



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

**ISSUANCE OF AN ADVERTISING CONCESSION AGREEMENT AT
STATE AIRPORTS WITHIN THE STATE OF HAWAII**

TAX MAP KEY:

- 1st Division - 1-1-03: Portion of 1 (Honolulu)
- 3rd Division - 7-3-43: Portion of 1 (Kona at Keahole)
- 3rd Division - 2-1-12: Portion of 9 (Hilo)
- 2nd Division - 3-8-01: Portion of 19 (Kahului)
- 2nd Division - 2-4-03: Portion of 1 (Kapalua)
- 2nd Division - 4-9-02: Portion of 41 (Lanai)
- 2nd Division - 5-2-04: Portion of 8 (Molokai)
- 4th Division - 3-5-01: Portion of 8 (Lihue)

STATEWIDE

The Department of Transportation, Airports Division (“DOTA”) proposes to offer a new Concession Agreement for an Advertising Concession at eight (8) state airports within the State of Hawaii. The following contains a description and summary of some of the major terms and conditions that the DOTA anticipates incorporating into the Concession Agreement (“Agreement”).

PURPOSE:

To award the Agreement to a qualified Concessionaire submitting the highest bid to exclusively operate the Advertising Concession at eight (8) state airports within the State of Hawaii.

LEGAL REFERENCE:

Chapter 102, and Section 261-7, Hawaii Revised Statutes, as amended.

LOCATION:

Honolulu International Airport, Kona International Airport at Keahole, Hilo International Airport, Kahului Airport, Kapalua Airport, Lihue Airport, Molokai Airport and Lanai Airport.

ADVERTISING SPACES (Initial Allocation)

The DOTA will designate locations (initial allocation-spaces) within the Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, Lihue Airport and Hilo International Airport for Advertising. Advertising within the designated locations shall be requested by the Concessionaire in writing together with plans and designs for DOTA to review and approve prior to installation.

No specific Advertising spaces will be designated for the Kapalua-West Maui Airport, Molokai Airport and Lanai Airport. DOTA will allow the Concessionaire to request in writing for Advertising spaces at these airports. All requests for Advertising spaces shall be accompanied with plans and designs for the DOTA to review and approve prior to installation.

If the DOTA, in its sole discretion, agrees to make available to the Concessionaire, at the Concessionaire's request Premises, the Concessionaire shall pay rental for such Premises as follows:

- (1) floor rent equal to the square footage of such Premises multiplied by the rates and charges applicable to such Premises as established by the DOT; and
- (2) all gross receipts received or realized by the Concessionaire from or otherwise attributable to any revenue generated Premises shall be included in the percentage fee obligation payable by the Concessionaire under the Agreement.

If the DOTA, at its sole discretion, requires the Concessionaire to take or use additional Premises, the Concessionaire shall not be obligated to pay floor rent for such Premises, but shall include the gross receipts received or realized by the Concessionaire from or otherwise attributable to such Premises in the percentage fee obligation payable by the Concessionaire under the Agreement.

ZONING:

Honolulu - Land Use: Urban/County: Industrial (I2)
Kona at Keahole - Land Use: Urban/County: Industrial (MG1a)
Hilo - Land Use: Urban/County: Industrial (ML20)
Kahului - Land Use: Urban/County: Airport
Kapalua – Land Use: Urban/County: Airport
Lihue - Land Use: Urban/County: Industrial (IG-STP)
Molokai - Land Use: Urban/County: Airport
Lanai - Land use: Urban/County: Interim Zoning Provisions of the Maui County Zoning Code.

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LAND STATUS:

- Honolulu - Section 5(a) Non-Ceded, 5(b) Ceded
Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Kona at Keahole - Section 5(b) Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Hilo - Section 5(b) Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Kahului - Section 5(a) Non Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Kapalua - Section 5(a) Non Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Molokai - Section 5(b) Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Lanai - Section 5(a) Non Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X
- Lihue - Section 5(a) Non-Ceded, Hawaii Admission Act
DHHL 30% entitlement lands Yes___ No X

TERM:

Five (5) years.

CONCESSION FEE:

For the first year of the Agreement, the Concession fee shall be the greater of the Minimum Annual Guaranteed (MAG) fee or fifty per cent (50%) of the Concessionaire's annual gross receipts generated from, related or attributable to, or connected with the operation of the Advertising Concession. In each successive year of the contract term, the MAG shall be 85% of the Concession Fee that was paid and payable in the previous year.

DBE PARTICIPATION:

Although there is no DBE participation goal established for this Concession Agreement, the Concessionaire is encouraged to voluntarily strive to achieve DBE participation in its Concession operations.

MINIMUM IMPROVEMENTS:

The Concessionaire will be required to invest a minimum total of ONE HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$125,000.00) for concession improvements and certain fixtures, equipment and advertising display devices on or within the premises of the spaces assigned under the Concession Agreement in accordance with DOT and County building standards.

CHAPTER 343, HRS – ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a), Environmental Impact Statement Rules of the Department of Health, State of Hawaii, this disposition is exempt from requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawaii Revised Statutes, as amended, relating to Environmental Class #1, Comprehensive Exemption List for the State of Hawaii, Department of Transportation dated November 15, 2000, as approved by the Environmental Quality Council. Exemption Class 31 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existed.

BASIS OF AWARD:

The award of the Concession Agreement will be to the highest responsible bidder, based upon the total amount of the MAG bid for the term of the Concession Agreement, which MAG bid shall not be less than the minimum upset rent of TWO HUNDRED THOUSAND DOLLARS (\$200,000.00).

REMARKS:

The Statewide Advertising Concession has been in demand for many years and is a major part of the Department of Transportation's plan to generate the maximum amount of revenue and to continually improve and expand its concession program by providing as much information regarding attractions, activities and goods and services available to the traveling public, passengers and visitors statewide.

RECOMMENDATION:

That the Board authorize the call for sealed bid tenders and issuance of a new Statewide Airports Advertising Concession as hereinabove outlined, subject to (1) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (2) review and approval of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,



GLENN M. OKIMOTO, Ph.D.
Director of Transportation

APPROVED FOR SUBMITTAL:



WILLIAM J. AILA, JR.
Chairperson and Member