

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 CARGO OPERATIONS  
UNITED PARCEL SERVICE, INC.  
KAHULUI AIRPORT  
TAX MAP KEYS: (2) 3-8-079: PORTION OF 021, (2) 3-8-001:  
PORTION OF 019, AND PORTION OF FORMER HALEAKALA  
HIGHWAY AS SHOWN ON TAX MAP, COUNTY OF MAUI,  
ZONE 3, SECTION 8, PLAT 79

MAUI

REQUEST:

Issuance of a directly negotiated land lease for the development, construction, use, and maintenance of Cargo Facility for aeronautical, airport related and commercial purposes at Kahului Airport (OGG).

APPLICANT/LESSEE:

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

LEGAL REFERENCE:

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

LOCATION AND TAX MAP KEY:

Portion of OGG, Kahului, Island of Maui, State of Hawai'i, identified by Tax Map Keys: 2nd Division, 3-8-079: Portion of 021, 2nd Division, 3-8-001: Portion of 019, and portion of former Haleakala Highway as shown on Tax Map, County of Maui, Zone 3, Section 8, Plat 79.

**ITEM M-10**

BLNR – ISSUANCE OF A DIRECT LEASE FOR CARGO OPERATIONS, UNITED PARCEL SERVICE, INC.

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AREAS:

Area/Space No. 003-126, containing an area of approximately 57,121 square feet of improved, unpaved land, and

Area/Space No. 003-127, containing an area of approximately 43,737 square feet of improved, unpaved land, as shown on the attached Exhibit B.

ZONING:

State Land Use District: Urban  
County of Maui: Airport

LAND TITLE STATUS:

Section 5(a) lands of the Hawai‘i Admission Act: Non-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. 2427, dated February 12, 1969, setting aside 1,268.938 acres designated as Kahului Airport to be under the control and management of the State of Hawai‘i, Department of Transportation for public purposes.

CHARACTER OF USE:

Development, construction, use, and maintenance of a Cargo Facility for aeronautical, airport related and commercial purposes.

PROPERTY CHARACTERISTICS:

Utilities: Access to utilities are available at or near the premises

Improvements: Area /Space No. 003-126 is encumbered by United Parcel Service Co. (UPS) under Revocable Permit No. RP-8023 (RP-8023) on which UPS graded, paved, fenced, and constructed an air cargo sorting facility with utilities.

Area/Space No. 003-127 is vacant improved, unpaved land.

TERM OF LEASE:

Twenty (20) years.

MINIMUM UPSET ANNUAL RENTAL AND RENTAL REOPENING:

Years 1 thru 5	\$296,522.52 per annum [based on a rate of \$3.92 for improved, unpaved land discounted to \$2.94 (25% aeronautical use discount) as determined from the DOTA schedule of rates and charges established by appraisal of Airports property statewide];
Years 6 thru 10	115% x the annual rental for year 5 of the lease term;
Years 11 thru 15	115% x the annual rental for year 10 of the lease term;
Years 16 thru 20	Reopening at fair market rent determined by independent appraisal.

MINIMUM IMPROVEMENTS REQUIREMENT:

LESSEE shall within twelve (12) months of the date of commencement of this Lease, invest the sum of not less than \$1,00,000.00 for the development and construction of a Cargo Facility at OGG.

PERFORMANCE BOND:

Sum equal to the annual 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 Hawai‘i, Department of Transportation, Airports Division (DOTA), has determined that the environmental impacts of the proposed tenant lease for the subject land use is covered by the Kahului Airport Improvements Final Environmental Impact Statement (EIS), published by the Office of Environmental Quality Control (OEQC) in the October 23, 1997, issue of The Environmental Notice. The EIS was accepted by the Governor on February 18, 1998. Accordingly, all relevant mitigation from the EIS and best management practices will be implemented to address the minimum impacts of this action.

REMARKS:

In accordance with Section 171-59 (b), and other applicable sections of Chapter 171, HRS, as amended, relating generally to the Management and Disposition of Public Lands, and relating specifically to the Disposition by Negotiation, the DOTA proposes to issue a land lease to UPS for the development, construction, use, and maintenance of Cargo Facility for aeronautical, airport related and commercial purposes at OGG.

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UPS currently occupies Space No. 003-126 under a month-to-month revocable permit, which the DOTA proposes to convert to a Cargo Facilities Lease in accordance with the DOTA's Department Staff Manual, Part 8, Chapter 2.06.2.2 (Conversion to Lease) which states in part, "Each division shall annually review its inventory of revocable permits with the purpose of converting them to leases, especially where competition for space exists or could exist."

There are at least four other cargo operators at OGG. Therefore, the DOT has determined that the issuance of this direct lease encourages competition and is essential to the aeronautical and airport-related industries. DOTA has no objections to this request.

RECOMMENDATION:

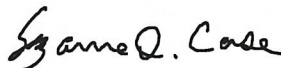
That the Board authorize the DOT to issue a direct land lease to UPS for the development, construction, use, and maintenance of Cargo Facility for aeronautical, airport related and commercial purposes, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) 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,

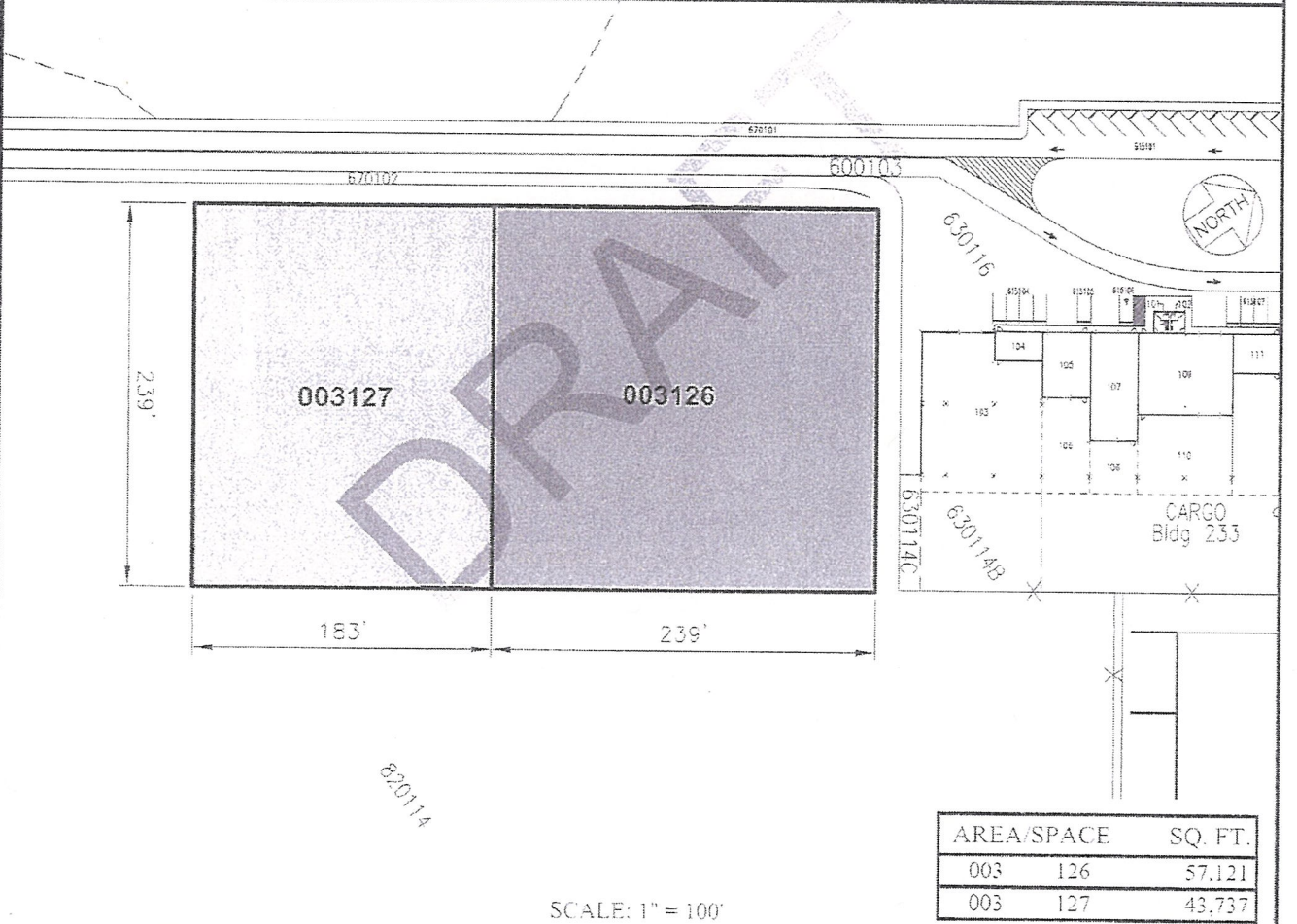
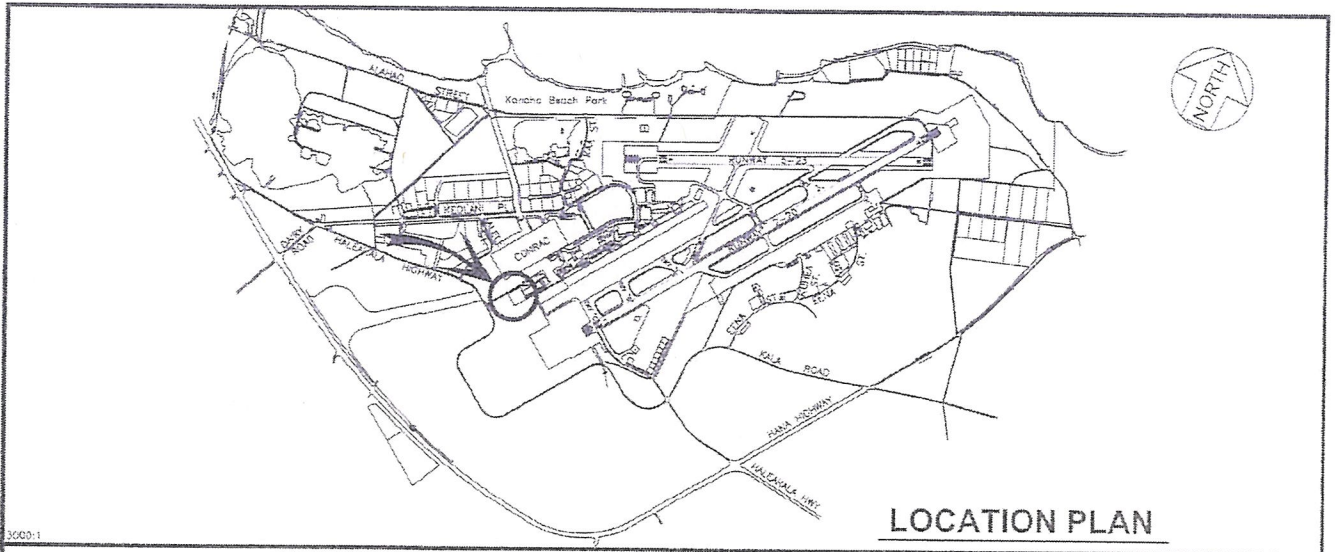



JADE T. BUTAY  
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE D. CASE  
Chairperson and Member



DRAFT	DATE : AUGUST 2020	EXHIBIT: B
 Airports Division	LOT	003126 003127 PLAT 45

**KAHULUI AIRPORT**

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