



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
400 RODGERS BOULEVARD, SUITE 700
HONOLULU, HAWAII 96819-1880

FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
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IN REPLY REFER TO:

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

**ISSUANCE OF A DIRECT FIXED BASE FACILITY LEASE TO
KEAHOLE ENTERPRISES LLC
KONA INTERNATIONAL AIRPORT AT KEAHOLE
TAX MK: (3) 7-3-43: PORTION OF 003**

HAWAII

REQUEST:

Issuance of a direct lease to Keahole Enterprises LLC to develop, construct, operate, maintain, and repair a fixed base facility ("FBO") at Kona International Airport at Keāhole (KOA).

LEGAL REFERENCE:

Section 171-59(b), Hawai`i Revised Statutes, as amended

APPLICANT:

Keahole Enterprises LLC (KELL), a Hawai`i limited liability company

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.

PREMISES:

ATTACHED EXHIBIT B

Area/ Space No. 006-125 and -126, containing areas of approximately 142,732 and 96,724 square feet, respectively of unimproved, unpaved land

TERM OF LEASE:

Thirty-five (35) years

LEASE COMMENCEMENT DATE:

To be determined by the Director of Transportation

ANNUAL RENTALS AND REOPENING :

*If there are substantial leasehold improvements constructed on the premises, the annual lease rental for the first year shall be waived at the beginning of the lease pursuant to Section 171-6 Powers, HRS

Years 1 thru 5: \$126,911.68*(as determined from the DOTA schedule of rates and charges established by appraisal of Airports property statewide)

Years 6 thru 10: \$145,948.56

Years 11 thru 15: \$167,840.88

Years 16 thru 20: Reopening-fair market rental determined by independent appraisal

Years 21 thru 25: 115% x the annual rental of Year 20

Years 26 thru 30: Reopening-fair market rental determined by independent appraisal

Years 31 thru 35: 115% x the annual rental of Year 30

PERFORMANCE BOND:

Sum equal to the annual land rental then in effect

ZONING:

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

LAND TITLE STATUS:

Section 5(a), Hawai'i Admission Act Ceded
DHHL 30% entitlement lands Yes____ No X

CURRENT USE STATUS:

Aeronautical purposes

CHARACTER OF USE:

Development, construction, operation, maintenance and repair of a FBO.

PROPERTY CHARACTERISTICS:

Utilities: Not available at the site
Improvements: None located at the site

CHAPTER 343, HRS – ENVIRONMENTAL ASSESSMENT:

This project will have no significant impact as stated in the Final Environmental Assessment/Finding of No Significant Impact for the Airfield, Terminal and Facility Improvements for KOA as prepared for the State of Hawai'i, Department of Transportation, Airports Division by Wilson Okamoto Corporation, Engineers and Planners under WOC Job No. 8027-01 for State Project No. AH2011-05, and dated March 2013.

DCCA VERIFICATION:

Place of business registration confirmed: YES √
Registered business name confirmed: YES √
Good standing confirmed: YES √

REMARKS:

In accordance with Section 171-59(b), HRS, as amended, relating to Management and Disposition of Public Lands and relating specifically to Disposition by Negotiation, the Department of Transportation (DOT) proposes to issue a direct FBO lease to KELL.

The DOT has determined that the issuance of this direct FBO lease encourages competition within the aeronautical-related operations of KOA. Presently, two FBOs competitively serve KOA. KELL's successful development and operation of its FBO encourages more competition at KOA.

Also, the DOT performed research on this request which resulted in its decision to submit this direct lease request because it risks its compliance with United States Federal Aviation Administration (USFAA) Grant Assurances. Grant Assurance No. 22 c. states each FBO operator** at the airport shall be subject to the same rental rates applicable to all other FBO operators making the same or similar uses of such airport to serve any air carrier at such airport. The DOT affirms that a public notice by auction for this disposition would likely cause disparate rental rates in this regard.

** The USFAA defines a FBO as a private company which provides on-airport facilities and services for various aviation-related activities. These activities typically include and are not limited to facilities and services needed for aircraft storage, maintenance and repair, aircraft charters, flight training, aircraft refueling, etc.

RECOMMENDATION:


That the Board authorize the issuance of a direct lease for a fixed base facility to KELL at KOA, 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 of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,

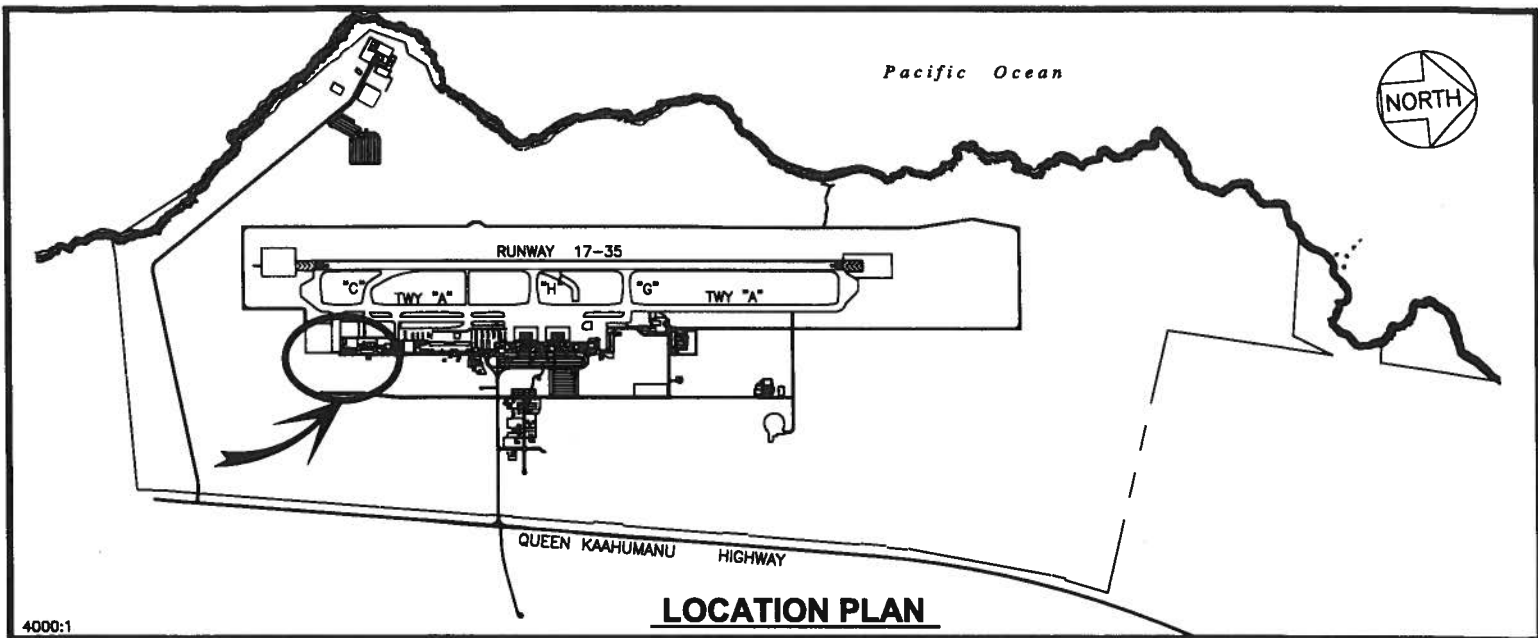


FORD N. FUCHIGAMI
Director of Transportation

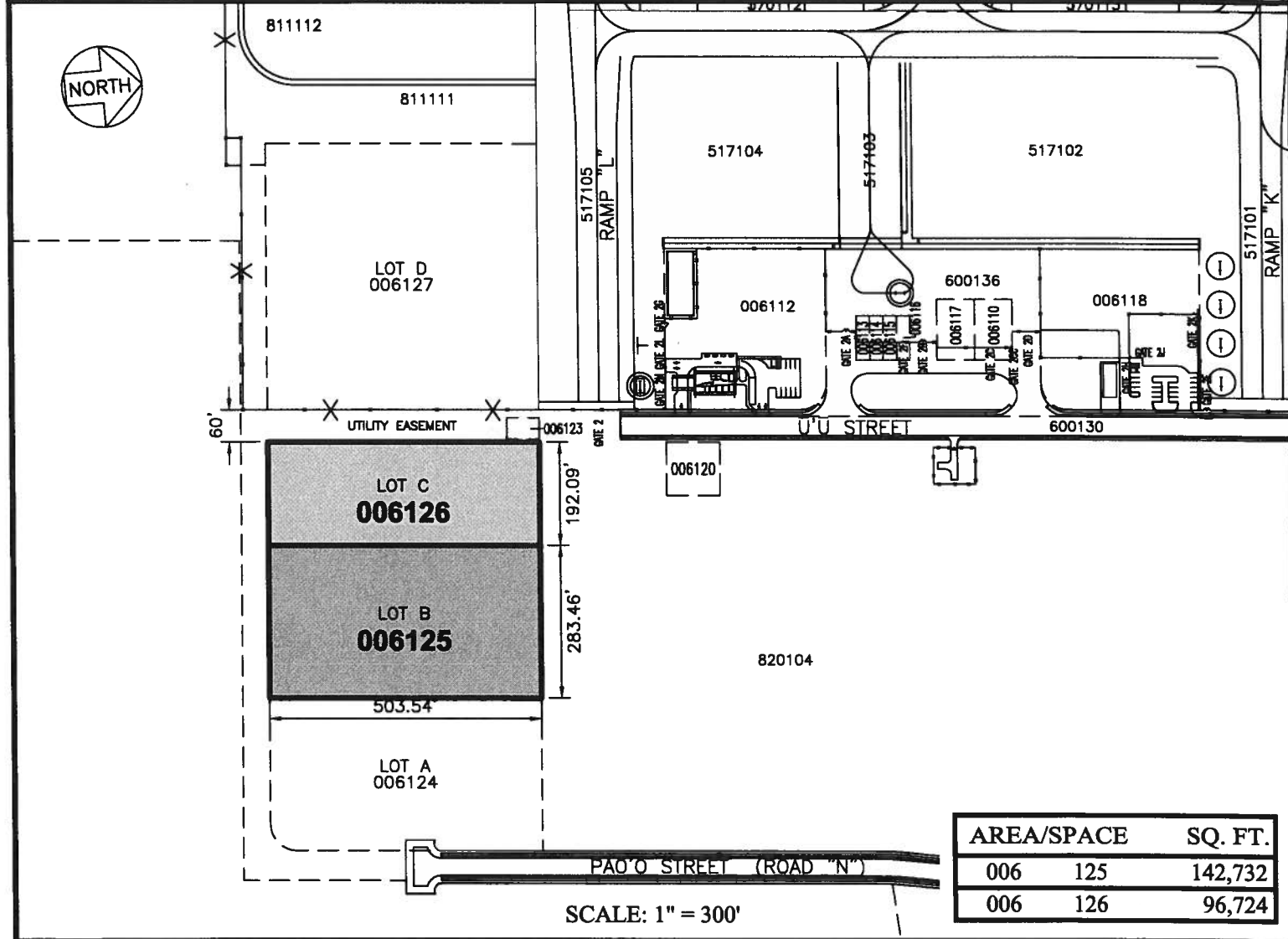
APPROVED FOR SUBMITTAL:



SUZANNE D. CASE
Chairperson and Member



4000:1



AREA/SPACE	SQ. FT.
006 125	142,732
006 126	96,724

DATE : OCTOBER 2016

EXHIBIT: **B**



Airports Division

LOTS
SOUTH RAMP

006125
006126
PLATS 40, 60

KONA INTERNATIONAL AIRPORT AT KEAHOLE

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