



**13.1 PALAIS THEATRE ONGOING SUPPORT APRIL - JUNE 2021**

**EXECUTIVE MEMBER: PETER SMITH, CHIEF EXECUTIVE OFFICER**

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

**1. PURPOSE**

- 1.1 To seek approval to provide ongoing support for the Palais Theatre in the form of proportional rental waivers to Live Nation Australia Venues Pty Ltd (Live Nation) for the period between April 2021 and June 2021 to ensure effective recovery from the coronavirus (COVID-19) pandemic.

**2. EXECUTIVE SUMMARY**

- 2.1 At the start of the COVID-19 pandemic, the Victorian Government introduced the Commercial Tenancy Relief Scheme (the Scheme) to relieve financial hardship faced by commercial tenants and landlords as a result of the coronavirus pandemic.
- 2.2 During this period, Council introduced its Emergency Rent Relief Package which provided rental waivers over and above the requirements of the Scheme.
- 2.3 Both of these support packages expired at the end of March 2021.
- 2.4 While we have started to see the reactivation of many businesses and activities across our municipality, larger entertainment venues such as the Palais Theatre will take much longer to recover due to the constraints on the industry.
- 2.5 Given the ongoing obstacles faced by this industry, Live Nation has requested that Council consider extending their rental support for the 2021 calendar year.
- 2.6 As the current lease with Live Nation is intended to harness and develop a long term mutually beneficial relationship between the Lessee and Lessor, it is recommended that Council continue to provide proportional rent relief in the form of rent waivers until the end of June 2021 with any further rental support after this date is to be considered as part of the 2022 Council Budget.
- 2.7 It is estimated that the recommended support for the April to June 2021 period will cost Council between \$195k and \$230k.

**3. RECOMMENDATION**

That Council:

- 3.1 Approves continued support for the Palais Theatre in the form of rental waivers proportional to loss of income to Live Nation Australia Venues Pty Ltd for the period between April 2021 and June 2021 to ensure effective recovery from the coronavirus (COVID-19) pandemic.
- 3.2 Notes that the request for rental waivers after this date will be considered as part of the 2021-22 Council Budget



#### 4. KEY POINTS/ISSUES

##### Background

- 4.1 At the start of the COVID-19 pandemic, the Victorian Government introduced the Commercial Tenancy Relief Scheme (the Scheme) to relieve financial hardship faced by commercial tenants and landlords as a result of coronavirus pandemic.
- 4.2 During this period, Council introduced its Emergency Rent Relief Package which provided rental waivers over and above the requirements of the Scheme.
- 4.3 Both of these support packages came expired at the end of March 2021.
- 4.4 Through this package, Council supported 22 of its struggling commercial tenants which included restaurants, kiosks, entertainment venues and offices.
- 4.5 While we have started to see the reactivation of many businesses and activities across our municipality, larger entertainment venues are taking much longer to recover due to:
  - The level of uncertainty regarding lockdowns and boarder closures
  - The lead time it takes to secure an artist, lock in and build a tour (minimum 4 to 6 months).
  - The increased fees some Australian artists are currently charging (due to the lack of international artists)
  - Ongoing capacity limits on venues
  - A significant number of artists have decided not to perform until social distancing guidelines are removed as they believe a socially distanced audience kills the vibe.
  - Significant international touring IS not envisaged to recommence until at least late 2021.
- 4.6 Council currently has one large entertainment venue tenant being Live Nation at the Palais Theatre.
- 4.7 Given the ongoing obstacles to recovery, Live Nation is requesting that Council consider extending their rental support past Councils Emergency Rent Relief Package to December 2021. Further details of Live Nations request can be found in Attachment 1.

##### Lease Outcomes

- 4.8 Council entered a 30-year lease with Live Nation for the occupancy of the Palais Theatre in 2017.
- 4.9 This 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 and a \$20m+ capital upgrade and renewals program.



- 4.10 During COVID-19, Live Nation have continued to show commitment to the Palais Theatre taking the lockdown as an opportunity to undertake some much-needed work including a new stage deck and the upgrade of the main switchboard for real time power monitoring.

#### **Recovery**

- 4.11 Live Nation have continued to work hard to reduce costs and source funding support outside of Council to cover operating costs, wages and even undertake building improvements.
- 4.12 Coming up with new ways to activate the space within government restrictions, they held their first series of events during January 2021 after almost a year of forced closure.
- 4.13 These 18 shows were much smaller than their usual events and provided a unique and intimate experience to patrons each night.
- 4.14 While these shows ran at an overall loss to the business, they provided the opportunity to reactivate the venue as well as the casual event team, suppliers, contractors and Victorian artists.
- 4.15 Unfortunately, this recovery was further impacted in February due to the additional 5-day snap lockdown resulting in the cancellation of 16 booked shows between March and June 2021.

#### **Recommendation**

- 4.16 As the lease is intended to harness and develop a long term mutually beneficial relationship between the Lessee and Lessor, it is recommended that Live Nation continue to receive rent relief proportional to their loss of income in the form of rent waivers until at the end of June 2021.
- 4.17 The request for rental support past June 2021 is to be considered as part of the 2022 Council Budget.

### **5. CONSULTATION AND STAKEHOLDERS**

- 5.1 Officers will continue to engage with Live Nation around activation and support requirements during this period.

### **6. LEGAL AND RISK IMPLICATIONS**

- 6.1 Failure to support Live Nation during this time may result in them being unable to fulfil their lease obligations including the upcoming items under the \$20m + capital upgrade and renewals program and ongoing community grants programs.

### **7. FINANCIAL IMPACT**

- 7.1 It is estimated that the recommended support will cost Council between \$195k and \$230k up until 30 June 2021.
- 7.2 This lease is currently the largest rental income producer in City of Port Phillip's property portfolio.

### **8. ENVIRONMENTAL IMPACT**

- 8.1 There are no known environmental impacts for Council.



**9. COMMUNITY IMPACT**

9.1 The Palais Theatre Community Fund was reactivated in January upon commencement of shows. Failure to support Live Nation during this time may see the loss of community support by the tenant with potential ramifications for long term patronage.

**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 If Council resolves to continue support, Officers will organise for the support to be provided on a proportional basis upon receipt of supporting financial information.

11.2 COMMUNICATION

11.2.1 Officers will advise Live Nation of the outcome of this meeting.

**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. Letter - Live Nation Rent Relief Request**