



AGENDA REPORT

PROPOSED ACTION: Ordinance: Approve and Authorize the Executive Director to Execute an *Amendment No. 1 to Space/Use Permit* with HG OAK F&B Concessionaires JV at Oakland Airport for an Option to Extend the Primary Term for One Additional Two Year Term with an Expiration no Later than March 31, 2037, to Delete Unit T1-FB-C1-1, and to Waive the \$500 Daily Liquidated Damages at Unit T2-FB-G25 Between January 1, 2025 to December 31, 2025 and at Unit T1-FB-C1-1 Between January 1, 2025 to June 30, 2025, and Finding that the Proposed Action is Exempt Under the California Environmental Quality Act. **(Aviation)**

Submitted By: Craig Simon, Director of Aviation; Kristi McKenney, Executive Director

Parties Involved: HG OAK F&B Concessionaires JV, a partnership of Hudson Group, a Dufry Company; Albright International, Inc.; and The Zaman Group; East Rutherford, NJ

Amount: Operating revenue loss of \$68,800 in FY 2025-2026.

EXECUTIVE SUMMARY: In 2022, the former Food Hall (Trader Vic's / Plum Market) and Concourse Café (Local Taste) were awarded to Hudson, to develop a sit-down restaurant, quick-service restaurant, coffee, and news/convenience offerings. Port of Oakland (Port) Staff and Hudson renegotiated lease terms to reflect the removal of the Local Taste concept and extend the term for an additional two years due to construction costs exceeding their budget. While the renegotiation of terms result in a loss of revenues for the Local Taste unit of \$821,300 over the original term of the lease, it provides Hudson a viable pathway forward to complete the Trader Vic's/Plum Market unit which is expected to result in \$5,303,115 in MAG revenues through the original lease term. The renegotiated contract also includes waiving liquidated damages of \$182,500 for Hudson through December 31, 2025 for Trader Vic's/Plum Market to allow Hudson time to complete construction of the space, and liquidated damages of \$91,250 for the Local Taste unit from January 1, 2025 to June 30, 2025.

BACKGROUND & ANALYSIS

Hudson entered into a Space/Use Permit (SUP) for food and beverage development and operations at Oakland Airport (OAK) effective January 1, 2024. This SUP includes Trader Vic's and Plum Market, consisting of approximately 5,553 Square Feet (SF) of space in Terminal 2, which will feature various concepts including a full-service restaurant, a quick-service restaurant, coffee, and retail. The SUP also included the Local Taste, consisting of approximately 430 SF of space in the Terminal 1 connector. Due to construction costs exceeding Hudson's budget, Port staff and Hudson renegotiated certain lease terms as follows:

1. Provide an option to extend the Term for two years from April 1, 2035, through March 31, 2037, exercisable by Hudson.

2. Delete Local Taste (Unit No. T1-FB-C1-1) effective July 1, 2025.
3. Waive liquidated damages at Trader Vic's/Plum Market (Unit T2-FB-G25) From January 1, 2025 through December 31, 2025 and at Local Taste (Unit No. T1-FB-C1-1) from January 1, 2025 through June 30, 2025.

Option to Extend the Term for Two Years, Exercisable by Hudson

Hudson's SUP is for approximately 11 years (January 1, 2024 – March 31, 2035). As construction costs have exceeded Hudson's development budget Port Staff and Hudson have negotiated a two-year lease extension, exercisable at Hudson's option, so that Hudson may have additional time to recapture their capital investment. As the other food and beverage entities operating at OAK have lease terms that are approximately 14 years, this extension option would result in a term of approximately 13 years and is comparable with the other food and beverage SUPs. As the Trader Vic's/Plum Market generates an annual Minimum Annual Guaranty (MAG) of \$553,300, a two-year extension by Hudson would provide the Port with \$1,110,600 in additional MAG revenue.

Delete Local Taste (Unit No. T1-FB-C1-1)

The Local Taste unit was scheduled to be developed out of existing circulation space in the connector between Terminals 1 and 2 and requires significant capital investment to convert this space into a food and beverage location. Given the additional construction costs to develop their units, Hudson seeks to return this space back to the Port. Given the proximity of other food and beverage units in this area of the Airport, surrender of this space back to the Port will have minimal impact on OAK's passengers. Additionally, as the Local Taste generates an annual MAG of \$86,000, Hudson's return of this unit will result in an operating revenue loss of \$68,800 for FY 2025-2026 and a total of \$821,300¹ over the remaining term of this agreement.

Waiving Liquidated Damages at Trader Vic's/Plum Market Through December 31, 2025 and Local Taste Through June 30, 2025

Following execution of their SUP, Hudson finalized the design of their units and obtained construction pricing. Because construction costs exceeded Hudson's construction budget, Hudson paused development and explored measures to lower their construction costs. As Hudson has demonstrated a good faith effort to develop the units and has paid rent starting effective January 1, 2025, Port Staff is recommending waiving the \$500/day liquidated damages fee for up to \$273,750.

The renegotiation of terms with Hudson represents a loss of revenue for the Local Taste unit of \$821,300, this impact is recommended to provide Hudson with a viable financial

¹ Assumes 80% of MAG in FY2026 and 100% of MAG thereafter. Actual revenues may have been lower due to lower enplanements that would have adjusted the MAG.

path forward that will result in the Port collecting \$5,303,115² revenue for Trader Vic's/Plum Market unit from July 1, 2025 – March 31, 2035 and an additional \$1,110,600² if Hudson exercises a 2-year extension.

A summary of the financial impact of Hudson's renegotiated terms are detailed in Table 1.

Table 1
Renegotiated Terms Financial Impacts

Trader Vic's/Plum Market MAG (7/1/2025 – 3/31/2035)	\$5,303,115 ²
Trader Vic's/Plum Market Extension: 2-Year Option - MAG (4/1/2035 – 3/31/2037)	\$1,110,600 ²
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Total Food Hall MAG (7/1/2025 – 3/31/2037)	\$6,413,715
Trader Vic's/Plum Market Liquidated Damages Waiver for 1/1/25 to 12/31/25	(\$182,500)
Local Taste Liquidated Damages Waiver for 1/1/25-6/30/25	(\$91,250)
Local Taste Deletion -9 Year 9 Month MAG Loss	(\$821,300)
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Total Liquidated Damages Waiver and Local Taste MAG Loss	(\$1,095,050)

² Assumes 80% of MAG in FY2026 and 100% of MAG thereafter. Actual revenues may be lower due to lower enplanements that would adjust the MAG.

OTHER FINDINGS AND PROVISIONS

ENVIRONMENTAL REVIEW

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

- ☒ Categorically exempt under the following CEQA Guidelines Section:

15301 (Existing Facilities)

- ☐ "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).

☒ Other/Notes: Approving the Amendment No. 1 to Space/Use Permit with HG OAK F&B Concessionaires JV to operate food and beverage services at Oakland Airport involves the operation and alteration of existing structures and facilities involving negligible or no expansion of existing or former use. CEQA Guidelines Section 15301 applies.

BUDGET

- ☐ Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR

☒ Operating

☐ Non-Operating

☐ Capital

Analysis: Approval of the terms in the Agenda Report will result in a \$68,800 reduction in Aviation Concessions revenue from the FY 2026 Adopted Budget.

STAFFING

- ☒ No Anticipated Staffing Impact.

- ☐ Anticipated Change to Budgeted Headcount.

Reason:

- ☐ Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):

Applies? Yes (Tenant Project) – proposed action entails covered work in Aviation or Maritime areas above threshold cost requiring Port Building Permit.

- ☐ Additional Notes:

LIVING WAGE (City Charter § 728):

Applies?

Yes (Tenant) – proposed action entails at least \$50,000 in payments from a Maritime or Aviation tenant, licensee, and/or its subtenant/sublicensee employing at least 21 employees who spend at least 25% of their time on Port-related work.

- ☐ Additional Notes:

SUSTAINABLE OPPORTUNITIES:

GENERAL PLAN (City Charter § 727):

<p><u>Applies? Yes.</u></p> <p><u>Reason:</u> The proposed <i>Space/Use Permit</i> references the Board-adopted Resolution No. 20467: Resolution Implementing Port Sustainability Policy and incorporates a “Green Concessions Program” as detailed in the attached Exhibit “G”. In addition, Tenant Design Standards (also incorporated into the <i>Space/Use Permit</i>) contain detailed sustainability and LEED requirements.</p> <p>OAK’s updated Food & Beverage Program will require the Concessionaires to implement specific actions and investments related to: appliance selection, cleaning methods and products, construction and demolition waste management, energy efficiency and performance, food donation, HVAC equipment, indoor air quality, lighting, materials selection, resource use, service ware and supplies, waste reduction, waste receptacles, and water performance</p>	<p><u>Conformity Determination:</u></p> <p>Maritime/Aviation – proposed action conforms to policies for transportation designation of the General Plan.</p>
<p><u>STRATEGIC PLAN.</u> The proposed action would help the Port achieve the following goal(s) in the Port’s Strategic Plan:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base <input checked="" type="checkbox"/> Modernize and Upgrade Infrastructure <input type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience <input type="checkbox"/> Maximize Land Use Value and Revenues <input type="checkbox"/> Workforce Training and Jobs Development <input checked="" type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development 	