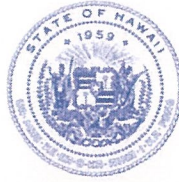


DAVID Y. IGE
GOVERNOR



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 LAND
FOR A SELF-SERVICE FUELING FACILITY
DOUGLAS AIRCRAFT, INC.
ELLISON ONIZUKA KONA INTERNATIONAL AIRPORT AT KEĀHOLE
TAX MAP KEY: (3) 7-3-43: PORTION OF 003

HAWAI'I

REQUEST:

Issuance of a directly negotiated land lease to Douglas Aircraft, Inc. for the operation and maintenance of a self-service fueling facility at Ellison Onizuka Kona International Airport at Keāhole.

APPLICANT:

Douglas Aircraft, Inc. (DAI), whose business address 66-1497 E. Ko Uka Place Kamuela, Hawai'i 96743.

LEGAL REFERENCE:

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

LOCATION AND TAX MAP KEY:

Portion of Ellison Onizuka Kona International Airport at Keāhole (KOA), Kailua-Kona, Island of Hawai'i, identified by Tax Map Key: 3rd Division, 7-3-43: Portion of 003.

AREA:

Area/Space No. 006-116, containing an area of approximately 2,075 square feet, as shown and delineated on the attached Exhibit A.

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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(a), lands of the Hawai'i Admissions Act: Ceded
DHHL 30% entitlement lands pursuant to Hawai'i Admission Act YES ___ NO X

CURRENT USE STATUS:

Land presently encumbered by Governor's Executive Order No. 3074, dated August 20, 1981, setting aside 4,204.01 acres designated as KOA under the control and management of the State of Hawai'i, Department of Transportation, Airports Division for Airport Purposes.

CHARACTER OF USE:

The operation and maintenance of a self-service fueling facility.

TERM OF LEASE:

Ten (10) years.

LEASE COMMENCEMENT DATE:

Upon execution of the lease.

LEASE RENTAL:

Years 1 thru 5: \$4,274.52 (as determined from the DOTA schedule of rates and charges for improved, paved land, established by appraisal of Airports property statewide).
Years 6 thru 10: 115% x the annual rental for year 5 of the Lease.

In addition, DAI will pay a Fuel Flowage Fee for Aviation Gasoline (AVGAS) received from a commercial fuel distributor:

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

BLNR – ISSUANCE OF A DIRECT LEASE FOR LAND FOR A SELF-SERVICE FUELING FACILITY - DOUGLAS AIRCRAFT, INC.

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PERFORMANCE BOND:

The sum equal to the total annual land lease rental then in effect.

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 _____

CHAPTER 343, HRS – ENVIRONMENTAL ASSESSMENT:

The State of Hawaii, Department of Transportation, Airports Division (DOTA), has determined the subject land areas are covered by the Final Environmental Assessment (EA)/Finding of No Significant Impact (FONSI), Airfield, Terminal, and Facility Improvements for the Kona International Airport at Keahole, published by the Office of Environmental Quality Control (OEQC) in the March 23, 2013, issue of The Environmental Notice. Accordingly, all relevant mitigation from the EA and best management practices will be implemented to address the minimum impacts of this action.

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 proposes to issue a direct lease for land to DAI for an AVGAS fueling facility.

Currently, DAI is the only entity that operates and maintains a fuel facility for the sale of AVGAS at KOA. DAI's current lease holdover will terminate on 10/31/2021. If DAI is unable to secure a new lease prior to the expiration of its holdover, DAI will remove its improvements, per the terms and conditions of its lease.

If DAI's improvements are removed, the only source of AVGAS at KOA will be by mobile fuel truck operated by Air Service Hawaii, Inc. (ASH). The ASH truck refills at least weekly via a 180-miles round-trip to Hilo. The availability of Avgas at KOA will be subject to road closures, truck location, hours of operation, and mechanical breakdowns. This is in stark contrast to DAI's fueling facility, which historically has been open 24-hours and is refilled monthly via fuel delivery.

BLNR – ISSUANCE OF A DIRECT LEASE FOR LAND FOR A SELF-SERVICE FUELING FACILITY - DOUGLAS AIRCRAFT, INC.

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Issuance of a directly negotiated fueling facility lease to DAI will encourage competition by keeping two Avgas sources at KOA. DOTA has no objections to this request. It is the opinion of DOTA that there would be very little interest in public auction for the space if DAI removes its improvements. ASH currently captures 80% of Avgas business at KOA using its fuel truck, and new entrants into the market may not be able to compete with their own fixed tank under the old business model. There is a neighboring lot available adjacent to DAI's facility where DOTA could accommodate new entrants if demand for AVGAS at KOA increases.

RECOMMENDATION:

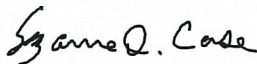
That the Board authorize the Department of Transportation to issue a direct commercial self-service AVGAS fueling facility lease to DAI subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director 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,

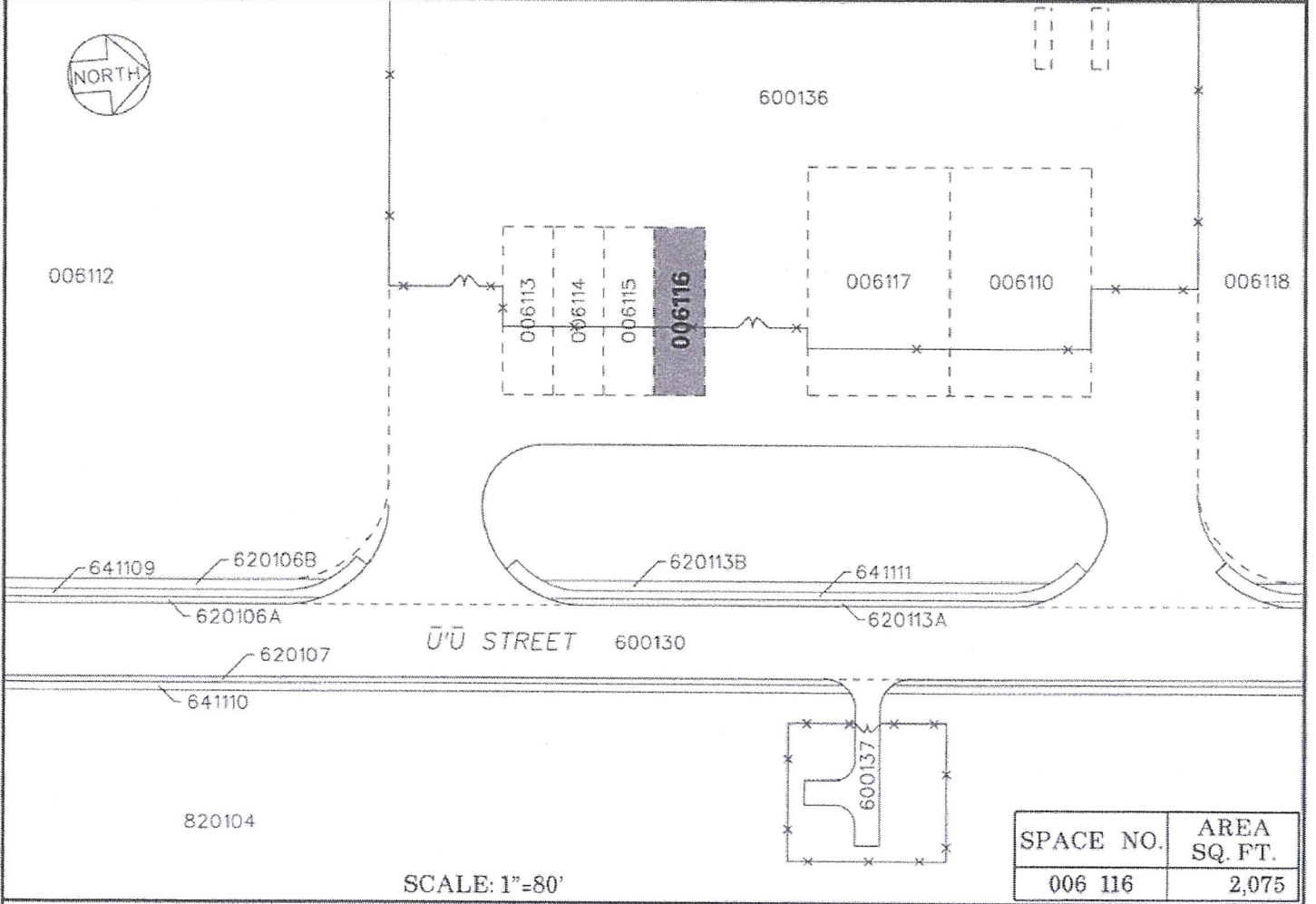
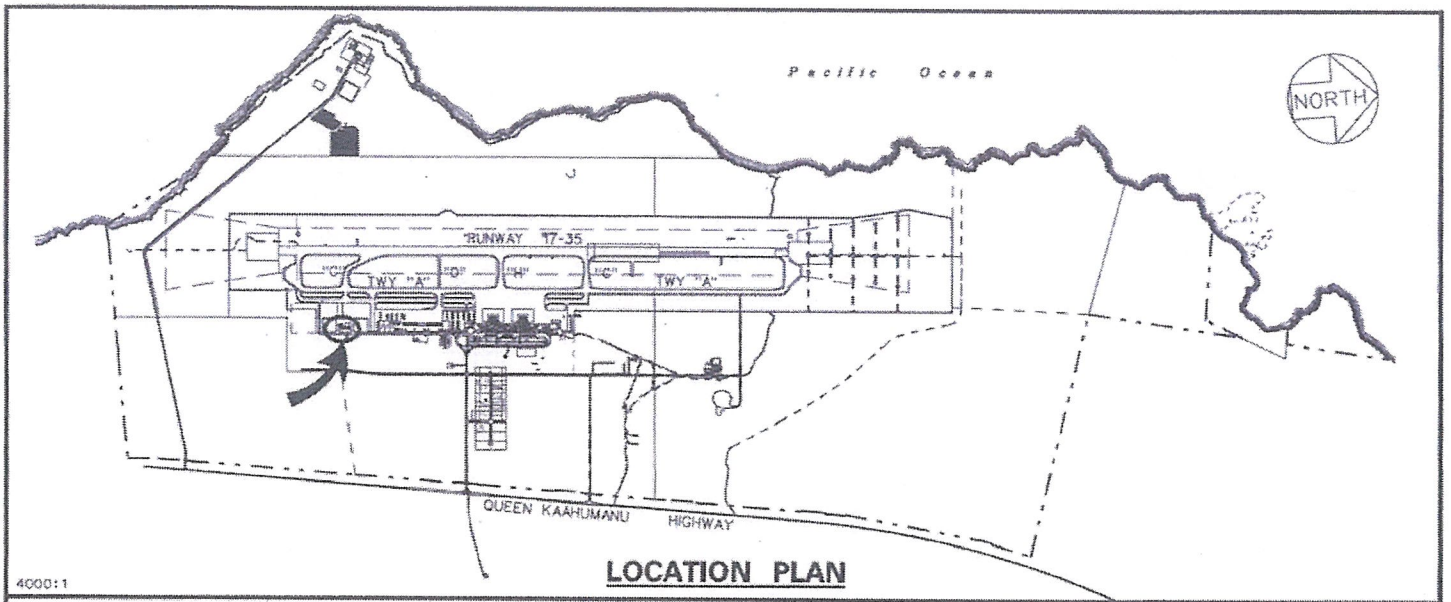


JADE T. BUTAY
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE D. CASE
Chairperson and Member



DATE:		EXHIBIT: A	
 Airports Division	DOUGLAS AIRCRAFT, INC.	LOTS	006-116
		SOUTH RAMP AREA	PLAT 40

KONA INTERNATIONAL AIRPORT AT KEAHOLE

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