

DAVID Y. IGE
GOVERNOR



JADE T. BUTAY
DIRECTOR

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

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

IN REPLY REFER TO:

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

ZONING:

State Land Use: 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 the Hawai‘i 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 Hawai‘i, 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:

Lāna‘i Resorts will invest a minimum of \$3 million for its new charter terminal. In addition, Lāna‘i 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 <u>X</u>	NO _____
Registered business name confirmed:	YES <u>X</u>	NO _____
Good standing confirmed:	YES <u>X</u>	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 Lāna‘i 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, Lāna‘i 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 Lāna‘i are the main drives of air service demand on the island. Lāna‘i Resorts is implementing a plan to keep the island competitive as a resort destination. Lāna‘i is one of two islands without direct service from mainland cities. To overcome this disadvantage, Lāna‘i Resorts started Lāna‘i Air which provides unscheduled charter services between Honolulu, Kāhului, and Kona to Lāna‘i.

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;”

BLNR – ISSUANCE OF A DIRECTLY NEGOTIATED LEASE TO LĀNA‘I RESORTS, LLC
DBA PŪLAMA LĀNA‘I FOR THE PURPOSE OF A NEW CHARTER TERMINAL

Page 4

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:

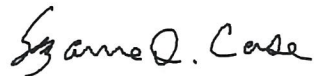
That the Board authorize the Department of Transportation to issue a direct lease to Lāna‘i Resorts, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve 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

