

## FOR ACTION

### I. SUBJECT

Consider Authorizing the Executive Director to Enter Into and Effectuate a Letter of Intent with Victoria Ward Limited Regarding: 1) an Amended and Restated Master Plan Development Agreement to Document Implementation Matters, Rights, Entitlements, and Completion of Public Benefits, Beyond the January 14, 2024 Expiration of the Ward Village Neighborhood Master Plan Permit, and 2) a Proposed Purchase and Sale Transaction of the Block P-3 Property located at 610 Ward Avenue, Honolulu, HI 96813, and 873 Kapiolani Boulevard, Honolulu, HI 96813 (TMK Nos. 2-1-049:063 and 2-1-049:080, respectively) (“Block P-3 Property”); and Authorizing the Executive Director to Execute the Final Amended and Restated Master Plan Development Agreement and the Block P-3 Property Purchase and Sale Agreement.

### II. BACKGROUND

On January 14, 2009, the Authority approved a master plan permit (“Ward Master Plan Permit”) for approximately 60 acres of land in Kaka‘ako owned by General Growth Properties and its affiliate, Victoria Ward Limited (VWL). The Authority subsequently adopted a *Nunc Pro Tunc* Order on May 6, 2009, to correct a clerical omission from the Findings of Fact, Conclusions of Law, and Decision and Order for said master plan permit. The master plan permit expired on January 14, 2024.

As a condition of the Ward Master Plan Permit, VWL, the Bank of Hawaii (as trustee), and the Authority (together with other parties who no longer have an interest in the Ward Neighborhood Master Plan area) entered into a Master Plan Development Agreement (“Development Agreement”) on December 30, 2010. The Development Agreement provided assurances on the timing, parameters, and phasing of development. The Development Agreement also established a reserved housing credit account process to facilitate the early delivery of reserved housing ahead of market housing.

Throughout 2023 and early 2024, VWL and Authority staff discussed the terms for an amended and restated Development Agreement (“Amended Development Agreement”) to govern aspects of the future development of the former Ward Neighborhood Master Plan area, now referred to as Ward Village, after expiration of the Ward Master Plan Permit. Given the good progress of these discussions, the Authority and VWL agreed, effective January 12, 2024, to extend the full force and effect of the original Development Agreement until it is either amended or terminated by the parties. The parties also discussed a potential purchase and sale agreement for the Block P-3 Property (“Purchase and Sale Agreement”).

### III. DISCUSSION

VWL and Authority staff have continued discussions over the terms for the Amended Development Agreement and Purchase and Sale Agreement. The terms are stated and governed by the Letter of Intent. The primary areas of discussion, as summarized below, are in the following areas:

- Master Plan Commitments: VWL has committed to completing all required improvements, reserved housing, public facilities, and public open spaces required by the decisions and orders issued during the effective period of the Ward Master Plan Permit.
- District Improvements: The parties have proposed that the terms of the Amended Development Agreement specify improvements, to be completed by VWL, that are not related to specific development permits. These include some improvements that were envisioned in the master plan, such as the the Pohukaina Street extension and Auahi Street realignment (the Auahi Street Pedestrian Promenade), district gateway signage, and the mid-block connection to Halekauwila street that is now planned as a private driveway. The terms of the Amended Development Agreement will also reflect VWL's commitment to reconnecting and improving Auahi Street, including a portion of the city parcel that is currently being used as a baseyard. Additionally, VWL has committed to continuously maintain and manage the community parks within Ward Village, including the Ewa Plaza (Ka La'i o Kukuluāe'ō Park), the Central Plaza (Victoria Ward Park - Mauka and Makai), and the Diamond Head Plaza Park (Ka Lei Park).
- Industrial Floor Area: The parties have proposed a Minimum Industrial Floor Area within Ward Village and terms for redevelopment of industrial floor area that results in a net reduction of industrial floor area, which would require VWL to pay to HCDA the commensurate value of industrial floor area bonus that VWL received and utilized for industrial uses during the master plan permit period. The minimum amount of industrial floor area required to be maintained by VWL is 100,000 square feet, inclusive of certain industrial area, but exclusive of a previous industrial floor area credit. Any net reduction of industrial floor area below 100,000 square feet must be approved by the Executive Director in its sole discretion provided that the Executive Director may consider (a) the current and reasonably foreseeable market conditions and demand for non-industrial uses; and (b) that industrial uses are an integral part of the mixed-use vision for the Kaka'ako Mauka Area. Any net reduction in industrial floor area will require VWL to pay HCDA the commensurate value of the bonus.
- Reserved Housing: The parties have proposed that the terms of the Amended Development Agreement also specify that VWL may use or transfer any excess reserved housing credits under the terms stated in the Letter of Intent, pending the closing of the Block P-3 sale to the Authority. The number of excess reserved housing credits may be adjusted if projects initially permitted during the effective period of the Ward Master Plan are later amended, withdrawn, expire, or otherwise terminated, to reflect any changes in the associated number of reserved housing units required under the 2005 Mauka Area Rules, resulting from the amendment, withdrawal, expiration, or termination of the project permit.
- Block P-3: The parties are in discussion over the potential terms of a Purchase and Sale Agreement for the Block P-3 Property. Although subject to a pending

appraisal, Block P-3 has an estimated value of approximately \$8.5 million dollars. The Authority intends to utilize 113,000 square feet of supplemental floor area from its floor area bank for this transaction (based on a value of \$75.00 per square foot). The Amended Development Agreement would allow VWL to use this floor area to amend its Mahana Ward Village Planned Development Permit application.

VWL and Authority staff have also discussed other topics, such as continued project tracking and submittals of the annual report, the requirement of a conditional use of vacant land permit and a planned development permit for the 250 Ward Avenue parcel, and other administrative provisions.

The parties have documented the terms discussed above into a non-binding letter of intent. VWL and Authority staff would continue working toward the Amended Development Agreement and Purchase and Sale Agreement for Block P-3, the terms of which would supersede the provisions in the letter of intent.

#### **IV. ACTION**

Authorize the Executive Director to sign and effectuate the non-binding letter of intent that documents the provisions discussed above and other terms agreed upon with VWL, and to execute the final Amended and Restated Master Plan Development Agreement and the Block P-3 Property Purchase and Sale Agreement.

#### **ATTACHMENT**

- A. Draft Letter of Intent Regarding Proposed Terms for Amended and Restated Master Plan Development Agreement and Block P-3 Purchase and Sale Agreement

#### **REFERENCES**

- Ward Neighborhood Master Plan, April 2, 2008:  
[https://dbedt.hawaii.gov/hcda/files/2013/06/Ward-master-Plan-SM-WardNeighborhood\\_MP\\_Prop\\_4-2-08.pdf](https://dbedt.hawaii.gov/hcda/files/2013/06/Ward-master-Plan-SM-WardNeighborhood_MP_Prop_4-2-08.pdf)
- Ward Master Plan Addendum 1:  
[https://dbedt.hawaii.gov/hcda/files/2013/07/Ward\\_Addendum1\\_July11-2008.pdf](https://dbedt.hawaii.gov/hcda/files/2013/07/Ward_Addendum1_July11-2008.pdf)
- Ward Master Plan Addendum 2:  
[https://dbedt.hawaii.gov/hcda/files/2013/07/Ward\\_Addendum2\\_Sept10\\_2008.pdf](https://dbedt.hawaii.gov/hcda/files/2013/07/Ward_Addendum2_Sept10_2008.pdf)

Prepared By: Ryan Tam, AICP, Ph.D., Director of Planning and Development 

Reviewed By: Craig K. Nakamoto, Executive Director *Craig Nakamoto*

[VWL Letterhead]

[Date]

Mr. Craig K. Nakamoto  
Executive Director  
Hawai'i Community Development Authority  
547 Queen Street  
Honolulu, Hawai'i 96813

Re: Proposed Terms for Amended and Restated Master Plan  
Development Agreement and Block P-3 Purchase and Sale Agreement

Dear Mr. Nakamoto:

On behalf of Victoria Ward, Ltd. ("VWL"), thank you for the preliminary discussions regarding a proposed Amended and Restated Master Plan Development Agreement for the Ward Neighborhood Master Plan (the "Amended Development Agreement") and a proposed purchase and sale agreement for VWL's Block P-3 (TMK: 2-1-049-063 and 2-1-049-080) (the "Block P-3 PSA") (collectively, the "Agreements"). VWL is pleased to be able to continue to work with the Hawaii Community Development Authority ("HCDA") on this matter.

VWL takes this opportunity to briefly summarize the parties' current understanding of the material terms for each of the Agreements.

### **AMENDED DEVELOPMENT AGREEMENT**

The parties have discussed the following material terms for the Amended Development Agreement to be executed, and effective upon, the closing of the sale of Block P-3 to HCDA through the Block P-3 PSA (or inclusive of all of the following terms, shall be executed, and effective upon, the closing of the sale of another parcel within the Ward Neighborhood Master Plan ("Ward MP") as mutually agreed by the parties):

1. **Reserved housing accounting and related terms.** An accounting of the reserved housing units for the Ward MP (the "Reserved Housing Accounting") and terms relating to Reserved Housing in Ward Village:
  - a. The completion of reserved housing shown in the Reserved Housing Accounting necessary to satisfy the required reserved housing for the Ward MP and pursuant to the applicable terms and conditions of previously issued decisions and orders (the "Required Reserved Housing").

- b. To the extent VWL completes reserved housing in excess of the Required Reserved Housing, VWL shall have reserved housing credits in perpetuity (“Reserved Housing Credits”), which VWL may use or transfer on a one-for-one basis to satisfy all or a portion of the reserved housing requirement for any future development(s) or re-development(s) within the Ward MP area or within the KCDD. The Reserved Housing Credits shall be used in accordance with the then current Mauka Area Rules in effect at the time the applicable planned development permit (“PDP”) is granted by the HCDA.
2. **Credit adjustments.** In the event that any PDP previously granted by HCDA during the effective period of the Ward MP is amended, withdrawn, expires, or is otherwise terminated prior to the completion of the development authorized by the PDP, the number of Reserved Housing Credits shall commensurately increase or decrease to reflect the commensurate increase or decrease in the associated requirements for reserved housing units under the 2005 Mauka Area Rules, resulting from the amendment, withdrawal, expiration, or termination of such PDP.
3. **Auahi Street Pedestrian Promenade.** Pursuant to the applicable terms and conditions of KAK 18-038 (Ko‘ula), KAK 19-069 (Victoria Place), KAK 21-001 (Ulana), and KAK 21-002 (The Park Ward Village), VWL shall complete Phase 1 and Phase 2 of the Auahi Street Pedestrian Promenade and realignment to connect with the extended Pohukaina Street at Ward Avenue pursuant to the applicable terms and conditions of previously issued decisions and orders, and VWL shall also complete the following related improvements:
- a. **City Parcel.** VWL shall improve the City and County of Honolulu (“City”) right-of-way parcel for Auahi Street fronting KAK 21-001 (Ulana), Tax Map Key No. (1) 2-1-056: 011 (“City Parcel”), from the centerline of Auahi Street to the curb fronting Ulana. Improvements, to the extent consistent with City road repair design standards, are expected to include patching of existing asphalt in the City Parcel so there is a smooth, continuous driving surface between the City Parcel and the roadways directly adjacent, as well as improvements to curbs, gutter storm drains, streetlights, street trees, and installation of protected bicycle lanes from the entire length of Auahi Street from Koula Street to Kamani Street. VWL may also enter into a memorandum of agreement with the Trustees of the Estate of Bernice Pauahi Bishop (the “Trustees”) in which one party constructs the improvements to the entire City Parcel and the other party pays for its share. VWL shall confer with the Trustees in good faith in planning the improvements to the City Parcel to facilitate a cohesive street design.
  - b. **Ward Avenue Sidewalk.** VWL shall temporarily widen the sidewalk along Ward Avenue, facing the parcel currently identified by TMK No. 2-1-053-030 (“250 Ward Avenue”), to twelve (12) feet to adjoin with the

Ward Avenue sidewalk and the walkway for KAK 23-001 (The Launiu) prior to the staff approval of the temporary certificate of occupancy (“TCO”) for The Launiu.

- c. **250 Ward Avenue.** VWL shall submit a new planned development permit for 250 Ward Avenue upon finalization of plans for that parcel, which shall include plans to provide permanent improvements to the temporary sidewalk area that will be compatible with the planned Auahi Plaza sidewalk and tree improvements. The new planned development permit shall be subject to the then current Mauka Area Rules in effect at the time of submission. Upon demolition of the existing structure at 250 Ward Avenue, VWL shall submit a permit application for a conditional use of vacant land or other relevant permit. As applicable, the application shall specify the expected timeline for temporary construction staging and shall propose a use so that the property is not left vacant or abandoned.
- d. **888 Ala Moana Boulevard Parcel Frontage.** VWL shall confer in good faith with the Trustees to plan improvements to the portion of the VWL property fronting the parcel at 888 Ala Moana Boulevard (the “888 Ala Moana Boulevard Parcel”) to facilitate a consistent experience for pedestrians, bicyclists and vehicular users traversing the sidewalk and roadway along Auahi Street from the 888 Ala Moana Boulevard Parcel to The Launiu. Improvements may include street trees, lighting, signage, etc., as agreed and as applicable. These improvements shall be completed at the time improvements are made to the City Parcel as described above, or prior to HCDA staff approval of the TCO for The Launiu, whichever is later. Upon request, the HCDA Executive Director may consider and grant additional time for improvement completion.
- e. **Launiu Street Network and Off-Street Improvements.** The street network and off-street improvements required as part of KAK 23-001 (The Launiu) facilitate the connection between the Diamond Head portion of the Ward MP (area west of Ward Avenue) and the rest of the Ward MP areas (area east of Ward Avenue) (“The Launiu Street Network”). If The Launiu is not constructed, VWL shall provide interim on- and off-street improvements to facilitate the intent of The Launiu Street Network, to be mutually agreed upon with the HCDA Executive Director. These improvements may include the extension of the bicycle lanes on Auahi Street and Kamani Street, installation of the pedestrian crosswalks on Auahi Street and Kamani Street, and construction of the shared use path from Auahi Street to Ward Avenue.
- f. **Maintenance.** VWL or its designated successors and assigns shall continuously maintain and manage the areas of the Auahi Street Pedestrian Promenade, including the Launiu Street Network and associated off-street improvements, that are not dedicated to the City, at VWL’s (or its

designated successors' and assigns') sole cost and expense. Maintenance and management means reasonable day-to-day maintenance, repairs and replacements, and security consistent with the standard of use and operations, conduct, maintenance, and appearance generally prevailing in Ward Village. The completion and maintenance of the Auahi Street Pedestrian Promenade and realignment shall satisfy the applicable provisions in the Ward MP, previously issued decisions and orders, and the PDPs for the projects referenced in this Section 3.

4. **Open Space.** VWL or its designated successors and assigns shall, at its sole cost and expense, continuously maintain and manage the Ewa Plaza (Ka La'i o Kukuluāe'o Park), the Central Plaza (Victoria Ward Park - Mauka and Makai), and the Diamond Head Plaza Park (Ka Lei Park). Maintenance and management means reasonable day-to-day maintenance, repairs and replacements, and security consistent with the standard of use and operations, conduct, maintenance, and appearance generally prevailing in Ward Village.
5. **Halekauwila Private Driveway.** VWL shall complete the Halekauwila private driveway through Land Block 1 from Ward Avenue to Kamake'e Street as proposed in the Ward MP and pursuant to the applicable terms and conditions of previously issued decisions and orders and the PDP for KAK 21-002 (The Park Ward Village).
6. **Lot F-3 Cultural Preserve.** VWL shall consult with the State of Hawai'i, Department of Land and Natural Resources Historic Preservation Division and the O'ahu Island Burial Council with respect to the planned cultural preserve depicted in the PDP application for KAK 23-027 (Mahana Ward Village) at Exhibit 3, and shall submit to the HCDA Executive Director a plan to provide perpetual preservation and maintenance for the cultural preserve.
7. **Gateway Signage.** VWL shall complete district-wide gateway signage. Subject to City requirements, the design and proposed signage shall be approved by the HCDA Executive Director. Gateway signs should welcome people to the edge of the community, and be accompanied by landscaping, art/architectural features, and/or public amenities such as a post clock to the extent permitted by City requirements. The five gateway signs proposed by VWL shall be completed as follows:
  - a. Gateway Sign (B) at Ala Moana Boulevard and Ward Avenue prior to issuance of the TCO for KAK 22-024 (Kalae);
  - b. Gateway Sign (A) at Auahi Street and Kamani Street prior to issuance of the TCO for KAK 23-001 (The Launiu);
  - c. Gateway Sign (N) at Halekauwila Street and Ward Avenue prior to issuance of the TCO for KAK 23-027 (Mahana Ward Village);

- d. Gateway Sign (D) at Ala Moana Boulevard and Kamakee Street prior to issuance of the TCO for KAK 23-037 (Melia); and
  - e. Gateway Sign (K) at Queen Street and Queen Lane prior to issuance of the TCO for KAK 22-024 (Kalae).
8. **Annual Report.** VWL shall provide HCDA an Annual Report demonstrating the status of and compliance with the public facilities dedication, open space, and reserved housing requirements of the 2005 Mauka Area Rules. The Annual Report shall also include the amount of floor area dedicated and utilized as industrial use. The Annual Report shall also include a spreadsheet accounting for all of the provided and required off-street parking spaces for all VWL developments within the Ward MP.
9. **Industrial Floor Area.** By maintaining 279,437 square feet of floor area for industrial use during the effective period of the Ward MP (inclusive of 70,019 square feet of industrial floor area credit from the Land Block P-1 sale to HCDA (the “P-1 Industrial Credit”) and 30,404 square feet of industrial floor area approved for KAK 21-005 (Ulana Ward Village) (the “Ulana Industrial Floor Area”)) (collectively, the “Ward MP Industrial Floor Area”), VWL received a density bonus of 188,861 square feet of floor area for use within the Ward MP (the “Industrial Floor Area Bonus”). Subject to the following terms, VWL or its designated successors and assigns may re-develop or re-lease the Ward MP Industrial Floor Area for non-industrial uses as follows:
- a. **Maintenance of Industrial Floor Area.** Inclusive of the Ulana Industrial Floor Area of 30,404 square feet, but exclusive of the P-1 Industrial Credit of 70,019 square feet, VWL shall maintain a net minimum of 100,000 square feet of industrial uses on land owned by VWL (the “Minimum Industrial Floor Area”); provided that for purposes of maintaining the Minimum Industrial Floor Area: 1) VWL may re-lease floor area used for other purposes (i.e. retail) for industrial use and vice versa as long as the Minimum Industrial Floor Area is maintained; 2) industrial uses as permitted and defined by the 2005 Mauka Area Rules (e.g. HAR § 15-22-32(4) and HAR § 15-22-34(4)) shall control for all purposes; and 3) upon request by VWL, the HCDA Executive Director, at his or her discretion, may permit VWL to re-develop any or all of the Minimum Industrial Floor Area for other uses, provided that the HCDA Executive Director may consider: (a) the current and reasonably foreseeable market conditions and demand for non-industrial uses; and (b) that industrial uses are an integral part of the mixed-use vision for the Kaka‘ako Mauka Area. For any reduction in the Ward MP Industrial Floor Area, VWL shall pay to HCDA the commensurate value of the Industrial Floor Area Bonus (“Industrial Floor Area Reduction Payment”), as set forth in Section 9.b. below.



- b. Timing of Industrial Floor Area Reduction Payment. Subject to the Minimum Industrial Floor Area as required in Section 9.a. above, and in consideration of VWL's utilization of the Industrial Floor Area Bonus during the effective period of the Ward MP, VWL, upon the actual net reduction of the Ward MP Industrial Floor Area, shall pay to HCDA the Industrial Floor Area Reduction Payment pursuant to the following methodology:
- i. Upon acceptance of a permit application, the parties will calculate the net percent reduction in the Ward MP Industrial Floor Area for non-industrial uses (the "Net Percentage of Industrial Floor Area Reduction");
  - ii. The Industrial Floor Area Bonus shall be multiplied by the Net Percentage of Industrial Floor Area Reduction, the product of which shall be expressed in square feet, and shall represent the commensurate amount of the Industrial Floor Area Bonus that VWL realized through the maintenance of the former industrial floor area within the Ward MP (the "Attributed Industrial Density Bonus Area");
  - iii. The Attributed Industrial Density Bonus Area shall be multiplied by \$75.00 per square foot (the "Base Bonus Value"), which shall be subject to an annual adjustment to reflect changes in inflation as measured by the Honolulu Area Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics (the "Honolulu CPI-U"), which shall be calculated on each anniversary of the effective date of the Amended Development Agreement, and shall remain in effect for all purposes until the next annual adjustment.
  - iv. The Base Bonus Value shall be multiplied by the ratio of the Honolulu CPI-U as published for the month immediately preceding the applicable anniversary of the effective date of the Amended Development Agreement to the Honolulu CPI-U as published for the month immediately preceding the effective date of the Amended Development Agreement, the product of which shall be expressed in dollars (the "Attributed Industrial Density Bonus Value").
  - v. The Attributed Industrial Bonus Area shall be multiplied by the Attributed Industrial Density Bonus Value, the product of which shall be expressed in dollars, and shall constitute the Industrial Floor Area Reduction Payment, which shall be payable by VWL to HCDA upon the actual net reduction of the Ward MP Industrial Floor Area.

- c. Example of Industrial Floor Area Reduction Payment. By way of example, but not limitation, the following is an illustration of the application of the foregoing methodology for a hypothetical re-development of a portion of the Ward MP Industrial Floor Area in which VWL proposes a net industrial floor area reduction of 27,944 square feet, and a hypothetical 1.1 CPI-U ratio:

Reference	Description	Calculation
A	Ward MP Industrial Floor Area	279,437 sf
B	Industrial Floor Area Bonus	188,861 sf
C	Existing Industrial Floor Area on Project Site	40,000 sf
D	Industrial Floor Area in Hypothetical Mixed Use Development	12,056 sf
E=A- (A- C+D)	Net Industrial Floor Area Reduction (sf)	27,944 sf
F=E/ A	Net Industrial Floor Area Reduction (percentage)	10%
G=B* F	Attributed Industrial Density Bonus Area	18,886 sf
H	Attributed Industrial Density Bonus Value (\$75.00 + hypothetical 1.1 CPI Ratio)	\$82.50
I=G* H	Industrial Floor Area Reduction Payment	\$1,558,095

**10. Master Plan Commitments.** Prior to the issuance of the TCO for the last project issued a planned development permit during the effective period of the Ward MP, VWL must:

- a. Complete all required improvements, reserved housing, public facilities, and public open spaces required by the decisions and orders issued during the effective period of the Ward MP; and
- b. Record and/or file any public facilities dedications required by the decisions and orders issued during the effective period of the Ward MP with the Bureau of Conveyances and/or the Assistant Registrar of the Land Court of the State of Hawaii, as appropriate.

**11. PDP Amendments; Consistency.** To ensure consistency with the existing Ward MP developments, the provisions of the 2005 Mauka Area Rules shall apply to the processing, consideration, and final disposition of any petition or other request submitted by VWL to the HCDA to amend or withdraw any PDP for any vested project that was previously approved during the effective period of the Ward MP, including, but not limited to, any amendment of a previously-approved PDP arising from any future written agreement between VWL and the HCDA to provide additional public benefits within the original Ward MP area; provided, however, that nothing in this section shall be construed as requiring VWL and the HCDA to consider, negotiate, or enter into such an agreement. Provided further that the 2005 Mauka Area Rules shall not apply to individual tenant storefront improvements, which shall be governed by the Mauka Area Rules in effect at the time of those storefront improvements.

- 12. Miscellaneous.** Standard and customary representations, warranties, conditions, and terms for agreements of this nature, and other terms and conditions as mutually agreed to by the parties.

### **BLOCK P-3 PSA**

The parties have discussed the following material terms for the Block P-3 PSA:

- 1. Parties.** VWL as seller and HCDA as purchaser.
- 2. Property.** The fee simple conveyance of Block P-3 (and all improvements, leases, contracts, fixtures, and personal property thereon) (collectively, the “Property”) in “AS IS” condition, other than as provided in a Warranty Deed from VWL to HCDA. The Property may also be subject to certain reserved rights recorded on the Property, as will be set forth in the Warranty Deed.
- 3. Purchase Agreement.** VWL and HCDA desire to proceed with diligently negotiating the Block P-3 PSA for the purchase and sale of the Property and intend to finalize an agreement within sixty (60) calendar days from the date that both parties fully execute this letter (“Term”). The Block P-3 PSA between the parties shall incorporate the general provisions contained herein, and such other provisions as may be agreed to by the parties. Neither party may claim any legal rights against the other by reason of signing this letter or by taking any action in reliance thereon. The parties agree that there shall be no binding purchase agreement for the Property until such time as the Block P-3 PSA is executed.
- 4. Purchase Price.** Subject to an appraisal of Block P-3, the payment of approximately \$8.5 million from HCDA to VWL in the form of 113,000 sf of floor area from HCDA’s floor area bank (based on \$75.00 per square foot) (“Supplemental Floor Area”) that VWL may use at its discretion in connection with an amended Mahana Ward Village PDP application (the “Amended Mahana Ward Village Application”), which, inclusive of design adjustments to accommodate the Supplemental Floor Area and/or reasonable podium tolerances, shall be subject to the HCDA Executive Director’s processing, review and approval under the 2005 Mauka Area Rules. The parties are currently not contemplating any cash as part of the purchase price.
- 5. Mahana Ward Village.** Upon execution of the Block P-3 PSA, all deadlines in the Mahana Ward Village Decision and Order (KAK 23-027) and the deadline to issue the initial building permit for Mahana Ward Village pursuant to HAR § 15-22-118 shall be deemed tolled from the date of the issuance of KAK 23-027 (September 6, 2023) until the final disposition by the HCDA Executive Director of the Amended Mahana Ward Village PDP Application.
- 6. Supplemental Floor Area.** Upon closing of the Block P-3 PSA, and approval by the HCDA Executive Director (which approval shall not be unreasonably withheld, conditioned or delayed), VWL may use the Supplemental Floor Area

for other development(s) or re-development(s) within the Ward MP or the KCDD. Nothing herein shall preclude VWL, in its sole discretion, from transferring the floor area to a subsidiary of VWL or its corporate parent for such purposes.

7. **Due Diligence.** HCDA shall have sixty (60) calendar days from the effective date of the Block P-3 PSA (“Due Diligence Period”) to review and approve all aspects of the Property at its sole cost and expense (provided, however, that VWL shall pay for the costs of the appraisal, phase 1 site assessment, and property inspection report), subject to an extension by mutual agreement of the parties. VWL shall provide HCDA with a right of entry in order to inspect and investigate the condition of the Property during the Due Diligence Period. During the Due Diligence Period, VWL shall make available to HCDA the documented information it possesses or to which it has access relating to the rights, restrictions, and covenants and conditions pertinent to the Property. In the event that HCDA finds the condition of the Property unacceptable for any reason whatsoever, HCDA may cancel the Block P-3 PSA prior to the expiration of the Due Diligence Period.
8. **Closing Costs.** HCDA shall pay, on closing, recording fees (other than recording fees associated with the removal of encumbrances to title) and one-half (1/2) of any escrow fees and other customary charges of the title company, the cost of the ALTA Owner’s Policy of Title Insurance and such endorsements as HCDA may designate. VWL shall pay, on the closing, the cost of conveyance taxes due in connection with the sale of the Property and one-half (1/2) of any escrow fees and other customary charges of the title company. Taxes, fees, assessments, revenues and expenses related to the Property shall be prorated as of the closing date in the usual and customary manner.
9. **Amended Development Agreement / Reserved Housing Credits.** Upon closing, the Amended Development Agreement shall become effective, including, but not limited to, the term that HCDA shall recognize VWL’s reserved housing credits in perpetuity, which shall be used and administered as provided in the Block P-3 PSA and as provided in the Amended Development Agreement.
10. **Confidentiality.** All information provided by VWL to HCDA or obtained by HCDA relating to the Property in the course of HCDA’s review shall be treated as confidential by HCDA to the maximum extent permitted by law.
11. **Exclusivity.** From the date of this letter, neither VWL nor its representatives shall market, offer for sale, or negotiate with other parties with respect to the sale of the Property, or any portion thereof, unless and until the expiration of the Term, as may be extended from time to time, or this letter is terminated by either party.
12. **Conduct of Business.** From the effective date of the Block P-3 PSA, and until closing or the PSA is terminated, VWL shall operate its business relating to the

Property in the ordinary course and refrain from any extraordinary transactions. VWL shall be and remain current on all of the financial obligations relating to the Property.

13. **Miscellaneous.** Standard and customary representations, warranties, conditions, and terms for agreements of this nature, and other terms and conditions as mutually agreed to by the parties.

As this letter contains information identifying and pertaining to real property under consideration for future public acquisition and also contains confidential business information, including confidential commercial information where there is a likelihood of substantial competitive harm to VWL if disclosed at this time, VWL respectfully requests that this letter and its contents be kept confidential to the maximum extent permitted by law, and not disclosed to third parties without the express written consent of VWL.

This letter will automatically expire if the parties have not fully executed the same by 5:00 p.m. Hawaii Standard Time on September 30, 2024. This letter is not, nor intended to be, a binding agreement as to any matter relating to the possible amendment and restatement of the Master Plan Development Agreement or the purchase and sale of Block P-3, and is solely intended to outline the current material terms to facilitate further discussion between HCDA and VWL on a contemplated transaction. Accordingly, this letter constitutes an expression of the parties' intent only; does not waive or modify any rights and/or obligations of the parties (such rights being expressly reserved); and is subject to the execution of a definitive Amended Development Agreement and Block P-3 PSA. The terms of the executed Amended Development Agreement and/or Block P-3 PSA shall supersede the provisions in this letter.

If the foregoing is acceptable and accurately reflects the parties' intent, please indicate your agreement by signing in the space below and returning a copy to us. Thank you again for the opportunity to work with HCDA on this matter.

Sincerely,

VICTORIA WARD, LTD.

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Doug Johnstone  
Vice President  
Victoria Ward, Ltd.

Date: \_\_\_\_\_

AGREED AND ACCEPTED:

Hawai'i Community Development Authority

A body corporate and a public instrumentality of the State of Hawai‘i

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By: Craig Nakamoto

Its: Executive Director

Date: \_\_\_\_\_