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

ISSUANCE OF A RETAIL CONCESSION
LIHUʻE AIRPORT
TAX MAP KEY: (4) 3-5-01: 08 (Portion)

KUAʻI

The Department of Transportation (DOT) proposes to offer a Retail Concession at Lihuʻe Airport (Concession) on the Island of Kauaʻi. The following contains a description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the Concession Agreement (Agreement):

PURPOSE:

To award the Agreement to a qualified Concessionaire submitting the highest bid to exclusively operate the Concession at Lihuʻe Airport

LEGAL REFERENCE:

Chapter 102, Hawaiʻi Revised Statutes, as amended.

LOCATION AND TAX MAP KEY:

Lihuʻe Airport (LIH), Terminal Building Complex
Tax Map Key: 4th Division, 3-5-01: 08 (Portion)

PREMISES:

1. At the Commencement of the Agreement:

   a. Retail (Sales) Space. Lihuʻe Main Terminal, Building 306, Space No. 231, containing approximately 1,280 square feet, as shown on the attached Exhibit B, dated August 2015; and
b. **Storage (Non-Sales) Space.** Lihu‘e Main Terminal, Building 306, Space No. 139B, containing approximately 221 square feet, as shown on the attached Exhibit C, dated August 2015.

2. **During the term of the Agreement:**

The DOT may, at the DOT’s sole discretion, require or permit the Concessionaire to add additional spaces.

If the Concessionaire requests and the DOT, at its sole discretion, agree to make available additional space over and above the spaces initially allocated under the Agreement, the Concessionaire shall pay for such additional space as follows:

a. Floor rent equal to the square footage of such additional space multiplied by the rates and charges applicable to such additional space as established by the DOT; and

b. The gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space shall be included in the percentage fee obligation payable by the Concessionaire under the Agreement.

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

**ZONING:**

State Land Use: Urban
County of Kaua‘i: Industrial (IG-STP)

**LAND STATUS:**

Lihu‘e - Section 5(a), Hawai‘i Admission Act – Non-Ceded
DHHL 30% entitlement lands Yes ___ No X

**TERM:**

Five years commencing on July 1, 2016 and ending on June 30, 2021.
CONCESSION FEE:

1. **Annual Concession Fee.** The total annual Concession Fee shall be the greater of the following:

   a. **Minimum Annual Guaranteed Fee.** The minimum annual guaranteed fee for the first year of the term of this Agreement shall be as set forth in the Concessionaire's Bid Proposal (hereafter the "MAG"), and the minimum annual guaranteed fee for each succeeding agreement year shall be 85% of the actual annual fee paid and payable to the STATE (either MAG or percentage) for the preceding year; or

   b. **Percentage Fee.**

      (1) **First year.** For the first year of the term of this Concession Agreement, the percentage fee shall be fifteen percent (15%) of the Concessionaire’s annual gross receipts generated from, related or attributable to, or connected with the sale of authorized merchandise.

      (2) **Succeeding Years.** For each succeeding year of the remaining Concession Agreement term, the percentage fee shall be separately determined based on the Concessionaire’s gross receipts for the preceding agreement year in accordance with Table 1 below.

      **TABLE 1 — Annual Gross Receipts/Percentage Fee**

      | ANNUAL GROSS RECEIPTS |
      |-----------------------|
      | EQUAL TO OR MORE THAN | BUT LESS THAN |
      | $0                    | $1,500,000    | 15% |
      | $1,500,000            | $2,000,000    | 16% |
      | $2,000,000            | $2,500,000    | 17% |
      | $2,500,000            | $3,000,000    | 18% |
      | $3,000,000            |                | 19% |

   (3) **Upset Fee.** The Upset MAG for the first year of the Concession Agreement shall not be less than TWO HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS ($225,000.00)

DBE GOAL:

A DBE minimum participation goal of fifteen percent (15%) will be used to meet the latest DBE regulations of the FAA, U.S. Department of Transportation.
IMPROVEMENTS:

The Concessionaire will be required to invest a minimum total of TWO HUNDRED THOUSAND AND NO/100 DOLLARS ($200,000.00) for improvements, store fixtures, and equipment on or within the Premises of the spaces assigned under the Agreement in accordance with DOT and county building standards. No less than $195,000.00 of the minimum investment total shall be allotted to the Sales Space, and no less than $5,000.00 for the Non-Sales Space. The DOT may establish separate minimum investment amounts for improvements, store fixtures, and equipment applicable to any space added over and above the spaces initially allocated in the Agreement.

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 first year of the Agreement that has also met or exceeded the DBE goal, qualifications and requirement.

REMARKS:

The Retail Concession at Lihue’ Airport on the Island of Kaua’i is an important revenue source for the DOT’s airport system and an amenity that is welcomed by both inter-island and overseas travelers. The new Agreement is a part of DOT’s plan to continually improve its concession program and airport terminal operations to enhance the airport experience for travelers.

RECOMMENDATION:

That the Board authorizes the call for sealed bid tenders and issuance of a new Retail Concession as hereinabove outlined, subject to the review and approval of the Department of the Attorney General.

Respectfully submitted,

FORD N. FUCHIGAMI
Director of Transportation

APPROVED FOR SUBMITTAL:

SUZANNE D. CASE
Chairperson and Member