



AGENDA REPORT

PROPOSED ACTION: Ordinance: Approve and Authorize the Executive Director to Execute an Amendment to the Amended and Restated Space/Use Permit with each of the Four Food & Beverage Concessionaires Operating at Oakland San Francisco Bay Airport; Specifically: HFF OAK Venture, LLC; Rylo Management; SSP America OAK, LLC and NNF Grewal, Inc. to Revise Terms and Conditions of the Space/Use Permits and Find 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:

HFF OAK Venture, LLC

Glenn Meyers, CEO; Sausalito, CA

High Flying Foods (89% Managing Partner)

Andalé Management Group

(8% ACDBE Partner)

RDJ Enterprises

(3% ACDBE Partner)

Rylo Management (ACDBE)

Gina Graziano, CEO; San Rafael, CA

SSP America OAK, LLC

Paul Loupakos, Senior Vice President; Ashburn, VA

SSP America, Inc. (70% Managing Partner)

Shonda Scott, 360 Total Concept Consulting

(20% ACDBE Partner)

Nikki Shaw, Wystone Starlight Concessions

(10% ACDBE Partner)

NNF Grewal, Inc.

Navdeep Grewal, Principal, Oakland, CA

Amount: Revenue Loss of \$531,617.61 in Fiscal Year 2026 (Operating Revenue)

EXECUTIVE SUMMARY: The proposed Amendments retroactive to January 1, 2026, will provide the food and beverage concessionaires (Concessionaires) with financial relief. The Concessionaires will receive the following relief structures: Terminal 1 (T1) Percentage Rent is reduced to a flat 6% and waives the Minimum Annual Guaranty (MAG) until passenger enplanements reach 100% of 2024 levels for four consecutive months, and in Terminal 2 (T2) for the period of January 1, 2026-June 30, 2026, the MAG is waived and the Percentage Rent is reduced to 8% for Food and Retail and 15% for Alcohol. Upon reinstatement, the MAG will be recalculated (MAG Floor) and adjusted annually at 75% of the prior twelve months' rent, at which time, the MAG will never go below the MAG Floor. Additionally, the MAG would be suspended, and the Concessionaires would pay Percentage Rent only if enplanements fall below 70% of 2024 levels for four consecutive months. Furthermore, the agreement allows the Concessionaires to provide a \$75 per Square Foot (SF) Letter of Credit or escrow for mid-term refurbishments, alongside opportunities to reduce the standard \$150/SF minimum mid-term build-out requirement based on the approved concession improvements. Finally, the updates grant Concessionaires a four-year lease extension option through March 2037 and allows HFF to close a concession unit in T1 for up to two years. The Amendments provide immediate financial relief to the Concessionaires, helping them sustain operations at current passenger levels while continuing to ensure passenger choice and quality food and beverage offerings and passenger experiences.

BACKGROUND & ANALYSIS

The current Food and Beverage Redevelopment Program commenced in 2019, was paused during the pandemic, and then resumed in 2021 when Amended and Restated Space/Use Permits (SUP) were executed with the five Concessionaires.

Under the Amended and Restated SUP framework, tenants were required to commence development of their Food and Beverage units, either immediately following execution of the Amended and Restated SUP or based on passenger traffic activity, measured by enplaned passengers, reaching established thresholds within the Concessionaire's SUP. To date, the Four Food and Beverage Concessionaires, HFF OAK Venture, LLC; Rylo Management; SSP America OAK, LLC and NNF Grewal, Inc. have completed construction of their concession locations.

Similar to many other medium size airports in California, the Oakland San Francisco Bay Airport (OAK) has experienced decline in passenger traffic, primarily as a result of reductions in scheduled flights and available seats to/from OAK as airline systemwide network schedules are adjusted to account for a slow return of the passenger traffic in the California Corridor and delays in new aircraft deliveries impacting some of the Airport's airline partners. The decline in passenger traffic has impacted our Concessionaires, who have seen a reduction in gross sales, particularly those in T1, which has sustained a significant drop-in activity due to Spirit ceasing operations and Southwest concentrating their flight activity in T2. The food and beverage operators face unique pressures

compared to retail operators, such as higher labor and operating costs which results in a higher financial impact to their operations.

Port of Oakland (Port) Staff recommends that the Board authorize revisions to the Food and Beverage SUPs as outlined in Table 1 to provide necessary financial adjustments for Concessionaires during this period of decreased passenger enplanements. Following extensive analysis and good-faith negotiations, the proposed terms, detailed in Exhibit 1, build upon earlier operational mitigations implemented by Port Staff, such as adjusted operating hours and the strategic closures of T1 concession locations A16, Cancun Sabor Mexicano (Cancun), and Peet's on low-traffic days to consolidate sales. While these adjustments are projected to result in an estimated concession revenue reduction of approximately \$531,617.61 during Fiscal Year (FY) 2026, as outlined in Table 2, they reflect the Port's commitment to maintaining a stable, first-class passenger experience by ensuring Concessionaire operational sustainability.

High Flying Food Group (HFF)

HFF has proposed a temporary closure of the A16 located in T1 for a period not to exceed two years. The temporary closure is expected to optimize the financial performance of the remaining Concession locations in T1. By consolidating passenger activity into fewer, higher-performing units, the Port anticipates that the redirected spend will neutralize revenue losses, resulting in negligible financial impact during the closure period. HFF will reopen at the earlier of T1 returning to 100% of 2024 passenger levels for four consecutive months or two years from date of closure; if HFF fails to reopen, the premises and all furniture, fixtures, and equipment (FF&E) will revert to the Port's control.

**Table 1
Proposed Terms and Conditions for F&B Concessionaires**

Provision	Terminal 1 Terms	Terminal 2 Terms
Percentage Rent Reduction	Flat 6% across all categories (Food, Retail, and Alcohol). Effective January 1, 2026. Remains in effect until Enplaned Passengers (Epax) return to 100% of 2024 levels for four consecutive months. Afterward, the Percentage Rent reverts to the current tiered structure (8/10/12/15 and 15 alcohol and retail).	Reduced to 8% for Food & Retail and 15% for Alcohol. Applicable for the period of January 1, 2026 through June 30, 2026.
Minimum Annual Guarantee (MAG)	Waived until Epax returns to 100% of 2024 levels for four consecutive months. Effective January 1, 2026. Upon reaching 100% of the 2024 levels for four consecutive months, MAG will be reinstated at	Waived from January 1, 2026, through June 30, 2026. MAG will reset on July 1, 2026, calculated at 75% of

	75% of the trailing 12 months of rent paid (MAG Reinstatement).	the trailing 12 months of rent paid (MAG Reinstatement).
Annual MAG Adjustments	<p>Following MAG Reinstatement, MAG shall adjust annually on July 1 at 75% of the previous calendar year's rent paid.</p> <p>MAG may increase or decrease but shall not fall below the baseline established at the time of MAG Reinstatement.</p>	(Same as T1)
Severe Enplanement Decline Trigger	<p>"Severe Enplanement Decline" shall mean a period during which actual enplanements fall below seventy percent (70%) of the total enplanements for Calendar Year (CY) 2024 for four (4) consecutive months. In the event of a Severe Enplanement Decline, MAG will be suspended, and Permittee shall be obligated to pay Percentage Rent only. This modified rent structure shall remain in effect until actual enplanements equal or exceed seventy percent (70%) of CY 2024 enplanements for four (4) consecutive months, at which time MAG obligations shall immediately resume.</p>	(Same as T1)
Lease Extension	<p>Permittee holds the option to extend the SUP for four years, extending the expiration to March 31, 2037. The option must be exercised by January 1, 2031.</p>	(Same as T1)
Operating Hours	<p>No change. Standard SUP language applies. The Director will continue to review ad-hoc requests to adjust hours of operation.</p>	(Same as T1)

<p>Mid-Term Refurbishment</p>	<p>The Port will reduce the amount of mid-term refurbishment collected by 50% to \$75/SF. The Port will accept either cash payments or a Letter of Credit (LOC). Regardless of the payment method selected, all concession units must be constructed to meet first-class standards at the full mid-term refurbishment amount of \$150/SF. Upon receipt of the LOC, any previously collected escrow funds will be applied to future invoices.</p> <p>Alternative to the \$150/SF build out: Permittee and Airport will jointly tour and agree upon necessary capital investments (excluding equipment/general maintenance). If mutually agreed to, and the costs are below \$150/SF, Permittee is not obligated to spend up to the minimum. If no agreement is reached, Permittee must spend up to the full minimum.</p> <p>All refurbishments must be completed by December 31, 2030.</p>	<p>(Same as T1)</p>
<p>HFF Only</p>	<p>A16 (HFF): Approved to close upon execution, but no later than July 31, 2026. MAG will be suspended during closure.</p> <p>Re-opening Trigger: The earlier of Epax returning to 100% of 2024 levels for four consecutive months or two years from the date of closure. If the Concession Unit does not open within two years from the date of closure, the unit will revert back to the Airport at no cost including all furnishes, fixtures and equipment. Permittee may remove all proprietary equipment. Airport will not reimburse any unamortized costs or any other costs associated with the cost of turning the concession over to the Airport. If the concession reverts back to the Airport, the MAG for this concession shall be suspended, and the security deposit shall be reduced by the current amount on file for the unit.</p>	

If approved, there will be an operating revenue loss of \$531,617.61 for FY26 due to the suspension of the MAG and the reduction in percentage rent. This reduction shown in Table 2 has been included in finalization of the Port's FY27 budget.

Table 2
FY26 Estimated Financial Losses

Unit #	Company	Name	Current Terms FY26 Estimated	New Terms FY26 Estimated	Delta
Terminal 1					
T1-FB-G4	HFF	Oaklandish	\$237,000.99	\$154,068.19	(\$82,932.80)
T1-FB-G8	SSP	OAK Clubhouse	\$665,325.31	\$437,337.48	(\$227,987.83)
T1-FB-G8A	HFF	A-16 Pizzeria	\$196,860.00	\$117,039.77	(\$79,820.23)
T1-FB-G9A	SSP	Peet's	\$157,253.23	\$109,420.22	(\$47,833.01)
Terminal 2					
T2-FB-G22	HFF	Farley's	\$341,239.54	\$296,894.15	(\$44,345.39)
T2-FB-G23	RYLO	Tay Ho	\$405,431.88	\$375,535.56	(\$29,896.32)
T2-FB-G24	SSP	District	\$387,766.94	\$387,766.94	\$0.00
T2-FB-G27	SSP	Peet's	\$246,575.06	\$246,575.06	\$0.00
T2-FB-G28	SSP	Oakland District House	\$419,320.83	\$415,568.29	(\$3,752.54)
T2-FB-G29	HFF	Calavera	\$391,551.46	\$391,551.46	\$0.00
T2-FB-G30	HFF	Southie	\$91,290.00	\$76,240.51	(\$15,049.49)
T2-FB-C2-1	Grewal (eff 9/21)	Subway	\$181,829.18	\$181,829.18	\$0.00
T2-FB-C2-2	SSP	Forge	\$239,212.54	\$239,212.54	\$0.00
TOTALS			\$3,960,656.96	\$3,429,039.35	(\$531,617.61)

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 Amendments to SUPs with the Concessionaires involves the operation of existing structures and facilities involving 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 \$531,617.61 reduction in Aviation Concessions revenue from the FY2026 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:

Applies? **Yes.**

GENERAL PLAN (City Charter § 727):

Conformity Determination:

<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 Food and Beverage Program will require the Concessionaires to implement specific actions and investments related to: fixture 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>Maritime/Aviation – proposed action conforms to policies for transportation designation of the General Plan.</p>
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STRATEGIC PLAN. The proposed action would help the Port achieve the following goal(s) in the Port’s Strategic Plan:

- Capture Our Market and Grow the Economic Base
- Modernize and Upgrade Infrastructure
- Transition to Zero-Emissions and Build Climate Resilience
- Maximize Land Use Value and Revenues
- Workforce Training and Jobs Development
- Create Opportunities for Local Businesses and Community Economic Development