment revenues, and any interest that accrues thereon, will be determined by the Board of Supervisors, in its sole discretion, consistent with the County’s “Policy for Allocating Community Benefit Funds Received from Approved Commercial Cannabis Businesses” if then in effect, or any subsequent policy then in effect. It is intended that all Payments will be used to benefit the North Richmond community. The District One Supervisor will receive input on the use of Payment revenues from the North Richmond Municipal Advisory Council and will then make a recommendation to the Board of Supervisors.
- e. Survival. 703 Chesley’s obligations under Sections 4(a) through 4(c) shall survive the expiration of this Agreement.

5. **Other Community Benefits.**

- a. Hiring a Local Workforce. To the extent permitted by applicable local, state, and federal laws and regulations, and to the extent practicable, 703 Chesley shall ensure that, during any Operating Year, at least 25% of the Facility workforce is composed of residents of the North Richmond community (including both incorporated and unincorporated areas), at least 50% of the Facility workforce is composed of residents of North Richmond and the City of Richmond, and at least 90% of the Facility workforce is composed of residents of west Contra Costa County. The boundaries of the North Richmond community (including both incorporated and unincorporated areas), the City of Richmond, and west Contra Costa County are shown on the map attached as Exhibit A. 703 Chesley shall develop, implement, and periodically update a plan to attract and recruit a local workforce, as required under this Section 5(a).

9. **Counterparts.** The Agreement may be executed in counterparts.

10. **Governing Law.** This Agreement shall be governed by the laws of the State of California.

[Signatures on next page.]

Contra Costa County and 703 Chesley, LLC, have executed this Agreement as of the Effective Date.

CONTRA COSTA COUNTY

By: _____

Name: _____

Title: _____

703 CHESLEY, LLC

By:  _____

Name: James Lee _____

Title: CEO _____

By: _____

Name: _____

Title: _____

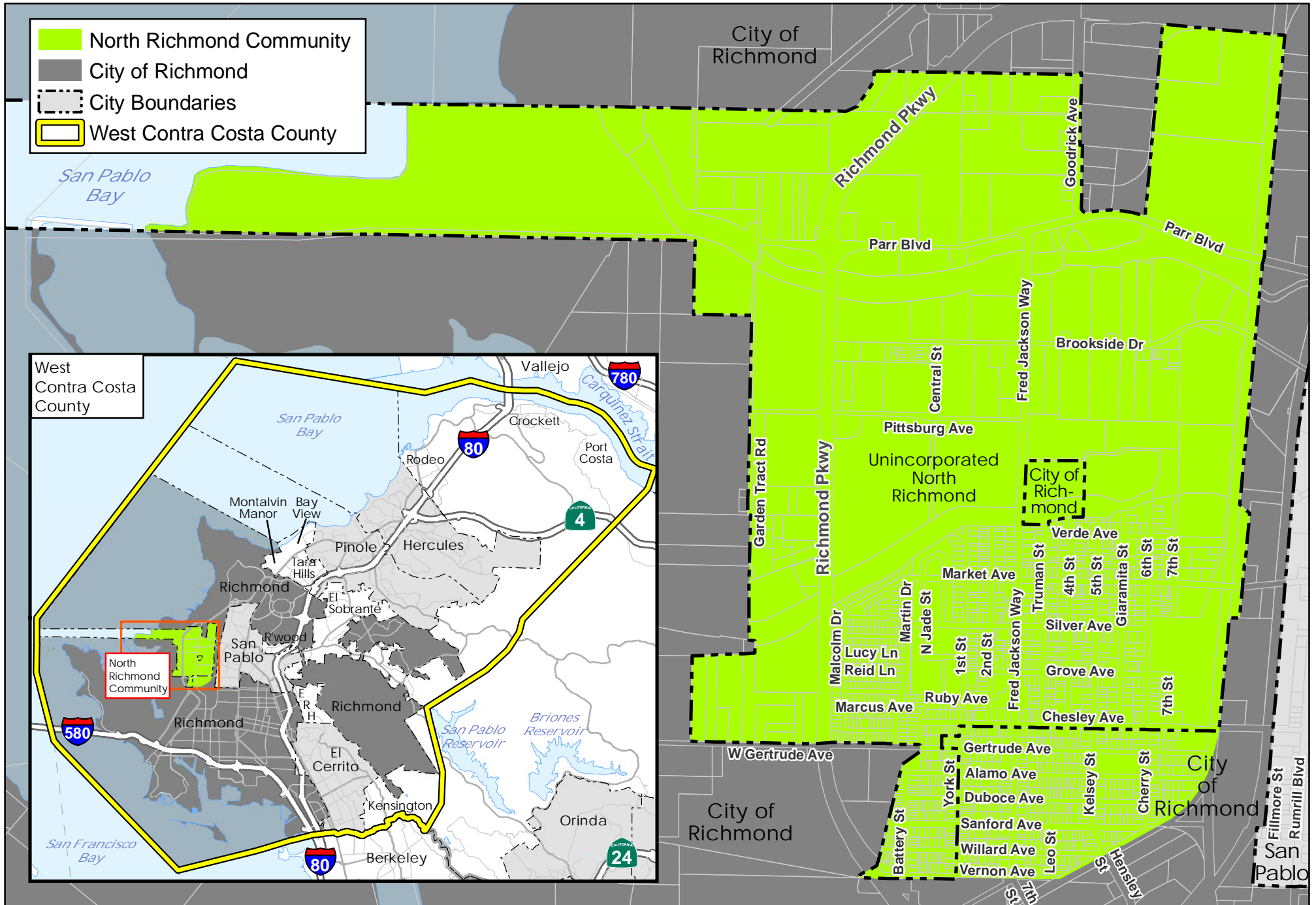
Exhibit:

Exhibit A – Map of North Richmond, City of Richmond, and west Contra Costa County

SMS

D:\703 Chesley CBA - Final.docx

Exhibit A



Map created 05/25/2021
 by Contra Costa County Department of
 Conservation and Development, GIS Group
 30 Muir Road, Martinez, CA 94553
 37:59:41.791N 122:07:03.756W

This map or dataset was created by the Contra Costa County Department of Conservation and Development with data from the Contra Costa County GIS Program. Some base data, primarily City Limits, is derived from the CA State Board of Equalization's tax rate areas. While obligated to use this data the County assumes no responsibility for its accuracy. This map contains copyrighted information and may not be altered. It may be reproduced in its current state if the source is cited. Users of this map agree to read and accept the County of Contra Costa disclaimer of liability for geographic information.

