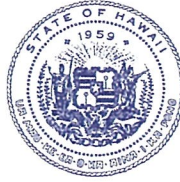


DAVID Y. IGE  
GOVERNOR



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

JADE T. BUTAY  
DIRECTOR

Deputy Directors  
ROY CATALANI  
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 FOR THE DEVELOPMENT,  
CONSTRUCTION, MAINTENANCE AND OPERATION OF A FIXED-BASE  
FACILITY THAT REPAIRS GENERAL AVIATION AIRCRAFT  
ISLAND AUTOWORKS, LTD.

'UPOLU AIRPORT

HAWAI'I

TAX MAP KEY: (3) 5-5-06: PORTION OF 31

REQUEST:

Issuance of a direct lease to Island Autoworks, Ltd. ("IAL") to develop, construct, maintain, and operate a fixed-base facility ("FBO") that repairs general aviation aircraft at 'Upolu Airport (UPP).

LEGAL REFERENCE:

Section 171-59(b), Hawai'i Revised Statutes ("HRS"), as amended.

APPLICANT:

IAL, whose mailing address is 74-5557, Kaiwi Street, Kailua-Kona, Hawai'i 96740.

AREA:

Area/Space No. 001-109, containing an area of approximately 4,000 square feet of improved, unpaved land, as shown on the attached map labeled Exhibit B.

LOCATION AND TAX MAP KEY:

Portion of UPP, 'Upolu, Island of Hawai'i, identified by Tax Map Key: 3<sup>rd</sup> division, 5-5-06: Portion of 31.

**ITEM M-6**

BLNR- ISSUANCE OF A DIRECT LEASE FOR A FIXED BASE FACILITY  
ISLAND AUTOWORKS, LTD., 'UPOLU AIRPORT  
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ZONING:

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

LAND TITLE STATUS:

Section 5(b), Hawai'i Admissions Act (ceded)  
DHHL, 30% entitlement lands Yes \_\_\_\_\_ No X

CURRENT USE STATUS:

Airport and aeronautical purposes.

CHARACTER OF USE:

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

COMMENCEMENT DATE:

Upon complete execution of the lease.

LEASE TERM:

Twenty-five (25) years

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\*      \$1,080.00 (as determined from the DOTA schedule of rates and charges established by appraisal of Airports property statewide)

Years 6 thru 10      \$1,242.00

Years 11 thru 15      \$1,428.30

Years 16 thru 20      Reopening at fair market rent (FMR) thru independent appraisal

Years 21 thru 25      115% x rental of year 20

BLNR- ISSUANCE OF A DIRECT LEASE FOR A FIXED BASE FACILITY  
ISLAND AUTOWORKS, LTD., 'UPOLU AIRPORT  
Page 3

PERFORMANCE BOND:

An amount equal to the annual rental then in effect.

MINIMUM IMPROVEMENTS REQUIREMENT:

The Applicant shall invest the sum of not less than \$140,000.00 for upgrading and improving the leased premises and constructing fixed base facility improvements and other accessory leasehold improvements on the leased premises within one year from the commencement date of the lease. The upgraded and improved leased premises and fixed base facility and other accessory improvements shall be constructed in accordance with construction plans, drawings, and specifications approved by the DOTA, in writing, prior to the commencement of any construction work.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>√</u>
Registered business name confirmed:	YES <u>√</u>
Good standing confirmed:	YES <u>√</u>

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The area was included in the March 1999 Final Environmental Assessment (FEA) and Finding of No Significant Impact (FONSI). The FEA and FONSI were prepared in support of: (1) Federal actions consisting of approval of the Airport Layout Plan in July, 1999, and (2) the State of Hawai'i actions consisting of environmental approval and construction of proposed 'Upolu Airport Improvements. The FEA and FONSI were also prepared pursuant to Chapter 343, Hawai'i Revised Statutes and the Administrative Rules, Title 11, Chapter 200 of the State of Hawai'i Department of Health.

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 IAL.

The DOT has determined that the issuance of this direct FBO lease encourages competition within the aeronautical-related operations of UPP. Presently there are no FBOs at UPP. The DOT's believes IAL's successful development and operation of its FBO will encourage more competition and activity at UPP.

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 USFAA's Grant Assurances. Grant Assurance No. 22 c. provides each fixed-base facility

BLNR- ISSUANCE OF A DIRECT LEASE FOR A FIXED BASE FACILITY  
ISLAND AUTOWORKS, LTD., 'UPOLU AIRPORT  
Page 4

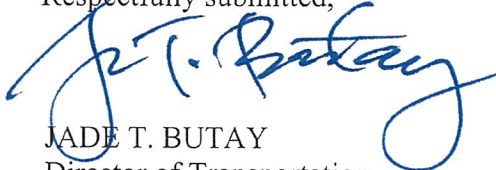
operator\*\* at the airport shall be subject to the same rental rates applicable to all other fixed base facility operators making the same or similar uses of such airport to serve any air carrier at such airport. The DOT affirms that a public notice by auction for this disposition would likely cause disparate rental rates in this regard.

\*\* The USFAA defines a Fixed-Base Facility Operator 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 approve the issuance of a direct lease to IAL subject to: (1) the terms and conditions hereinabove outlined; (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) the review and approval of the Department of the Attorney General.

Respectfully submitted,

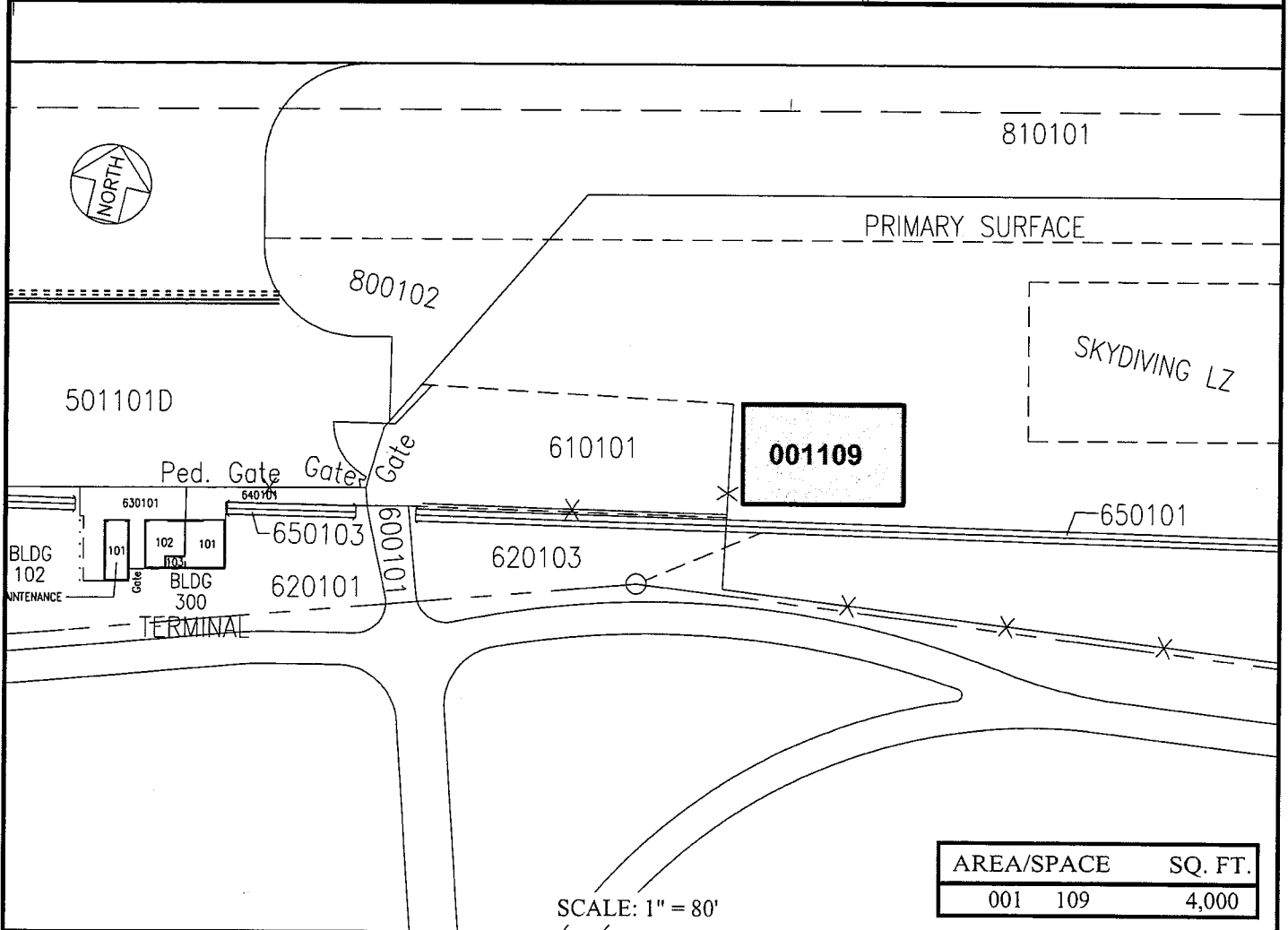
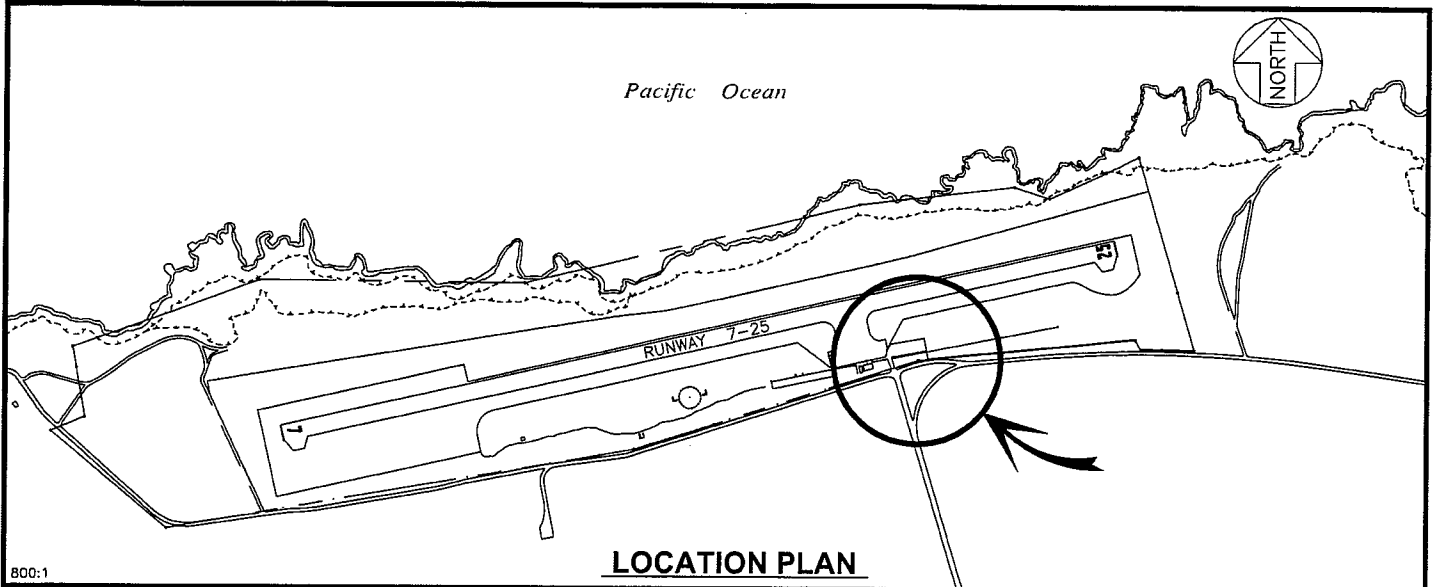


JADE T. BUTAY  
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE D. CASE  
Chairperson and Member



DATE : JANUARY 2018

EXHIBIT: **B**



Airports Division

ISLAND AUTOWORKS, LTD.

LOT

001109

PLAT A1, 23

**UPOLU AIRPORT**

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