

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

FEBRUARY 25, 2022

JADE T. BUTAY
DIRECTOR

Deputy Directors
ROSS M. HIGASHI
EDUARDO P. MANGLALLAN
PATRICK H. MCCAIN
EDWIN H. SNIFFEN

IN REPLY REFER TO:

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

AMENDMENT NO. 2 TO HANGAR LEASE NO. DOT-A-13-0003 TO
AMEND THE "LEASE TERM" FROM 20 YEARS TO 35 YEARS
J.F. AIR, LLC
KAHULUI AIRPORT
TAX MAP KEY: (2) 3-8-01: PORTION OF 265

MAUI

The State of Hawai'i (STATE), Department of Transportation, Airports Division (DOTA) and J.F. Air, LLC, entered into Hangar Lease No. DOT-A-13-0003 (Lease) dated May 3, 2013, to develop, construct, operate, use and maintain a personal hangar facility at Kahului Airport (Airport).

REQUEST:

J.F. Air, LLC requests to amend Article IV. (Term) of the Lease, from twenty (20) years to thirty-five (35) years.

The Lease was originally approved by the Land Board on February 22, 2013, under agenda Item M-1.

LEGAL REFERENCE:

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

APPLICANT:

J.F. Air, LLC (JFA), a California limited liability company, whose mailing address is 221 South Puunene Avenue, Kahului, Hawai'i 96732.

LOCATION AND TAX MAP KEY:

Portion of Kahului Airport, Kahului, Island of Maui, identified by Tax Map Key: 2nd Division, 3-8-01: Portion of 265.

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AREA:

Area/Space No. 414-101, containing an area of approximately 30,000 square feet, as shown and delineated on the attached Exhibit A.

Amendment No. 1 to the Lease dated December 20, 2013, relocated the Premises seventy feet (70') southeast of its original site per the STATE's request.

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, operation, use and maintenance of a personal hangar facility.

LEASE TERM:

Original: Twenty (20) years.
As Amended: Thirty-Five (35) years.

LEASE COMMENCEMENT DATE:

June 1, 2013

ANNUAL GROUND LEASE RENTAL:

Original:
Lease years 1-5 \$32,400.00
Lease years 6-10 \$37,260.00
Lease years 11-15 \$42,849.00
Lease years 16-20 Fair Market Rent determined by an independent appraiser

As Amended:

Lease years 1-5	\$32,400.00
Lease years 6-10	\$37,260.00
Lease years 11-15	\$42,849.00
Lease years 16-20	Fair Market Rent determined by an independent appraiser
Lease years 21-25	115% x the annual rental for year 20 of the Lease
Lease years 26-30	115% the annual rent for year 25 of the Lease
Lease years 31-35	Fair Market Rent determined by an independent appraiser

MINIMUM IMPROVEMENTS REQUIREMENT:

Original: \$850,000.00

As Amended: \$1,400,000.00 (\$850,000.00 for upgrading and improving the leased premises and \$595,000.00 for other infrastructure required for the leasehold improvements.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Registered business name confirmed:	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
Good standing confirmed:	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The State of Hawai'i, Department of Transportation, Airports Division, has determined that the environmental impacts 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), HRS, relating generally to Management and Disposition of Public Lands and relating specifically to Disposition by negotiation, the Department of Transportation issued a direct lease to JFA for the purpose of developing, constructing, operating, using and maintaining a personal hangar facility at the Airport. DOTA determined that the issuance of the original lease encouraged competition within the aeronautical and airport-related industries.

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In order to develop the premises, the DOTA required JFA to preform extensive trenching, dirt removal, grading and paving of over an acre which was necessary to prepare the area connecting the taxiway to the premises. JFA also installed new perimeter security fencing to secure the Airport Operations Area (AOA), removed and relocated overhead power lines to underground power lines, and installed approximately 400 feet of 12-inch water main to bring in water where none existed.

These extraordinary expenses totaled over \$595,000.00, and in addition the original \$850,000 Minimum Improvement requirement, a total of over \$1,445,000.00 was invested by JFA to improve the premises and the Airport.

JFA is now requesting to amend Article IV. (Term) of the Lease, to allow them to amortize their total investment in the development of their hangar facility and other Airport improvements, over 35 years rather than the original 20 years. The DOTA, in the public interest, has no objections to JFA's request.

RECOMMENDATION:

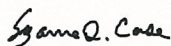
That the Board approve Amendment No. 2 to the Lease subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,

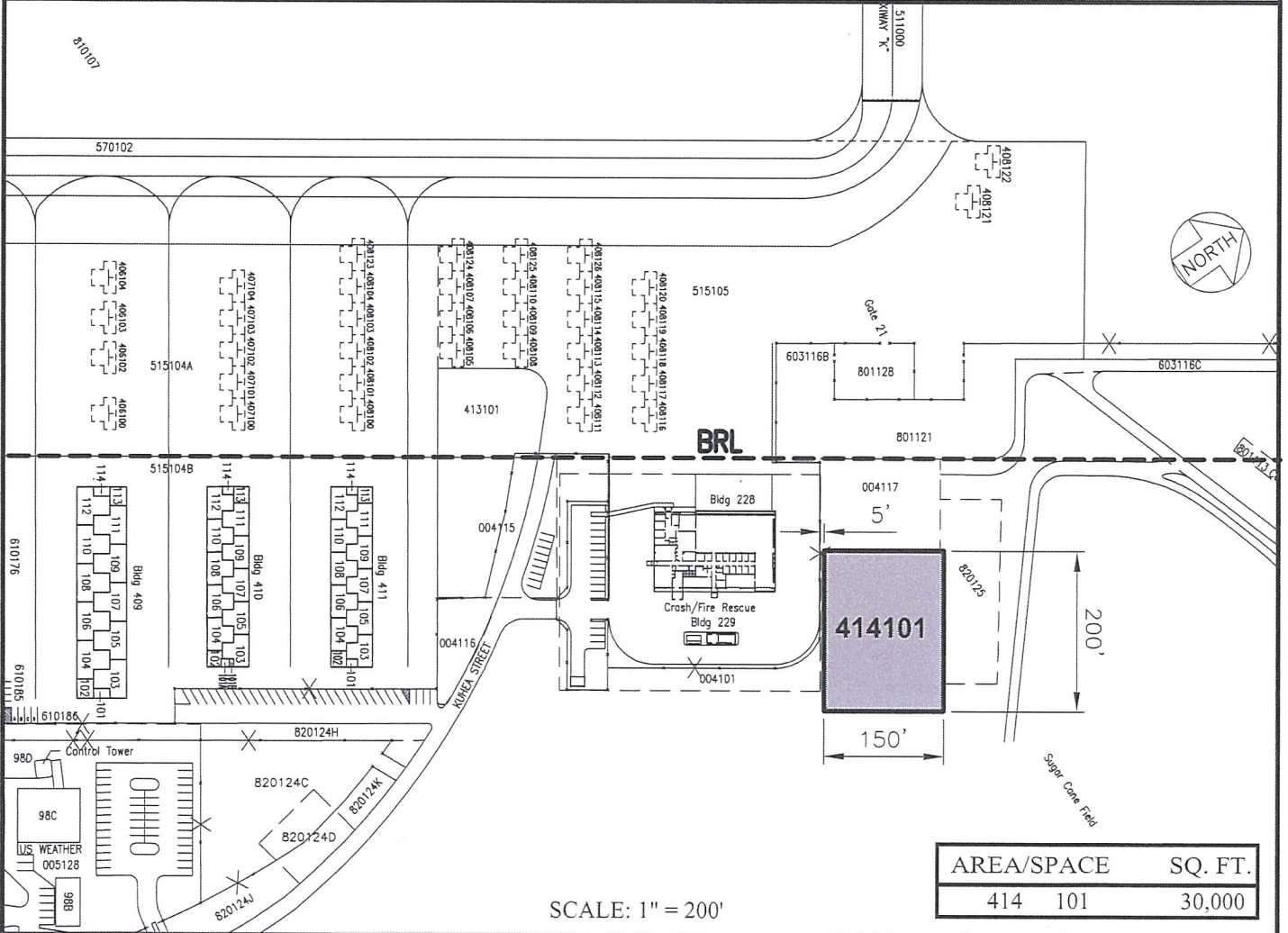
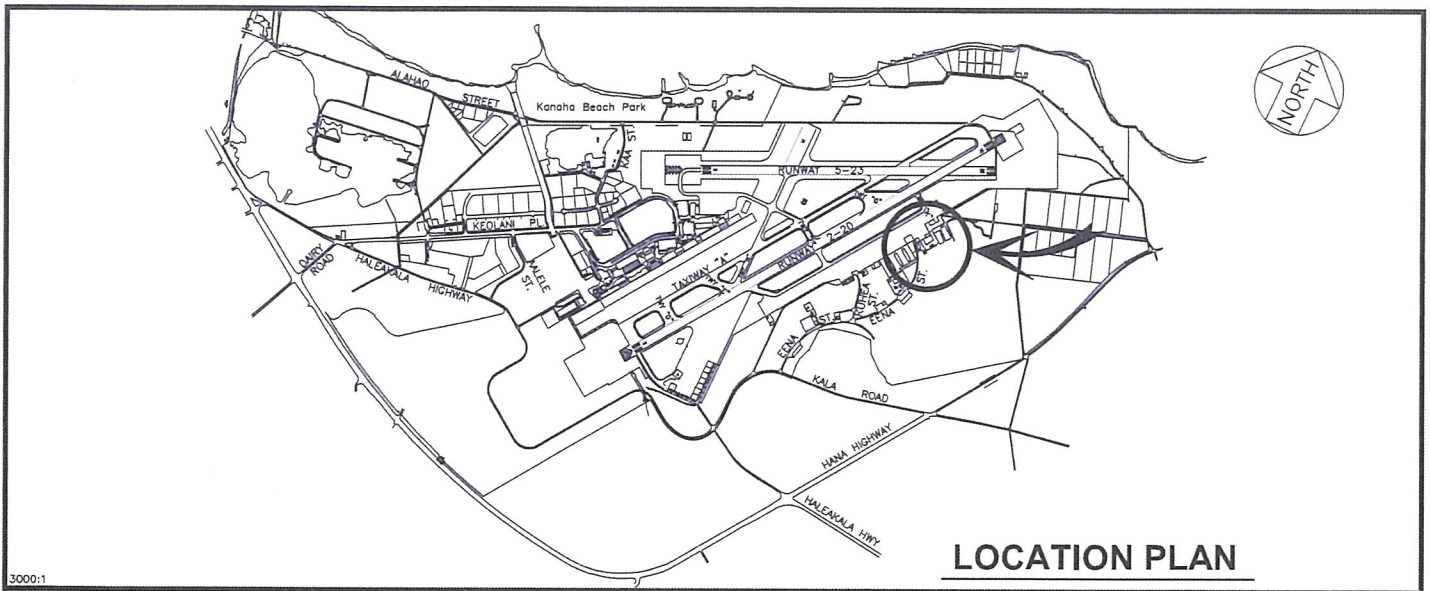


JADE T. BUTAY
Director of Transportation

APPROVED FOR SUBMITTAL:



SUZANNE D. CASE
Chairperson and Member



AMENDMENT NO. 2 TO STATE LEASE NO. DOTA-13-0003		DATE : January 2022	EXHIBIT: B
Airports Division	JF AIR, LLC	HANGAR SPACE NEXT TO CRASH / FIRE RESCUE BUILDING	414101 PLAT G1, 26