

OVERVIEW

Audit of the Convention Center Authority: Final Report

Report No. 99-10, February 1999

Summary

This is the second of two reports of an audit conducted by the Office of the Auditor pursuant to Section 12(a), Act 156, SLH 1998, which directed the State Auditor to audit and monitor the progress made by the Convention Center Authority in resolving various outstanding issues on or before the termination date of the authority. The first report was submitted in September 1998. In this report, we examine the function and role of the authority, the need for state oversight of the convention center, how the convention center is marketed and promoted, contracting issues, and the authority's efforts to resolve issues affecting neighborhood residents.

The most pressing issue for the Hawai'i Convention Center is to formulate a specific purpose for the facility. A clear purpose is critical in determining its operating policies, strategies for attracting groups, and mechanisms to ensure that goals are achieved and state interests are protected. The enabling statute addresses only the building of the convention center. Clarifying the center's mandate would assist in answering such questions as whether the center must be self-sufficient.

Revenue projections for the convention center must be realistic, understandable, based on sound methodology, and reflect the current market. These projections should include a reasonable estimate of the events the State can expect to book into the convention center, how many attendees the convention is likely to attract, anticipated revenues for the convention center, and the total revenues to be generated from conventioners.

We also noted that state control over the operations and performance of the convention center is necessary. The Hawai'i Convention Center is owned and operated by the Convention Center Authority. However, the authority, and Chapter 206X, HRS, which established the authority, are scheduled to sunset on June 30, 1999. We believe that the Legislature should postpone the sunset of Chapter 206X and specify the responsibilities of the Convention Center Authority in ensuring the orderly transfer of its functions to another agency. Issues remain from construction and initial operations for which the authority should be held responsible and on which the authority is the most knowledgeable entity.

The Convention Center Authority has generally met its oversight responsibilities. This oversight was appropriately exercised in the design and construction phase of the project. The authority's decision to use a design/build process helped to bring the project in on time. Oversight has continued in the operations phase of the facility. The authority has recently approved rooftop terrace operational guidelines that were developed by a task force composed of neighbors, visitor industry representatives, acoustic experts, and the Department of Health. Adopting these guidelines should help the authority to establish more credibility with



neighborhood residents. However, the authority has not completed all necessary sound tests on the rooftop terrace. At least three additional tests are needed, and no definite dates for these tests have been established.

Finally, the Convention Center Authority had a difficult relationship with some neighborhood residents during the construction phase of the project and in the initial stages of the operation of the convention center. Much of the initial controversy centered around the noise of the pile driving during the center's construction. A primary issue now is the amount of noise that may be generated by gatherings on the rooftop terrace. Formal mechanisms were established to obtain community input and to address community concerns. Despite these mechanisms, some neighborhood residents believe that the authority has not adequately responded to their concerns.

Recommendations and Response

We recommended that the Legislature consider amending Chapter 206X, HRS, to clarify the purpose of the convention center, how the convention center should generate tourism revenues for the State, and how the effectiveness of the facility should be assessed. In addition, we also recommended that the Legislature consider extending the sunset of Chapter 206X, determining the agency or department to assume the functions of the Convention Center Authority, and requiring the Convention Center Authority to cooperate to ensure the orderly transfer of its functions. We also recommended that the Convention Center Authority develop clear booking policies in line with the directives of the Legislature. Finally, we recommended that the Convention Center Authority ensure that it runs the necessary additional sound tests and adopts other measures to continue to monitor rooftop noise.

The Convention Center Authority responded that that it appreciated the time and effort spent on the review and the suggestions set forth in the two reports prepared by our office. In addition, the authority provided comments on the marketing and community relations issues that we raised in the report.

The authority commented on a statement in our draft that the convention center should expect no more than 175,000 visitors per year. The authority maintains that the marketing universe for the convention center may be larger than the 2,300 organizations currently used by the Hawaii Visitors and Convention Bureau and that this may result in a larger maximum annual attendance. The authority noted that a private firm has been commissioned to review the market universe. We added this information in our published report.

The authority also identified the four neighborhood boards whose meetings the authority attends each month to receive and respond to the concerns of neighborhood residents and organizations.

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