

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

AMENDMENT NO. 2 TO STATE LEASE NO. DOT-A-00-0003
TO ENCUMBER ADDITIONAL AIRPORT LAND FOR ITS AIR CARGO FACILITY LEASE
UNITED PARCEL SERVICE, INC.
HILO INTERNATIONAL AIRPORT
TAX MAP KEY: (3) 2-1-012: PORTION OF 009

HAWAII

REQUEST:

The Department of Transportation, Airports Division (DOTA) and United Parcel Service, Inc. (UPS) entered into State Lease No. DOT-A-00-0003 (Lease) dated September 25, 2000 to develop, construct, operate and maintain an air cargo facility at Hilo International Airport (ITO), Island of Hawai'i.

On May 1, 2001, the DOTA and UPS executed Amendment No. 1 of the Lease which extended the rent commencement date of the Lease from no later than six (6 months) to no later than nine (9) months.

UPS now desires to further amend the Lease to include land adjacent to the area previously approved by the Land Board on October 8, 1999, Item K-4.

APPLICANT:

United Parcel Service, Inc., whose business address is 1400 North Hurstbourne Parkway, Louisville, Kentucky 40223, a Delaware corporation, authorized to do business in the State of Hawai'i.

LEGAL REFERENCE:

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

LOCATION AND TAX MAP KEY:

Portion of Hilo International Airport (ITO), Hilo, Island of Hawai'i, State of Hawai'i, identified by Tax Map Key: 3rd Division, 2-1-012: Portion of 009.

ITEM M-5

BLNR – AMENDMENT NO. 2 TO LEASE NO. DOT-A-00-0003 TO ENCUMBER
ADDITIONAL AIRPORT LAND FOR ITS AIR CARGO FACILITY LEASE
UNITED PARCEL SERVICE, INC., HILO INTERNATIONAL AIRPORT
PAGE 2

LAND AREAS:

Existing: Area/Space No. 007-101B, containing a land area of approximately 39,866 square feet of improved/unpaved land.

As Amended: Area/Space No. 007-101B, containing a land area of approximately 39,866 square feet of improved/unpaved land, and Area/Space No. 007-101D, containing a land area of approximately 21,670 square feet of improved/unpaved land, as shown and delineated on the attached Exhibit B dated September 2020.

ZONING:

State Land Use District: Urban
County of Hawai‘i: Industrial (ML-20)

LAND TITLE STATUS:

Section 5(a) lands of the Hawai‘i Admission Act: Ceded
DHHL 30% entitlement lands pursuant to Hawai‘i Admission Act YES ___ NO X

CURRENT USE STATUS:

Aeronautical, airport related purposes.

CHARACTER OF USE:

UPS shall develop, construct, operate and maintain a modular sorting facility to support its air cargo operations at ITO.

TERM OF LEASE:

Thirty (30) years

LEASE COMMENCEMENT DATE

September 25, 2000

ANNUAL LAND RENTALS:

Existing:
Lease years 1-5: \$27,508.00
Lease years: 6-10: \$33,009.60
Lease years: 11-15: \$43,852.60

BLNR – AMENDMENT NO. 2 TO LEASE NO. DOT-A-00-0003 TO ENCUMBER
ADDITIONAL AIRPORT LAND FOR ITS AIR CARGO FACILITY LEASE
UNITED PARCEL SERVICE, INC., HILO INTERNATIONAL AIRPORT
PAGE 3

Lease years: 16-20: \$37,474.04
Lease years: 21-25: FMR*
Lease years: 26-30: FMR*

Amended:

Lease years 1-5: \$27,508.00
Lease years: 6-10: \$33,009.60
Lease years: 11-15: \$43,852.60
Lease years: 16-20: \$37,474.04**
Lease years: 21-25: FMR*
Lease years: 26-30: FMR*

* FMR - Reopening at 100% of Fair Market Rental determined by independent appraisal.

** \$37,474.04 for Lease year 16. When Amendment No. 2 takes effect, the annual land rental shall be \$57,843.84 (based on current rate of \$0.94 psfpa) thru the end of Lease year 20.

PERFORMANCE BOND:

Sum equal to the annual land rental then in effect.

ANNUAL LAND RENTAL COMMENCEMENT:

Upon execution of the amendment.

CHAPTER 343, HRS – ENVIRONMENTAL ASSESSMENT:

The State of Hawai‘i, Department of Transportation, Airports Division (HDOTA), has determined that the environmental impacts of the proposed tenant lease for the subject land use is covered by the Hilo International Airport Final Environmental Assessment (FEA), published by the Office of Environmental Quality Control (OEQC) in the May 8, 2003, issue of The Environmental Notice. Accordingly, all relevant mitigation from the FEA and best management practices will be implemented to address the minimum impacts of this action.

DCCA VERIFICATION:

Place of business registration confirmed: YES X NO
Registered business name confirmed: YES X NO
Good standing confirmed: YES X NO

BLNR – AMENDMENT NO. 2 TO LEASE NO. DOT-A-00-0003 TO ENCUMBER
ADDITIONAL AIRPORT LAND FOR ITS AIR CARGO FACILITY LEASE
UNITED PARCEL SERVICE, INC., HILO INTERNATIONAL AIRPORT
PAGE 4

REMARKS:

The DOTA and UPS entered into the Lease dated September 25, 2000 to develop, construct, operate and maintain an air cargo facility at ITO. The original issuance of the direct Lease by negotiation was determined to encourage competition within the aeronautical, airport-related industries, and therefore, met the requirement set forth in Subsection 171-59(b), HRS, as amended.

On May 1, 2001, the DOTA and UPS executed Amendment No. 1 to extend the rent commencement date of the Lease from no later than six (6 months) to no later than nine (9) months.

UPS now desires to further amend the Lease to include land adjacent to Area/Space 007-101B to develop, construct, operate and maintain a modular sorting facility to increase its air cargo capacity. The DOTA, in the public interest, has no objection to UPS' request.

RECOMMENDATION:

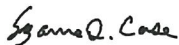
That the Board approve Amendment No. 2 to the Lease subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and, (3) review and approval of the Department of the Attorney General as to the Amendment's form and content.

Respectfully submitted,

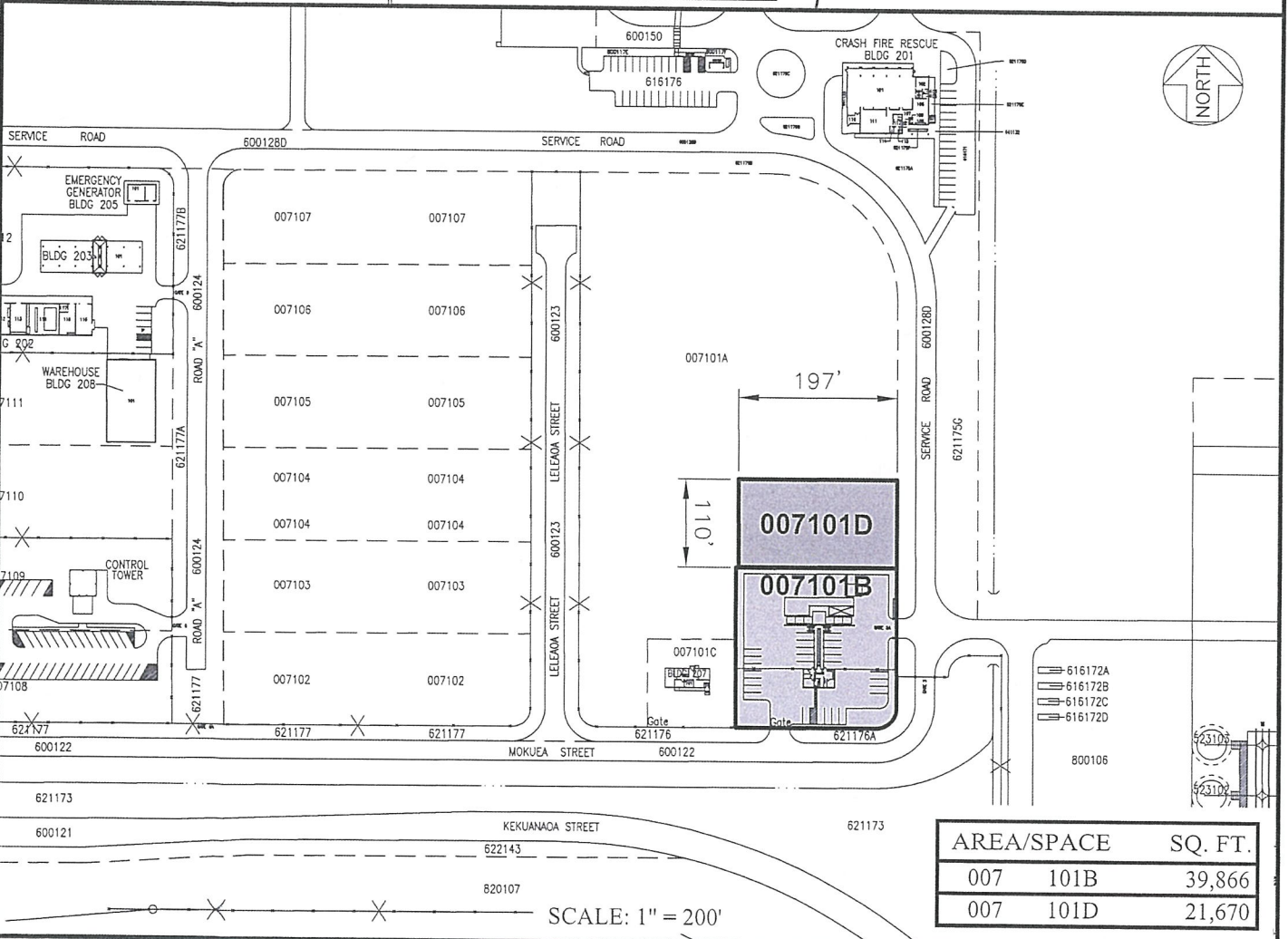
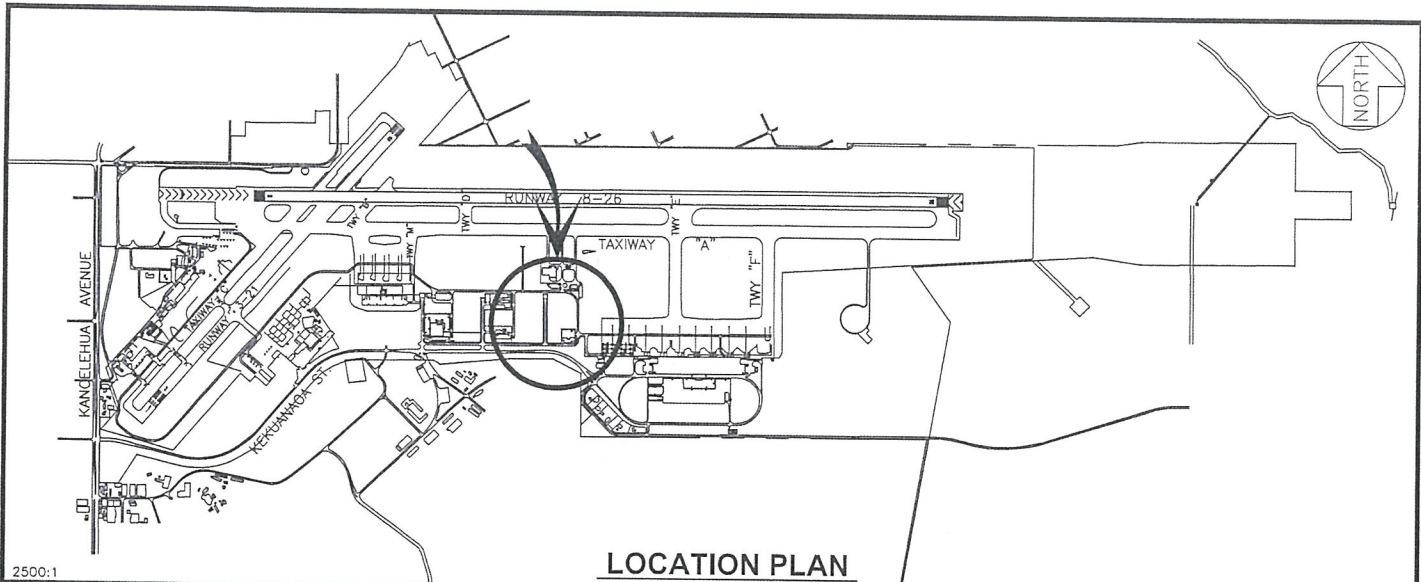


JADE T. BUTAY
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE D. CASE
Chairperson and Member



AREA/SPACE	SQ. FT.
007 101B	39,866
007 101D	21,670

Amendment No. 2 for Lease No. DOTA-00-0003 DATE : SEPTEMBER 2020 EXHIBIT: **B**



UNITED PARCEL SERVICE, INC.

LOTS INDUSTRIAL SUBDIVISION

007101B
007101D
PLAT 42

HILO INTERNATIONAL AIRPORT

N:\AIRPORTS\ITO_Hilo\CAD\PM\ito_007101b-01.dwg