

DAVID Y. IGE
GOVERNOR



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 Hawai'i
Honolulu, Hawai'i

ISSUANCE OF A DIRECT LEASE
TO AVIATION ACADEMY HAWAII LLC
HONOLULU INTERNATIONAL AIRPORT
TAX MAP KEY: (1) 1-1-76: 3

O'AHU

REQUEST:

Issuance of a direct lease to Aviation Academy Hawaii LLC (AAH), to renovate, operate, use, and maintain a hangar facility for its FAA certified flight training school and aircraft rentals, at Honolulu International Airport.

LEGAL REFERENCE:

Sections 171-59 (a) and (b), Hawai'i Revised Statutes (HRS), as amended, and Section 261-7, HRS, as amended.

LOCATION AND TAX MAP KEY:

Portion of Honolulu International Airport, Island of O'ahu, State of Hawai'i, identified by Tax Map Key: 1st Division, 1-1-76: 3.

AREA:

Building:

Building No. 253-101, consisting of approximately 1,919 square feet of office space;
Building No. 253-102, consisting of approximately 1,817 square feet of hangar space;

Land:

Area/Space No. 011-102, consisting of approximately 4,595 square feet of improved, paved land, as shown and delineated on the attached map labeled Exhibit A.

ZONING:

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

ITEM M-1

LAND TITLE STATUS:

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

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 Hawai'i, for Airport Purposes.

CHARACTER OF USE:

Hangar facility for the operation of a flight training school and aircraft rentals for the general aviation community.

TERM OF LEASE:

Ten (10) years.

COMMENCEMENT DATE:

Upon execution of the Lease.

ANNUAL LEASE RENTAL:

Annual Building and Ground Rental for the First Five (5)-Year Period: \$64,256.88 per annum, based on the established rates for Building 253 in the Airports Division Procedures No. 4.5 (Schedule of Rates and Charges) for Honolulu International Airport.

Annual Building and Ground Rental for the Second Five (5)-Year Period: \$73,895.41 per annum, based upon the product of the annual rental for the fifth (5th) year of the lease term (\$64,256.88 and 115%).

PERFORMANCE BOND:

The sum equal to three (3) times the month building and ground rental in effect.

MINIMUM IMPROVEMENTS REQUIREMENT:

\$100,000.00 (One Hundred Thousand Dollars).

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, 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.

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, Airports Division (Airports Division) proposes to issue a direct lease to AAH to renovate, operate, use and maintain a certain hangar facility for its flight training school and aircraft rentals at Honolulu International Airport.

Airports Division previously offered to lease this hangar facility by Notice of Public Auction on December 10, 2015. The Notice of Public Auction was approved by the Board at its meeting held on September 12, 2014, Item M-2. The Public Auction was canceled due to “no” interest, and is currently vacant.

AAH currently occupies space at another location under a month-to-month revocable permit. AAH is being required to relocate due to new construction.

AAH has requested to lease Building 253. Airports Division believes a direct lease to AAH serves the best interest of the State, and has no objections to the request.

Currently, there is at least one business operating both a flight training school and aircraft rentals under a long term lease at Honolulu International Airport.

171-59 (a) HRS states in part, “A lease of public land may be disposed of through negotiation upon a finding by the board of land and natural resources that the public interest demands it.”

171-59 (b), HRS states in part, “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;”

171-16 (c) Negotiation, mentioned above, states the following, “Public notice of a proposed disposition by negotiation shall be given at least once statewide and once in the county where the land being disposed of is located; provided that the notices are not required for permits, and dispositions of remnants. The notice shall invite proposals and state in general terms the size, location, and prices or rental of lots to be sold or leased, the terms of sale or lease, and the last date on which application will be received by the board, which date shall not be less than thirty days after the last date of the notice. The notice shall also state the times and places at which more detailed information with respect to the sale or lease may be secured by interested persons.”

171-59, HRS also provides the following definition:

“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 section 261-7.

261-7, HRS, states in part, “(a) In operating an airport or air navigation facility owned or controlled by the department of transportation, or in which it has a right or interest, the department may enter into contracts, leases, licenses, and other arrangements with persons:

- (1) Granting the privilege of using or improving the airport or air navigation facility or any portion or facility thereof or space therein for commercial purposes;
- (2) Conferring the privilege of supplying foods, commodities, things, services, or facilities at the airport or air navigation facility;
- (3) Making available services, facilities, goods, commodities, or other things to be furnished by the department or its agents at the airport or air navigation facility; ...

The term “airport purpose” or “airport purposes” contained in any governor’s executive order transferring jurisdiction and control of real property to the department of transportation shall be considered to include entering into contracts, leases, licenses, and other arrangements pursuant to this section.

Airports Division believes the issuance of a directly negotiated lease to AAH will continue general aviation competition, specifically flight training and aircraft rentals at Honolulu International Airport, and that without such issuance, there is a real potential that the existing competition will cease.

RECOMMENDATION:

That the Board authorize the Department of Transportation to issue a direct lease to AAH, 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.

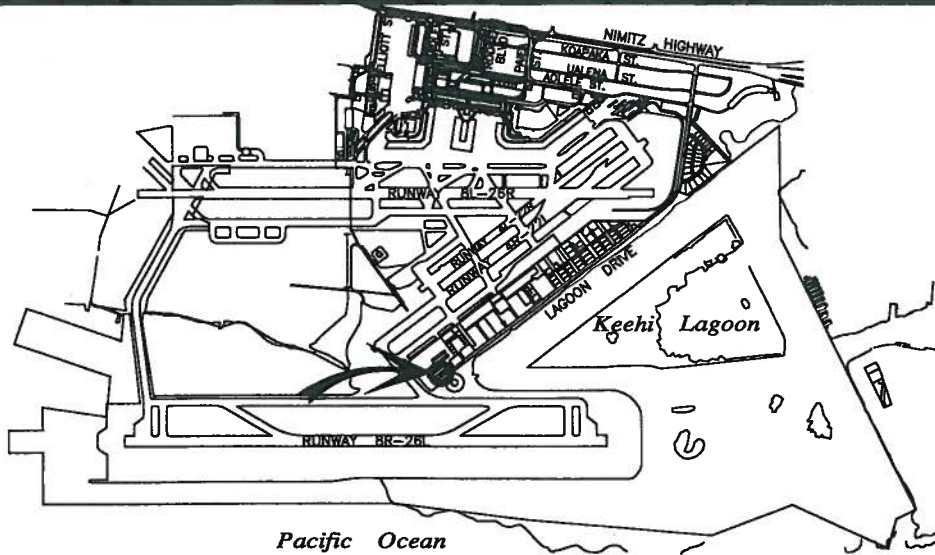
Respectfully submitted,



FORD N. FUCHIGAMI
Director of Transportation

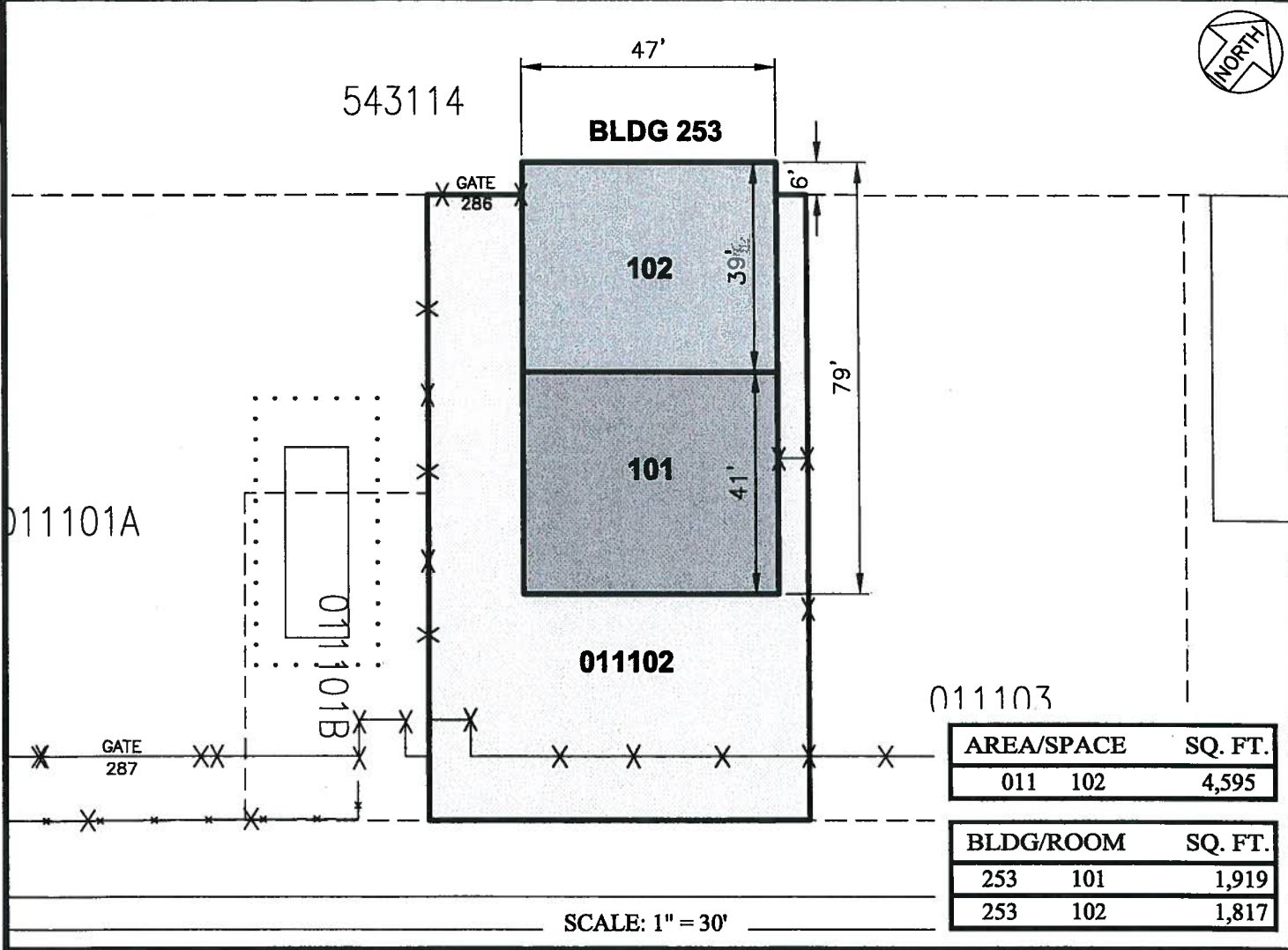
APPROVED FOR SUBMITTAL:

SUZANNE D. CASE
Chairperson and Member



LOCATION PLAN

5000:1



AREA/SPACE	SQ. FT.
011 102	4,595

BLDG/ROOM	SQ. FT.
253 101	1,919
253 102	1,817

SCALE: 1" = 30'

DATE : JANUARY 2017

EXHIBIT: **A**



AVIATION ACADEMY
HAWAII

BUILDING 253
GENERAL AVIATION HANGAR
SOUTH RAMP

011102
253101
253102
PLAT 36

HONOLULU INTERNATIONAL AIRPORT

N:\AIRPORTS\HNL_HONOLULU\CAD\PM\HNL_253101-01.DWG