

AGENDA REPORT

Ordinance: Approve and Authorize the Executive Director to Execute a Lease with United Food Solutions for the Premises Located at 31 Webster Street and 38 Webster Street, Oakland, for a Ten (10) Year Term with One (1) Option to Extend for an Additional Six (6) Years for a Minimum Rental Amount of \$1,260,876 over Ten Years. (CRE)

MEETING DATE: 11/21/2019

AMOUNT: \$12,940 (FY 19-20)
Revenue

PARTIES INVOLVED: United Food Solutions, Pleasant Hill, CA,
Jennifer Le, Principal

SUBMITTED BY: Pamela Kershaw, Director of Commercial Real Estate

APPROVED BY: Danny Wan, Interim Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

The subject Agenda Report is a request for Board approval and authorization for the Executive Director to execute a Lease with United Food Solutions (“UFS”) for the premises located at 31 Webster Street and 38 Webster Street, Oakland, (“Premises”) to operate a restaurant for a ten (10) year term with one (1) option to extend for an additional six (6) years, with a starting monthly rent of \$9,812 for the restaurant premises (beginning on the second year) and \$269 for the storage room premises, in addition to reimbursement of Common Area Maintenance expenses in the amount of \$2,319 in the first year.

BACKGROUND

The Port owned property located at 31 Webster Street is a small approximately 3,451 sq.ft. restaurant space with two patio areas of approximately 780 sq.ft. and 485 sq.ft., located on Webster at Water Streets in Jack London Square. The building has been used as a restaurant and bar, most recently under the business name “Il Pescatore Ristorante”, operated by two separate owners over the past 40+ years. The former Il Pescatore Ristorante lease expired in 2017 and the building has been vacant since that time.

In March of 2019 the Port was approached by Jennifer Le, principal of UFS to lease the Premises. Ms. Le has over 23 years in the food and hospitality industry, with extensive

experience in developing initial restaurant concepts, restaurant design and construction, marketing, personnel training, and ongoing operations. Ms. Le has owned and operated several East Bay restaurants and currently operates the “Seabreeze Market & Deli” in Berkeley, “Rockin Crawfish” in Concord and “Cutting Board Gastropub” in Las Vegas, NV.

Ms. Le’s concept for the Premises is a quick and casual indoor/outdoor family oriented restaurant serving New England and Louisiana Cajun style seafood dishes. The menu will include items such as lobster rolls, steamed crab, Po Boy sandwiches and oysters on the half-shell. Ms. Le also plans to obtain a liquor license to serve beer and wine on site. In addition to 31 Webster Street, Ms. Le would like to concurrently lease an approximately 415 sq.ft. storage room located in a portion of 38 Webster Street (the Harbormaster building), adjacent to the restaurant. This storage room was also leased by the prior restaurant tenants to store their restaurant-related items (such as dry goods, kitchen supplies, and equipment) and will be used in the same manner by UFS. Ms. Le anticipates initially investing approximately \$800,000 into the building for tenant improvements. This work will include demolition of some of the existing worn out improvements, bringing both restrooms up to code requirements, new flooring, new windows, and revamping the kitchen and seating areas.

ANALYSIS

Staff and Ms. Le have been negotiating the potential terms of a Lease for the Premises for the past several weeks. The following is a summary of the key business terms that are proposed:

Lessee	United Food Solutions
Personal Guarantor(s) of Lease	Jennifer Le, Anh Nguyen, Ricky Giang, and Hoang Huynh, jointly and severally, for the first 60 months of the lease term.
Premises	<p>Restaurant: 31 Webster Street, Oakland, CA, (Port Building F-109) (approximately 3,451 square feet) and two patio areas (approximately 780 square feet and 485 square feet).</p> <p>Storage Room: A storage room located on the first floor of the Harbormaster Building (Port Building F-101) at 38 Webster Street, Oakland (approximately 415 sq.ft.).</p>
Term	Ten (10) years commencing February 1, 2020 and expiring January 31, 2030.
Use	Operation of a quick service, casual seafood restaurant for lunch and dinner.
Performance Deposit	Equal to three (3) times the Minimum Monthly Rent for the restaurant and storage room.

Landlord's Tenant Improvement Allowance	The Port will provide up to \$200,000.00 in reimbursement to UFS upon completion of tenant improvement work and copies of paid invoices submitted the Port as evidence of payment. This allowance is contingent upon Lessee first expending at least \$400,000 of Lessee's own funds.		
Minimum Monthly Rent	Restaurant Space	Storage Room	Common Area Expense Reimbursement
Months 1 – 12	\$ 0	\$ 269.00	\$ 2,319.00
Months 13 – 24	\$ 9,812.00	\$ 279.00	\$ 2,412.00
Months 25 – 36	\$ 9,812.00	\$ 290.00	\$ 2,508.00
Months 37 – 48	\$10,254.00	\$ 302.00	\$ 2,609.00
Months 49 – 60	\$10,715.00	\$ 314.00	\$ 2,713.00
Months 61 – 72	\$11,197.00	\$ 327.00	\$ 2,821.00
Months 73 – 84	\$11,701.00	\$ 340.00	\$ 2,934.00
Months 85 – 96	\$12,228.00	\$ 353.00	\$ 3,052.00
Months 97 – 108	\$12,778.00	\$ 367.00	\$ 3,174.00
Months 109 - 120	\$13,353.00	\$ 382.00	\$ 3,301.00
Percentage Rent	7% of Lessee's monthly gross sales less the Minimum Monthly Rent. The 1 st year's percentage rent will be calculated based on a Minimum Monthly Rent of \$9,812.00 even though Minimum Rent is abated during the first year.		
Option to Extend Term	One (1) option to extend for a six (6) year term.		
Option Term Rent and Common Area Expense Reimbursement	Rent for the Option Period shall be 10% over the previous Minimum Rent for the Premises and increasing 4% annually thereafter. Common Area Expense Reimbursement for the Option Period Shall be 4% over the previous year's amount and increasing 4% annually thereafter.		
Maintenance	All maintenance of the Premises to be performed by Lessee at Lessee's sole cost and expense except for the roof and the wharf below, which shall continue to be maintained by the Port.		

Staff believes that the proposed Lease will revitalize this important existing asset which has been vacant in the middle of Jack London Square for some time, while generating additional revenues to the Port that are consistent with comparable buildings and uses within the surrounding area. Based on the proposed key business terms included in this agenda report, staff recommends approval of the proposed Lease.

BUDGET & STAFFING

The proposed Lease is scheduled to commence on February 1, 2020 and will generate incremental revenue of \$12,940 over the adopted CRE FY 2019-20 Budget. The FY 2019-20 Budget assumed no tenancy of this property during the fiscal year. Funds for the proposed \$200,000 tenant improvement reimbursement have been included in the FY 2020 CIP and will become authorized CIP funds for this purpose if the Board approves execution of this Lease.

The proposed action will have no impact on staffing as the existing property is currently managed by existing CRE Division staff.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters contained in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

- Goal: Grow Net Revenue
- Goal: Modernize and Maintain Infrastructure

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply to this matter because tenancies outside of the Aviation and Maritime areas with entities that do not principally provide aviation or maritime services are excluded from the Living Wage Regulations. In addition, for any future construction under this agreement construction prevailing wage requirements will apply.

SUSTAINABILITY

The tenant has not proposed any new development for the leased area. If the tenant decides to redevelop the site in the future, the tenant must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The Port has determined that entering into a Lease that allows for maintenance of existing facilities is categorically exempt from the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15301, Existing Facilities. Section 15301 exempts from CEQA the repair, maintenance, and minor alteration of existing structures and facilities that involve negligible or no expansion of existing or former use.

GENERAL PLAN

This project involves entering into a Lease and includes the allowance for improvements to an existing facility being used in conformance with the Oakland General Plan, pursuant to Section 727 of the City of Oakland Charter, and will not change the use of any facility.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. Approve and authorize the Executive Director to execute the proposed Lease with United Food Solutions for the premises located at 31 and 38 Webster Street, for a ten (10) year term with one (1) option to extend for an additional six (6) years for a minimum rental amount of \$1,260,876 over ten years, based on the terms and conditions stated within this Agenda Report. This is the recommended option.
2. Approve and authorize the Executive Director to execute the proposed Lease with United Food Solutions for the premises located at 31 and 38 Webster Street, but subject to alternative terms and conditions, which depending on the nature of those alternative terms and conditions, may not be acceptable to UFS, potentially leaving the premises vacant for an additional period.
3. Do not approve the proposed Lease, which will result in a continued vacancy of the premises.

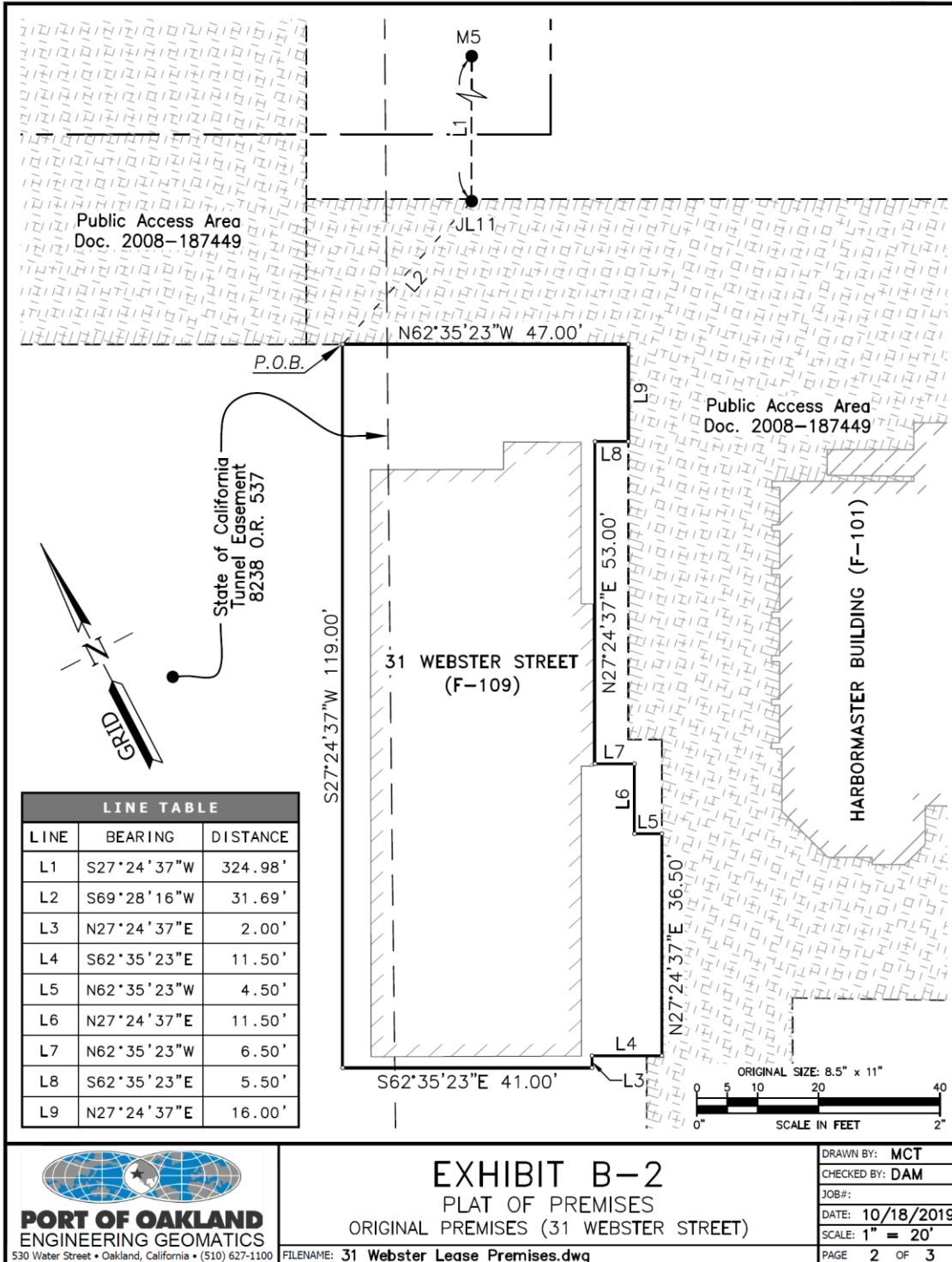
RECOMMENDATION

Staff recommends that the Board approve and authorize the Executive Director to execute a Lease with United Food Solutions, for the Premises located at 31 Webster Street and 38 Webster Street, Oakland, for a ten (10) year term with one (1) option to extend for an additional six (6) years for a minimum rental amount of \$1,260,876 over ten years, subject to the terms and conditions stated within this Agenda Report and subject to the approval as to form and legality by the Port Attorney. Furthermore, if this Lease is not fully executed within

thirty (30) days after Board approval, the approval shall be null and void, unless extended at the sole and absolute discretion of the Executive Director or his designee.

Attachment: Site Plan of Premises

Attachment – Premises 31 Webster Street, Restaurant Space



Attachment – Premises
38 Webster Street, Storage Room

