

Approved by Executive Director: Craig Nakamoto  
June 5, 2024

## FOR INFORMATION

### I. SUBJECT

Update by HCDA Staff on (i) the Actions Taken by the Board at its March 6, 2024 meeting to allow the Executive Director to extend the Exclusive Negotiation Agreement and Right-of-Entry for no longer than six (6) months, and (ii) the Current Status of the Deliverables Requested by HCDA in the Second Amendment to Exclusive Negotiations Agreement 01-21, dated March 14, 2024, and the Third Amendment to Right of Entry Agreement, dated March 14, 2024, with HK Management LLC, regarding the Honokea Surf Villages Project, Proposed To Be Located on an approximately 19.4 Acre Parcel Located in the Kalaeloa Community Development District, at TMK No. (1) 9 1 013:068 [no postal address].

### II. BACKGROUND

On August 26, 2019, HK Management LLC (“HK Management”) submitted a proposal for the Honokea Surf Villages and Resort Project to be located on an approximately 19.4 acre HCDA parcel in Kalaeloa (the “Project”).

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. The ENA 01-21 and ROE 01-21 were executed, effective March 15, 2021.

On August 3, 2022, the HCDA approved an 18-month extension of the ENA 01-21 and ROE 01-21 with HK Management. The expiration date was March 15, 2024.

On March 6, 2024, the HCDA approved a 6-month extension of the ENA 01-21 and ROE 01-21 with HK Management, contingent upon several deliverables as further explained in Section III. below.

It is important to note, the ENA and ROE have never afforded any rights or obligations for either 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.

### III. DISCUSSION AND/OR ANALYSIS

The 6-month extension approved on March 6, 2024 included a condition that the below items shall be delivered from HK Management to HCDA on or before May 14, 2024 (the “Deliverables”):

- a. Revised Business Plan: The H&LA Feasibility Study dated June 24, 2020 must be updated as of December 31, 2023 to address conditions that may have changed since 2020.
- b. Market Rent Appraisal: Obtain a Market Rent Appraisal performed by a Certified General Appraiser licensed in the State of Hawaii. Include in the scope of work: 1. The HCDA is an intended user of the report, and 2. The work is subject to the review and approval by the HCDA and therefore, meetings with the appraiser may be held to discuss the work performed before the report is finalized. The appraiser should determine the ground rent only, and not take into consideration any annual contributions by the lessee to the demolition fund.
- c. Revised Demolition Cost: Cost Estimate Report performed by a Cost Estimator to remove the buildings, injection wells, and lagoon (underground water/sewer/electrical lines can remain in place).

If the HCDA did not receive the Deliverables by May 14, 2024, or if the Deliverables do not contain the required information as determined by the HCDA in its sole discretion, the ROE would automatically terminate as of May 14, 2024.

On May 14, 2024, the HCDA received the following documents: (i) H & LA Feasibility Study Report dated April 24, 2024, (ii) Lester Chee Stadlbauer appraisal report dated May 14, 2024, and (iii) the Insight End-of-Lease Restoration Replacement Study Cost Estimate dated March 29, 2024. These documents were submitted by HK Management's consultants after 6:00 p.m. and were reviewed by the HCDA in the following days. After careful review, HCDA determined that each of the Deliverables do not contain the required information as set forth in the Second Amendment to Exclusive Negotiation Agreement dated March 14, 2024 and the Third Amendment to Revocable Right of Entry (ROE1-21) dated March 14, 2024. Accordingly, pursuant to the terms of the ENA and ROE, the term of the ENA and the ROE automatically expired on May 14, 2024.

Prepared By: Gareth Sasaki, Chief Financial Officer 

Reviewed By: Lindsey Doi, Asset Manager 