



AGENDA REPORT

PROPOSED ACTION: Ordinance: Approve and Authorize the Executive Director to Execute *Amendments to Space/Use Permits* with Each of the Five Food & Beverage Concessionaires Operating at Oakland San Francisco Bay Airport: HFF OAK Venture, LLC; Rylo Management; Soaring Food Group II, LLC; SSP America OAK, LLC and, NNF Grewell, INC., Modifying Rent Commencement Dates for Each Existing Space/Use Permit and Waiving Payment of Minimum Annual Guaranty Rent and Liquidated Damages Associated with Development of Their Food and Beverage Units at Oakland San Francisco Bay Airport 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:

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

Soaring Food Group II, LLC (ACDBE)

Joseph G. Cook, CEO; Berkeley, 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

Amount: Loss of \$82,385.00 in Fiscal Year 2026 (Operating Revenue)

(10% ACDBE Partner) NNF Grewal, Inc. Navdeep Grewal, Principal, Oakland, CA	
<u>EXECUTIVE SUMMARY:</u> The proposed Amendments to revise the rent commencement dates will have the effect of waiving the Minimum Annual Guaranty (MAG) rent and liquidated damages for delayed openings that would have been due for the period between the required opening dates set forth in the existing SUPs and the actual opening dates. Any percentage rent due for interim operations (e.g. food and beverage units operated as temporary units) prior to revised rent commencement date is not waived. These revisions are warranted due to various delays since the last amendment in 2021, including continued COVID-19 related impacts. Depending on the unit, delays were variously incurred due to issues such as extended timelines for permitting, construction, critical infrastructure delivery, as well as to correct contractual development periods that have proven insufficient, and the need to keep some previous units open while others were still under construction to ensure passenger service. The proposed Amendments acknowledge that the Food and Beverage Concessionaires have taken the necessary time to develop high-quality concession units that enhance the passenger experience during a particularly challenging time to do so.	

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 were executed with five Food and Beverage 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 Food and Beverage Concessionaire's SUP. The SUPs further required the Food and Beverage Concessionaires to complete design, permitting, and construction of Food and Beverage concession units within designated development periods (180 days for units >1000 SF and 150 days for smaller units), with rent commencement dates tied to those timelines. However, a combination of permitting delays, material delivery delays, unanticipated construction delays, infrastructure coordination issues, as well as the need to keep some units open during extended construction periods of others, hindered the concessionaires' ability to achieve timely openings.

Port of Oakland (Port) Staff has performed an extensive analysis of delays associated with the development of the Food and Beverage Program, including specific delays encountered for each Food and Beverage concession unit, along with an evaluation of

overall time frame for concession unit development. The conclusions of this analysis identified that the Food and Beverage Concessionaires encountered delay factors beyond their control, including:

- Lengthy review and approval processes for building, fire protection, and health permits;
- Closure of various streetside concepts resulting in redesigns of Food and Beverage concession units;
- Prolonged construction schedules due to supply chain disruptions and labor shortages;
- Deferred start of construction work to accommodate passenger traffic and maintain Food and Beverage service continuity within the airport terminal areas; and
- Delays in the Port's delivery and activation of essential utility infrastructure such as electrical, gas, and grease interceptor connections.

Port Staff analysis also determined that the original development durations prescribed in the SUPs were insufficient for the design and construction requirements typical of specialized Food and Beverage units developed in an airport operating environment post-COVID. Even without the specific delays outlined above, the development timelines within the SUPs would have been challenging for the Food and Beverage Concessionaires to complete within the prescribed periods.

Accordingly, Port Staff recommends that the Board authorize revisions to the SUPs to adjust the rent commencement dates to reflect the actual opening dates. This modification would result in the corresponding waiver of MAG rent and liquidated damages associated with the delayed openings. Any percentage rent due for interim operations (e.g. food and beverage units operated as temporary units) prior to revised rent commencement date is not waived.

Table 1 shows the Original Rent Commencement Date, the Revised Rent Commencement Date (which corresponds to the actual opening date), and the associated MAG and liquidated damages that would be waived by revising the rent commencement dates.

Table 1
Completed Concession Unit Details

<u>Tenant</u>	<u>Unit Name</u>	<u>Original Rent Commencement Date</u>	<u>Revised Rent Commencement Date</u>	<u>MAG Waived Due to Revised Rent Commencement Date</u>	<u>LD's Waived Due to Revised Rent Commencement Date (\$500/day)</u>	<u>Total MAG Rent/LD's Waived</u>
HFF	Oaklandish	12/1/2021	1/18/2022	\$28,487.62	\$24,000	\$52,487.62
HFF	A-16 Pizzeria	3/1/2023	7/8/2024	\$266,184.35	\$247,500	\$513,684.35
HFF	Farley's	1/1/2022	2/24/2022	\$24,612.06	\$27,000	\$51,612.06
HFF	Calavera	3/1/2022	2/23/2023	\$220,245.57	\$179,500	\$399,745.57
HFF	Southie	2/1/2023	9/29/2023	\$63,903.00	\$120,000	\$183,903.00
Grewal	Subway	7/1/2021	9/15/2021	\$16,438.28	\$38,000	\$54,438.28
Rylo	Tay Ho	7/1/2022	9/19/2022	\$50,440.00	\$40,000	\$90,440.00
SFG	Cancun Sabor	11/1/2022	4/26/2024	\$362,269.25	\$271,000	\$633,269.25
SSP	Clubhouse	7/1/2022	8/21/2023	\$705,545.77	\$208,000	\$913,545.77
SSP	Peets-T1	11/1/2021	8/19/2022	\$95,343.41	\$145,500	\$240,843.41
SSP	District	7/1/2022	10/29/2025	\$842,223.98	\$608,000	\$1,450,224
SSP	Forge	12/1/2022	1/15/2025	\$407,013.63	\$388,000	\$795,013.63
SSP	Peets-T2	11/1/2021	1/18/2022	\$14,479.09	\$39,000	\$53,479.09
SSP	OAK Drafthouse	12/1/2021	7/13/2022	\$196,410.57	\$112,000	\$308,410.57
Total MAG and LD's Waived						\$5,741,096.58

If approved, there will be an operating revenue loss of \$82,385.00 for FY26 due to the District's opening on October 29, 2025, rather than the originally anticipated date of May 1, 2025. This delay stemmed from complications associated with retrofitting the space to accommodate a kitchen, which required utility upgrades not previously in place. All other Food and Beverage units listed in Table 1 were completed prior to the finalization of the FY26 budget and will not affect the current budget projections.

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 Food and Beverage 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 \$82,385 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:

GENERAL PLAN (City Charter § 727):

<u>Applies? Yes.</u> <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. 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	<u>Conformity Determination:</u> Maritime/Aviation – proposed action conforms to policies for transportation designation of the General Plan.
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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