



**AGENDA REPORT**

**PROPOSED ACTION: Ordinance:** (1) Authorize an Additional Not-to-Exceed Amount of \$1,000,000 of Reimbursement to Food and Beverage Concessionaires for Additional Port Infrastructure Improvements Constructed by the Food and Beverage Concessionaires on Behalf of the Port; and (2) Amend the Space/Use Permits with the Food and Beverage Concessionaires to Delete the \$100,000 per Unit Cap and Establish a Combined Port Infrastructure Reimbursement Fund for Infrastructure Improvements Constructed by the Food and Beverage Concessionaires on Behalf of the Port for a Not-to-Exceed Amount of \$3.8 Million for the 18 Food and Beverage Units. **(Aviation)**

**Submitted By:** Bryant L. Francis, Director of Aviation; Danny Wan, Executive Director

<u>Parties Involved:</u>	<u>Amount:</u>
HFF Oak Venture, LLC (6 Units) NNF Grewal, LLC (1 Unit) Rylo Management (1 Unit) Soaring Food Group, LLC (1 Unit) SSP America OAK, LLC (7 Units) HG OAK F&B Concessionaires, JV (2 units)	Capital Expense – not to exceed \$1,000,000 (part of a \$3.8 Million Total Project Budget) in FY2023-FY2025

**EXECUTIVE SUMMARY:**

The *Space/Use Permits (SUPs)* for the Oakland International (OAK or Airport) Food and Beverage (F&B) Concessionaires provide for them to construct certain infrastructure improvements on behalf of the Port and then be reimbursed for the applicable costs up to a maximum of \$100,000 per Unit or maximum of \$1.8 million for the eighteen Units. The Food Hall, in addition to the \$100K allowance for Port related infrastructure, was also authorized up to \$1,000,000 towards the cost of removing the false ceiling to expose the skylights, so the total authorized reimbursement amount is \$2.8 million. As designs and construction have progressed, additional costs for some of these improvements are anticipated, thus Staff is recommending (1) an additional \$1,000,000 in anticipation of increased construction labor and supply chain costs; and (2) amendments to the SUPs to remove the per-Unit cap and establish a combined Port infrastructure reimbursement fund to address Port infrastructure needs at remaining units for a total not-to-exceed amount of \$3.8 million.

**BACKGROUND & ANALYSIS**

At its meeting on November 8, 2018, the Board of Port Commissioners (Board) adopted Ordinance No. 4498 to award Four Separate F&B Concession Opportunities as detailed in a Request for Proposals covering seventeen restaurant, café and bar locations at Oakland International Airport (2018 F&B RFP). Based on the impacts and delays encountered pursuant to the COVID-19 Pandemic plus issues that needed clarification, the Board adopted subsequent ordinances leading to amendments to the *Space/Use*

*Permits (SUPs)* with each of the Food and Beverage Concessionaires. Thereafter, at its meeting on September 29, 2022, the Board of Port Commissioners adopted Ordinance No. 4663 to award the Food Hall and Concourse Café (2022 Food Hall & Concourse Café RFP), which consists of one restaurant previously returned back to the Port, as well as the creation of a new unit location, for a total of eighteen restaurant, café and bar locations at OAK.

The food and beverage operators at the Airport are:

**HG OAK F&B Concessionaires JV**

Brian J. Quinn, COO/Deputy CEO; East Rutherford, NJ  
Hudson Group, a Dufry Company (79%)  
Albright International, Inc. (10.5% ACDBE Partner)  
The Zaman Group (10.5% ACDBE Partner)

**HFF OAK Venture, LLC (“HFF”)**

Glenn Meyers, CEO; Sausalito, CA  
High Flying Foods (89% Managing Partner)  
Andale Management Group (8% ACDBE Partner)  
RDJ Enterprises (3% ACDBE)

**NNF Grewal, Inc (ACDBE)**

Gurinder Grewal, President; Pleasanton, CA

**Rylo Management (ACDBE)**

Gina Graziano, CEO; San Rafael, CA

**Soaring Food Group, LLC (ACDBE)**

Joseph G. Cook, CEO; Berkeley, CA

**SSP America OK, LLC (“SSP”)**

Pat Murry, Executive Vice President; Ashburn, VA  
SSP America, Inc. (70% Managing Partner)  
Total Concept Consulting (20% ACDBE Partner)  
Nikki Shaw, Wystone Starlight Concessions (10% ACDBE Partner)

Based on the impacts and delays encountered pursuant to the COVID-19 Pandemic plus other issues that needed clarification, the Board adopted subsequent ordinances leading to amendments to the *SUPs* with each of the Concessionaires. Specifically, Ordinance No. 4545 adopted January 23, 2020 delegated to the Director of Aviation the authority to reimburse Concessionaires, through the capital budget, for certain Port-approved infrastructure improvements constructed by the Concessionaires in an amount not to exceed \$100,000 per Unit. With the request for the additional \$1,000,000 for anticipated

construction labor and supply chain cost increases, the total maximum authorized by the Board would increase from \$2.8 million to \$3.8 million.

To date, seven F&B Units have been constructed and opened for business. As noted in the below table, pursuant to the reimbursement provision, the Port has approved expenses totaling \$517,522.88 with per Unit costs under the \$100,000 authorized limit, except for Oakland Draft House/Sierra Nevada.

	<b>Max/Unit</b>	<b>Actual</b>
<b>HFF Oak Venture, LLC (High Flying Foods)</b>		
Oaklandish Coffee Collective	\$100,000.00	\$45,064.90
Farley's Café	\$100,000.00	\$23,584.90
<b>Rylo Management</b>		
Tay Ho Oakland	\$100,000.00	\$90,079.00
<b>SSP America OAK, LLC</b>		
Peet's Coffee – Gate 26	\$100,000.00	None
Oakland Draft House/Sierra Nevada	\$100,000.00	\$188,218.49 <sup>1</sup>
Peet's Coffee – Gate 9	\$100,000.00	\$98,445.69
<b>NNF Grewal, LLC</b>		
Subway	\$100,000.00	\$72,129.90
<b>TOTALS:</b>	<b>\$700,000.00</b>	<b>\$517,522.88</b>

In practice, Port staff has observed that while some units (like Subway, Oaklandish, Farley's and Peet's Gate 26) have needed Port-related work under the \$100k/unit allocation, other units have, or are anticipated to have, higher costs due to particular circumstances at each location such as condition of infrastructure, space constraints for adding additional fixtures and utilities. Eliminating the \$100,000 per unit cap will create flexibility to address the different conditions between locations and increasing the total available will ensure the ability to address increases in the overall costs needed to support the full buildout of all the units. As the remaining units compete design and construction it is possible that more or less funds may be required, and staff will return to the Board if additional funds are needed to address specific unforeseen conditions.

<sup>1</sup> Estimated, pending final review of invoices for reimbursement.

**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:

Choose an item.

Exempt from CEQA because it is not a "Project" under CEQA Guidelines Section 15061(b)(3).

Other/Notes:

**BUDGET**

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

Operating

Non-Operating

Capital

Analysis: This project has been included in the Port's 5-Year Capital Improvement Plan with adequate budget to cover anticipated costs.

**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: This proposed action has no effect on the MAPLA obligations contained in each *SUP*.

**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: The proposed action has no effect on the Living Wage obligations contained in each *SUP*.

**SUSTAINABLE OPPORTUNITIES:**

**GENERAL PLAN** (City Charter § 727):

<p><u>Applies? Yes.</u></p> <p><u>Reason:</u> Each Concessionaire is subject to meeting sustainable opportunities as required in its <i>SUP</i>.</p>	<p><u>Conformity Determination:</u></p> <p>Maritime/Aviation – proposed action conforms to policies for transportation designation of the General Plan.</p>								
<p><b><u>STRATEGIC PLAN.</u></b> The proposed action would help the Port achieve the following goal(s) and objective(s) in the Port’s Strategic Business Plan:</p> <table border="0"> <tr> <td><input type="checkbox"/> Grow Net Revenues</td> <td><input checked="" type="checkbox"/> Modernize and Maintain Infrastructure</td> </tr> <tr> <td><input checked="" type="checkbox"/> Improve Customer Service</td> <td><input type="checkbox"/> Pursue Employee Excellence</td> </tr> <tr> <td><input type="checkbox"/> Strengthen Safety and Security</td> <td><input type="checkbox"/> Serve Our Community</td> </tr> <tr> <td><input type="checkbox"/> Care for Our Environment</td> <td></td> </tr> </table>		<input type="checkbox"/> Grow Net Revenues	<input checked="" type="checkbox"/> Modernize and Maintain Infrastructure	<input checked="" type="checkbox"/> Improve Customer Service	<input type="checkbox"/> Pursue Employee Excellence	<input type="checkbox"/> Strengthen Safety and Security	<input type="checkbox"/> Serve Our Community	<input type="checkbox"/> Care for Our Environment	
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