

LINDA LINGLE
GOVERNOR



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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 Hawaii
Honolulu, Hawaii

ISSUANCE OF A RETAIL CONCESSION
HILO INTERNATIONAL AIRPORT
KONA INTERNATIONAL AIRPORT AT KEAHOLE

HAWAII

The Department of Transportation (DOT) proposes to offer a Retail Concession at the Hilo International Airport and Kona International Airport at Keahole on the Island of Hawaii. The following contains a description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the Concession Agreement (Agreement).

PURPOSE:

To award the Agreement to a qualified Concessionaire submitting the highest bid to exclusively operate the Concession at Hilo International Airport and Kona International Airport at Keahole.

LEGAL REFERENCE:

Chapter 102, Hawaii Revised Statutes, as amended

LOCATION:

Hilo International Airport (ITO), Terminal Building Complex
Kona International Airport at Keahole (KOA), Terminal Building Complex

PREMISES:

- A. At commencement of the Agreement:
1. Hilo International Airport
 - a. Retail (Sales) Space

ITEM M-1

- (1) Hilo Main Terminal, Building 307, Space No. 138D, containing approximately 1,450 square feet as shown on the attached Exhibit B dated January 2010.
- b. Storage (Non-Sales) Space
 - (1) Hilo Main Terminal, Building 306, Space No. 204, containing approximately 370 square feet as shown on the attached Exhibit C dated January 2010.
2. Kona International Airport at Keahole
 - a. Retail (Sales) Space
 - (1) Kona Main Terminal, Building 345, Space No. 102, containing approximately 234 square feet as shown on the attached Exhibit D dated January 2010.
 - (2) Kona Main Terminal, Building 361, Space No. 102, containing approximately 827 square feet as shown on the attached Exhibit D dated January 2010.
 - (3) Kona Main Terminal, Building 362, Space No. 102 containing approximately 827 square feet as shown on the attached Exhibit E dated January 2010.
 - (4) Kona Main Terminal Building 366, Space Nos. 102 and 103, each containing approximately 174 square feet as shown on the attached Exhibit E dated January 2010.

During the Term of the Agreement:

The Concessionaire is required to pay monthly floor rent for its initial allocation of space premises, which is distinct and separate from the Annual Concession Fee. The floor rent is based on square footage multiplied by the applicable rates and charges specified in the agreement.

DOT may, at the DOT's sole discretion, require or permit the Concessionaire to add additional spaces.

If the Concessionaire requests and the DOT, at its sole discretion, agrees to make available additional space over and above the spaces initially allocated under the Agreement, the Concessionaire shall pay for such additional space as follows:

- A. Floor rent equal to the square footage of such additional space multiplied by the rates and charges applicable to such additional space as established by the DOT; and
- B. Gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space shall be included in the percentage fee obligation payable by the Concessionaire under the Agreement.

If the DOT, at its sole discretion, requires the Concessionaire to take or use additional space over and above the space initially allocated under the Agreement, the Concessionaire shall not be obligated to pay floor rent for such space but shall include the gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space in the percentage fee obligation payable by the Concessionaire under the Agreement.

ZONING:

Hilo: State Land Use - Urban	County - Industrial (ML20)
Kona: State Land Use - Urban	County - Industrial (MG1a)

TAX MAP KEY:

Hilo: 3rd Division, 2-1-12
Kona: 3rd Division, 7-3-43

LAND STATUS:

Hilo: Section 5(b), Hawaii Admission Act: Ceded
DHHL 30% entitlement lands: No

Kona: Section 5(b), Hawaii Admission Act: Ceded
DHHL 30% entitlement lands: No

TERM:

Five (5) years, commencing on September 1, 2010 and ending on August 31, 2015.

CONCESSION FEE:

- A.. Annual Concession Fee. The total annual Concession Fee shall be the greater of the following:
1. Minimum Annual Guaranteed Fee. The minimum annual guaranteed fee for the first year of the Concession Agreement term, shall be as set forth in the Concessionaire’s Bid Proposal for each airport (hereafter the “MAG”). For the first agreement year, the upset MAGs are \$20,000.00 and \$180,000 for Hilo International Airport and Kona International Airport at Keahole, respectively. Thereafter, for each succeeding agreement year the MAGs shall be 85% of the actual annual fee paid and payable to the STATE (either MAG or percentage) for each airport for the preceding year; or
 2. Percentage Fee.
 - a. For the first year of the Concession Agreement term, the percentage fees shall be ten percent (10%) and seventeen percent (17%) of the Concessionaire's annual gross receipts generated from, related or attributable to, or connected with the sale of authorized merchandise at Hilo International Airport and Kona International Airport at Keahole, respectively.
 - b. For each succeeding year of the remaining Concession Agreement term, the percentage fee shall be separately determined by airport based on the Concessionaire’s gross receipts for the preceding agreement year in accordance with Table 1 below.

TABLE 1: PERCENTAGE FEE BASED ON ANNUAL GROSS RECEIPTS

Annual Gross Receipts Kona International Airport	Percentage Fee	Annual Gross Receipts Hilo International Airport	Percentage Fee
Less than \$1,500,000	13%	Less than \$100,000	7%
\$1,500,000 - \$1,599,999	14%	\$100,000 - \$149,999	8%
\$1,600,000 - \$1,699,999	15%	\$150,000 - \$199,999	9%
\$1,700,000 - \$1,799,999	16%	\$200,000 - \$349,999	10%
\$1,800,000 - \$2,499,999	17%	\$350,000 - \$449,999	11%
\$2,500,000 - \$2,649,999	18%	\$450,000 - \$549,999	12%
\$2,650,000 - \$2,799,999	19%	\$550,000 or more	13%
\$2,800,000 or more	20%		

3. In addition to the fee schedule described above, the Agreement will contain provisions to allow the DOTA to address and respond to relief and provide for adjustments in the event there are situations or periods of economic emergency or crisis that impact the concession.

DBE GOAL:

A DBE minimum participation goal of fifteen percent (15%) will be used to meet the latest DBE regulations of the FAA, U.S. Department of Transportation.

IMPROVEMENTS:

The Concessionaire will be required to invest a minimum total of \$225,000.00 for improvements, certain fixtures and equipment on or within the premises of the spaces assigned under the Agreement in accordance with DOT and county building standards. No less than \$215,000.00 of the minimum total shall be allotted to the Sales space and no less than \$10,000.00 for the Non-Sales area. The DOT may establish separate minimum investment amounts for improvements, store fixtures and equipment applicable to any space added over and above the spaces initially allocated in the Agreement.

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a), Environmental Impact Statement Rules of the Department of Health, State of Hawaii, this disposition is exempt from requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawaii Revised Statutes, as amended, relating to Environmental Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawaii, Department of Transportation dated May 22, 2001, as approved by the Environmental Quality Council on November 15, 2000. Exemption Class #1 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existing.

BASIS OF AWARD:

The award of the Concession will be to the highest responsible bidder, based upon the total amount of the MAG bid for the first year of the Concession Agreement that has also met or exceeded the DBE goal, qualifications and requirements.

REMARKS:

The Retail Concession is an important revenue source for the DOT's airport system and an amenity that is welcomed by both inter-island and overseas travelers. The new Agreement is a part of DOT's plan to continually improve its concession program and airport terminal operations to enhance the airport experience for travelers.

RECOMMENDATION:

That the Board authorizes the call for sealed bid tenders and issuance of a new Retail Concession subject to: (1) the terms and conditions hereinabove outlined; (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) the review and approval of the Department of the Attorney General's Office as to the contract form and content.

Respectfully submitted,

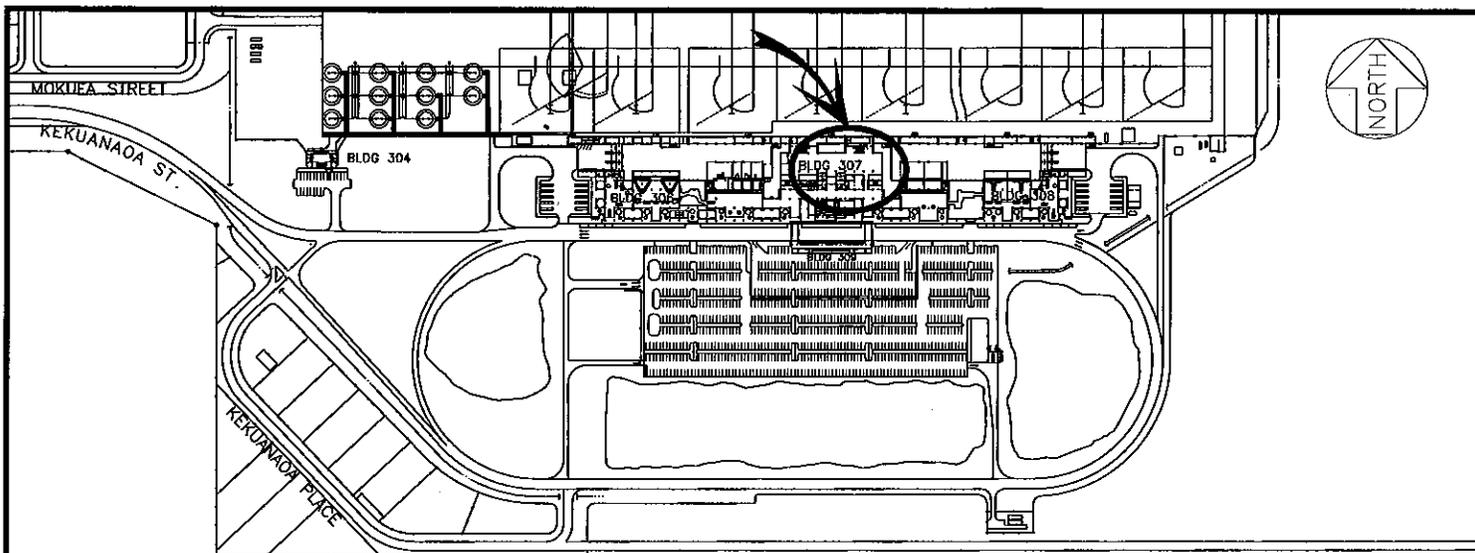


BRENNON T. MORIOKA, Ph.D., P.E.
Director of Transportation

APPROVED FOR SUBMITTAL:

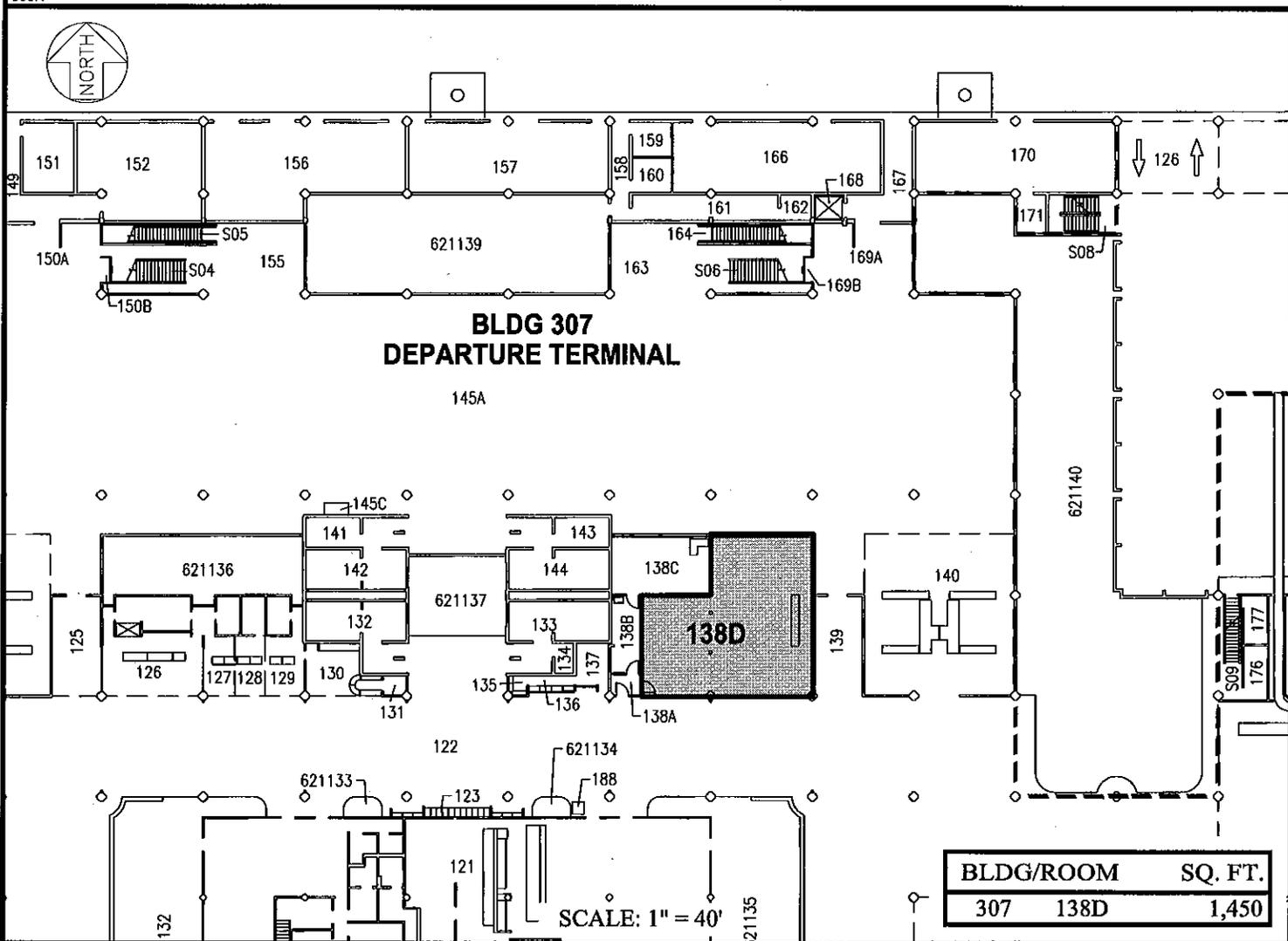


LAURA H. THIELEN
Chairperson and Member



LOCATION PLAN

500:1



DATE : JANUARY 2010

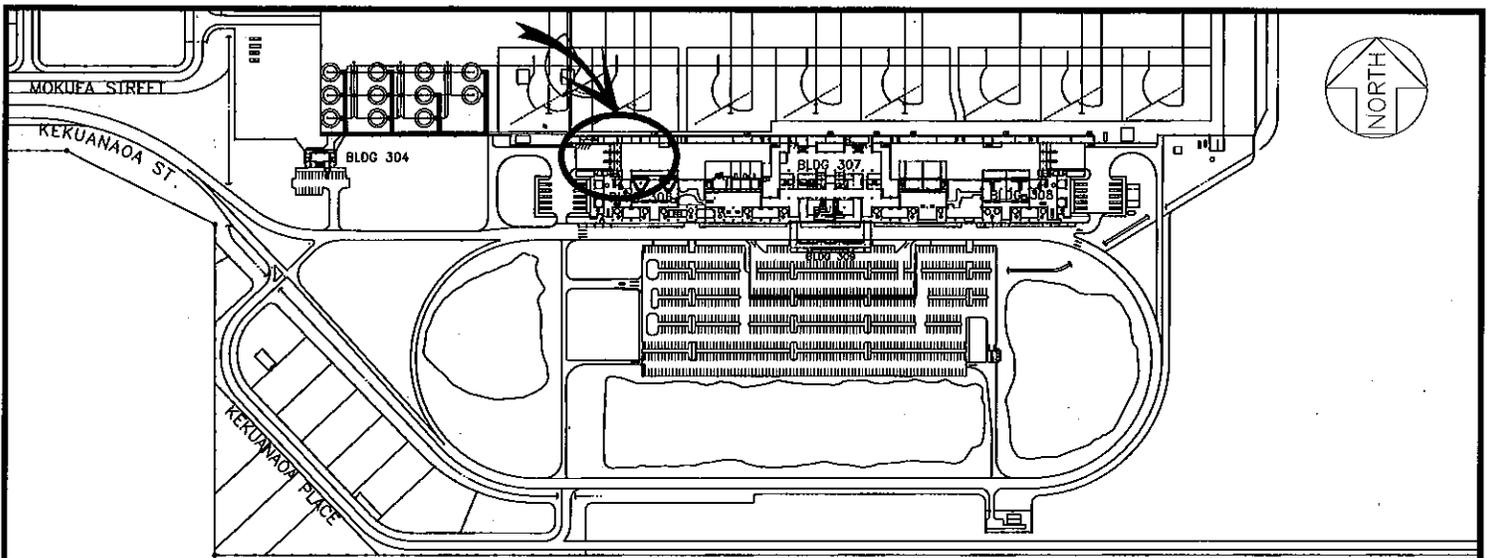
EXHIBIT: **B**



RETAIL CONCESSION

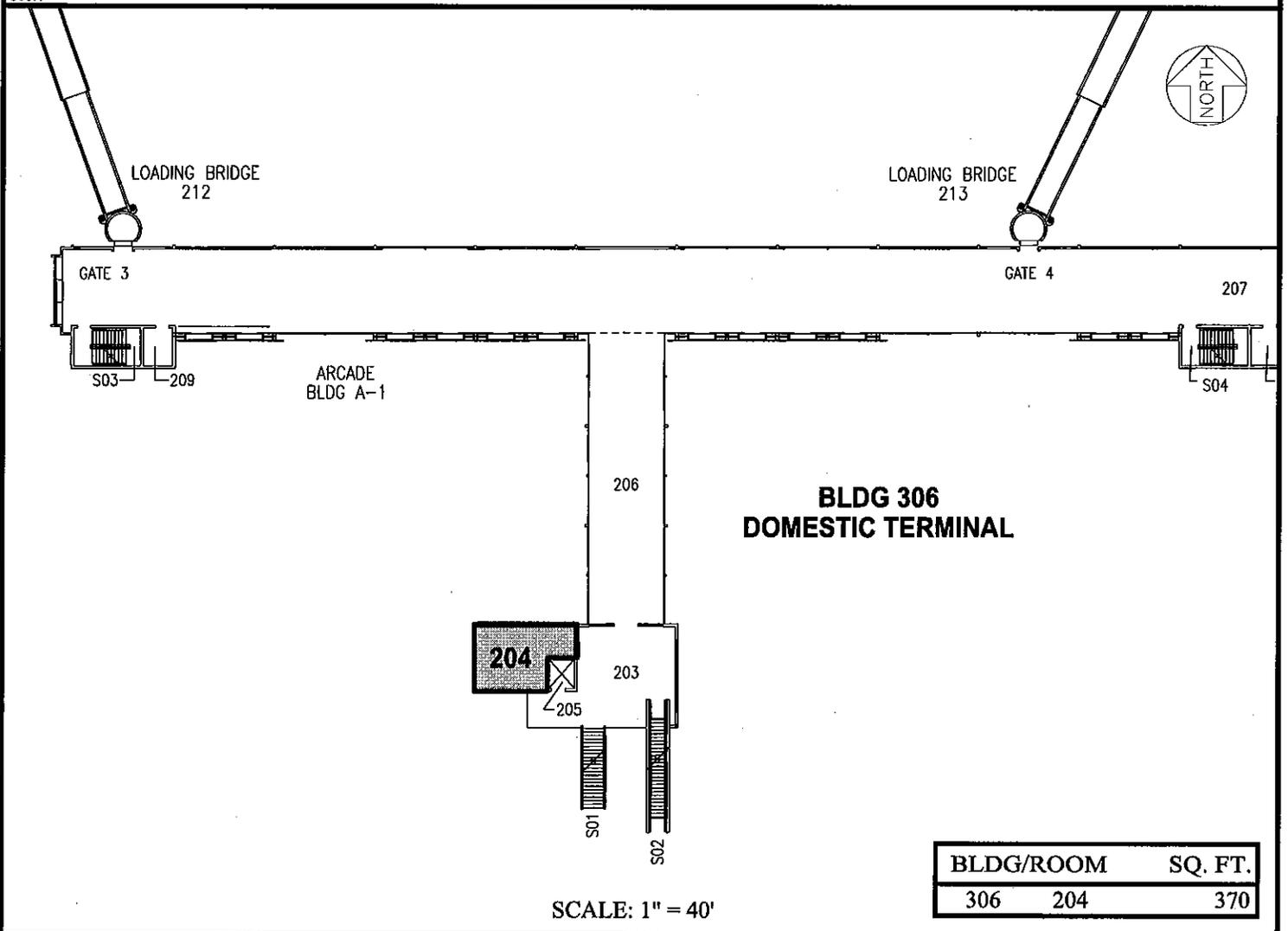
**BUILDING 307
DEPARTURE TERMINAL
GROUND LEVEL**

**307138D
PLATS C1, 42**



LOCATION PLAN

500:1



**BLDG 306
DOMESTIC TERMINAL**

BLDG/ROOM	SQ. FT.
306 204	370

SCALE: 1" = 40'

DATE : JANUARY 2010

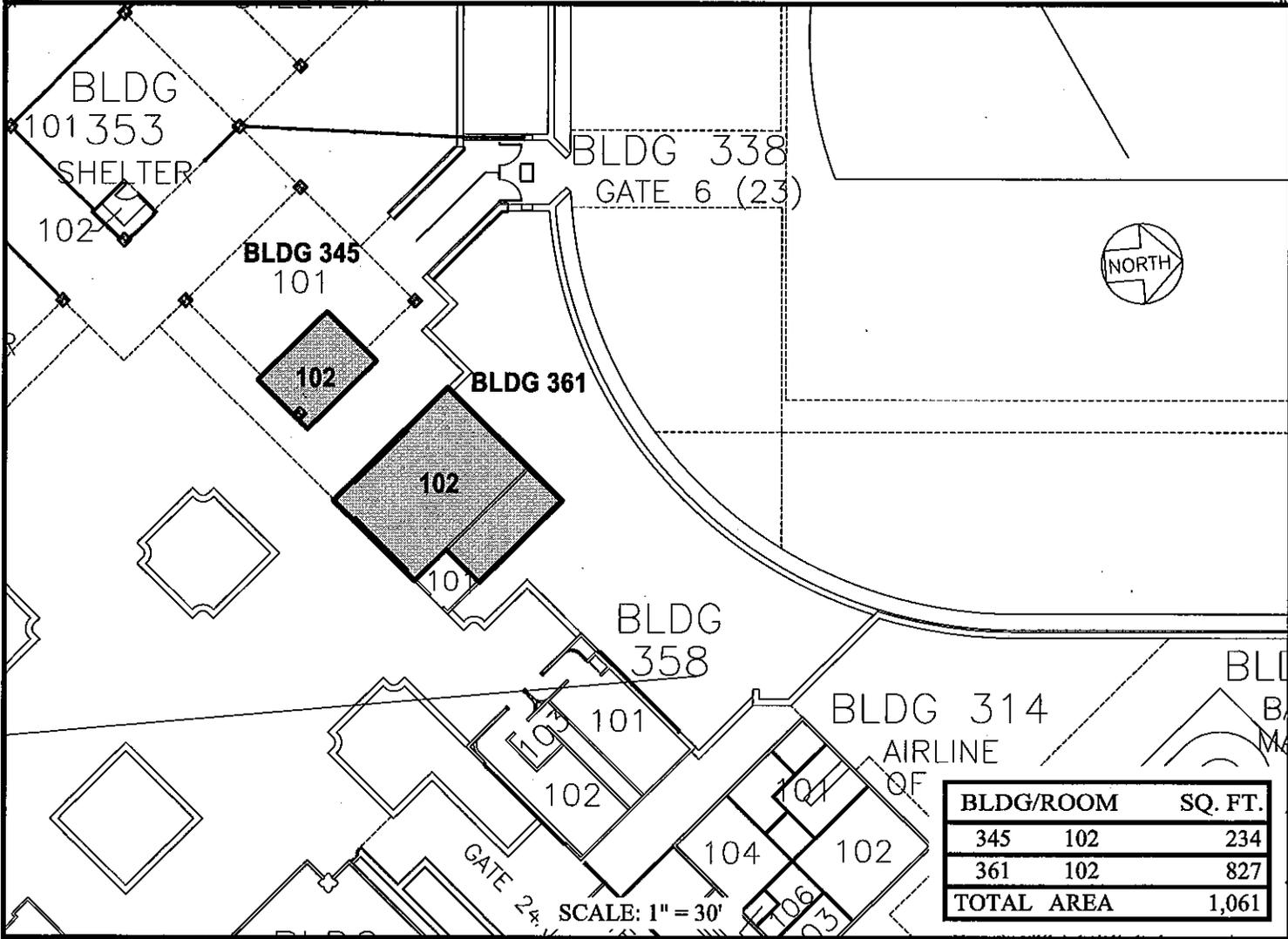
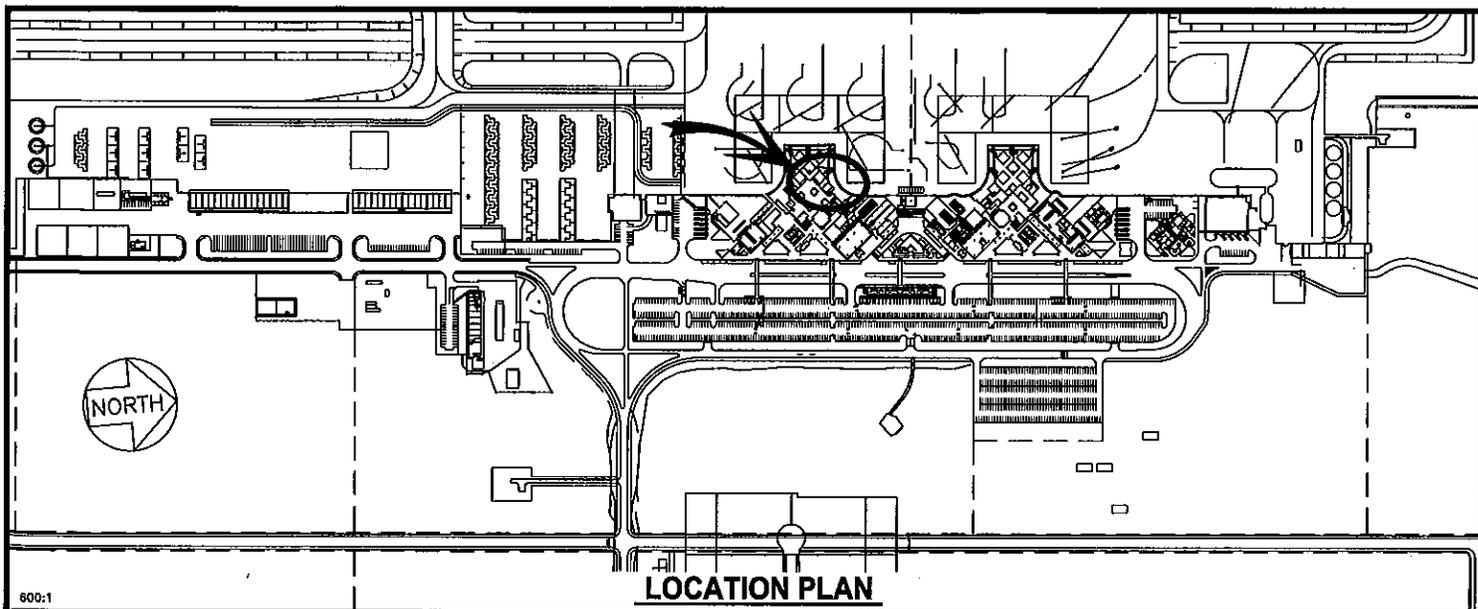
EXHIBIT: **C**

DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII
Airports Division

RETAIL CONCESSION

BUILDING 306
DOMESTIC TERMINAL
SECOND LEVEL

306204
PLATS C2, 42



DATE : JANUARY 2010

EXHIBIT: **D**



Airports Division

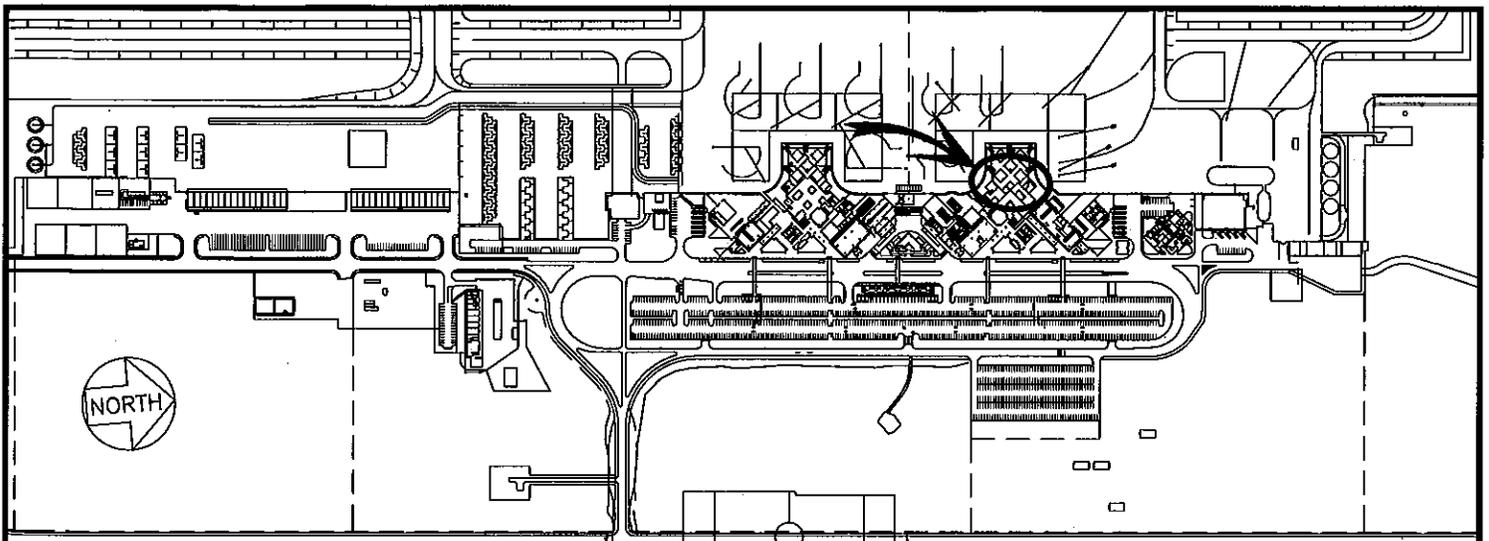
**RETAIL
CONCESSION**

**BLDG 345 & 361
SHELTER & TERMINAL BLDG.
GROUND LEVEL**

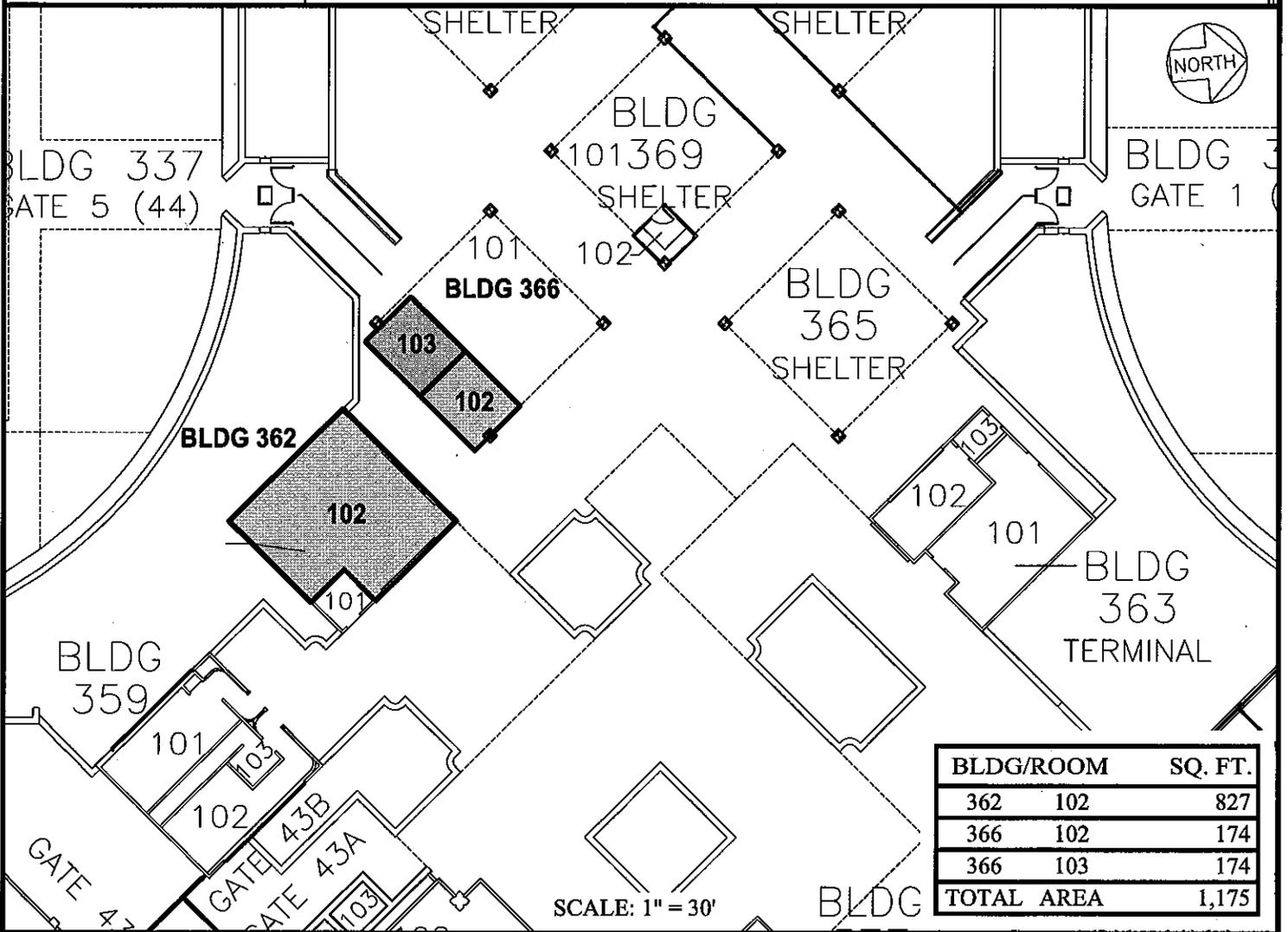
**345102
361102**

PLAT 39, D1

KONA INTERNATIONAL AIRPORT AT KEAHOLE



600:1



BLDG/ROOM	SQ. FT.
362 102	827
366 102	174
366 103	174
TOTAL AREA	1,175

DATE : JANUARY 2010

EXHIBIT: **E**



Airports Division

**RETAIL
CONCESSION**

**BLDG 362 & 366
SHELTER & TERMINAL BLDG.
GROUND LEVEL**

**362102
366102
366103
PLAT 39, D1**