



Office of the City Manager

CONSENT CALENDAR  
July 8, 2025

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Scott Ferris, Director, Parks Recreation and Waterfront

Subject: Lease Amendment with Yoonaco, Inc. (Hana Japan) at 235 University Avenue

RECOMMENDATION

Adopt first reading of an Ordinance amending the City's improved property lease with Yoonaco, Inc. (Hana Japan) for property at 235 University Ave to extend the initial lease term through June 30, 2026, replace the five-year extension option with a one-year extension option, maintain the rent at the current rate of \$7,868 per month for the lease term, and remove the daily operating requirement for the first floor of the property.

FISCAL IMPACTS OF RECOMMENDATION

This amendment would allow the City to continue receiving rent from 235 University Avenue at the current rate of \$96,412 per year (\$7,868 per month) through June 30, 2026. If the tenant chooses to exercise their lease extension option, the City would continue to receive this revenue for an additional year through June 30, 2027. Revenue from this lease will be deposited into the Marina Fund, budget code 608-52-544-592-0000-000-000-461120.

Without this extension, the lease would transition into holdover effective July 1, 2025, and the rent would increase by 120% to \$9,441 per month. The current lease provides the tenant with the option to exercise a five-year lease extension that raises the rent to \$9,160 per month and increases annually by 3%. However, the tenant has communicated to City staff that they cannot afford the rent increase.

CURRENT SITUATION AND ITS EFFECTS

Yoonaco, Inc. holds the lease for the City-owned property at 235 University Avenue, which includes two levels of restaurant space. The tenant has been operating Hana Japan on the second floor of the property since 2006. The tenant attempted to reactivate the first floor with the Marina Seafood Dockside Patio restaurant, which opened in January 2024, but closed a year later in February 2025.

The current lease between the City and Yoonaco, Inc. started on July 1, 2020, and was set to expire on June 30, 2025. In anticipation of the lease expiring, City staff met with

the tenant to discuss whether to exercise the extension option. The tenant shared the restaurant's challenges and how the terms of the extension option were not feasible for their business. The tenant proposed the following changes to the lease that would allow them to continue their tenancy:

- Extend the initial term of the lease for one year beginning July 1, 2025 and expiring on June 30, 2026
- Replace the five-year option period with a one-year option period
- Maintain the rent at the current rate of \$7,868 per month (instead of raising the rent to \$9,160 per month)
- Removing the daily operating requirement on the first floor

The tenant is proposing a shorter lease term to give them the flexibility to respond to market pressures. The tenant expressed concerns about declining foot traffic, as well as a changing competitive landscape. A shorter lease term would allow the tenant to analyze the viability of their business.

Additionally, the tenant is asking to maintain the rent at the current rate through the proposed initial term and option period of the lease. The tenant cited unfavorable market conditions and rising operational and maintenance costs as reasons for keeping the rent at the current level.

Furthermore, the tenant is looking to reactivate the first floor as a catering and banquet rental, which would require the removal of the daily operating requirements as stipulated in the lease. The current lease requires the first floor to operate for six days per week for a minimum of four hours per day, which would be incongruent with the tenant's proposed business model.

### BACKGROUND

Hana Japan is a restaurant that has been operating on the second floor of 235 University Avenue since 2006. On June 16, 2020, City Council approved a five-year lease with a five-year option period for Yoonaco, Inc., which operates Hana Japan (Ord. 7703-N.S.). The lease went into effect on July 1, 2020 and was set to expire on June 30, 2025. The tenant is current with all rent payments from the initial lease term and met the capital contributions required by the lease.

### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

Lease revenue generated at the Waterfront is required to be reinvested into the public trust lands overseen by the City and supports the City's environmental/ecological educational programming at the Shorebird Park Nature Center, habitat maintenance at Cesar Chavez Park, and capital projects.

### RATIONALE FOR RECOMMENDATION

Lease Amendment: 235 University Avenue,  
Yoonaco, Inc. (Hana Japan)

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The Marina Fund is experiencing significant pressure due to reduced rental revenue from Waterfront tenants. By amending the lease with the proposed terms, the City can continue to receive rental revenue from the property, while the tenant can continue operating their business with lease terms that are feasible for their business.

ALTERNATIVE ACTIONS CONSIDERED

The City could allow the lease to transition into holdover effective July 1, 2025, which would raise the rent by 120%. The tenant has communicated that their business cannot afford this rent increase. If the lease were to go into holdover, the tenant would be at risk of defaulting on the lease, ceasing operations, and leaving the property vacant. This would be detrimental to City finances, as the Marina Fund would lose more rent revenue and the property could sit vacant for an extended period, incurring significant maintenance costs and potentially becoming blighted.

CONTACT PERSON

Scott Ferris, Director, Parks Recreation and Waterfront, 981-6700

Attachments:

1: Ordinance

Exhibit A: Amendment to Lease Agreement

ORDINANCE NO. -N.S.

LEASE AMENDMENT FOR YOONACO, INC. DBA HANA JAPAN AT 235 UNIVERSITY AVENUE

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1.

The City Manager is hereby authorized to enter into an Amendment to the Lease Agreement with Yoonaco, Inc. dba Hana Japan, for the property at 235 University Avenue. The terms of the amendment shall be on substantially the terms set forth in Exhibit A.

Section 2.

The initial term for the lease will be extended by one year, to expire on June 30, 2026. The five-year extension option will be replaced with a one-year extension. The rent will remain at \$7,868 per month for the initial term of the lease and through the one-year option period. The daily operating requirement for the first floor will be removed.

Section 3. Copies of this Ordinance shall be posted for two days prior to adoption in the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way. Within 15 days of adoption, copies of this Ordinance shall be filed at each branch of the Berkeley Public Library and the title shall be published in a newspaper of general circulation.

Exhibits

A: Amendment to Lease Agreement

**Exhibit A:  
AMENDMENT TO LEASE AGREEMENT**

This Lease amendment (“Amendment”) is made on and entered into as of July 1, 2025, between the CITY OF BERKELEY (“Landlord”), a Charter City organized and existing under the laws of the State of California, and YOONACO, INC. DBA HANA JAPAN, a California Corporation (“Tenant”), who agree as follows:

*This lease amendment is made with reference to the following facts and objectives:*

- A. Per City Ordinance No. 7,703-N.S. approved on June 26, 2020, Landlord and Tenant entered into an Improved Property Lease which was effective on July 1, 2020 (“the Lease Agreement”).
- B. In the Lease Agreement, the Landlord and Tenant agreed to an Initial Term of five (5) years with a five (5)-year Option Period.
- C. Tenant requested one (1) additional year of tenancy with an option to extend the Lease Agreement for one (1) year, and to remove the existing five (5)-year option period.
- D. Tenant requested to maintain the current monthly rent payment of Seven Thousand Eight Hundred and Sixty-Eight DOLLARS (\$7,868) per month for the remainder of the Initial Term and for the Option Period of the Lease Agreement.
- E. Tenant requested to remove the daily operating requirement for the first floor of the Property.
- F. Per Ordinance No. 7,703-N.S., the City Manager is authorized to execute amendments to the lease.

Therefore, the Landlord and Tenant agree to amend the Lease Agreement as follows:

1. Basic Lease Information is amended with the following language:
  7. Initial Term: Six (6) Year(s), commencing as of July 1, 2020 (“Commencement Date”).

8. Rent:

Lease Period Beginning:	Monthly Rent Due	Yearly Rent Due
July 1, 2020 (2 months)	\$2,832.50	\$57,415
September 1, 2020 (10 months)	\$5,175	
July 1, 2021	\$5,330	\$63,963
July 1, 2022	\$7,416	\$88,992
July 1, 2023	\$7,638	\$91,662
July 1, 2024	\$7,868	\$94,412
July 1, 2025	\$7,868	\$94,412
Option Year Beginning:	Monthly Rent Due	Yearly Rent Due
July 1, 2026	\$7,868	\$94,412

2. Section 2. TERM is amended with the following language:
  - A. The Initial Term shall commence on the July 1, 2020 (“Lease Commencement Date”) and expire on June 30, 2026 (“Lease Expiration Date”).
  - B. Tenant is granted the option (“Extension Option”) to extend the initial term of this lease for an additional term of one (1) year (“Option Period”) provided all of the Extension Conditions are met.
3. Section 3. RENT: The schedule of monthly rent payment is amended to reflect changes in Basic Lease Information: 8. Rent, referenced above.
4. Section 5.F. USE OF PROPERTY is deleted and replaced with the following language:
  - F. The first floor commercial space may be subleased to a separate entity pursuant to Section 15.
5. In all other respects, the Lease Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, City and Tenant have executed this Amendment as of the date written on the first paragraph above.

CITY OF BERKELEY

BY:

APPROVED AS TO FORM:

\_\_\_\_\_  
City Manager  
Dated: \_\_\_\_\_

\_\_\_\_\_  
City Attorney

REGISTERED BY:

ATTEST:

\_\_\_\_\_  
City Auditor

\_\_\_\_\_  
Deputy City Clerk

TENANT

\_\_\_\_\_  
By:  
Title:

\_\_\_\_\_  
City of Berkeley Business License No.

