



**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 DIRECT LEASE TO HAWAII ISLAND AIR, INC.  
HONOLULU INTERNATIONAL AIRPORT  
TMK: (1) 1-1-72: 25 (PORTION)

OAHU

REQUEST:

Issuance of a direct lease to Hawaii Island Air, Inc. for the operation, and maintenance of a Fixed-Based Hangar Facility, to support its commercial airline operations at Honolulu International Airport.

LEGAL REFERENCE:

Subsection 171-59(b), Hawaii Revised Statutes, as amended.

APPLICANT / LESSEE:

Hawaii Island Air, Inc., a Delaware corporation, authorized to do business in the State of Hawaii, whose business and mailing address is 99 Kapalulu Place, Honolulu, Hawaii 96819-1843.

LOCATION AND TAX MAP KEY:

Portion of Honolulu International Airport, Island of Oahu, State of Hawaii, identified by Tax Map Key: 1<sup>st</sup> Division, 1-1-72: 25 (portion).

AREA:

Building No. 221-100, containing a footprint of approximately 15,000 square feet; and Area/Space No. 009-107A, containing approximately 39,499 square feet of improved, paved land, as delineated on the attached map labeled Exhibit A.

ZONING:

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

LAND TITLE STATUS:

Section 5(a) lands of the Hawaii Admissions Act: Non-ceded  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES  NO

CURRENT USE STATUS:

Land presently encumbered by Governor's Executive Order No. 3201, setting aside a portion of Honolulu International Airport under the control and management of the Department of Transportation, Airports Division, State of Hawaii, for Airport Purposes.

CHARACTER OF USE:

The operation and maintenance of a Fixed-Based Hangar Facility.

TERM OF LEASE:

Thirty-Five (35) years

LEASE COMMENCEMENT DATE:

Upon execution of the lease document

ANNUAL LEASE RENTAL:

1. Annual Rental for the First Five (5) Years of the Lease Term (Years 1 – 5):

a. Building Rental. For the first five (5) years, beginning upon the commencement date of the Lease term, LESSEE shall pay to STATE an annual building rate established for Building No. 221-000, in the 2013 Statewide Appraisal for Hawaii State Airports, to be published in the Airports Division Procedures, Procedure No. 4.5 (Schedule of Rates and Charges) for the Airport.

The 2013 Statewide Appraisal for Hawaii State Airports (State Project Nos. ES1203-13 and ES1204-13) has an estimated completion date of July 31, 2013.

b. Ground Rental. For the first five (5) years, beginning upon the commencement date of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$123,236.88, payable in monthly installments of \$10,269.74, in advance, based upon the present ground lease rental rate of \$3.12 per square foot, per annum, for the premises at Honolulu International Airport.

2. Annual Rental for the Second Five (5) Years of the Lease Term (Years 6 – 10):

a. Building Rental. For the second five (5) years, beginning upon the first day of the sixth (6<sup>th</sup>) year of the Lease term, LESSEE shall pay to STATE a building rental amount based upon the product of 115% and the annual rental for the fifth (5<sup>th</sup>) year of the Lease term.

b. Ground Rental. For the second five (5) years, beginning upon the first day of the sixth (6<sup>th</sup>) year of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$141,722.41, payable in monthly installments of \$11,810.20, in advance, based upon the product of 115% and the annual rental for the fifth (5<sup>th</sup>) year of the Lease term (\$10,269.74).

3. Annual Rental for the Third Five (5) Years of the Lease Term (Years 11 – 15):  
For the third five (5) years, beginning upon the first day of the eleventh (11<sup>th</sup>) year of the Lease term, the annual building and ground rental shall be determined separately when due in accordance with Article VI. (Reopening of Rent) of the Lease.

4. Annual Rental for the Fourth Five (5) Years of the Lease Term (Years 16 – 20):

a. Building Rental. For the fourth five (5) years, beginning upon the first day of the sixteenth (16<sup>th</sup>) year of the Lease term, the LESSEE shall pay to STATE a building rental based upon the product of 115% and the annual rent for the fifteenth (15<sup>th</sup>) year of the Lease term.

b. Ground Rental. For the fourth five (5) years, beginning upon the first day of the sixteenth (16<sup>th</sup>) year of the Lease term, the LESSEE shall pay to STATE a ground rental based upon the product of 115% and the annual rent for the fifteenth (15<sup>th</sup>) year of the Lease term.

5. Annual Rent for the Fifth Five (5) Years of the Lease Term (Years 21 – 25):  
For the fifth five (5) years, beginning upon the first day of the twenty-first (21<sup>st</sup>) year of the Lease term, the annual building and ground rental shall be determined separately when due in accordance with Article VI. (Reopening of Rent) of the Lease.

6. Annual Rental for the Sixth Five (5) Years of the Lease Term (Years 26 – 30):

a. Building Rental. For the sixth five (5) years, beginning upon the first day of the twenty-sixth (26<sup>th</sup>) year of the Lease term, the LESSEE shall pay to STATE a building rental based upon the product of 115% and the annual rent for the twenty-fifth (25<sup>th</sup>) year of the Lease term.

b. Ground Rental. For the sixth five (5) years, beginning upon the first day of the twenty-sixth (26<sup>th</sup>) year of the Lease term, the LESSEE shall pay to STATE a ground rental based upon the product of 115% and the annual rent for the twenty-fifth (25<sup>th</sup>) year of the Lease term.

7. Annual Rent for the Last Five (5) Years of the Lease Term (Years 31 – 35):  
For the last five (5) years, beginning upon the first day of the thirty-first (31<sup>st</sup>) year of the Lease term, the annual building and ground rental shall be determined separately when due in accordance with Article VI. (Reopening of Rent) of the Lease.

PERFORMANCE BOND:

The sum equal to three times the monthly building and land rental in effect.

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The subject land area is covered by Volume 3, Environmental Assessment for the Honolulu International Airport Master Plan Update and Noise Compatibility Program, dated September 1989 and referenced as State Project No. AO1011-03. This Environmental Assessment evaluated the environmental effects of the recommended Airport Development Plan which would accommodate the forecast general and commercial aviation needs of the island of Oahu through the year 2005 and was prepared for the State of Hawaii, Department of Transportation, Airports Division by KFC Airport, Inc.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO _____
Registered business name confirmed:	YES <u>X</u>	NO _____
Good standing confirmed:	YES <u>X</u>	NO _____

REMARKS:

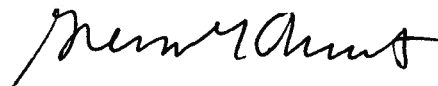
In accordance with Section 171-59(b), HRS, relating generally to Management and Disposition of Public Lands and relating specifically to Disposition by negotiation, the Department of Transportation (DOT) proposes to issue a direct lease to Hawaii Island

Air, Inc., for the purpose of operating and maintaining a fixed-based hangar facility, to support its commercial airline operations at Honolulu International Airport. The DOT has determined that the issuance of this direct lease encourages competition within the aeronautical and airport-related industries.

RECOMMENDATION:

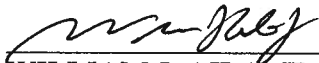
That the Board authorize the Department of Transportation to issue a direct lease to Hawaii Island Air, Inc, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,

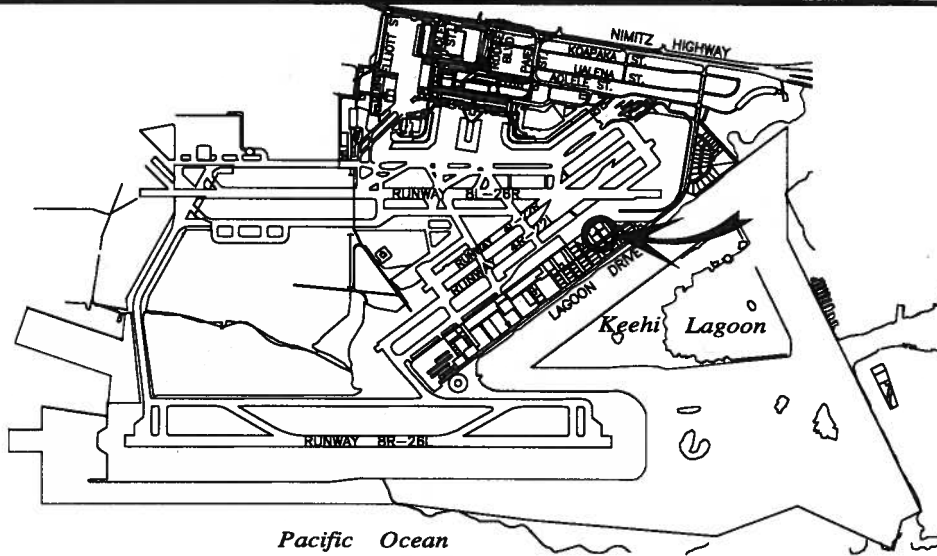


GLENN M. OKIMOTO, Ph.D.  
Director of Transportation

APPROVED FOR SUBMITTAL:

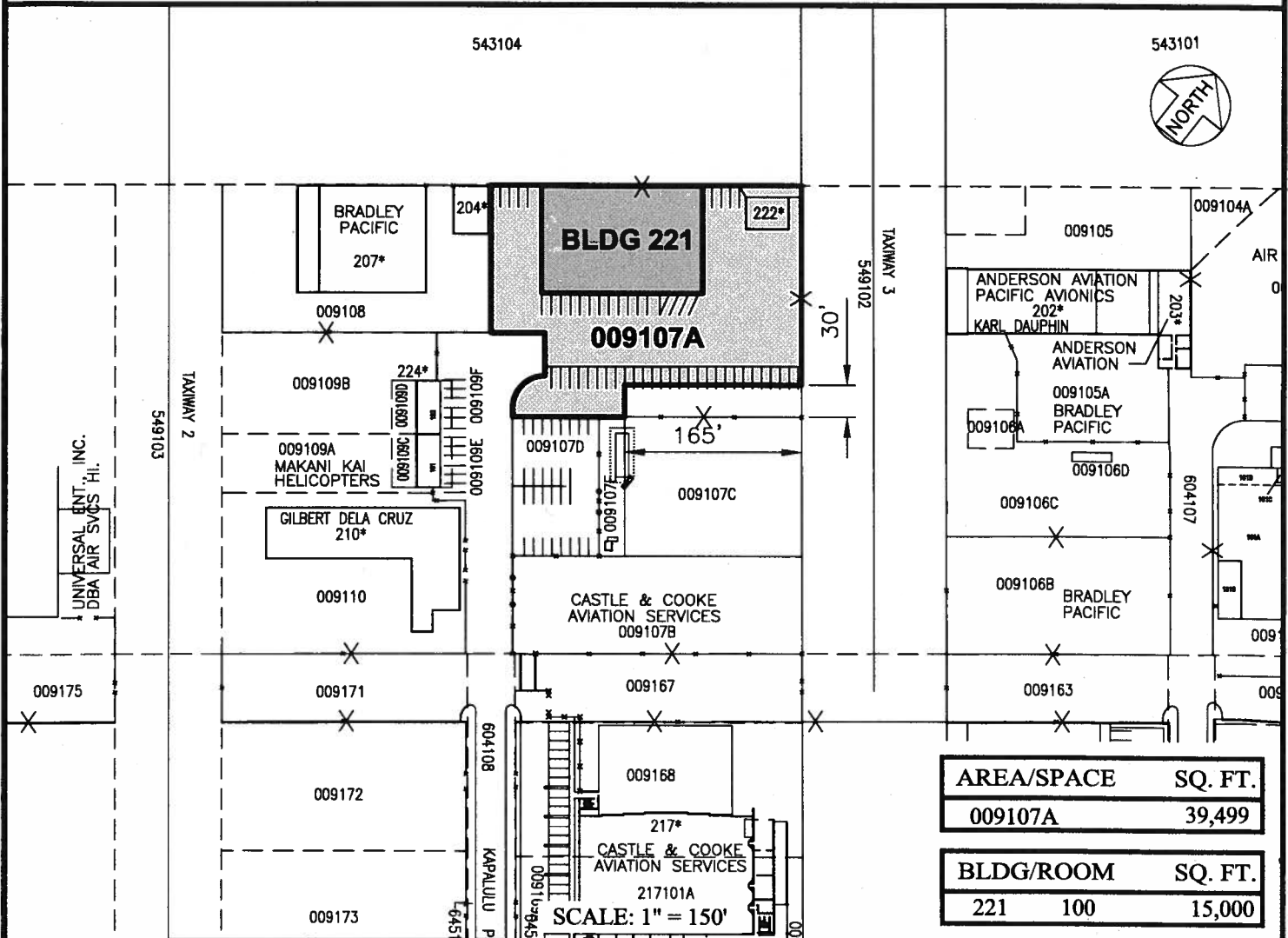


WILLIAM J. AILA, JR.  
Chairperson and Member



**LOCATION PLAN**

5000:1



AREA/SPACE	SQ. FT.
009107A	39,499

BLDG/ROOM	SQ. FT.
221 100	15,000

DOT-A-78-0009

DATE : MAY 2013

EXHIBIT: **A**



HAWAIIAN ISLAND AIR, INC.

GENERAL AVIATION  
FACILITIES  
SOUTH RAMP

009107A  
221100  
PLAT 36

**HONOLULU INTERNATIONAL AIRPORT**

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