



14.2 PRESENTATION OF ANNUAL REPORT - PALAIS THEATRE
YEAR 3

EXECUTIVE MEMBER: CHRIS CARROLL, GENERAL MANAGER, CUSTOMER,
OPERATIONS AND INFRASTRUCTURE

PREPARED BY: EMMA MURDOCH, HEAD OF PROPERTY AND WORKPLACE
OPERATIONS

1. PURPOSE

- 1.1 To present the Annual Report as required by the Lease for the activities undertaken by Live Nation at Palais Theatre for the period ended 31 March 2020.

2. EXECUTIVE SUMMARY

- 2.1 Council entered into a Lease with Live Nation for the Palais Theatre for a term of 30 years commencing 1 April 2017.
- 2.2 The lease requires Live Nation as Lessee to provide an Annual Report with prescribed content, to Council as Lessor.
- 2.3 Annual reporting is to include information around utilisation, high level demographic information, activity undertaken by Live Nation, upgrade works at the venue and activity for the Palais Theatre Community Fund.
- 2.4 Live Nation have provided their Annual Report to Council for review and noting.
- 2.5 Council Officers are satisfied with the content of the report for the reporting period end 31 March 2020.
- 2.6 The COVID-19 pandemic has had a significant impact on the Palais Theatre and Council has provided support to Live Nation, as it has with other tenants during this time, to ensure the successful recovery of the Palais Theatre.

3. RECOMMENDATION

That Council:

- 3.1 Accepts and notes the Palais Theatre Annual Report and declares it is satisfied with the activities undertaken by Live Nation for the period ended 31 March 2020.

4. KEY POINTS/ISSUES

- 4.1 The reporting requirements under the terms of the lease are divided into separate segments. A summary of each segment is now provided. The original document is attached for further detail.

Repairs and Maintenance Works

- 4.2 Live Nation have reported a 30% increase in general repair and maintenance costs for the theatre over the last 12 months.
- 4.3 The major items of repair over the period relate to an electrical upgrade, repair to the Palais Theatre sign, repair to the air conditioning system and additional heritage painting at the site.



- 4.4 In addition to this, Live Nation employed a Facilities Coordinator to oversee all service contracts, repairs and maintenance and ongoing capital works in the venue highlighting their continued commitment to the theatre.
- 4.5 Defects in fire services, concrete spalling and water ingress has seen Council undertake \$132,946 in repair works during this period.
- 4.6 A broad summary of the minor repairs and maintenance undertaken during the period can be found on page 1, section A of the report.

Booking Schedule

2019 Event Schedule

- 4.7 The event schedule has been presented by calendar year as all Live Nation reporting, tracking and statistical analysis is undertaken on a per quarter basis over a calendar year.
- 4.8 The Palais Theatre continues to offer a diverse range of events; including music concerts of all genres, family, community, comedy, opera, ballet, speaking events, functions and the like.
- 4.9 Overall both performances and attendance have been trending up over the last three years:

	2017 May – Dec	2018 Jan - Dec	2019 Jan - Dec
Performances	45	98	103
Unique Events	38	75	82
Attendance	81K	175k	202k

- 4.10 Venue performances have steadied into the third year showing an increase of 5% on the previous year with the largest hirer being Live Nation with 17 shows.
- 4.11 The event calendar can be reviewed on pages 2 to 4 of the Annual Report.

2020 Event Schedule

- 4.12 Live Nation had budgeted to undertake 112 ticketed performances in 2020, exclusive of the 8 community dates.
- 4.13 As of 1 March 2020, there were had 94 performances contracted however after COVID-19 there are just 30 performances contracted.
- 4.14 It is expected that there will be between 30-50 performances in 2020 should restrictions be lifted.
- 4.15 Providing there are no social distancing restrictions and international travel is permitted during 2021, all indications are that 2021 will be a very busy year with 58 performances already booked in.
- 4.16 The booking schedule can be viewed on pages 9 to 11 of the Annual Report.



Community Benefit

Community Reservations

- 4.17 Under the terms of the lease, Live Nation agrees to hire the use of the Palais Theatre to Council at a one-off charge of \$1 (including GST) plus the operating costs for up to 8 days for community purposes.
- 4.18 These events are to be nominated by the Landlord at least 12 months in advance.
- 4.19 In 2019, 3 projects applied for the City of Port Phillip Palais Theatre Community Reservations grant. These groups include:
- Dine with Heart (Sacred Heart Mission),
 - Heart of St Kilda (Sacred Heart Mission)
 - St Kilda City Film Festival Opening Night
- 4.20 For 2020, 3 projects applied for the City of Port Phillip Palais Theatre Community Reservations grant. All three projects were successful, two projects accepted the grant with one project unable to secure funding to progress their application.
- 4.21 While COVID-19 has impacted on all reservations, the decline on hire from the previous year highlights a potential under-utilisation by Council which will need to be considered going forward to ensure the best community benefit.
- 4.22 Live Nation continued their special discounted rental rate for schools of \$6,750 plus costs and GST, which enabled the following schools to host their annual concert:
- Parkdale Primary School
 - Elwood Primary School
 - Caulfield Junior College
 - Wakakirri Performing Arts School
 - Murrumbeena Primary School
- 4.23 Live Nation also provide discounted rental rate of \$9,375 plus GST for charities/not-for-profits from City of Port Phillip. This enabled the Indian Film Festival Awards Night to be hosted at the Palais Theatre.
- 4.24 Other noteworthy community reservations included:
- Venue Management Association 'After 5' event
 - Victorian Opera 2020 Season Launch
 - Roady for Roadies – access to the Palais Theatre for a community event supporting entertainment industry charity Support Act. This involved a walk through the City of Port Phillip, followed by a free concert at the Palais Theatre. All staff, bar sales and further donation of \$1,000 went to Support Act.
 - Free community venue access for several not-for-profit photography and filming projects, stage access for dancers and venue tours – Merinda Calisthenics College, Spectrum Dance Studio, Boston University Graduate venue tours, Romeo Bastoni Couture fashion photo shoot.



Palais Theatre Community Fund

- 4.25 The Palais Theatre Community Fund Committee (PTCFC) was established in late 2017.
- 4.26 The Palais Theatre Community Fund has continued to operate via the Palais Theatre Advisory Committee and the Palais Theatre Community Fund Committee.
- 4.27 It was decided in January 2020 to extend all members of the committee for another year, due to the time it took to setup the process. In late 2020, the committee members positions will all be available for nominations again.
- 4.28 To date the PTCF has raised \$232,221.35 solely from Live Nation contributing \$0.50 for every ticket sold at the venue. The program has now stemmed five rounds of grants.
- 4.29 The third round of the grant process was undertaken in February 2019 with the following successful applications received grants each up to \$5,000, totalling \$39,594:
- Artists for Kids' Culture – Funding the Arts Bus, as a mobile arts facility.
 - Australian National Memorial Theatre– aid in funding new audio and video systems in dance studios
 - BalletLab Association Inc– Help create a dance partnership with Albert Park College
 - Elwood & St Kilda Neighbour Learning Centre Inc. – help fund an art documentary called CITY OF SOULS.
 - St Kilda Mums– Funding 26 prams to assist families in need.
 - The Torch Project– aid in funding a CRM database to manage all their artworks
 - Theatre Works– To fund the purchase and install of new curtains
 - Uniting (Vic & Tas) Ltd– Fund drama project and community performance
- 4.30 Round four of the grant program commenced in September 2019. The following successful applications received grants up to \$5,000, totalling \$43,198.
- Arts Access Victoria– Memo Music Hall Documentary
 - Elwood Cricket Club– Purchase a replacement Bowling Machine
 - Gasworks Arts Park– Kiln replacement in the Resident Artist Ceramics Studio
 - HousingFirst Ltd. – HousingFirst 2020 Art Program: Creative and Professional Development Workshop Series
 - Linden New Art Inc– Linden Postcards – The Palais Theatre Community Fund Artist Award and Community Open Day 2019
 - Port Phillip Community Group - Inclusive Christmas Celebration 2019
 - Rawcus Theatre Company Inc– Fanaticus Pop Up
 - SouthPort Community Centre - City of Voices Inclusive Theatre Group Documentary
 - Space2b Social Design– 'Holding Space' - Cultural immersions



- St. Kilda Community Housing– Barkly Street shared equity housing community engagement workshops.
- 4.31 Round five of the grant program is currently in progress and the application submission process has now closed.
- 4.32 The committee expanded its promotional reach for round five to include both not-for-profits and charities in the application process which helped to increase the variety of applications, especially by some who were not able to apply previously.
- 4.33 Furthermore, the committees have accepted that these grants may be applied for to cover the costs of the community reservations program. This will ensure that non-for-profit organisations can take advantage of this \$1 rental, and be able to afford the additional costs such as security, PA, lighting etc.
- 4.34 As of the end of April 2020, there is \$34,438.69 in the Community Fund Bank Account.
- 4.35 The impact from COVID-19, it is expected to reduce the amount available in future rounds. Officers will monitor this and work with the tenant during recovery to ensure this fund continues to be considered.

Corporate Social Responsibility & Sustainability

- 4.36 Live Nation have a partnership with Get Skilled Access, co-founded by Dylan Alcott OAM, to improve accessibility and set new standards in the live event industry. The partnership has already seen Get Skilled Access provide accessibility training to 150 Live Nation employees across Australia and New Zealand.
- 4.37 The Palais Theatre has also had an onsite review conducted of accessibility facilities and received a high rating for patrons with access needs. This review addressed a few minor gaps that were suggested improvements such as signage, which has now been introduced.
- 4.38 Live Nation have partnered with Ticketmaster to become the first venue to trial its new online Access Bookings. This allows patrons to book accessible seating via the Ticketmaster website resulting in a more inclusive and smoother process for those with access requirements.
- 4.39 Over the last 12 months, the Palais Theatre has worked with BioPak, who are a green cup solution, to develop a waste management system. This has allowed the venue to adopt compost custom designed cups made of plant materials, removing most of the chemical-based plastics previously housed in the venue. Over 20,000 units of custom designed plant-based cups have moved through the Theatre since the start of this year, with the final stages of the implementation scheduled to occur over the next 12 months, including specific compostable bins to ensure the end to end process is complete.
- 4.40 Other areas that The Palais Theatre team have reduced their environmental impact include a stricter policy over power usage which has seen 25% reduction in energy usage during idle periods and elimination of paper tickets by opting to be a mobile-only ticketing venue.

Annual Forecast (Management of Assets and Facilities)

- 4.41 The lease contains a provision for a “Building Improvement Sinking Fund” (BISF) in which Live Nation contribute a sum of \$500,000 per annum (annually indexed to CPI)



across the life of the lease to be allocated toward a prescribed schedule of venue infrastructure improvements.

- 4.42 For the 2019/20 period the indexed BISF obligation (@ 1.2%) was \$517,132.
- 4.43 During Year 3, Live Nation undertook \$84,260 of work including the painting of the Proscenium Arches, Repairs of the Juliet Boxes and a New Stage Deck.
- 4.44 The impact of COVID-19 has forced Live Nation to place on hold the tender process for the seating, feasibility studies for both the solar array and air conditioning systems. These will be resumed once the business has reopened and has the cash reserves to complete these projects.
- 4.45 Due to the significant amount of BISF spend brought forward during 2017/18, Live Nation has no contractual obligation under the lease to undertake further BISF works until the year 2021 however, they reserve the right to bring forward any future BISF in consultation with Council Officers.
- 4.46 On completion of the Year 3 annual report, the total agreed spend as per the BISF was \$2,531,564. This resulted in Live Nation having a credit balance in the BISF for an amount of just over \$1 million.

Council Capital Works Program

- 4.47 A capital works program was delivered in FY18 and FY19 utilising funding from the Phase 1 works in partnership from DELWP. In Council report dated 1 November 2017 it was reported:

“2.16. The project was delivered below budget with a total project savings of \$3,045,669. The savings are divided between CoPP and DELWP according to the percentage contribution. Council’s share of the savings is \$1,126,897.53”.

- 4.48 The schedule of works noted below as extracted from the Council report of 1 November 2017 where it was resolved to proceed with the works as costed.

Item	\$ (ex-GST)	
1. Hydraulics – renew badly degraded incoming water main	38,500	<i>Complete</i>
2. Toilets – renewal & upgrade, ground and mezzanine levels	760,000	<i>Underway</i>
3. Ceiling leak – mezzanine ceiling, adjacent proposed bar	10,680	<i>Complete</i>
4. Stormwater drainage – network and stormwater harvesting connections	133,000	<i>Complete</i>
5. Northern pavement upgrade, including DDA compliance	70,700	<i>Complete</i>
6. Southern pavement upgrade, worn during works	32,000	<i>Complete</i>
7. Façade balconettes	157,000	<i>Desirable</i>
8. Bedford Lights – create replicas and install:	150,000	<i>Desirable</i>

ORDINARY MEETING OF COUNCIL 19 AUGUST 2020



Item	\$ (ex-GST)	
9. Contingency – within and out-of-scope (10% each)	111,976	<i>TBC</i>
TOTAL	1,463,856	
Cost to CoPP (36.84%)	539,286	
Cost to DELWP (63.16%)	924,570	
4.49	Renewal and upgrade of the toilets is currently underway with works commencing in June 2020.	
4.50	Works were originally programmed to be staged to avoid show disruption however the subsequent closing of the Palais Theatre due to government restrictions have allowed works to be undertaken concurrently.	
4.51	The works are now expected to be completed by the end of September however this may be extended should restrictions be lifted or changed. We will continue to monitor the situation and works schedule to ensure that we can support the recovery of the venue	
5.	CONSULTATION AND STAKEHOLDERS	
5.1	The Cultural & Economic Development (Arts and Festivals) team engage with the Palais on the implementation of the various community benefits within the lease.	
5.2	Live Nation have engaged directly with the public regarding the advertising and management of grants from the Palais Theatre Community Fund.	
5.3	Live Nation engage directly with applicants for the hire of the facility.	
5.4	Officers will continue to engage with Live Nation around the improvements to the facility and the administration of the BISF.	
6.	LEGAL AND RISK IMPLICATIONS	
6.1	The annual reporting is a way to foster an informed relationship between the Lessor and Lessee ultimately providing an opportunity to manage any inconsistencies between the lease and the service offering.	
6.2	Live Nation to date is managing their obligations as required by the lease in an efficient manner and there are no identifiable risks to report at this time.	
7.	FINANCIAL IMPACT	
7.1	The initiatives under the lease are generating a source of community funding.	
7.2	The BISF fund is implemented to ensure a sustainable asset management model and a fully functioning and compliant facility when it reverts to Council at the end of the tenure.	
7.3	Live Nation have invested \$2,514,060 of funding through the BISF fund resulting in an advancement of approximately 2 years.	



- 7.4 The COVID-19 pandemic has had a significant impact on the Palais Theatre and Council will need to support Live Nation during this time to ensure the successful recovery of the Palais Theatre.

8. ENVIRONMENTAL IMPACT

- 8.1 Under the BISF schedule mandated works include environmentally sustainable building upgrades. These include solar power and stormwater management initiatives as well as improved infrastructure endeavouring to reduce the carbon footprint of the site.
- 8.2 At the start of the year, Live Nation announced its global sustainability coalition, Green Nation, committing to new environmental goals for all Live Nation owned and operated venues, clubs, theatres and festivals, with the primary targets of reducing greenhouse gas emissions by 50% by 2030, and ending the sale of single-use plastics at all owned and operated venues and festivals by 2021.
- 8.3 The Palais Theatre is working with the City of Port Phillip to ensure that their sustainability standards are constantly improving. Further programs and sustainability actions such as eco-cups are currently in progress.

9. COMMUNITY IMPACT

- 9.1 The 30 year lease is intended to harness and develop a long term mutually beneficial relationship between the Lessee and Lessor to provide an improved patron experience, increase community accessibility and deliver tangible financial benefits to the community through the Palais Theatre Community Fund initiative.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The partnership and current tenancy agreement aligns with:
- 10.1.1 Direction 5 – “A city where arts, culture and creative expressions is part of everyday life”.
- 10.1.2 Direction 6 – “A financially sustainable, high performing, well-governed organisation that puts the community first”.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Live Nation will be required to submit their next report in May/June 2021.

11.2 COMMUNICATION

- 11.2.1 The next report will be presented at an Ordinary Council Meeting during July/ Aug 2021.
- 11.2.2 Both Live Nation and City of Port Phillip are committed to the ongoing success of the Palais Theatre.

12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

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ATTACHMENTS 1. Palais Theatre Annual Report - Year 3