Board of Land and
Natural Resources
State of Hawai‘i
Honolulu, Hawai‘i

AMENDMENT NO. 2 TO HELIPORT LEASE NO. DOT-A-14-0009
REQUEST TO EXTEND THE LEASE TERM AND TO ADD A HELIPAD WITH
ADJACENT LAND FOR COMMERCIAL HELICOPTER OPERATIONS
ISLAND HELICOPTERS KAUAI, INC.
LIHU‘E 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 Līhu‘e Airport (Airport). IHK is requesting to amend the Lease to add a
helipad with adjacent land.

The Lease required IHK to invest $150,000.00 for the construction of leasehold
improvements. However, IHK invested approximately $943,800.00 and is requesting to
amend their Lease term from 15 to 35 years to amortize the cost of those improvements.

APPLICANT:

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

LEGAL REFERENCE:

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

LOCATION:

Portion of the Airport, Līhu‘e, Island of Kaua‘i, State of Hawai‘i,
identified by Tax Map Key: 4th Division, 3-5-001: Portion of 148.

ITEM M-4
BLNR – AMENDMENT NO. 2 TO HELIPORT LEASE NO. DOT-A-14-0009, REQUEST TO EXTEND THE LEASE TERM AND TO ADD A HELIPAD WITH ADJACENT LAND FOR HELICOPTER TOUR OPERATIONS, ISLAND HELICOPTERS KAUAI, INC.

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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 Kaua‘i: Industrial General/Special Treatment-Public Use (IG/ST-P)

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. 4614, dated October 28, 2019, setting aside 883.583 acres designated as the Airport to be under the control and management of the State of Hawai‘i, Department of Transportation for Airport Purposes.

CHARACTER OF USE:

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

TERM OF LEASE:

Original Term: Fifteen (15) years (01/01/2015 - 12/31/2029)
Amended Term: 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:

| Lease years 1 - 5: | $62,109.84 per annum |
| Lease years 6 - 10: | $71,426.32 per annum |
| Lease years 11 - 15: | $82,140.27 per annum |
Amended Lease Rental:

Lease years 1-5: $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.

Lease years 6-10: 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).

Lease years 11-15: 115% and the annual rent for year 10 of the Lease term.

Lease years 16-20: Reopening at fair market rent determined by an independent appraiser.

Lease years 21-25: 115% the annual rent for year 20 of the Lease term.

Lease years 26-30: 115% the annual rent for year 25 of the Lease term.

Lease years 31-35: Reopening at fair market rent determined by an independent appraiser.

MINIMUM INVESTMENT OF IMPROVEMENTS:

IHK has invested the sum of approximately $943,800.00 to develop and construct a Facility to use for their Commercial Helicopter Operations.

DCCA VERIFICATION:

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

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The State of Hawai‘i, 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), Līhu‘e Airport Heliport 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:

IHK has provided helicopter tours from various locations on the Airport for over 40 years. Since 1992, helicopter operators conducted their helicopter tour operations from an area previously referred to as the “Interim Heliport”. The Interim Heliport consisted of helipad spaces only, and did not allow for ticket offices, holding areas, or other support facilities. IHK operated tours from the Interim Heliport and maintained office facilities at various locations of the Airport throughout the years under Revocable Permits.

In 2005, DOTA committed to the development of the current heliport that would accommodate helipads and support facilities.

In 2009, the construction of the new Heliport was completed, and leases were offered to the existing operators at the Interim Heliport.

On October 30, 2013, IHK was issued a Revocable Permit to operate from Helipads 1, 2, and 3 of the new Heliport.

DOTA’s Departmental Staff Manual, Part 8, Chapter 2.06.2.2 (Conversion to Lease), 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.”

Consequently, the Revocable Permit was converted to a 15-year lease under State Lease No. DOT-A-14-0009 (January 1, 2015 – December 31, 2029).

On April 2, 2014, IHK submitted construction plans for their heliport complex (overall site plans, pages 1-2 attached as Exhibit B).

On August 26, 2015, IHK received approval to construct leasehold improvements from the Planning Commission, County of Kaua‘i, State of Hawai‘i (attached as Exhibit C).

In 2016, IHK submitted a final itemized report of construction costs to DOTA for the new heliport complex, in the amount of $943,800.00. A photo of the completed leasehold improvements is attached as Exhibit D.

The original Lease required IHK to invest a minimum of $150,000 for the construction of leasehold improvements. IHK invested approximately $943,800.00, and is requesting to amend the Lease term from 15 to 35 years to amortize the cost of improvements.

In addition, IHK has requested that DOTA add a helipad with adjacent land to the Lease.

DOTA has reviewed IHK’s request and has no objections.
RECOMMENDATION:

That the Board approves Amendment No. 2 to the Lease to amend the Lease term, and to add a helipad with adjacent land, 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
AUG 26 2015

ISLAND HELICOPTERS KAUA'I, INC.
c/o Walton D. Y. Hong, Esq., Authorized Agent
3135 Akahi Street, Suite A
Līhu'e, Hawai'i 96766

Subject: Class IV Zoning Permit Z-IV-2015-45
Use Permit U-2015-44
Tax Map Key: (4) 3-5-001:0148 (Portion)
Līhu'e, Kaua'i
ISLAND HELICOPTERS KAUA'I, INC.; Applicant

Dear Mr. Hong,

This letter memorializes the action taken by the Kaua'i Planning Commission effective August 25, 2015 concerning approval of the above subject permits. The approval, per your consent, is subject to the following conditions:

1. The administration building and associated improvements shall be constructed and operated as represented. Any changes to the operation and/or the respective structures shall be reviewed by the Department to determine whether Planning Commission review and approval is required.

2. In accordance with Section 11A-2.2(a) of the KCC, the applicant shall submit to the Planning Department Environmental Impact Assessment (EIA) fees for the project. The E.I.A. fee for the subject proposal is assessed at one hundred dollars ($100) per the minimum number of parking stalls required by the Comprehensive Zoning Ordinance (CZO). The minimum number of off-street parking stalls serving the proposed administration building is sixteen (16); therefore, prior to operation the applicant shall submit to the Planning Department an EIA fee $1,600.00.

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EXHIBIT C