Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

AMENDMENT NO. 2 TO HELIPORT LEASE NO. DOT-A-14-0009
REQUEST ONE ADDITIONAL HELIPAD SPACE FOR
COMMERCIAL HELICOPTER OPERATIONS
ISLAND HELICOPTERS KAUAI, INC.
LĪHUE AIRPORT
TAX MAP KEY: (4) 3-5-001: PORTION OF 148

REQUEST:

Island Helicopters Kauai, Inc. (IHK) was issued a lease for the development,
construction, operation, use and maintenance of a Helicopter Facility containing three
helipads for commercial helicopter operations, Heliport Lease No. DOT-A-14-0009
(Lease), at Lihue Airport (Airport). IHK is requesting to amend the Lease to include one
additional helipad space.

In the Lease, IHK was only required to invest $150,000.00 for constructing their
leasehold improvements. However, IHK invested approximately $1,000,000.00 and are
requesting to amend their Lease term from 15 to 35 years to amortize those
improvements.

APPLICANT:

Island Helicopters Kauai, Inc., a Hawaii company, authorized to do business in the State
of Hawai`i, whose business and post office address is P. O. Box 831, Lihue, Hawaii
96740.

LEGAL REFERENCE:

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

ITEM M-8
LOCATION:

Portion of Līhuʻe Airport, Līhuʻe, Island of Kauaʻi, State of Hawaiʻi, identified by Tax Map Key: 4th Division, 3-5-001: Portion of 148.

AREA:

Additional Premises:
Area/Space No. 011-102E, containing an area of approximately 700 square feet;
Area/Space No. 011-102F, containing an area of approximately 700 square feet;
Area/Space No. 011-102H, containing an area of approximately 8,439 square feet;
Area/Space No. 011-102K, containing an area of approximately 1,600 square feet;
as shown and delineated on the attached map labeled Exhibit “A”.

ZONING:

State Land Use District: Urban
County of Kauaʻi: Industrial General/Special Treatment-Public Use (IG/ST-P)

LAND TITLE STATUS:

Section 5(a) lands of the Hawaiʻi Admission Act: Non-Ceded
DHHL 30% entitlement lands pursuant to Hawaiʻi Admission Act YES_NO X

CURRENT USE STATUS:

Land presently encumbered by Governor’s Executive Order No. 4614, dated October 28, 2019, setting aside 883.583 acres designated as Līhuʻe Airport to be under the control and management of the State of Hawaiʻi, Department of Transportation for Airport Purposes.

CHARACTER OF USE:

IHK will use the additional helipad space as part of their commercial helicopter operations.

TERM OF LEASE:

Thirty-five (35) years (01/01/2015 – 12/31/2049).

COMMENCEMENT DATE:

Upon execution of Amendment No. 2 to the Lease.
LEASE RENTAL:

Current Lease Rental:

<table>
<thead>
<tr>
<th>Lease years</th>
<th>Rental Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>$62,109.84 per annum</td>
</tr>
<tr>
<td>6-10</td>
<td>$71,426.32 per annum</td>
</tr>
<tr>
<td>11-15</td>
<td>$82,140.27 per annum</td>
</tr>
</tbody>
</table>

Amended Lease Rental:

<table>
<thead>
<tr>
<th>Lease years</th>
<th>Rental Amount</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>$31,054.92 per annum (based on a 50% general aviation discount per Section 261-7 (g), HRS). Since the first five years of the Lease has lapsed, IHK will receive a credit to reflect the amended lease rental amount for Lease years 1-5.</td>
<td></td>
</tr>
<tr>
<td>6-10</td>
<td>115% the annual rent for year 5 of the Lease term (Note: Lease years 6-10 will have 2 rates due to the addition of the helipad space. The date will be determined based on the effective date of Amendment No. 2).</td>
<td></td>
</tr>
<tr>
<td>11-15</td>
<td>115% and the annual rent for year 10 of the Lease term; Reopening at fair market rent determined by an independent appraiser;</td>
<td></td>
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<tr>
<td>16-20</td>
<td>115% the annual rent for year 20 of the Lease term;</td>
<td></td>
</tr>
<tr>
<td>21-25</td>
<td>115% the annual rent for year 25 of the Lease term;</td>
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</tr>
<tr>
<td>26-30</td>
<td>Reopening at fair market rent determined by an independent appraiser.</td>
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<tr>
<td>31-35</td>
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</tbody>
</table>

MINIMUM INVESTMENT OF IMPROVEMENTS:

IHK has invested the sum of approximately One Million Dollars ($1,000,000.00) to develop and construct a Facility to use for their Commercial Helicopter Operations.

DCCA VERIFICATION:

<table>
<thead>
<tr>
<th>Verification</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place of business registration confirmed</td>
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<td></td>
</tr>
<tr>
<td>Registered business name confirmed</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Good standing confirmed</td>
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</table>

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The State of Hawaiʻi, Department of Transportation, Airports Division (DOTA), has determined that the subject land areas are covered by the Final Environmental Assessment (EA)/Finding of No Significant Impact (FONSI), Līhuʻe Airport Heliport...
BLNR – AMENDMENT NO. 2 TO HELIPORT LEASE NO. DOT-A-14-0009 REQUEST ONE ADDITIONAL HELIPAD SPACE FOR COMMERCIAL HELICOPTER OPERATIONS, ISLAND HELICOPTERS KAUAI, INC.

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Improvements dated October 2002, published by the Office of Environmental Quality Control (OEQC) in the November 8, 2002, 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:

The Department of Transportation (DOT), and IHK entered into the Lease, dated December 17, 2014, together with all amendments, modifications, assignments, consents, and extension subsequent thereto, for the development, construction, operation, use and maintenance of a Helicopter Facility for Commercial Helicopter Operations. IHK is now requesting to amend the Lease to include one additional helipad space and amend the Lease term from 15 years to 35 years to amortize IHK’s leasehold investment improvements of approximately $1,000,000.00. The DOT has no objections to IHK’s request and will amend the Lease to include the one additional helipad and change the Lease term from 15 years to 35 years.

RECOMMENDATION:

That the Board approves Amendment No. 2 to the Lease to include the one additional helipad and amend the Lease term, 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