AMENDMENT TO PRIOR BOARD ACTION OF APRIL 8, 2022, ITEM M-12 REQUEST AN AMENDMENT TO THE AREA, TERM OF LEASE, AND THE ANNUAL RENTAL AND RENTAL REOPENINGS 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

On April 8, 2022, under agenda Item M-12, and pursuant to Section 171-59, and other applicable sections of Chapter 171, Hawai‘i Revised Statutes, as amended, the Land Board authorized the Department of Transportation (DOT) to issue a directly negotiated Charter Terminal Lease to Lāna‘i Resorts, LLC, to provide unscheduled Charter Flight Services between Honolulu, Kahului, and Kona to Lāna‘i.

PURPOSE:

The DOT requests certain changes to the AREA, TERM OF LEASE, AND THE ANNUAL RENTAL AND RENTAL REOPENINGS, as written on said submittal previously approved by the Land Board (attached).

The changes should read as follows:

AREA:

Original:
Building/Room No. 301-000, containing a building footprint of 2,500 square feet, and the adjacent land area, containing an area of approximately 1,260 square feet of improved unpaved land, as shown and delineated on the attached map labeled Exhibit A.

Amended:
Building/Room No. 106-000, containing a building footprint of 3,066 square feet, and Area/Space No. 620-128, containing an area of approximately 1,354 square feet of improved unpaved land, as shown and delineated on the attached map labeled Exhibit A.
BLNR – AMENDMENT TO PRIOR BOARD ACTION OF APRIL 8, 2022, ITEM M-12, REQUEST AN AMENDMENT TO THE AREA, TERM OF LEASE, AND THE ANNUAL RENTAL AND RENTAL REOPENINGS, ISSUANCE OF A DIRECTLY NEGOTIATED CHARTER TERMINAL LEASE, LANA’I RESORTS, LLC

Page 2

TERM OF LEASE:

Original:
Thirty-Five (35) years.

Amended:
Twenty (20) years.

ANNUAL RENTAL AND RENTAL REOPENINGS:

Original:

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

Amended:

<table>
<thead>
<tr>
<th>Years</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 5</td>
<td>$61,742.50 per annum (as determined from the DOTA schedule of rates and charges established by appraisal of Airport property statewide).</td>
</tr>
<tr>
<td>6 – 10</td>
<td>115% x the annual rental for year five (5) of the Lease term.</td>
</tr>
<tr>
<td>11 – 15</td>
<td>115% x the annual rental for year ten (10) of the Lease term.</td>
</tr>
<tr>
<td>16 – 20</td>
<td>Fair Market Value Appraisal.</td>
</tr>
</tbody>
</table>

REMARKS:

All other terms as outlined in the submittal previously approved by the Land Board remain unchanged.
RECOMMENDATION:

The Land Board amends its prior action of April 8, 2022, under agenda Item M-12, by approving the changes to the Area, Term of Lease, and the Annual Rental and Rental Reopenings, for the issuance of a directly negotiated Charter Terminal Lease to Lāna‘i Resorts, LLC, as herein outlines, which are by reference incorporated herein and subject to such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State.

Respectfully submitted,

JADE T. BUTAY
Director of Transportation

APPROVED FOR SUBMITTAL:

SUZANNE D. CASE
Chairperson
Board of Land and Natural Resources
Board of Land and Natural Resources
State of Hawai’i
Honolulu, Hawai’i

ISSUANCE OF A DIRECTLY NEGOTIATED CHARTER TERMINAL LEASE
LÄNA‘I RESORTS, LLC DBA PŪLAMA LÄNA‘I
LÄNA‘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
APRIL 8, 2022
LEASE
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 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 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, 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;”