

DAVID Y. IGE
GOVERNOR



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

FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN

IN REPLY REFER TO:

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

AMENDMENT TO PRIOR BOARD ACTION TAKEN NOVEMBER 14, 2014
UNDER ITEM M-2, AMENDMENT NO. 22 CONCESSION AGREEMENT
NO. DOT-A-92-0018, RESTAURANT AND LOUNGE CONCESSION AT
HONOLULU INTERNATIONAL AIRPORT TO EXTEND LEASE TERM
UNDER PROVISION OF ACT 46, SESSION LAWS OF HAWAII 2012, AS
AMENDED BY ACT 126, SESSION LAWS OF HAWAII 2014
TAX MAP KEY: (1) 1-1-03:PORTION OF 1 O'AHU

The Department of Transportation (DOT) seeks to amend its submittal, approved by the Board at its November 14, 2014 meeting under Item M-2 (attached), in which the Board authorized the DOT to amend Concession Agreement No. DOT-A-92-0018 to extend the lease term to September 30, 2027.

PURPOSE:

To correct a typographical error in the lease end date. The DOT and Host International Inc. (applicant) intended to extend the lease term to September 30, 2029 to allow the applicant to amortize the costs of new food and beverage facilities that the applicant will construct as part of the DOT's new mauka concourse construction and efforts to upgrade facilities in the Diamond Head and Ewa concourses as described in the November 14, 2014 submittal.

LEGAL REFERENCE:

Chapter 102, Hawaii Revised Statutes, as amended.
Act 46, Session Laws of Hawai'i 2012, as amended by Act 126
Session Laws of Hawai'i 2014

LOCATION AND TAX MAP KEY:

Honolulu International Airport, Island of O'ahu,
1st Division, 1-1-03: Portion of 1.

ITEM M-1

BLNR – AMENDMENT TO PRIOR BOARD
ACTION OF NOVEMBER 14, 2014 UNDER ITEM M-2
HOST INTERNATIONAL, INC.

ZONING:

State Land Use District: Urban
City and County of Honolulu LUO: Industrial (I-2)

LAND TITLE STATUS:

Sections 5 (a) and 5 (b) lands of the Hawaii Admission Act: Ceded and Non-Ceded
DHHL 30% entitlement lands: Yes ____ No X

REMARKS:

Under Act 46, Session Laws of Hawai'i 2012, as amended by Act 126 Session Laws of Hawaii 2014 "...the department of transportation is allowed upon mutual agreement with a concession and in exchange for revenue enhancing improvements that are made or paid for by the concession deemed acceptable by the department of transportation, may extend, modify, alter, or amend the terms of concession contracts, leases and permits."

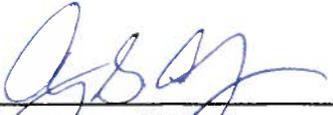
RECOMMENDATION:

That the Board amend its prior approval authorizing the Department of Transportation to 1) amend the expiration date for Concession Agreement No. DOT-A-92-0018 so that the term shall end on September 30, 2029; 2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interest of the State; and 3) review and approval by the Department of the Attorney General.

Respectfully submitted,


FORD N. FUCHIGAMI
Director of Transportation

APPROVED FOR SUBMITTAL:



CARTY S. CHANG
Acting Chairperson

NEIL ABERCROMBIE
GOVERNOR



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

FORD N. FUCHIGAMI
INTERIM DIRECTOR

Deputy Directors
RANDY GRUNE
AUDREY HIDANO
ROSS M. HIGASHI
JADINE URASAKI

IN REPLY REFER TO:

November 14, 2014

Board of Land and
Natural Resources
State of Hawai'i
Honolulu, Hawai'i

AMENDMENT NO. 22 TO CONCESSION AGREEMENT NO. DOT-A-92-0018
RESTAURANT AND LOUNGE CONCESSION AT HONOLULU INTERNATIONAL
AIRPORT TO EXTEND LEASE TERM UNDER PROVISION OF ACT 46,
SESSION LAWS OF HAWAII 2012, AS AMENDED BY ACT 126,
SESSION LAWS OF HAWAII 2014
TAX MAP KEY: (1) 1-1-03:1 (PORTION) O'AHU

APPLICANT:

Host International Inc., its mailing address is 6905 Rockledge Drive, Bethesda,
Maryland 20817.

LEGAL REFERENCE:

Chapter 102, Hawai'i Revised Statutes, as amended.

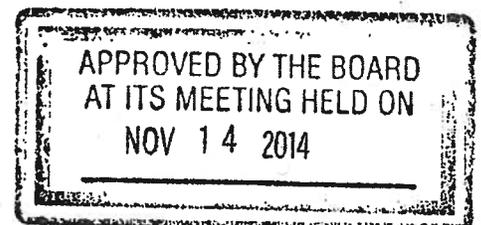
Act 46, Session Laws of Hawai'i 2012, as amended by Act 126 Session Laws
of Hawai'i 2014.

LOCATION AND TAX MAP KEY:

Honolulu International Airport (HNL), Island of O'ahu,
1st Division, 1-1-03: Portion of 1.

ZONING:

State Land Use District: Urban
City and County of Honolulu: I-2 (Industrial)



LAND TITLE STATUS:

Section 5 (a) and 5 (b) lands of the Hawaii Admission Act: Ceded and Non-Ceded
DHHL 30% entitlement lands: Yes ___ No X

ITEM M-2

CONCESSION TERM:

The Restaurant and Lounge Concession Agreement No. DOT-A-92-0018 (Concession) began on May 1, 1993 and continues through April 30, 2020. Applicant, pursuant to Act 46, Session Laws of Hawai'i 2012, as amended by Act 126 Session Laws of Hawai'i 2014, is seeking to extend the lease term to September 30, 2027, to amortize the cost of the improvements described below.

IMPROVEMENTS:

Applicant will construct, install and pay for approximately \$13.6 million in concession improvements, including new construction at the planned Mauka Concourse, as well as refurbishing or relocating of existing concession locations or construction of new concession facilities due to the Department of Transportation's improvement projects in the Diamond Head and Ewa concourses. In addition to specific concession improvements, the Applicant will also contribute approximately \$2 million toward the remodeling of the Central Waiting Lobby at HNL.

CONCESSION FEE:

The existing concession fee is the greater of minimum annual guaranteed fee of \$4.8 million or a percentage of gross receipts. The current concession agreement has three percentage rates. Those rates are 5% of sales at the employee cafeteria, a sliding scale for food sales, and a separate sliding scale for sales of alcohol (shown below) at terminal locations other than the cafeteria.

<u>Annual Food Sales</u>	<u>Percentage Fee</u>
Less than \$47 million	8%
\$47 million to \$52 million	9%
\$52 million to \$57 million	10%
\$57 million to \$62 million	11%
\$62 million to \$67 million	12%
\$67 million to \$72 million	13%
More than \$72 million	14%

<u>Annual Alcohol Sales</u>	<u>Percentage Fee</u>
Less than \$8 million	13%
\$8.0 million to \$8.5 million	14%
\$8.5 million to \$9.0 million	15%
\$9.0 million to \$9.5 million	16%
\$9.5 million to \$10.0 million	17%
\$10.0 million to \$10.5 million	18%
More than \$10.5 million	19%

BLNR – AMENDMENT NO. 22 TO
CONCESSION AGREEMENT NO. DOT-A-92-0018
HOST INTERNATIONAL, INC.

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The proposed amendment would make the following changes:

- 1) Adjust the minimum annual guaranteed fee to 85% of what was paid and payable in the preceding concession agreement year (rather than remaining at \$4.8 million), but with a floor of \$5.1 million. This would take effect once new restaurants in the Diamond Head and Ewa concourses are opened (which is estimated to be in 2016 for the Ewa Concourse and 2017 for the Diamond Head Concourse).
- 2) Adjust the food schedule by eliminating the eight percent tier of the existing food schedule and making all food sales up to \$52 million subject to a concession fee of nine percent.
- 3) Adjust the alcohol schedule by eliminating the 13% and 14% tiers, and increasing the percentage as shown below.

<u>Annual Alcohol Sales</u>	<u>Percentage Fee</u>
Up to \$8.5 million	15%
\$8.5 million to \$9.0 million	16%
\$9.0 million to \$9.5 million	17%
\$9.5 million to \$10.0 million	18%
\$10.0 million to \$10.5 million	19%
More than \$10.5 million	20%

CHAPTER 343, HRS – ENVIRONMENTAL ASSESSMENT

Pursuant to Section 11-200-8(a), Environmental Impact Statement Rules of the Department of Health, State of Hawai‘i, 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 Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawai‘i, Department of Transportation dated November 14, 2000 as approved by the Environmental Quality Council. Exemption Class #1 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 existing.

REMARKS:

Under the Act 46, Session Laws of Hawai‘i 2012, as amended by Act 126 Session Laws of Hawai‘i 2014, "...the department of transportation is allowed to upon mutual agreement with a concession and in exchange for revenue enhancing improvements that

BLNR – AMENDMENT NO. 22 TO
CONCESSION AGREEMENT NO. DOT-A-92-0018
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are made or paid for by the concession deemed acceptable by the department of transportation, may extend, modify, alter, or amend the terms of concession contracts, leases and permits.”

The DOT has reviewed the request and determined that the proposed concession improvements within the airport terminal will allow the applicant to better serve the traveling public, the airports will benefit from the increase in concession activity.

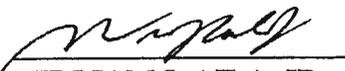
RECOMMENDATION:

That the Board authorizes the Department of Transportation to amend the existing Concession Agreement No. DOT-A-92-0018 subject to: 1) terms and conditions herein outlined, which are by reference incorporated herein; 2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interest of the State; and 3) review and approval by the Department of the Attorney General.

Respectfully submitted,


FORD N. FUCHIGAMI
Interim Director of Transportation

APPROVED FOR SUBMITTAL:


WILLIAM J. AILA, JR.
Chairperson and Member