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GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
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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-01-0004
TO ENCUMBER ADDITIONAL AIRPORT LAND FOR ITS AIR CARGO FACILITY LEASE
UNITED PARCEL SERVICE, INC.
LĪHU'E AIRPORT
TAX MAP KEY: (4) 3-5-01: PORTION OF 8

KAUAI

REQUEST:

The Department of Transportation, Airports Division (DOTA) and United Parcel Service, Inc. (UPS) entered into State Lease No. DOT-A-01-0004 (Lease) dated August 14, 2001, to develop, construct, operate and maintain an air cargo facility at Līhu'e Airport (LIH), Island of Kaua'i.

On April 12, 2019, the DOTA and UPS executed Amendment No. 1 to the Lease which increased Space No. 002-103 from 31,872 square feet to 36,640 square feet.

UPS now desires to further amend the Lease to include land adjacent to the area previously approved by the Land Board on February 9, 2001, Item K-7, and amended on April 12, 2019, Item M-11, to increase its air cargo operation capacity.

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 Līhu'e Airport, Līhu'e, Island of Kaua'i, identified by
Tax Map Key: 4th Division, 3-5-01: Portion of 8.

ITEM M-6

BLNR – AMENDMENT NO. 2 TO STATE LEASE NO. DOT-A-01-0004 TO ENCUMBER
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AREAS:

Existing: Area/Space No. 002-103, containing a land area of approximately 36,640 square feet of improved/unpaved general aviation land.

As Amended: Area/Space No. 002-103, containing a land area of approximately 36,640 square feet of improved/unpaved general aviation land, Area/Space No. 800-115A, containing a land area of approximately 8,921 square feet of improved/unpaved land, and Area/Space No. 800-115B, containing a land area of approximately 12,865 square feet of improved/unpaved land as shown and delineated on the attached Exhibit B dated September 2020.

ZONING:

State Land Use: Urban
County: Industrial (IG-STP)

LAND TITLE STATUS:

Section 5(a), Hawai‘i Admissions Act: Non-Ceded
DHHL, 30% entitlement lands Yes _____ No X

CURRENT USE STATUS:

Airport and aeronautical purposes.

CHARACTER OF USE:

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

TERM OF LEASE:

Thirty (30) years

LEASE COMMENCEMENT DATE

August 1, 2001

BLNR – AMENDMENT NO. 2 TO STATE LEASE NO. DOT-A-01-0004 TO ENCUMBER
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ANNUAL LAND RENTALS:

Existing:

| | |
|--------------------|--------------|
| Lease years 1-15 | \$ 26,454.00 |
| Lease years: 16-20 | \$ 63,753.60 |
| Lease years: 21-25 | FMR* |
| Lease years: 26-30 | FMR* |

As Amended:

| | |
|-------------------|----------------|
| Lease years 1-15 | \$26,454.00 |
| Lease years 16-20 | \$101,661.24** |
| Lease years 21-25 | FMR* |
| Lease years 26-30 | FMR* |

*Fair Market Rent determined by an independent appraisal

**\$63,753.60 for Lease year 16 until Amendment No. 2 is executed, and
\$101,661.24 from then 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 Lihue Airport Improvements Final Environmental Impact Statement (EIS), published by the Office of Environmental Quality Control (OEQC) in the November 23, 2007, issue of The Environmental Notice. Accordingly, all relevant mitigation from the EIS and best management practices will be implemented to address the minimum impacts of this action.

DCCA VERIFICATION:

| | |
|---|------------------|
| Place of business registration confirmed: | YES <u> X </u> |
| Registered business name confirmed: | YES <u> X </u> |
| Good standing confirmed: | YES <u> X </u> |

BLNR – AMENDMENT NO. 2 TO STATE LEASE NO. DOT-A-01-0004 TO ENCUMBER
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REMARKS:

The DOTA and UPS entered into the Lease dated August 14, 2001 to develop, construct, operate and maintain an air cargo facility at LIH. 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.

The DOTA and UPS executed Amendment No. 1 to the Lease in 2019 which increased Space No. 002-103 from 31,872 square feet to 36,640 square feet. The execution of Amendment No. 1 enabled UPS to develop more space by grading, paving, bringing in utilities and constructing more area for its air cargo operation.

UPS now requests areas adjacent to the areas previously approved by the Land Board under the Lease in order 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

