



**12.1 PRESENTATION OF ANNUAL REPORT: PALAIS THEATRE
YEAR 6**

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

PREPARED BY: BRIDGETTE KENNEDY, TEAM LEADER PROPERTY 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 2023.

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 2023.

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 2023.

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 The Palais seems to be recovering well from the COVID-19 pandemic and has a full calendar of events.

Repairs and Maintenance Works

4.3 Live Nation have now re-engaged a Facilities Manager for the site as staffing levels have returned to pre-Covid levels.

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 4 of the report.



5. BOOKING SCHEDULE

2022 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 Palais Theatre has continued to build momentum in this space and has experienced one of the busiest years in bookings with there being built up demand for shows following the COVID 19 closure impacted year with a total of 132 shows conducted, with 42 of these being sold out events.
- 5.3 The 2022 event schedule can be reviewed on page 8-11 of the Annual Report.

2023 and 2024 Event Schedule

- 5.4 Live Nation had budgeted to undertake 135-140 ticketed performances in 2023-2024, exclusive of the 8 community dates. This is up 16% on the previous period.
- 5.5 As at the date of this report, there are 76 performances contracted, with 12 of those shows already booked out.
- 5.6 The booking schedule for 2023/2024 can be viewed on pages 13 to 15 of the Annual Report.

Community Benefit

Community Reservations

- 5.7 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.
- 5.8 These events are to be nominated by the Landlord at least 12 months in advance.
- 5.9 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. Only Firbank Grammar School held its presentation evening at the Palais in 2022.
- 5.10 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. Community reservations were taken up by Dine with Heart and a Charity Gala for Ukraine.
- 5.11 Other noteworthy community reservations outside of these reservation grants included:
 - St Kilda Festival;
 - Dine with Heart (bump in and bump out days); and
 - Roady for Roadies fundraiser.

Palais Theatre Community Fund

- 5.12 The Palais Theatre Community Fund (PTCF) was established in late 2017.
- 5.13 To August 2023, the PTCF has raised \$451,351.85 solely from Live Nation contributing \$0.50 for every ticket sold at the venue.
- 5.14 The 7th round of the grant program ran in July 2022 and the 8th round of the grant program ran in November 2022.



5.15 The 9th round of the grant program officially launched in May 2023.

5.16 The following applicants were successful with funds totalling \$102,000:

Round 7

- Housing First – This program brings together artists from community and public housing to create and exhibit art in a group show.
- Port Phillip EcoCentre Inc - The Port Phillip EcoCentre (PPEC) offered a Beachkeepers project to community members at the south end of the municipality to keep beaches clean.
- Port Phillip Community Group – Five Minutes of Fame (FMOF) is an ‘Open Mic’ Cabaret Event for residents of Port Phillip who may not have the means, confidence or opportunity to attend such an event.
- Theatre Works – The She Writes Collective is Theatre Works two-year writing program to develop female-identifying and non-binary playwrights.
- Australian National Memorial Theatre Limited – The purchase and installation of new chain motors for the theatre’s new lighting system.
- Space2b Social Design Inc – Up Up & Away, will directly support 6 local culturally diverse female entrepreneurs to build their business and financial independence. It will indirectly support a further 3 participants.
- Gasworks Arts Inc – The funding for the upgrade of the Foyer Gallery exhibition space by removing the old halogen lighting system with a newer LED track lighting system to assist with updating the gallery's capacity to illuminate exhibiting artwork properly.
- Artist for Kids Culture – The funding for ArtsbusTV, a new AKC project: a series of 30-minute episodes that engage children and youth aged 5 – 17 years-old in arts experiences, knowledge sharing, and connection to community.
- Red Stich Actors Theatre - PLAYlist 2023 will be held in St Kilda’s Alma Park as it was in 2021. It delivered opportunities for artistic growth and career advancement to at least fifty artists.

Round 8

- Elwood Life Saving Club – Purchase of boards for Nippers.
- South Port Community Housing Group - The project supports people living in our housing to attend activities and events that are often not accessible due to prohibitive cost.
- Rawcus Theatre Company Inc – “And there was dancing” brings together three diverse Rawcus performers with renowned projection artist Yandell Walton and cellist Campbell Banks to present a public art installation and performance.
- Yalukit Willam Nature Reserve – Promote awareness of the creation of this parkland.
- St Kilda Bike Kitchen Inc. – Fund two trailers to assist in this volunteer organisation repairing and teaching people to repair bikes.
- Australian National Memorial Theatre Limited – Replacement of mirrors in the dance studio at the National Theatre.
- St Kilda Police & Citizens Youth Club Inc – Funding boxing classes for those with Parkinson’s disease.



- Theatre Works - Theatre Works Emerging Artist Program is dedicated to emerging artists, giving them the opportunities to engage in their artistic process and extend their professional networks.
- Space2b Social Design – Promoting and funding 3D bas clay-relief work, an artistic technique involving lightly carving a design into a surface, dates back over 20,000 years.
- BalletLab Association Inc – support the premiere of five original performances and experiences for diverse audiences, cementing Temperance Hall as the home of dance in CoPP.
- Linden New Art – Funding the Little Artist Holiday Program, LAHP is a weeklong art-making program for children aged Gr2-Gr5 living in the City of Port Phillip.
- We Support You LTD – Promotion of the activation of the Menorah’s during Chanukah 2022.
- FoodFilled Incorporated – Assist in funding more resources to promote awareness of food wastage and insecurity.

5.17 Two members of the committee concluded their tenures after the conclusion of round 7 and 8 of the grants. In 2023, three new committee members commenced.

5.18 Round 9 has been launched with an enhanced communication strategy and promotion to ensure communities are aware of the fund.

5.19 As at end of April 2023 there is \$66,128.33 in the Community Fund Bank Account.

Grants and Support

5.20 In January 2023, the Palais was able to deliver a series of shows called “OnStage: The Series” which was made possible after receiving a Federal Government grant through RISE. The shows focussed on upcoming talent that would not usually get the opportunity to perform at a venue such as the Palais.

Corporate and Social Responsibility

5.21 As part of the commitment to their Sustainability Goal, Live Nation are in the process of reviewing the current draft of its new Environmental Policy, with the aim of rolling this out in 2024. Work has been undertaken by Live Nation to ensure its policy is applicable to all of its venues, and as such, this has meant the policy has taken longer than anticipated.

5.22 In addition, Live Nation 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 report, and preliminary discussions with DEECA and Heritage Victoria have determined that the installation of solar panels on the building will be challenging due to various restrictions and limitations. The Palais is now exploring other options with respect to sustainability initiatives.

Annual Forecast (Management of Assets and Facilities)

5.23 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.



- 5.24 On completion of the Year 5 annual report the total agreed spend as per the BISF was \$2,703,177. This results in Live Nation having a credit balance within the BISF program in the amount of \$107,043.
- 5.25 For the 2022/23 period, the indexed BISF obligation was \$559,987. 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.
- 5.26 Despite this, Live Nation undertook \$105,500 of works on the following items:

Description of BISF Works	Amount as per BISF
Seating Restoration (design & tender)	\$13,000
Heating / Cooling Upgrade (design & tender)	\$50,000
Handrail Extensions	\$17,500
Replacement of Ceiling Green Room	\$25,000
TOTAL	\$105,500

- 5.27 In addition to the BISF works, Live Nation undertook \$237,595 of works on the following items:

Description of Non - BISF Works	Amount as per BISF
Completion of Mobile F&B Outlet	\$11,095
Function Room Upgrade	\$27,500
Fire Escape Cladding	\$160,000
Front Truss & Motors	\$39,000
TOTAL	\$237,595

- 5.28 Live Nation intend to spend \$3.8m on capital works over the next few years which will include new seating and air-conditioning systems, with the first section of seats (orchestra) planned to be replaced in December 2023 / January 2024.

Council Capital Works Program

- 5.29 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”.



5.30 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

5.31 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

- 5.32 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.
- 5.33 The assessment found concrete delamination and spalled concrete in the mezzanine slabs, supporting beams and columns.
- 5.34 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.
- 5.35 In October 2020 a project was approved for investigation, design and construction to rectify the spalling with a total budget of \$918,000.
- 5.36 It is anticipated that detailed designs will be completed by the end of 2023 with planning and permit approvals anticipated to take up to nine months. Construction is planned to commence in May 2025 but this may be earlier if approvals are obtained earlier.



- 5.37 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.

Underground Tunnels

- 5.38 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.
- 5.39 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.
- 5.40 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.
- 5.41 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.
- 5.42 The report also recommended long term rectification works need to occur and proposed several options.
- 5.43 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.
- 5.44 Detailed designs have now been received by Council and it is planned that work will commence at the end of January 2024 with a view to it being completed by the end of October 2024.

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 engages 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 \$2,808,677 of funding through the BISF fund.
- 8.4 Although the BISF had been significantly impacted in previous years 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 In addition to the development of the new Environmental Policy mentioned above, Live Nation has undertaken a review of its waste management supplier ensuring the chosen supplier has a transparent waste process end to end and undertaking a feasibility study on the potential use of a reusable cup system within the venue.
- 9.3 During 2022, Live Nation undertook 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. That study, which looked at installation of solar panels on the roof to generate enough power to meet base (non-show mode) power needs of the venue.
- 9.4 Due to the positioning of the venue, the solar panels would need to be angled and slightly elevated to perform at any reasonable level and the panels would then impact on the external appearance of the venue.
- 9.5 Preliminary discussions with Heritage Victoria regarding the project indicated that the view of the panels would significantly impact on the exterior aesthetics of the venue to such an extent that it would be highly unlikely that a heritage permit would be issued.
- 9.6 The Palais Theatre is working to identify alternative “Environmental Enhancement Initiatives” that it can invest the \$500,000 that was allocated to the solar panel project that will deliver a meaningful outcome.
- 9.7 Once the Palais Theatre has completed its investigations on alternative initiatives, it will work with Council to review preferred options before lodging a formal request to change BISF obligations from solar panels to the agreed new environmental enhancements.

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”.

MEETING OF THE PORT PHILLIP CITY COUNCIL

18 OCTOBER 2023



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 2024.

12.2 COMMUNICATION

12.2.1 The next report will be presented at an Ordinary Council Meeting during Sep/Oct 2024.

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 2022-23 [↓](#)