



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

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IN REPLY REFER TO:

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

ISSUANCE OF A DIRECTLY NEGOTIATED HANGAR FACILITIES
LEASE FOR CARGO OPERATIONS
AEKO KULA, LLC
DANIEL K. INOUE INTERNATIONAL AIRPORT
TAX MAP KEY: (1) 1-1-72: 57

O'AHU

REQUEST:

Issuance of a directly negotiated Hangar Facilities Lease, for the renovation, use, operation, and maintenance of a pre-engineered metal concrete masonry unit and metal structure for aeronautical Cargo Operations, at the Daniel K. Inouye International Airport (Airport).

APPLICANT:

Aeko Kula, LLC (Aeko Kula), a Hawai'i limited liability company, whose mailing address is 50 Elliott Street, Honolulu, Hawaii 96819.

LEGAL REFERENCE:

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

LOCATION AND TAX MAP KEY:

129 Iako Place, Honolulu, Hawai'i, Island of O'ahu, State of Hawai'i, identified by Tax Map Key: 1st Division, 1-1-72: 57.

AREA:

Building/Room No. 231-101, containing a footprint of approximately 52,500 square feet;
Building/Room No. 231-201 (mezzanine), containing approximately 5,575 square feet;
Area/Space No. 009-194, containing approximately 97,508 square feet of improved, paved land, as shown, and delineated on the attached map labeled Exhibit A.

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ZONING:

State Land Use District: Urban
City and County of Honolulu: I-2 (Industrial)

LAND TITLE STATUS:

Section 5(b) lands (ceded) of the Hawai'i Admission Act.
DHHL 30% entitlement lands pursuant to the Hawai'i Admission Act YES ___ NO X

CURRENT USE STATUS:

Land presently encumbered by Governor's Executive Order No. 3201, setting aside a portion of the Airport under the control and management of the Department of Transportation, Airports Division (DOTA), State of Hawai'i, for Airport Purposes.

CHARACTER OF USE:

Aeronautical Cargo operations.

TERM OF LEASE:

Ten (10) years.

COMMENCEMENT DATE:

Upon execution of the Lease.

ANNUAL RENTAL:

Years 1 – 5 \$871,100 per annum (as determined by fair market value appraisal, appraisal report dated May 12, 2021).

Years 6 – 10 115% x the annual rent for year five (5) of the Lease term.

PERFORMANCE BOND:

The sum equal to three (3) times the monthly annual rental in effect.

MINIMUM IMPROVEMENTS REQUIREMENT:

Aeko Kula will invest a minimum of \$1.8 million to convert the main warehouse to a near open span air cargo processing warehouse facility. In addition, Aeko Kula will update the ramp access gate to meet current TSA security requirements.

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The environmental impacts of the proposed action to the subject land area are covered by the Honolulu International Airport Master Plan Update and Noise Compatibility Program Environmental Assessment (EA), State Project No. AO1011-03. The EA is a joint State and Federal document dated September 1989, and published in the October 23, 1989 issue of the OEQC Bulletin. Accordingly, relevant mitigation from the EA and DOTA environmental best management practice will address minimal impacts from this action.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Good standing confirmed:	YES <u>X</u>	NO <u> </u>

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 Hangar Facilities Lease to Aeko Kula for the renovation, use, operation and maintenance of a Part 121 Air Cargo Facility, for scheduled air cargo operations primarily to service Amazon Prime Air. In addition, Aeko Kula has committed to investing a minimum of \$1.8 - \$2 million to convert 129 Iako Place (former inflight catering facility), to a cargo warehouse.

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 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 contracts, leases, licenses, and other arrangements pursuant to this section.

DOT has determined the issuance of this direct lease encourages competition and is essential to the aeronautical and airport-related industries.

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RECOMMENDATION:

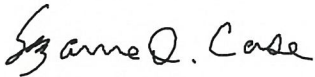
That the Board authorize the DOT to issue a direct Hangar Facilities Lease to Aeko Kula, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; and (2) such additional terms and conditions as may be prescribed by the Director of Transportation to best serve 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

