



**12.1 PRESENTATION OF ANNUAL REPORT - PALAIS THEATRE
YEAR 5**

**EXECUTIVE MEMBER: LACHLAN JOHNSON, GENERAL MANAGER, CUSTOMER,
OPERATIONS AND INFRASTRUCTURE**

**PREPARED BY: EMMA MURDOCH, EXECUTIVE MANAGER PROPERTY AND
ASSETS**

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 2022.

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 2022.
- 2.6 The COVID-19 pandemic has had a significant impact on the Palais Theatre. This impact was evident in the last 3 years of annual reporting.
- 2.7 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 2022.

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.
- 4.2 Initial review of the COVID-19 pandemic has had a significant impact on the Palais Theatre. This impact was evident in the last 3 years of annual reporting

Repairs and Maintenance Works

- 4.3 Live Nation have reported a 61.5% increase in general repair and maintenance costs for the theatre over the last 12 months.



- 4.4 The level of repair and maintenance spend has increased significantly due to increase show count and attendances and, also due to the additional costs related to COVID safe equipment, signage, sanitising, and cleaning which are now ongoing costs to the business.
- 4.5 A broad summary of the minor repairs and maintenance undertaken during the period can be found on page 1, section A of the report.

5. BOOKING SCHEDULE

2021 Event Schedule

- 5.1 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.
- 5.2 Due to the COVID pandemic, the Palais Theatre was closed on at least 4 occasions during the 2021 year but continued to deliver content whenever possible with the majority of shows rescheduled or cancelled.
- 5.3 After reopening the event schedule was slow to pick up and took around three months to build up momentum but by the end of the year there were a total of 41 performances.

	2017 May – Dec	2018 Jan - Dec	2019 Jan - Dec	2020 Jan - Dec	2021 Jan - Dec
Performances	45	98	103	18	41
Unique Events	38	75	82	15	21
Attendees	81K	175k	202k	34k	42k

- 5.4 Palais Theatre continues to build momentum in this space and has experienced one of the busiest periods in their operating history with a record-breaking 22 shows for 47,394 patrons during April 2022.
- 5.5 The 2021 event schedule can be reviewed on page 2-4 of the Annual Report.

2022 and 2023 Event Schedules

- 5.6 Live Nation had budgeted to undertake 120 ticketed performances in 2022, exclusive of the 8 community dates. This is up 51.8% on the previous period or 22.4% higher than achieved in 2018.
- 5.7 As at 27 June 2022, there are 123 performances contracted.
- 5.8 In addition, there are 26 ticketed performances already booked for 2023 indicating that 2023 will be another busy year for the Palais Theatre.
- 5.9 The booking schedule for 2022/23 can be viewed on pages 9 to 12 of the Annual Report.



Community Benefit

Community Reservations

- 5.10 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.
- 5.11 These events are to be nominated by the Landlord at least 12 months in advance.
- 5.12 Due to ongoing lockdowns during 2021 City of Port Phillip Palais Theatre Community Reservations Grant was put on hold and as such there were no community reservation events however Sacred Heart Mission's - Dine with Heart which was conducted successfully in May 2022.
- 5.13 Live Nation continued to offer the special discounted rental rate for schools of \$6,750 plus costs and GST, which usually enables several local schools to host their annual concert. Unfortunately, due to the pandemic no schools held their concert in 2021.
- 5.14 Live Nation continued to offer the special discounted rental rate for charities/not-for-profits from City of Port Phillip of \$9,375 plus GST. Unfortunately, like the schools no charities were able to take up this offer.
- 5.15 This year, Live Nation has merged its discounted rental offer for schools, charities and not for profits events that are not listed by the City of Port Phillip as one of their 8 designated events each year, in to the one heavily discounted rate of \$6,750 plus costs and GST resulting in a discount of around \$2,625 on previous cost.
- 5.16 Other noteworthy community reservations outside of these reservation grants included:
- St Kilda Festival - filming interviews with New Music Stage participants
 - Free community venue access was provided to several not-for-profit photography and filming projects, stage access was provided for ballet dancers, venue tours and Cinema Spaces Filming project.
 - Crew Care Training.
 - Roadies for Roadies fundraiser.
- 5.17 In addition to these community reservations, Live nation is aiming to host the following activities:
- Benefit concert for the Ukraine
 - Venue Tours for locals and tourists as they celebrate the venues 95th year of operation during 2022.

Palais Theatre Community Fund

- 5.18 The Palais Theatre Community Fund (PTCF) was established in late 2017.
- 5.19 Once Round 5 (April 2020) was complete, the PTCF was placed into hibernation until the Theatre was able to re-open.
- 5.20 To date the PTCF has raised \$293,458.85 solely from Live Nation contributing \$0.50 for every ticket sold at the venue.



- 5.21 The sixth round of the grant program ran in November 2021, with the PTCF expanding its promotional reach on those community organisations who may need assistance in reopening after the pandemic.
- 5.22 Due to the smaller accumulation of funds caused by the pandemic, the PTCF Committee decided to allocate up to \$3,000 per grant, instead of the normal \$5,000 per grant, so they were able to share around grants to more community groups.
- 5.23 The following applicants were successful with funds totalling \$16,000:
- Artists for Kids Culture – a 2-day festival “Your Fest” at South Melbourne Community Centre for kids’ art, workshops and performances.
 - St Kilda Scout Group – Creating a Veggie Garden by the hall as they reopened and reactivated their space.
 - Rawcus Theatre Company Inc – “Incursions Project” engaging four artists to run a workshop to engage potential new collaborators for a new work.
 - Space2b Social Design - ‘In Our shoes’, a group art exhibition and professional training program for CALD (Culturally and Linguistically Diverse) artists that celebrate home, belonging and their personal experiences of settlement in a new country.
 - The National Theatre – Funding live mix multiple camera setup for use for their hirers to provide inclusivity for those who cannot attend.
 - Elwood Toy Library – New scooters and Ezyrollers at the toy library
 - Linden New Art Inc – “On Holidays at Linden” a community engagement project targeting local families and features colourful images of artworks. In September 2020 it was decided to place round six of the grant program on hold until the venue was able to operate again.
- 5.24 All members of the Palais Theatre Community Fund Committee (PTCFC) concluded their term on the conclusion of round 6.
- 5.25 In January 2022, Live Nation advertised and recruited a new PTCFC from City of Port Philip residents.
- 5.26 The PTCFC has already met to review and discuss the applications for Round Seven and have received some great ideas on extending the reach of the Palais Theatre Community Fund.
- 5.27 As at end of April 2022 there is \$46,838.33 in the Community Fund Bank Account.

Grants and Support

- 5.28 During 2021 Live Nation sought any available funding for business support and grants with successful outcomes of a total of \$363,045 broken down as follows:
- Business Costs Assistance Program (inc. top up payments) \$69,800.00
 - Business Continuity Fund \$5,000.00
 - Impacted Events Support Program Round 1 \$25,000.00
 - Impacted Events Support Program Round 2 \$28,000.00
 - Sustaining Commercial Theatres \$116,512.00



- Creative Victoria Music Works \$21,233.00
- RISE Funding for 'On Stage' Series \$97,500.00

5.29 Both the Creative Victoria Grant & the RISE Grant will be used to execute a series of shows, on the Palais stage during January 2023, with the focus being to support and accelerate the careers for developing musicians, production crew and students through a series of intimate and unique onstage events at the Palais Theatre.

5.30 In addition, Live Nation was awarded \$500,805 in rental subsidies under the City of Port Philips Rental Relief Scheme.

Corporate Social Responsibility and Sustainability

5.31 As part of the commitment to their Sustainability Goal, Live Nation are in the process of creating a new Environmental Policy, which will be published during the 3rd Quarter 2022, along with formulation of an internal Green Action Committee.

5.32 In addition, Live Nation have engaged a suitably qualified consultant to undertake a solar power feasibility study in relation to installing solar power to the venue, with the plan to deliver the recommended solar power solution during 2023. This should then enable the Palais Theatre to operate solely on solar power on non-event days.

Annual Forecast (Management of Assets and Facilities)

5.33 The lease contains a provision for a "Building Improvement Sinking Fund" (BISF) in which Live Nation contributes 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.

5.34 As a result of the pandemic Live Nation has placed on hold the tender process for seating and feasibility studies for the solar array and air conditioning systems. These initiatives will be resumed within the next few years, providing it is operationally and financially feasible to do so.

5.35 On completion of the Year 5 annual report the total agreed spend as per the BISF was \$2,698,698.

5.36 During the 2022 year, we identified that the calculation for the balance of the sinking fund was incorrect. This has since been rectified resulting in Live Nation having a credit balance in the BISF of \$107,043.

5.37 For the 2021/22 period the indexed BISF obligation was \$535,872. Due to the amount of BISF spend brought forward during 2017/18 Live Nation had no contractual obligation to undertake further BISF works to meet their obligations.

5.38 Despite this, Live Nation undertook \$15,000 of works to upgrade the Point of Sale (POS) system. With a further \$63,500 expected to be spent on air-conditioning works this financial year.

5.39 In addition to the BISF works, Live Nation undertook \$52,728 of capital works for a new food and beverage outlet, back of house intercom systems and event radios.

5.40 Live Nation intend to spend \$3m on capital works over the next few years which will include new seating and air-conditioning systems.



Council Capital Works Program

5.41 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”.

5.42 Only the two desirable items of work are left to resolve:

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>Complete</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>
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	

Additional Capital Works

5.43 Under the lease, Council as the Landlord continues to be responsible for maintaining the external walls, facade, roof, floor structure in a structurally sound and weatherproof condition. The following capital works items are underway at the Palais Theatre:

Concrete Spalling

5.44 In mid-2020 a condition assessment was conducted on the reinforced concrete of the backstage area of the Palais Theatre after a fragment of spalled concrete dropped from a mezzanine soffit onto a work area below.



- 5.45 The assessment found concrete delamination and spalled concrete in the mezzanine slabs, supporting beams and columns.
- 5.46 Make safe works were immediately undertaken, conducting concrete 'knock-offs' to break off any further loose concrete and installing netting across the area to catch any further falling pieces while rectification works were established and delivered.
- 5.47 In October 2020 a project was approved for investigation, design and construction to rectify the spalling with a total budget of \$918,000.
- 5.48 These works were not originally planned as part of the renewal program as the 2014 condition assessment identified this area as worn with no impact on structural capacity, indicating no works were required.
- 5.49 Short term works have been completed to render the mezzanines safe and functional for a period of 5-10yrs with longer term work expected to be completed
- 5.50 Long-term strengthening works to extend the life by up to 30+ years is expected to be completed early-mid 2023.
- 5.51 Works will be scheduled and monitored to minimise disruption to the Palais Operations where possible.

Underground Tunnels

- 5.52 The back of the western side of the Palais Theatre houses underground tunnels that are primarily used for pulling AV wires from the stage to the sound system room.
- 5.53 In 2016, the tunnels located were identified in poor condition and temporary propping was subsequently installed to support the tunnels where there were signs of deflection and slab failure to ensure the safety of staff utilising the tunnels.
- 5.54 A report commissioned at the time (July 2016) identified the roof of the tunnels to be in poor condition with evidence of water ingress through cracking, spalling and severe corrosion of the reinforcement. The report noted that temporary propping has been installed to support the roof structure and the condition of the timber and probs was in good condition.
- 5.55 The recommendation was for immediate works to provide temporary safe worker access with the consultants proposing a more suitable support propping system to reinforce the tunnels which was subsequently installed the same year.
- 5.56 The report also recommended long term rectification works need to occur and proposed several options.
- 5.57 A budget bid of \$1.62m was approved as part of the 2021/22 Council plan to include design and construction works to rectify the tunnels over 2 years.
- 5.58 Investigation into options and concept designs have been completed with construction expected to be completed by June 2023.

6. CONSULTATION AND STAKEHOLDERS

- 6.1 The Cultural & Economic Development (Arts and Festivals) team engage with the Palais on the implementation of the various community benefits within the lease.
- 6.2 Live Nation engage directly with the public regarding the advertising and management of grants from the Palais Theatre Community Fund.
- 6.3 Live Nation engage directly with applicants for the hire of the facility.



- 6.4 Officers will continue to engage with Live Nation regarding the improvements to the facility and the administration of the BISF.

7. LEGAL AND RISK IMPLICATIONS

- 7.1 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.
- 7.2 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.

8. FINANCIAL IMPACT

- 8.1 The initiatives under the lease are generating a source of community funding.
- 8.2 The BISF 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.
- 8.3 To date Live Nation has invested \$2,698,698 of funding through the BISF fund.
- 8.4 Although the BISF has been significantly impacted for the current year as a result of the pandemic it is still ahead of schedule due to significant investment during the first 3 years of the lease.

9. ENVIRONMENTAL IMPACT

- 9.1 Under the BISF schedule mandated works include environmentally sustainable building upgrades. Although impacted by the pandemic Live Nation has implemented strategies to reduce the carbon footprint of the site including the introduction of compostable cups and a plan to eliminate single use plastics in the venue by end 2022.
- 9.2 As part of the commitment to the Palais Theatre's Sustainability Goal, they are in the process of creating a new Environmental Policy, which will be published during the 3rd Quarter 2022, along with formulation of an internal Green Action Committee.
- 9.3 They have engaged a suitably qualified consultant to undertake a solar power feasibility study in relation to installing solar power to the venue, with the plan to deliver the recommended solar power solution during 2023.
- 9.4 The Palais Theatre is working with the City of Port Phillip to ensure that their sustainability standards are constantly improving.

10. COMMUNITY IMPACT

- 10.1 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.

11. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 11.1 The partnership and current tenancy agreement align with:
- 11.1.1 Direction 4 – Vibrant Port Phillip – “with a flourishing economy, where our community and local business thrive, and we maintain and enhance our reputation as one of Melbourne’s cultural and creative hubs”.



11.1.2 Direction 5 – Well Governed Port Phillip – “a leading local government authority, where our community and our organisation are in a better place as a result of our collective efforts”.

12. IMPLEMENTATION STRATEGY

12.1 TIMELINE

12.1.1 Live Nation will be required to submit their next report in July 2023.

12.2 COMMUNICATION

12.2.1 The next report will be presented at an Ordinary Council Meeting during Aug/Sep 2023.

12.2.2 Both Live Nation and City of Port Phillip are committed to the ongoing success of the Palais Theatre.

13. OFFICER DIRECT OR INDIRECT INTEREST

13.1 No officers involved in the preparation of this report have any material or general interest in the matter.

ATTACHMENTS 1. Palais Theatre Annual Report Year 5 