



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

FORD N. FUCHIGAMI
DIRECTOR

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IN REPLY REFER TO:

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

AMENDMENT NO. 3 TO RETAIL CONCESSION AGREEMENT NO. DOT-A-11-0005
TO EXTEND LEASE TERM UNDER PROVISIONS OF ACT 46, SESSION LAWS OF
HAWAII 2012, AS EXTENDED BY ACT 126, SESSION LAWS OF HAWAII 2014
DFS GROUP, L.P.
KAHULUI AIRPORT
TAX MAP KEY: (2) 3-8-01: PORTION OF 19

MAUI

The Department of Transportation (DOT) proposes to amend the existing Retail Concession Agreement No. DOT-A-11-0005 at Kahului Airport under the provisions of Act 46, Session Laws of Hawai'i 2012, as extended by Act 126, Session Laws of Hawai'i 2014. The following contains a brief description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the amendment.

PURPOSE:

To amend the existing Retail Concession Agreement at Kahului Airport to extend the term of the concession, require the concessionaire to make improvements and establish the concession fee for the extension period.

APPLICANT:

DFS GROUP, L.P., whose post office address is P.O. Box 29500, Honolulu, Hawai'i 96820.

LEGAL REFERENCE:

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

ZONING:

State Land Use District: Urban
County of Maui: Airport

LAND TITLE STATUS:

Section 5 (a) lands of the Hawai'i Admission Act: Non-Ceded
DHHL 30% entitlement lands: Yes ___ No X

CONCESSION TERM:

Kahului Retail Concession Agreement No. DOT-A-11-0005 began on September 1, 2011, and continues through August 31, 2016. The proposed amendment would extend the concession term through August 31, 2026.

IMPROVEMENTS:

Applicant proposes to construct, install and pay for improvements to airport facilities, amounting to at least \$1.375 million. The improvements shall include: 1) construction of a new restroom in the south side terminal, and once that restroom is complete, 2) conversion of the existing men's and women's restroom in the south side terminal to a women's only restroom and 3) other improvements selected by DOT.

Applicant will also construct, install and pay for approximately \$1.375 million of concession improvements, including: 1) development of approximately 788 square feet of concession space in the south side terminal, 2) build out of approximately 400 square feet of concession space, 3) expand an existing location on the second floor lobby once the existing open area between the lobby and the restaurant is filled in, and 4) build an additional 500 square feet of retail space in the north side terminal once additional gates are added to the concourse.

CONCESSION FEE:

The existing concession fee is the greater of minimum annual guaranteed fee (MAG) of approximately \$1.65 million or a percentage of gross receipts. The existing percentage of gross receipts has a tiered schedule in which the percentage fee increases when gross receipts exceed certain thresholds. Currently, the percentage fee is at the maximum of 22%. The MAG will be adjusted to \$2.1 million in the first year of the extension. In subsequent years, the MAG will adjust to 85% of what was paid and payable in the prior year.

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, Hawai'i 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 Hawaii, 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 extended 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 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 the 1) traveling public will benefit from the construction of a new men's restroom and subsequent expansion of the existing women's restroom, as well as additional space created by the removal of inoperable phone booths, 2) proposed concession improvements allow the applicant to better serve the traveling public and 3) the airports will benefit from the higher minimum annual guaranteed concession fee.

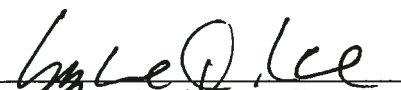
RECOMMENDATION:

That the Board authorizes the Department of Transportation to amend the existing Concession Agreement No. DOT-A-11-0005 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
Director of Transportation

APPROVED FOR SUBMITTAL:


SUZANNE D. CASE
Chairperson and Member