

DAVID Y. IGE  
GOVERNOR



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

JADE T. BUTAY  
DIRECTOR

Deputy Directors  
LYNN A.S. ARAKI-REGAN  
DEREK J. CHOW  
ROSS M. HIGASHI  
EDWIN H. SNIFFEN

IN REPLY REFER TO:

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

ISSUANCE OF A DIRECT LEASE FOR THE PURPOSE OF A FUEL FARM  
PROVIDING AIRCRAFT FUELING TO THE MILITARY, CORPORATE AND  
GENERAL AVIATION COMMUNITY  
FREEMAN HOLDINGS OF HAWAII, LLC DBA MILLION AIR HONOLULU  
KALAELOA AIRPORT  
TAX MAP KEY: (1) 9-1-13: PORTION OF 32

O'AHU

REQUEST:

Issuance of a directly negotiated land lease for the development, use, operation, and maintenance of a Fuel Farm for the sale of Aviation Fuel (Jet-A and Avgas), to the military, corporate and general aviation community, and the sale of other types of fuel that services customer equipment and aviation related vehicles at Kalaeloa Airport (Airport).

APPLICANT/LESSEE:

Freeman Holdings of Hawaii, LLC dba Million Air Honolulu (FREEMAN), a Hawai'i corporation, whose mailing address is 6021 Silver King Blvd Unit 1201, Cape Coral, Florida 33914.

LEGAL REFERENCE:

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

LOCATION AND TAX MAP KEY:

A portion of the Airport, Kapolei, Island of O'ahu, State of Hawai'i, identified by Tax Map Key: 1<sup>st</sup> Division, 9-1-13: portion of 32.

**ITEM M-3**

BLNR – ISSUANCE OF A DIRECTLY NEGOTIATED LAND LEASE FOR THE PURPOSE  
OF A FUEL FARM, FREEMAN HOLDINGS OF HAWAII, LLC DBA MILLION AIR  
HONOLULU, KALAELOA AIRPORT

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AREA:

Area/Space No. 001-111, containing an area of approximately 82,815 square feet, as shown and delineated on the attached map labeled Exhibit "A".

ZONING:

State Land Use District: Urban  
City and County of Honolulu LUO: P-2 (To be rezoned in the future)

LAND TITLE STATUS:

Section 5(a) lands (non-ceded) of the Hawai'i Admission Act.  
DHHL 30% entitlement lands pursuant to the Hawai'i Admission Act YES \_\_ NO X

CURRENT USE STATUS:

Land presently encumbered by Governor's Executive Order No. 3861, setting aside the Airport under the control and management of the Department of Transportation, Airports Division (DOTA), State of Hawai'i, for Airport Purposes.

CHARACTER OF USE:

Fuel Farm - Sale of Aviation Fuel (Jet-A and Avgas), and other types of fuel for the purpose of servicing military, corporate, and general aviation aircraft, as well as customer equipment and aviation related vehicles on the ramp.

TERM OF LEASE:

Thirty-Five (35) years.

COMMENCEMENT DATE:

Upon execution of the Lease.

MINIMUM UPSET ANNUAL RENT:

Years 1 – 5:	\$166,458.00 per annum, based on the fair market rental rates published in the Airports Division Procedures No. 4.5 (Schedule of Rates and Charges) for the Airport.
Years 6 – 10:	115% x the annual rental for year 5 of the Lease.
Years 11 – 15:	115% x the annual rental for year 10 of the Lease.
Years 16 – 20:	Fair Market Rent determined by an independent appraiser.

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Years 21 – 25:	115% x the annual rental for year 20 of the Lease.
Years 26 – 30:	115% x the annual rental for year 10 of the Lease.
Years 30 – 35:	Fair Market Rent determined by an independent appraiser.

In addition, FREEMAN will pay a Fuel Flowage Fee for all types of aviation fuel received from a commercial distributor:

1. \$0.04 per gallon for the first 100,000 gallons of fuel sold annually, and
2. \$0.06 per gallon for any fuel sold over 100,000 gallons annually.

PERFORMANCE BOND:

An amount equal to the annual rental then in effect.

MINIMUM IMPROVEMENTS REQUIREMENT:

\$1.5 Million Dollars

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u>    </u>
Registered business name confirmed:	YES <u>X</u>	NO <u>    </u>
Good standing confirmed:	YES <u>X</u>	NO <u>    </u>

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The subject land area is covered by the Final Environmental Assessment for the Kalaeloa Airfield Development Plan Improvements, State Project No. AO5011-02 dated June 2010. This Environmental Assessment was prepared by Wilson Okamoto Corp. for the State of Hawai'i, Department of Transportation, Airports Division, in part to evaluate the environmental effects of the recommended Kalaeloa Airfield Master Plan to meet existing and forecast general aviation demands.

REMARKS:

In accordance with Section 171-59 (b), and other applicable sections of Chapter 171, HRS, as amended, relating generally to Management and Disposition of Public Lands, and relating specifically to the Disposition by Negotiation, the Department of Transportation proposes to issue a directly negotiated land lease to FREEMAN for the development, use, operation, and maintenance of a fuel farm for the sale of Aviation Fuel (Jet-A and Avgas), to the military, corporate and general aviation community, and the sale of other types of fuel that services customer equipment and aviation related vehicles at the Airport.

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As part of the development of the fuel farm, FREEMAN will be required to develop and construct an access road to the Airport from Midway Road, as shown on the attached Exhibit B. The proposed access road will (1) provide FREEMAN’s fuel trucks safe access to the lease premises and Airport, and (2) allow DOTA to connect the roadway to other parts of the Airport, for use by other General Aviation tenants at the Airport.

DOTA believes the ability to connect the roadway to other parts of the Airport for use by the General Aviation tenants at the Airport serves the best interest of the State.

Currently, there is only one entity under lease that operates and maintains a fuel facility for the sale of Aviation Fuel (Jet-A and Avgas) at the Airport. The issuance of a directly negotiated land lease to FREEMAN will encourage competition in aviation fueling at the Airport. DOTA has no objections to this request.

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;”

171-59, 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; ...

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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.

RECOMMENDATION:

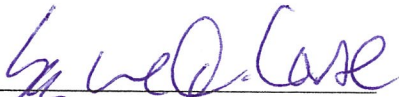
That the Board authorize the Department of Transportation to issue a directly negotiated land lease, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; and (2) such additional terms and conditions as may be prescribed by the Director of Transportation to 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,

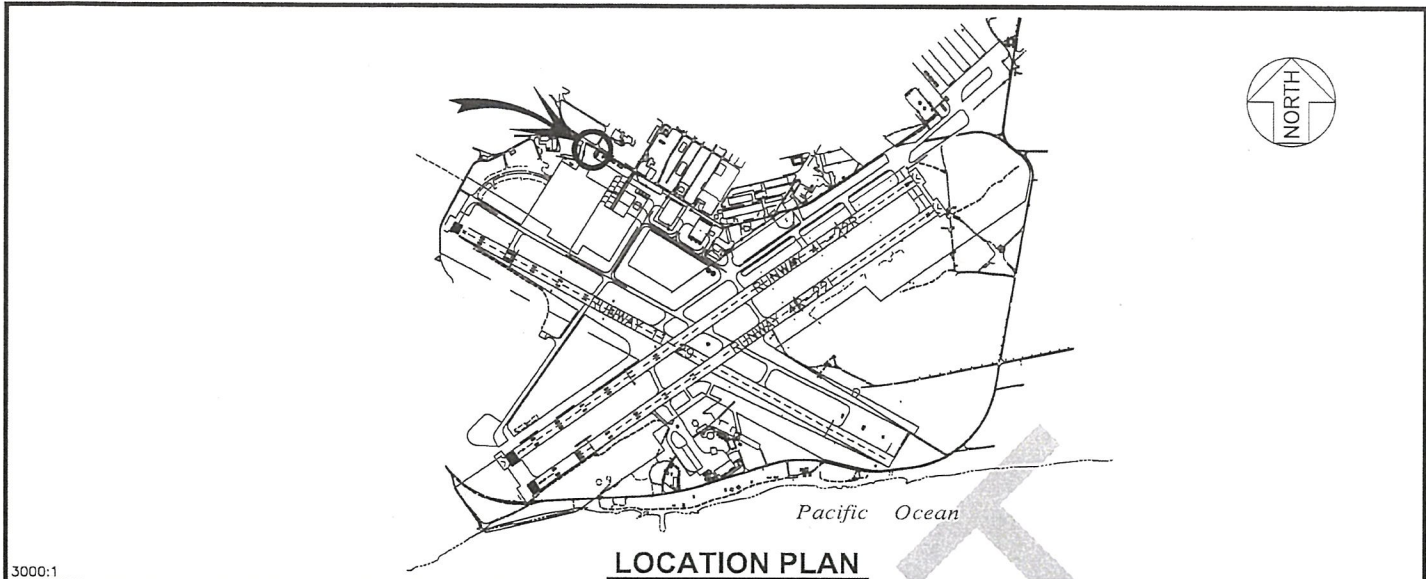


JADE T. BUTAY  
Director of Transportation

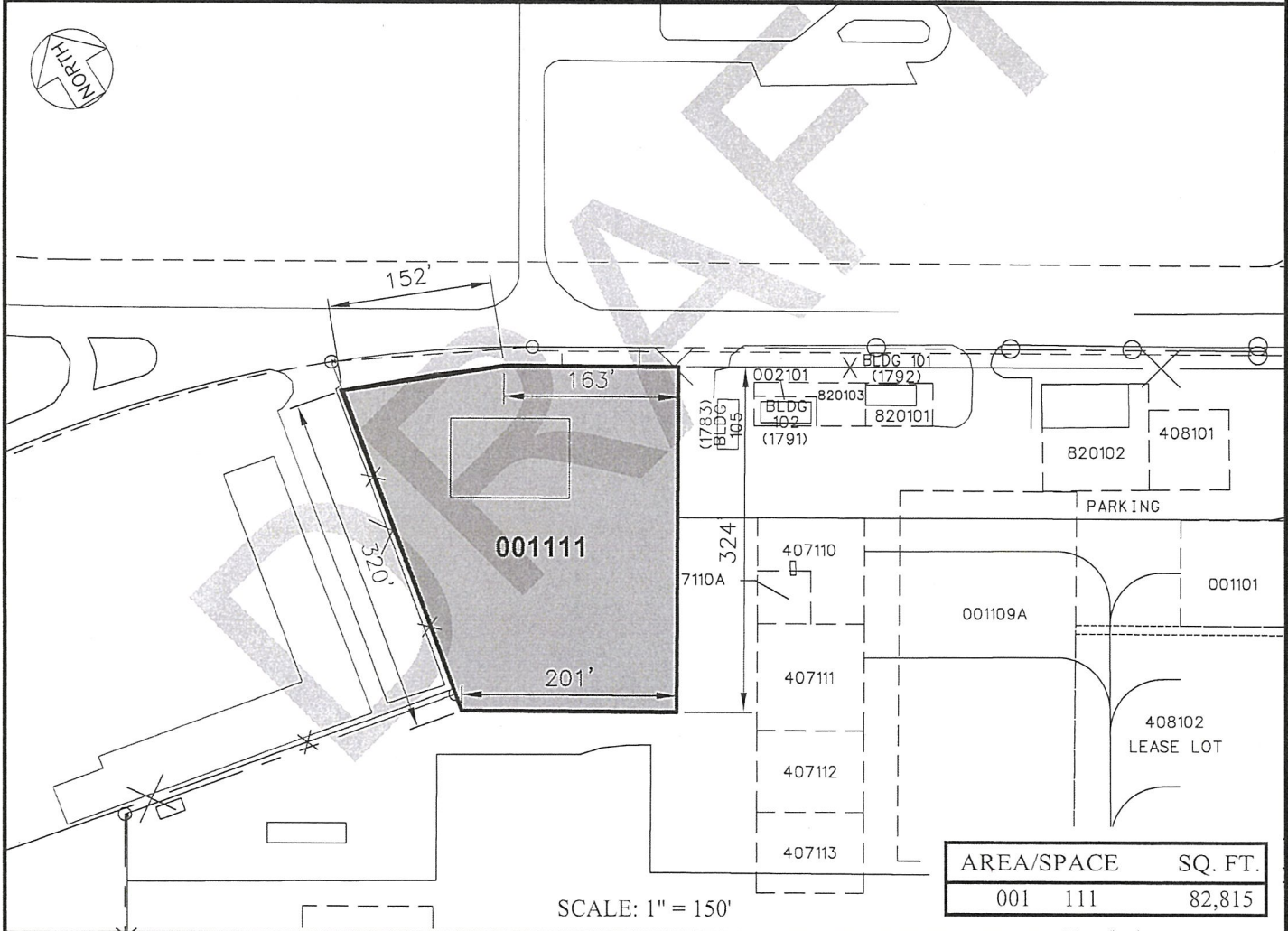
APPROVED FOR SUBMITTAL:



SUZANNE D. CASE  
Chairperson and Member



3000:1



DATE : NOVEMBER 2019

EXHIBIT: **A**



FREEMAN HOLDINGS OF  
HAWAII, LLC DBA  
MILLION AIR HONOLULU

FUEL FARM

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**KALAELOA AIRPORT**