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The Senate

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March 23, 2009

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CHIEF CLERK
CAROL TANIGUCHI

Mr. Kevin Chong Kee
1206 Kaeleku Street
Honolulu, HI 96825

Dear Mr. Chong Kee,

Thank you for your March 4, 2008 responses to the EDT Committee questions posed to you as a Stadium Authority nominee (Governor's Message 286).

In conjunction with the EDT Committee's follow-up review of the Stadium Authority's actions regarding several pending issues, we would appreciate your written responses to the following additional questions by Friday, March 27, 2009:

1. Given your understanding of the role and responsibilities as the Chair of the Stadium Authority board, what kind of leadership do you believe the Stadium Authority board should exercise with respect to oversight over Aloha Stadium contractors and vendors?

Do you believe that the Stadium Authority's contractors are meeting the performance requirements set forth in their contracts? What actions would you, as the Chair of the Stadium Authority, take to insure that contractors are held accountable for meeting their contractual obligations?

2. What is your view on whether the existing operations of Aloha Stadium are using the best and most cost-effective combination of internal staff/contracted services?

In some jurisdictions, stadium facility management is contracted to an entity responsible for all marketing, operations and facility requirements. With respect to the Hawaii Convention Center, having one contractor - SMG - responsible for all services related to the marketing, operations and facilities development of the convention center has proven to be a successful management strategy.

Given the substantial facility upgrades needed for Aloha Stadium, it appears that the current mix of in-house staffing, State CIP appropriations for all facilities upgrades and limited use of contractors for swap meet management or Aloha Stadium marketing does not take full advantage of potential private sector investment or leveraged use of State assets.

What do you think is needed to thoroughly evaluate the best alternatives for the Stadium Authority board to take action?

3. How has the Stadium Authority board provided leadership in resolving complaints by Aloha Stadium Swap Meet vendors and the Stadium Authority's contractor? Although the 2008 Stadium Authority minutes contain extensive discussion of the problems affecting Swap Meet operations, it is not clear that the problems between swap meet vendors and Centerplate have been resolved.
4. What steps has the Stadium Authority board taken to improve communications between the Authority, its user constituencies and the general public? Does the Authority publicize its meetings and provide opportunities for individuals to comment on board actions before decisions are made?
5. Given the State of Hawaii's dramatically-reduced revenues during 2009 and beyond, what do you think the Stadium Authority board should do if new capital improvements to repair/renovate Aloha Stadium are unable to be funded through state CIP appropriations? What steps do you think the Stadium Authority should take to seek new information upon which to make informed decisions about alternative solutions to Aloha Stadium?

Thank you for your service on the Stadium Authority board, and your written response to the questions listed above. Please contact me at 586-6890 if you have additional questions.

Sincerely,



Senator Carol Fukunaga, Chair
Economic Development and Technology Committee

Kevin Chong Kee
1206 Kaeleku Street
Honolulu, HI 96826

MAR 27 2009
11:48a

March 25, 2008

Senator Carol Fukunaga
Chair, Senate Economic Development and Technology Committee
Hawaii State Capitol, Room 216
417 South Beretania Street
Honolulu, Hawaii 96813

RE: GM 286- Confirmation of Kevin H.M. Chong Kee to the Stadium Authority

Dear Chair Fukunaga,

I am providing written response to the EDT's Committee's follow-up questions regarding several pending issues:

- 1a. The Stadium Authority is responsible for the maintenance, operation and management of Aloha Stadium. We are authorized to prescribe and collect the rents, fees and charges for the use of the stadium facilities and to execute contracts and other instruments necessary for the execution of its powers. Basically, we address policy and rules for the stadium. The Stadium Authority hires a manager and a deputy manager with all the powers and authority for the execution of their duties.

As part of my monthly agenda for our Stadium Authority meetings, reports are given by the stadium manager and his staff on the stadium, events, security issues and a report from the University of Hawaii Athletic Department. Also included are reports from Centerplate, which reports on concession numbers for events held at the stadium as well for the Aloha Stadium Swap Meet and will soon include CBS Sports Properties, who recently was awarded Aloha Stadium's marketing and advertising contract.

It is thru this process that we realize the drop in attendance, vendors count and revenues and have questioned Centerplate management on recommendations to address this shortfall.

This is where the authority will get involved to get to the heart of the matter and asked questions on how to address and remedy this issue. As seen in our lengthy meetings as shown in our minutes, the authority addressed the situation with Centerplate which resulted in the hiring of a consultant, with experience in swap meets. This proposal was presented to the authority. The authority also held a special meeting with swap meet vendors and allowed for questions and answers to address the proposal. The response from the swap meet vendors was incorporated into the final proposal that Centerplate presented to the authority at the next scheduled board meeting. At this meeting, we shared the final proposal and allowed comments vendors who were present. To address concerns of the marketing and advertising plan for the swap meet, Centerplate has hired PCF Virtual to come up with new marketing and advertising strategies for the swap meet.

- 1b. I believe that the current contractors and vendors are meeting the performance requirements set forth in their contracts. Using the swap meet as an example, I've known of only (3) contractors who have operated the stadium swap meet and learned that each has operated it differently. Looking back on history of this operation, the new contractor always received the same opposition on the changes that were taken since change is hard to accept. Some feel that no changes are needed but by seeing the hard numbers on the results of our monthly reports, we realize change is needed to bring new life to the swap meet.

The action that I would take as chair is to let the proposed changes to proceed, provide the time for the new marketing and advertising firm make changes and proceed from there. Fees for the swap meet is not being increased, the changes that are being done is address the question of how to market, advertise and to bring new life to the swap meet.

- 2a. I feel that the current stadium management has done an excellent job in the operation and maintenance of the stadium. Knowing that they work under limited budgets, they have continuously performed to maintain the stadium that sits on 104 acres. Current management and staff feel that

they have a personal ownership with the stadium and will do whatever means is needed to keep it going.

An example of their resourcefulness, the current seats for Aloha Stadium are currently obsolete and not available. Knowing that Murakami Stadium at UH Manoa was replacing their seats, which is the same as the stadium, stadium management went to Murakami Stadium and removed and saved a portion of the seats so that they could use some of the parts to refurbish stadium seats.

Stadium management has continued to provide consistent revenue sources to keep the stadium in the black in this troubled times which are a credit to them.

Whether or not an outside management company will treat the stadium as the current staff does, remains to be seen. But in my eyes, the Aloha spirit and dedication of the current team cannot be replaced.

- 2b. I realized that in the United States, there only a few stadiums that are state operated. Most facilities are either privately runned or operated by city or counties. Aloha Stadium is a unique facility where that it is the only major stadium in the state.

As a state facility, one of our main concerns is to address the usage of the stadium by schools, public and private, and the University of Hawaii football team. Along with football, the stadium provided a venue for graduation exercises, band competition and many other events at a minimal cost to schools. We currently provide free rent and limited amount of operating expenses for their use. Whether an outside stadium management firm would provide this concession as we do towards other state agencies, is to be seen. An outside source would be most concern to obtain maximum returns for the operation of a facility.

- 2c. Aloha Stadium has never been a major source of revenue for the State of Hawaii. When Aloha Stadium opened in 1975, the number one tenant for the stadium was for the Hawaii Islanders baseball team and for University of Hawaii football. Revenues from these events were

insufficient for the operating expenses of the stadium so others means were needed to accomplish this issue. The stadium swap meet is a major revenue source for the stadium. They make up about sixty percent of total stadium revenue. Our marketing and advertising contract with CBS Properties will become a notable source of revenues for the stadium. CBS will provide improvements to the stadium that will result in additional revenues.

The current Stadium Authority and stadium management has done an excellent job in maintaining Aloha Stadium with the tools that are available to them. Contracts for the swap meet management resulted in a limited response since there is a limit amount of contractors who operate swap meets. As for our marketing and advertising contract, there are only seven to eight collegiate and high school football games and other small events that are held at the stadium which is a challenge for most bidders.

To take advantage of potential private sector investment at the stadium, the lifting of the Federal Deed Restriction could accomplish this issue.

The Stadium Authority could take full advantage of maximizing returns for the use of the stadium by requiring all users to pay full cost for the use of the facility. Or do we continue to provide this facility at a minimal cost to schools and students, the University of Hawaii, the families and the fans of Hawaii that is safe, affordable and enjoyable for all residents to use.

- 2d. At this time, I feel that the board has done a great job to thoroughly evaluating the best action on board matters and alternatives are not needed for decision making. When contracts, RFP's or other issues are to be discussed, I will form a committee to investigate the issue and report back to the full board at a future meeting. At that time, discussion with board members or members from the general public, if any, are allowed to testify.

What is needed by the Stadium Authority to take advantage for the full potential of the stadium property is to move forward and pursue the elimination of the Federal Deed Restriction which is preventing retail/commercial development. This could open the doors for the stadium

property for future developments which would provide revenues for capital improvement projects in the areas of retail and ride with retail/ commercial spaces and many more.

3. I feel that the authority provided leadership in resolving complaints by Aloha Stadium Swap Meet Vendors. As I have stated, the authority questioned the Stadium Authority's contractor (Centerplate) on the direction that the swap meet was headed. Centerplate hired a consultant who is familiar with swap meet operations in California and presented his findings to the Stadium Authority, Centerplate and the swap meet vendors. The Stadium Authority Board has not taken any action to implement the recommendation from the Swap Meet Consultant Report. The Stadium Authority Board unanimously passed a motion to accept the Consultant's Report and to take under advisement the recommendations made in the report.

I shared the Consultants Report with the Swap Meet Vendors Association prior to any meeting with the Stadium Authority so all could have a chance to review it prior to our next scheduled meeting. Concerns of swap meet vendors were heard and taken into consideration before a final recommendation was presented to the authority. Swap meet vendors have shared their concerns on the marketing and advertising program for the swap meet, and that has been done by the hiring of a new marketing and advertising company. The start time for the swap meet was address as being too early, but when a later time was presented, it was not favorable to a few vendors. Additional swap meet days were suggested by the vendors, yet a few vendors disagree with their suggestion. Centerplate have addressed the number of multiple stall vendors which has a monopoly on spaces so new vendors could not rent in the prime spaces (Row D). Removal of the Swap Meet Vendors Association was mentioned since all vendors do not belong to the association and are not able to voice their concerns or issues. A new procedure is now in place so all vendors can go directly to Centerplate to address their concerns, if this is not accomplish, stadium management will step in address the vendors concern. Another step that was taken is that our deputy stadium manger is an assign to work with Centerplate and the Aloha Stadium Swap Meet Vendors Association.

Please remember that there are over 700 vendors who make up the swap meet and that a few vendors are questioning whether the decision to re-organize the swap meet is the right decision.

To summarize this question, yes, the Stadium Authority has done everything in its power to resolve the issues of the swap meet. It might not seem favorable to every swap meet vendor but maximum effort was put in by the Stadium Authority, Stadium Management and Centerplate.

- 4a. What the board has done to improve communications between the general public and constituents is to hold open meetings and to share open dialoged with everyone. I have also tried to limit the use of "Executive Sessions" to allow the public to hear discussions among board members. An example of our openness happened at our September 28, 2008 board meeting. I received a phone call from Glen Nakamura, brother of retired Police Chief Michael Nakamura, on the stadium's policy on ADA Parking at University of Hawaii football games. Glen has the same handicap as his brother and moves about on a wheelchair. I invited Glen to our monthly meeting to address the board and UHAD Carl Clapp on the situations that are faced by ADA challenged fans who attends UH football games as well as other events that is held at the stadium. I think that this was a great learning experience for our board members as well for UHAD.
- 4b. Agendas are available on the Lieutenant Governor's web site (6) days prior to our board meetings to meet Sunshine Laws. Constituents or the general public are welcome to attend our meetings and to provide comments before action is taken on decision making. A signup sheet is available if constituents or the general public request to be heard. After a motion is made and a second is recorded on the subject that we will be voting on, discussion is held with board members. After the board's discussion is finished, if the general public is present, I will ask if there is any public comment to be heard before final action is taken.
- 5a. The stadium revenues will never be able to fund major Capital Improvement Projects at Aloha Stadium. Revenues that are generated at the stadium is deposited into a special fund which is then used for their budget.

What could be done to alleviate some of the smaller maintenance projects at the stadium would to remove the spending cap that currently exist. The special funds could be used to obtain smaller revenue bonds to address some of the immediate repair needs of the stadium.

- 5b. Public/Private partnership for development of public infrastructure to the stadium property is a great solution to seek new sources of revenues for the stadium. This issue has been under discussion with our board members at past meetings. At our October 30, 2008 board meeting, Senator Fred Hemmings addressed the members presented input on this subject. A motion and vote was taken with a unanimous vote to support the removal of the current deed restriction of the federal portion of the stadium property that is designated "For Recreational Use Only".

On January 2, 2009, State Comptroller Saito initiated a Memorandum of Understanding between the U.S. Department of Interior, Department of Land and Natural Resources and the Department of Accounting and General Services establishing conditions to lift restrictions of the Aloha Stadium property and allow the property to use for commercial and recreational purposes.

Knowing that this issue is being addressed, I feel that the State of Hawaii, State Legislature and Stadium Authority should continue to support the current renovation of the stadium to address the health and safety issues that before us and push hard to get this deed restrictions lifted.

Once again, thank you for this opportunity to provide follow up information on my nomination to the Stadium Authority Board.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin H.M. Chong Kee". The signature is written in a cursive, flowing style.

Kevin H.M. Chong Kee