

Reviewed and Approved by Executive Director: my Request

August 3, 2022

## **FOR ACTION**

### **I. REQUEST**

Consider Authorizing the Executive Director to Amend the Exclusive Negotiations Agreement and Right of Entry Agreement with HK Management, Dated March 15, 2021, to Conduct Due Diligence on the Proposed Honokea Surf Villages Project, Involving the Proposed Development of a Surf and Outdoor Recreation Facility Showcasing Hawaiian Culture and Arts, in the Kalaeloa Community Development District, at Tax Map Key No. (1) 9-1-013-068, to Extend the Terms of Both Agreements for an Additional Eighteen (18) Months.

### **II. BACKGROUND**

On August 26, 2019, HK Management submitted a proposal for the Honokea Surf Villages and Resort Project in Kalaeloa (the Project). The Project is envisioned as a community resource and gathering place that will celebrate Hawaii's culture, surfing history, wellness, and arts. Its key feature is a 5-acre Surf Lagoon that utilizes modern technology to create consistent, customizable waves.

The Project would be developed on a 19.4-acre parcel owned by the Hawaii Community Development Authority (HCDA). The parcel is located mauka of the Kalaeloa Heritage Park and is currently vacant.

On January 8, 2020, the HCDA approved an 18-month Exclusive Negotiations Agreement (ENA 01-21) and Right of Entry Agreement (ROE 01-21) with HK Management to provide the necessary site control to allow HK Management to secure financing and conduct its due diligence.

With the onset of the COVID-19 pandemic, HK Management encountered several delays in developing the site plan and completing its Environmental Assessment (EA), which are key requirements for a Development Permit.

In a letter dated June 14, 2022, HK Management requested an eighteen (18) month extension of both the ENA and ROE to allow additional time to complete its due diligence. The letter is attached hereto as Exhibit A. If the extension is approved, both agreements would expire conterminously on March 15, 2024.

### **III. DISCUSSION**

HCDA staff acknowledges that the COVID-19 pandemic has caused unforeseen and unprecedented challenges for developers and the economy. HK Management has

spent the past several months working to complete its field work and site studies, and HCDA staff believes extending the ENA and ROE by an additional 18-months will allow HK Management to determine whether the Project is viable.

It is important to note, the ENA and ROE do not obligate the HCDA or HK Management to move forward with the subject Project. Such a development would still require further review and public hearings as required by the HCDA's Development Permit process.

The ENA and ROE currently have termination clauses that allow either party to terminate the agreement with at least 30-days written notice. This and all other terms and conditions of the ENA and ROE would remain unchanged.

#### **IV. RECOMMENDATION**

It is recommended that the Board Authorize the Executive Director to Amend the Exclusive Negotiations Agreement and Right of Entry Agreement with HK Management, Dated March 15, 2021, to Conduct Due Diligence on the Proposed Honokea Surf Villages Project, Involving the Proposed Development of a Surf and Outdoor Recreation Facility Showcasing Hawaiian Culture and Arts, in the Kalaeloa Community Development District, at Tax Map Key No. (1) 9-1-013-068, to Extend the Terms of Both Agreements for an Additional Eighteen (18) Months and undertake all tasks necessary to effectuate the purpose(s) of this For Action.

Attachments:

Exhibit A – Extension Request Letter Dated June 14, 2022

Prepared By: Lindsey Doi, Asset Manager

