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**“I doubt that the commercial operations satisfy the deed restrictions and public recreational test.”**

— *Federal Lands to Parks Program coordinator when asked how current swap meet operations comply with federal deed restrictions.*

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# Investigation of the Stadium Authority's Swap Meet Operations

Report No. 12-02, March 2012

*Stadium Authority not providing the leadership to protect and grow important state resource*

## Swap Meet Operations and Future Development at Risk

The Stadium Authority was established to operate and manage the stadium and facilities for the recreational and entertainment needs of the people of Hawai'i. While the Aloha Stadium is a world-famous venue and a home to many popular sporting events, it is the Aloha Stadium Swap Meet and Marketplace that is the authority's largest revenue source, operating more than 150 days a year and featuring a wide variety of goods from more than 700 local merchants. In FY2009-10, the swap meet generated more than \$4.8 million or 67 percent of the authority's total revenues.

We found that the Stadium Authority is not providing the needed leadership to protect and grow this important state resource. For example, more than half of the Aloha Stadium is former federal surplus property, which was deeded to the City and County of Honolulu in 1967 by the U.S. Department of the Interior with the stipulation that the land be used as a public park or for public recreational use. Three years later, the land, with deed restrictions intact, was transferred to the State of Hawai'i. While concessions are allowed on the land, non-recreational commercial activities are strictly prohibited. The Aloha Stadium opened for business in 1975 with swap meet operations beginning four years later.

However, the Stadium Authority has yet to obtain federal approval to operate its present-day swap meet and marketplace. This violation of the original deed restrictions could lead to the land being reverted to the federal government. While the likelihood of this action may seem remote, it is imperative that the Stadium Authority do everything in its power to ensure that its operations comply with all relevant laws and agreements. Moreover, unless the authority obtains approval from the federal government for future development projects, it will be unable to generate revenue needed to repair and rebuild the stadium and the city may not be able to build a proposed transit station for its rail project.

## Swap Meet Contractor and Vendors Operate With Little Oversight

The stadium manager ignored his contract administration responsibilities to ensure that swap meet contractor Centerplate is managing the swap meet operations effectively. He was negligent in monitoring and evaluating Centerplate's performance in 2007 and 2009, failed to tell the evaluation committee in July 2009 that Centerplate had not met the authority's goals and was derelict in its performance, and failed to monitor vendor complaints as required by contract. Centerplate also failed to adequately perform under the terms and conditions of the 2004-2009 contract when it missed its goal to increase the number of vendors and the public attendance. Yet, the stadium manager awarded a new contract to Centerplate without evaluating its past performance.

We also found that Centerplate's failure to consistently enforce its rules enables merchants to operate their businesses illegally. After analyzing the data we provided, the state Department of Taxation confirmed that almost one-third of the top 450 vendors at the Aloha Stadium Swap Meet and Marketplace did not file general excise tax returns for 2007, 2008, and 2009. In addition, a number of vendors underreported their tax obligation by filing a zero (\$0) general excise tax return even though the top 450 vendors paid an average of \$29,500 in rental payments during this period. We found one vendor who paid more than \$31,000 in rent and operated for a whole year at the swap meet before getting a general excise license.

## Agency Response

The Stadium Authority responded that it is conducting its operations in full compliance with all deed restrictions, claiming that since 1979 "while the volume of activity has fluctuated over the years, the core swap meet operations remain unchanged." By making this questionable claim, the authority ignores both the reality of present-day swap meet operations and the risks associated with possible noncompliance. This failure to manage proactively is consistent with what we found during our investigation.

We stand by our findings.