



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

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IN REPLY REFER TO:

June 28, 2024

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

ISSUANCE OF A DIRECTLY-NEGOTIATED LAND LEASE FOR A FUELING
FACILITY, HAWAII FUELING FACILITIES CORPORATION
ELLISON ONIZUKA KONA INTERNATIONAL AIRPORT AT KEAHOLE
TAX MAP KEY: (3) 7-3-043: PORTION OF 003 HAWAII

REQUEST:

Hawaii Fueling Facilities Corporation (HFFC) currently operates and maintains a fueling facility (Premises) on approximately 15,750 square feet, under State Lease No. DOT-A-13-0024 (DOT-A-13-0024), for the purpose of receiving, storing, and distributing aviation fuel at Ellison Onizuka Kona International Airport at Keahole (KOA).

HFFC is requesting additional space containing a total area of approximately 84,869 square feet adjacent to the Premises to invest approximately \$47.5 million to expand its fueling facility to accommodate the increased flight traffic at KOA.

The State of Hawaii, Department of Transportation, Airports (HDOT) and HFFC have agreed to mutually terminate DOT-A-13-0024 and the HDOT proposes to issue a new directly-negotiated Fueling Facilities Lease that allows HFFC to amortize its improvements over a full 35-year term.

LEGAL REFERENCE:

Sections 261-7 and 171-59 (b), Hawaii Revised Statutes (HRS), as amended.

APPLICANT:

Hawaii Fueling Facilities Corporation, whose business address is 743201 Aolele Street, Honolulu, Hawaii 96819.

LOCATION AND TAX MAP KEY:

Portion of Ellison Onizuka Kona International Airport at Keahole (KOA), Kailua-Kona, Island of Hawaii, identified by Tax Map Key: 3rd Division, 7-3-043: Portion of 003.

ITEM M-18

BLNR – ISSUANCE OF A DIRECTLY-NEGOTIATED LAND LEASE FOR A FUELING FACILITY, HAWAII FUELING FACILITIES CORPORATION

Page 2

AREAS:

Improved, Paved Land

Area/Space No. 006-110 containing an area of approximately 7,875 square feet, Area/Space No. 006-117 containing an area of approximately 7,875 square feet, and Area/Space No. 006-119 containing an area of approximately 63,038 square feet, as shown and delineated on the attached Exhibit A-1.

Improved, Unpaved Land

Area/Space No. 006-138 containing an area of approximately 17,511 square feet, and Area/Space No. 006-139 containing an area of approximately 4,320 square feet, as shown and delineated on the attached Exhibit A-1.

ZONING:

State Land Use District: Urban & Conservation
County of Hawaii: Industrial (MG-1a) and Open

LAND TITLE STATUS:

Section 5(b), lands of the Hawaii Admissions Act: Ceded
DHHL 30% entitlement lands pursuant to Hawaii Admission Act YES ___ NO X

CURRENT USE STATUS:

Land presently encumbered by Governors Executive Order No. 3074, dated August 20, 1981, setting aside 4,204.10 acres designated as KOA under the control and management of the HDOT for Airport Purposes.

CHARACTER OF USE:

Development, construction, operation, and maintenance of a fueling facility for the purpose of receiving, storing, and distributing aviation fuel at KOA.

TERM OF LEASE:

35 years.

ANNUAL RENTAL:

Lease Years 1 – 5: \$313,904.84 per annum (based on a rate of \$3.43 per square foot per annum for improved, paved land and \$2.00 per square foot per annum for improved, unpaved land, as determined from the HDOT schedule of rates and charges established by appraisal of Airports property statewide).

BLNR – ISSUANCE OF A DIRECTLY-NEGOTIATED LAND LEASE FOR A FUELING FACILITY, HAWAII FUELING FACILITIES CORPORATION

Page 3

Lease Years 6 – 10:	\$360,990.57 per annum (equal to 115% times the annual rental for the fifth year of the Lease term).
Lease Years 11 – 15:	\$415,139.16 per annum (equal to 115% times the annual rental for the tenth year of the Lease term).
Lease Years 16 – 20:	Rental Reopening: Fair Market Rent determined by Independent Appraisal (FMR).
Lease Years 21 – 25:	Annual rental equal to 115% times the annual rental for the twentieth year of the Lease term.
Lease Years 26 – 30:	Annual rental equal to 115% times the annual rental for the twenty-fifth year of the Lease term Rental.
Lease Years 31 – 35:	Rental Reopening: FMR

MINIMUM IMPROVEMENTS REQUIREMENT:

HFFC will invest a minimum of \$47,500,000.00 for additional fuel storage tanks, load and unload lanes for refuelers, an operations building, and an improved fire suppression system.

PERFORMANCE BOND:

The sum equal to the total annual rental then in effect.

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 HDOT has determined that the subject land areas are covered by the Kona International Airport at Keahole Master Plan Update Final Environmental Assessment (EA) and Finding of No Significant Impact, dated December 18, 2000, and published by the Office of Environmental Quality Control in the January 8, 2001, issue of The Environmental Notice. Accordingly, all relevant mitigation from the EA and best management practices will be implemented to address the minimum impacts of this action.

BLNR – ISSUANCE OF A DIRECTLY-NEGOTIATED LAND LEASE FOR A
FUELING FACILITY, HAWAII FUELING FACILITIES CORPORATION

Page 4

REMARKS:

In accordance with Section 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 Disposition by Negotiation, the HDOT proposes to issue a directly negotiated land lease to HFFC for the development, construction, operation, and maintenance of a fueling facility for the purpose of receiving, storing, and distributing aviation fuel.

The HDOT determined the issuance of a direct lease by negotiation encourages competition within airport-related industries, and therefore, meet the requirement set forth in Subsection 171-59(b), HRS, as amended. There are three other tenants that supply aviation fuel at KOA.

HFFC plans to increase its fuel storage capacity from two and one-half days, to at least the industry standard of three to five days of fixed capacity to prevent a disruption in fuel supply to aircraft. HFFC's approximately \$47.5 million improvements will also include additional load and unload lanes for refuelers, an operations building, improved fire suppression and space for future development. This extra fuel storage capacity will reduce the number of trips a fuel tanker truck must make daily from the site of the fuel suppliers' terminal facilities at Hilo Harbor to KOA.

RECOMMENDATION:

That the Board authorize the HDOT to issue a directly-negotiated Lease to HFFC, 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 amendment of lease form and content.

Respectfully submitted,



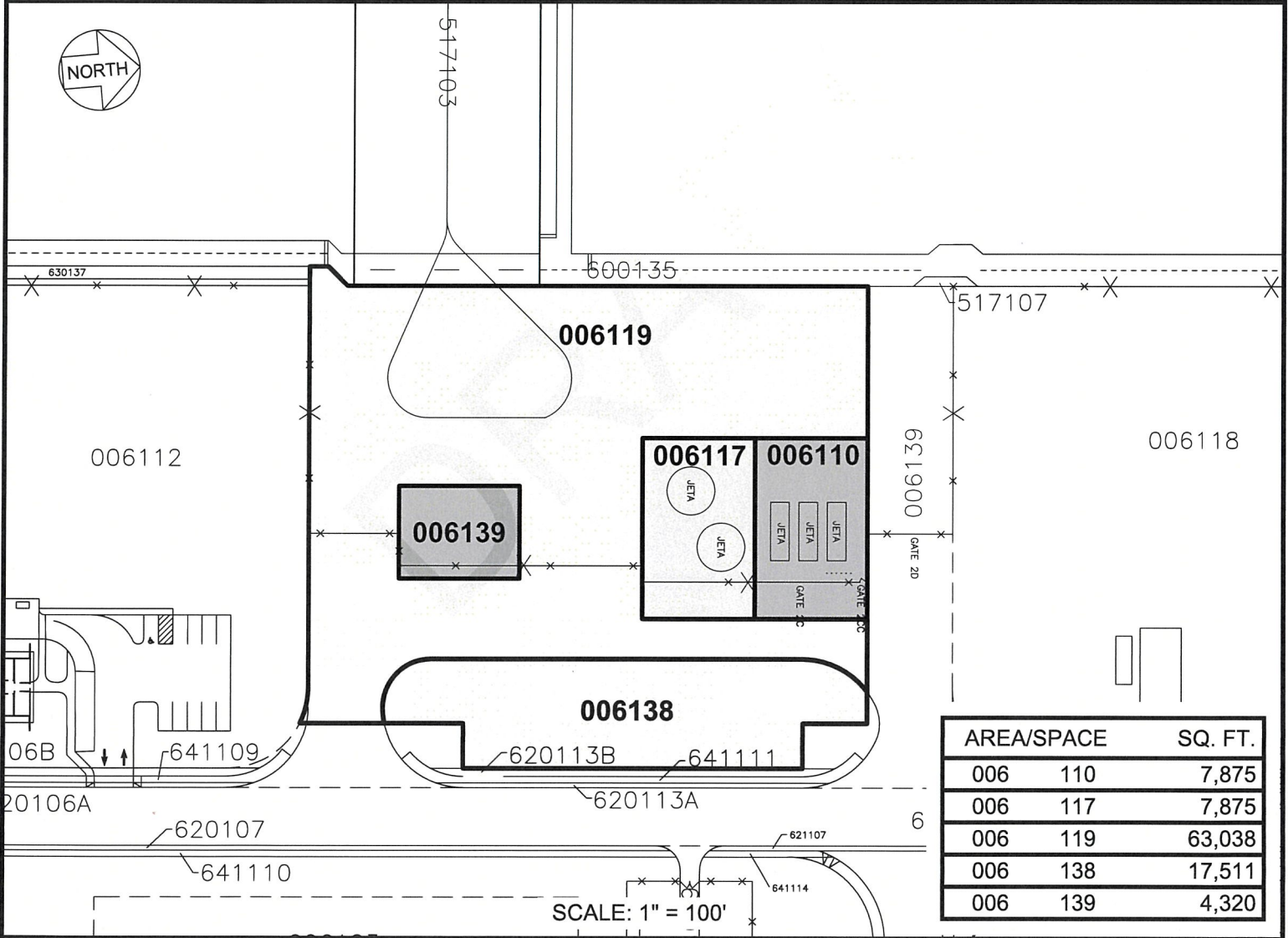
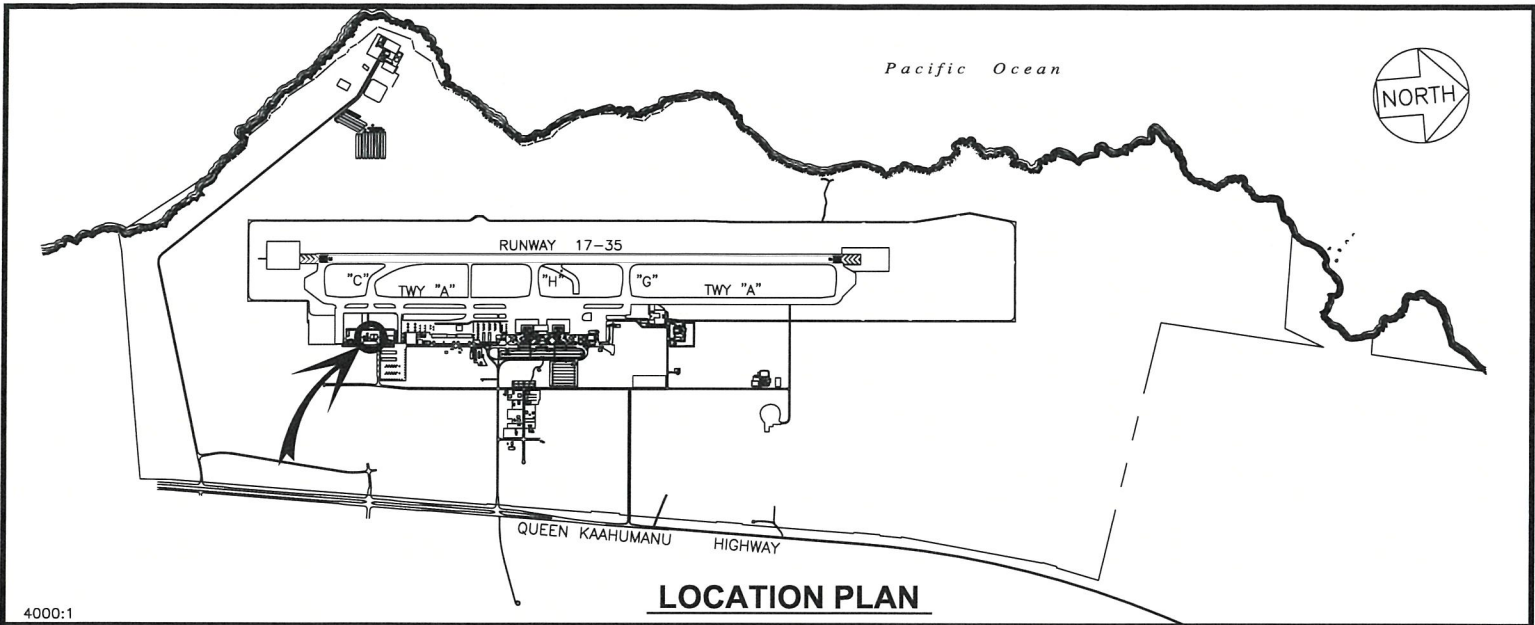
EDWIN H. SNIFFEN
Director of Transportation

APPROVED FOR SUBMITTAL:



DAWN N. S. CHANG
Chairperson
Board of Land and Natural Resources

Attachment



AREA/SPACE	SQ. FT.
006 110	7,875
006 117	7,875
006 119	63,038
006 138	17,511
006 139	4,320

DRAFT DATE : APRIL 2024 EXHIBIT: **A-1**



HAWAII FUELING
FACILITIES CORPORATION

FUEL STORAGE FACILITIES

006110
006117
006119
006138,139

ELLISON ONIZUKA KONA INTERNATIONAL AIRPORT AT KEAHOLE

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