



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
DARRELL T. YOUNG

IN REPLY REFER TO:

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

AMEND PRIOR BOARD ACTION OF JANUARY 22, 2016 (ITEM M-15)
ISSUANCE OF AN AIR TERMINAL FACILITY LEASE BY PUBLIC AUCTION
TO AUTHORIZE THE ISSUANCE OF A LEASE TO FLYING FOOD GROUP, LLC
FOR A FLIGHT KITCHEN THROUGH DIRECT NEGOTIATION
KONA INTERNATIONAL AIRPORT AT KEĀHOLE
TAX MAP KEY: (3) 7-3-43: PORTION OF 003

HAWAI'I

REQUEST:

Amend prior Board action of January 22, 2016 (Item M-15), to allow the Department of Transportation (DOT) to issue a Lease through direct negotiation to Flying Food Group, LLC for the operation, maintenance and repair of a flight kitchen at Kona International Airport at Keāhole (KOA)

LEGAL REFERENCE:

Section 171-59, and other applicable sections of Chapter 171,
Hawai'i Revised Statutes (HRS), as amended

LOCATION AND TAX MAP KEY:

Portion of KOA, Kailua-Kona, Island of Hawai'i, identified by
Tax Map Key: 3rd Division, 7-3-43: Portion of 003.

AREA:

Building/Room No. 347-101, containing an area of approximately 503 square feet;
Building/Room No. 347-102, containing an area of approximately 2,732 square feet;
Building/Room No. 347-103, containing an area of approximately 2,799 square feet;
Building/Room No. 347-104, containing an area of approximately 29 square feet; and
Area/Space No. 800-101, containing an area of approximately 26,979 square feet of
improved, paved land, as shown and delineated on the attached map labeled Exhibit A.

ITEM M-13

BLNR – AMEND PRIOR BOARD ACTION OF JANUARY 22, 2016 (ITEM M-15)
ISSUANCE OF A LEASE TO FLYING FOOD GROUP, LLC FOR A FLIGHT KITCHEN
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TERM OF LEASE:

Five (5) years

COMMENCEMENT DATE:

Upon execution of the Lease

ANNUAL RENT:

Lease Years 1-5: \$102,822.48 per annum, as determined by an independent appraisal establishing fair market rent.

PERFORMANCE BOND:

The sum equal to the total annual rental then in effect.

ZONING:

| | |
|--------------------------|-----------------------------|
| State Land Use District: | Urban and Conservation |
| County of Hawai'i: | Industrial (MG-1a) and Open |

TRUST LAND STATUS:

| | |
|-------------------------------------|---------------------|
| Section 5(a), Hawai'i Admission Act | Ceded |
| DHHL 30% entitlement lands | Yes____ No <u>X</u> |

CURRENT USE STATUS:

Vacant and unencumbered

CHARACTER OF USE:

Operation, maintenance and repair of a flight kitchen

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KONA INTERNATIONAL AIRPORT AT KEĀHOLE

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PROPERTY CHARACTERISTICS:

| | |
|---------------|---|
| Utilities: | All utilities are available at the site |
| Improvements: | All improvements exist at the site |

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 Hawai‘i, Department of Transportation (DOT), dated November 15, 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:

At its meeting on January 22, 2016, Item M-15, the Board approved the DOT’s request to issue a lease through public auction to repurpose the former Aircraft Rescue and Fire Fighting building as an air terminal facility.

In May 2016, the United States Federal Aviation Administration (FAA) authorized Hawaiian Airlines, Inc. to operate direct flights between Japan and KOA. Since the time of the announcement of the new service, the DOT has been approached by other international carriers seeking to fly between Japan and KOA, and there is also a potential of a domestic direct flight from KOA to a mainland U.S. destination beyond the west coast that would also be able to use the services of a flight kitchen. In each case, having a flight kitchen at KOA has been cited as a concern that would significantly impact the decisions of the air carriers.

There is currently only one facility that could be repurposed into a flight kitchen in time to accommodate the initiation of the new international service, which is scheduled to commence December of this year. That facility is the former Aircraft Rescue and Fire Fighting building.

As a result of the discussions with the various air carriers, the DOT is now requesting the Board amend its action of January 22, 2016, to authorize the DOT to directly negotiate a

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lease for the operation, maintenance and repair of a flight kitchen. The new lessee would be responsible for the cost of any and all construction to remodel the building to the new purpose, as well as any and all equipment needed to perform the functions under the lease.

The DOT has determined that the issuance of this lease encourages competition as contemplated by Section 171-59(b), HRS, which states in part:

(b) Disposition of public lands for airline, aircraft, airport-related, . . . operations may be negotiated without regard to the limitations set forth in subsection (a) and section 171-16(c); provided that:

(1) The disposition encourages competition within the aeronautical, airport-related, . . . operations;

* * * *
* * * *

For the purposes of this section:

"Airport-related" means a purpose or activity that requires air transportation to achieve that purpose or activity; or an activity that generates revenue for the airport system as provided in section 261-7.

Accordingly, the proposed flight kitchen will encourage both airport-related competition in the provision of air transportation services through KOA, and it will also generate revenues for the airport system through lease rents from the lessee and increased air transportation passenger fees.

The DOT is also concerned that going through the auction process will result in the flight kitchen facility not being ready to service the carrier's initial flights to Japan. The time requirements under the auction process may not afford DOT sufficient time to award the lease, and afford any awarded lessee sufficient time to repurpose the Aircraft Rescue and Fire Fighting building into a flight kitchen that is FAA and Department of Health compliant by the commencement of the carrier's Japan service.

In accordance with Section 171-59, HRS, Disposition by Negotiation, the DOT proposes to directly issue a lease for the purpose of establishing, operating, maintaining and repairing of a flight kitchen facility at KOA.

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RECOMMENDATION:

That the Board amend its prior action of January 22, 2016, under Item M-15 to authorize the DOT to issue a lease to The Flying Food Group, LLC for the operation, maintenance and repair of a flight kitchen through direct negotiation, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such 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 by the Department of the Attorney General as to the lease form and content.

Respectfully submitted,



FORD N. FUCHIGAMI
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE D. CASE
Chairperson and Member

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
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IN REPLY REFER TO:

JAN 22 2016

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

ISSUANCE OF AN AIR TERMINAL FACILITY LEASE BY PUBLIC AUCTION
KONA INTERNATIONAL AIRPORT AT KEAHOLE
TMK: (3) 7-3-43: PORTION OF 003

HAWAII

REQUEST:

Issuance of an Air Terminal Facility Lease by notice of public auction for the operation, maintenance, and repair of an air terminal facility at Kona International Airport at Keahole (KOA)

LEGAL REFERENCE:

Sections 171-14, -16, -17, -41, and other applicable sections of Chapter 171, Hawaii Revised Statutes, as amended

LOCATION AND TAX MAP KEY:

Portion of Kona International Airport at Keahole, Kailua-Kona, Island of Hawaii, identified by Tax Map Key: 3rd Division, 7-3-43: Portion of 003.

AREAS:

Building/Room

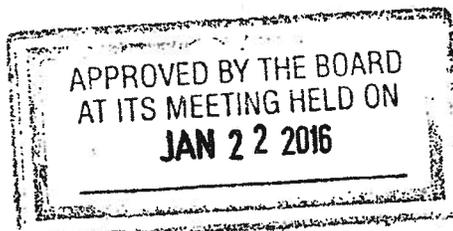
347-101, -102, -103 and -104, containing a total area of approximately 6,063 square feet; and

Area/Space

800-101, containing a total area of approximately 26,979 square feet of improved, paved land, as shown and delineated on the attached Exhibit A

TERM OF LEASE:

Ten (10) years



ITEM M-15

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COMMENCEMENT DATE:

Upon execution of the Lease

MINIMUM UPSET ANNUAL RENT AND RENTAL REOPENING:

Years 1 through 5: \$102,822.48, as determined by an independent appraisal establishing fair market rent

Years 6 through 10: Rental Reopening at Fair Market Rent determined by independent appraisal

EFFECTIVE RENTAL:

The amount of the successful bid at public auction

PERFORMANCE BOND:

The sum equal to the total annual rental then in effect

ZONING:

State Land Use District: Urban and Conservation
County of Hawaii: Industrial (MG-1a) and Open

TRUST LAND STATUS:

Section 5(a), Hawaii Admission Act Ceded
DHHL 30% entitlement lands Yes ___ No X

CURRENT USE STATUS:

Vacant and unencumbered

CHARACTER OF USE:

Operation, maintenance and repair of an air terminal facility for business and commercial purposes

PROPERTY CHARACTERISTICS:

Utilities: All utilities are available at the site
Improvements: All improvements exist at the site

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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 Impact Statements, because the proposed action falls within Exemption 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 #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.

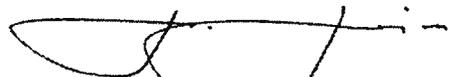
REMARKS:

In accordance with Section 171-14, -16, -17, -41 and other applicable sections of Chapter 171, HRS, as amended, relating generally to Management and Disposition of Public Lands and relating specifically to Disposition by notice of public auction, the Department of Transportation (DOT) proposes to issue an air terminal facility lease through notice of public auction for the purpose of operating, maintaining and repairing of an air terminal facility at KOA. The DOT has determined that the issuance of this lease through notice of public auction encourages competition and is essential to the aeronautical and airport-related industries at KOA.

RECOMMENDATION:

That the Board authorize the DOT to issue an air terminal facility lease through notice of public auction, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such 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 by the Department of the Attorney General as to the lease form and content.

Respectfully submitted,

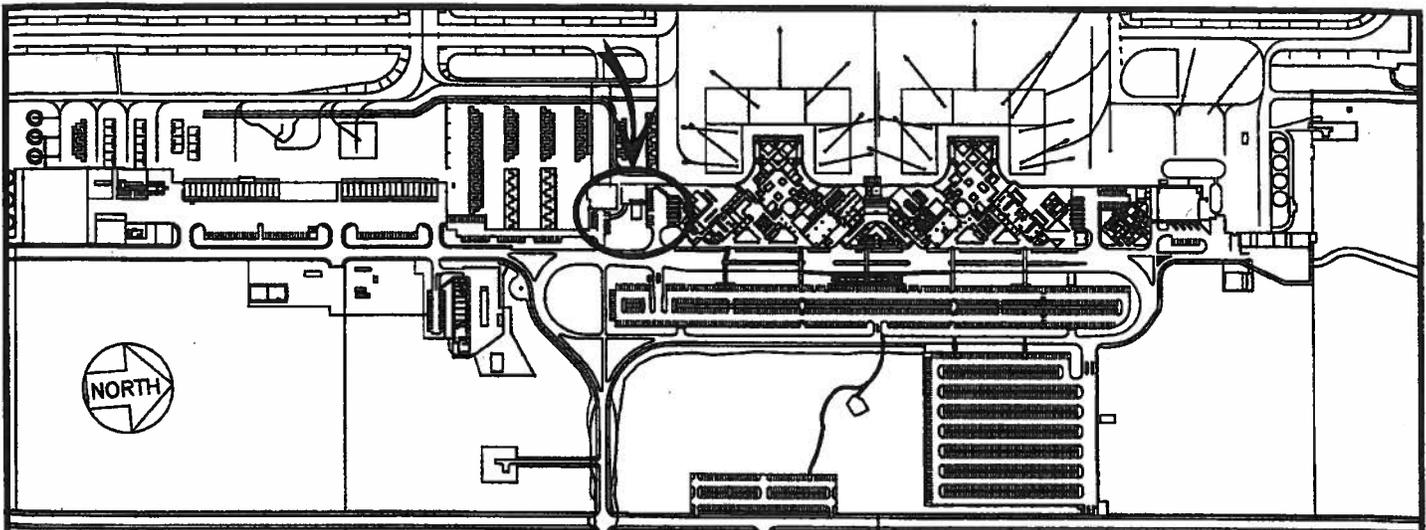


FORD N. FUCHIGAMI
Director of Transportation

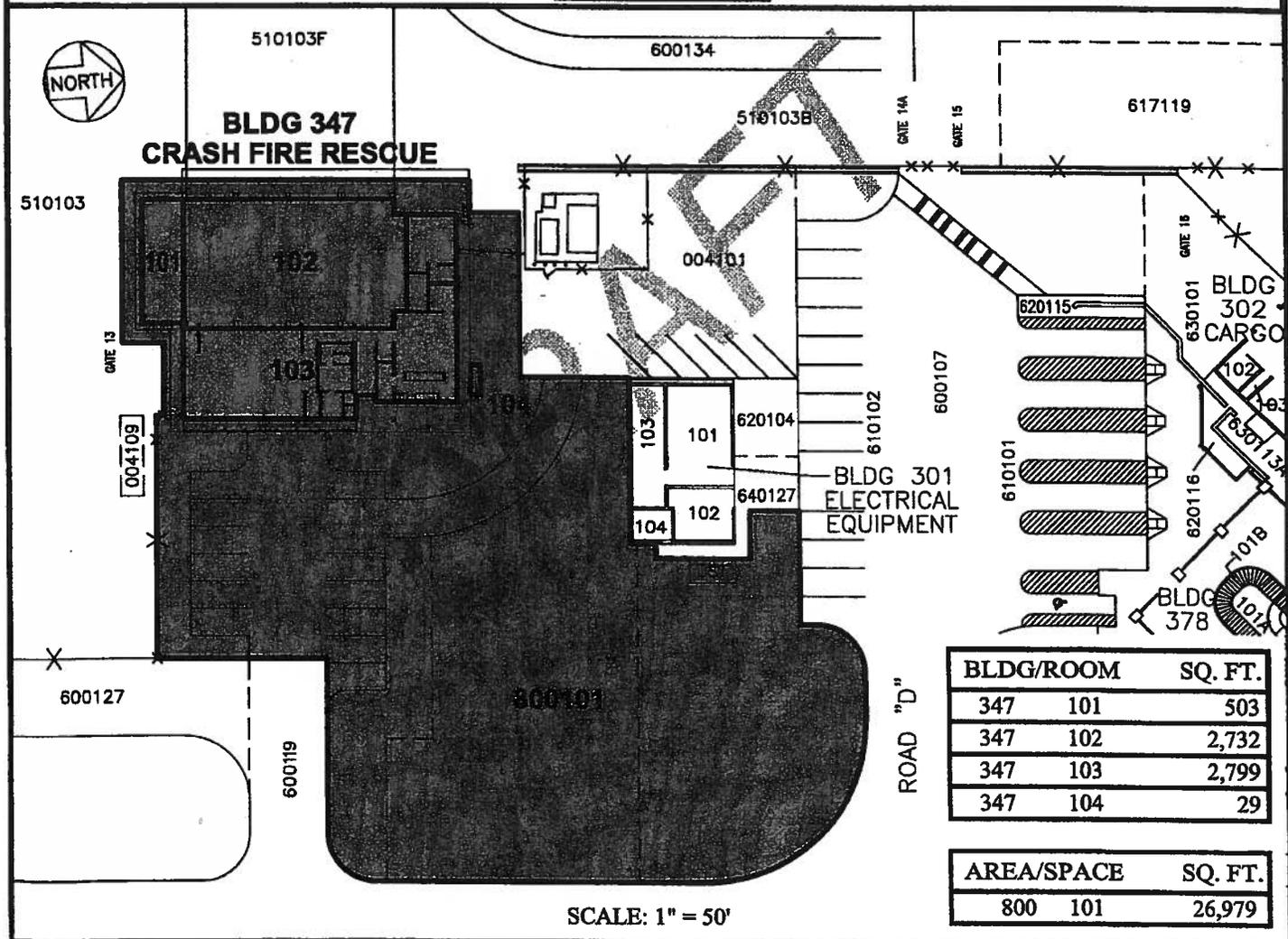
APPROVED FOR SUBMITTAL:



SUZANNE D. CASE
Chairperson and Member



LOCATION PLAN



| BLDG/ROOM | SQ. FT. |
|-----------|---------|
| 347 101 | 503 |
| 347 102 | 2,732 |
| 347 103 | 2,799 |
| 347 104 | 29 |

| AREA/SPACE | SQ. FT. |
|------------|---------|
| 800 101 | 26,979 |

SCALE: 1" = 50'

DRAFT

DATE : NOVEMBER 2015

EXHIBIT: **A**



**BUILDING 347
CRASH FIRE RESCUE
GROUND LEVEL**

347101-
347104
800101
PLATS D1, 39, 59

N:\AIRPORTS\KOA_Kona\CAD\PM\koa_347101-06_draft.dwg