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

ISSUANCE OF A DIRECTLY NEGOTIATED CHARTER TERMINAL LEASE  
LĀNA‘I RESORTS, LLC DBA PŪLAMA LĀNA‘I  
LĀNA‘I AIRPORT  
TAX MAP KEY: (2) 4-9-002: 041 (PORTION) AND (2) 4-9-002: 059  
MAUI

REQUEST:

Issuance of a directly negotiated Charter Terminal Lease, for the construction, renovation, use, operation, and maintenance of Charter Terminal to Lāna‘i Resorts, LLC, to provide unscheduled Charter Flight service between Honolulu, Kahului, and Kona to Lāna‘i.

APPLICANT:

Lāna‘i Resorts, LLC, a Hawai‘i limited liability company, doing business as Pūlama Lāna‘i, (Lāna‘i Resorts), whose mailing address is 733 Bishop Street, Suite 2000, Honolulu, Hawai‘i 96813.

LEGAL REFERENCE:

Section 171-59 (b), and other applicable sections of Chapter 171, Hawai‘i Revised Statutes (HRS), as amended.

LOCATION:

Portion of Lāna‘i Airport (LNY), Lāna‘i, County of Maui, identified by Tax Map Key: 2nd Division, 4-9-002: 041 (portion) and 4-9-002: 059.

AREA:

Building/Room No. 301-000, containing a building footprint of 2,500 square feet; and the Adjacent Land Area containing approximately 1,260 square feet of improved unpaved land, as shown and delineated on the attached map labeled Exhibit A.

ITEM M-12
BLNR – ISSUANCE OF A DIRECTLY NEGOTIATED LEASE TO LĀNAʻI RESORTS, LLC
DBA PŪLAMA LĀNAʻI FOR THE PURPOSE OF A NEW CHARTER TERMINAL
Page 2

ZONING:

State Land Use: Urban
County of Maui: Airport

LAND TITLE STATUS:

Section 5(a) lands of the Hawaiʻi Admission Act: Non-Ceded
DHHL 30% entitlement lands pursuant to the Hawaiʻi Admission Act: Yes__ No X

CURRENT USE STATUS:

Land presently encumbered under Governor’s Executive Order No. 4568, dated
November 30, 2018, setting aside 507.795 acres designated as LNY to be under the
control and management of the State of Hawaiʻi, Department of Transportation, Airports
Division (DOTA) for airport purposes.

CHARACTER OF USE:

Charter Terminal for unscheduled charter passenger operations.

TERM OF LEASE:

Thirty-Five (35) years.

COMMENCEMENT DATE:

Upon execution of the Lease.

ANNUAL RENTAL AND RENTAL REOPENINGS:

Years 1 – 5 $50,711 per annum (as determined from the DOTA schedule of
rates and charges established by appraisal of Airport property
statewide).
Years 6 – 10 115% x the annual rental for year five (5) of the Lease term.
Years 11 – 15 115% x the annual rental for year ten (10) of the Lease term.
Years 16 – 20 Fair Market Value Appraisal.
Years 21 – 25 115% x the annual rental for year twenty (20) of the Lease term.
Years 26 – 30 115% x the annual rental for year twenty-five (25) of the Lease
term.
Years 31 – 35 Fair Market Value Appraisal.

PERFORMANCE BOND:

An amount equal to the annual rental then in effect.
MINIMUM IMPROVEMENTS REQUIREMENT:

Lānaʻi Resorts will invest a minimum of $3 million for its new charter terminal. In addition, Lānaʻi Resorts will invest a minimum of $1 million to renovate the DOTA’s main terminal.

CHAPTER 343. HRS – ENVIRONMENTAL ASSESSMENT:

The DOTA has determined that the subject areas are covered by the LNY Master Plan Improvements Final Environmental Impact Statement (EIS), published by the Office of Environmental Quality Control (OEQC) in the January 23, 1991, issue of the OEQC Bulletin and accepted by the Governor on May 7, 1991. Accordingly, all relevant mitigation from the EIS and best management practices will be implemented to address the minimum impacts of this action.

DCCA VERIFICATION:

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

REMARKS:

In accordance with Sections 171-59 (b), and other applicable sections of Chapter 171 HRS, as amended, relating generally to Management and Disposition of Public Lands, and relating specifically to the Disposition by Negotiation, the Department of Transportation (DOT) proposes to issue a directly negotiated Charter Terminal Lease to Lānaʻi Resorts for the development, construction, use, operation and maintenance of a Part 135 Charter Terminal for unscheduled charter passenger operations to meet the increased public demand at LNY. The new Charter Terminal will include new offices, glazing, restrooms, guest lounge, and a pilot and first officer lounge. In addition, Lānaʻi Resorts has committed to investing a minimum of $1 million to renovate the State’s existing main terminal. The renovations will include cleaning, painting, upgraded flooring, improved lighting, restroom renovations and audio visual (sound and monitors) improvements.

The two Four Seasons Resorts on Lānaʻi are the main drives of air service demand on the island. Lānaʻi Resorts is implementing a plan to keep the island competitive as a resort destination. Lānaʻi is one of two islands without direct service from mainland cities. To overcome this disadvantage, Lānaʻi Resorts started Lānaʻi Air which provides unscheduled charter services between Honolulu, Kāhului, and Kona to Lānaʻi.

171-59 (b), HRS states in part, “Disposition of public lands for airline, aircraft, airport-related…operations may be negotiated without regard to the limitations set forth in subsection (a) and section 171-16 (c); provided that: (1) The disposition encourages competition within the aeronautical, airport-related, … operations;”
261-7, HRS, states in part, “(a) In operating an airport or air navigation facility owned or controlled by the department of transportation, or in which it has a right or interest, the department may enter into contracts, leases, licenses, and other arrangements with persons:

(1) Granting the privilege of using or improving the airport or air navigation facility or any portion or facility thereof or space therein for commercial purposes;

The term “airport purpose” or “airport purposes” contained in any governor’s executive order transferring jurisdiction and control of real property to the department of transportation shall be considered to include entering into contracts, leases, licenses, and other arrangements pursuant to this section.

Lāna‘i Resorts has become the primary method of air service demand at LNY. The new Charter Terminal and Lāna‘i Resorts commitment to renovating and upgrading the DOTA’s main terminal is in the best interest of the STATE. DOT has determined the issuance of this direct lease encourages competition and is essential to the aeronautical and airport-related industries.

RECOMMENDATION:

That the Board authorize the Department of Transportation to issue a direct lease to Lāna‘i Resorts, 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