



13.5 PRESENTATION OF ANNUAL REPORT - PALAIS THEATRE
YEAR 4

EXECUTIVE MEMBER: KYLIE BENNETTS, GENERAL MANAGER, CITY GROWTH AND
ORGANISATIONAL CAPABILITY

PREPARED BY: ROD PRINGLE, 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 2021.

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 2021.
- 2.6 The COVID-19 pandemic has had a significant impact on the Palais Theatre. This impact was evident in the Annual Report for Year 3 (ending 30 March 2020) and has escalated for Year 4.
- 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. Council has committed to provide support to Live Nation to the end December 2021.

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 2021.

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 42% reduction in general repair and maintenance costs for the theatre over the last 12 months.



- 4.3 The most significant items of repair and maintenance over the period relate to the fire and safety system and some additional costs related to COVID safe equipment, signage, sanitising and cleaning for the re-opening of the venue in January 2020.
- 4.4 Otherwise items were generally spread across all usual items including statutory compliance work and general maintenance.
- 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.

Booking Schedule

2020 Event Schedule

- 4.6 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.
- 4.7 For the first time since the commencement of the lease performances and attendance have dropped. This is clearly as a result of the pandemic as most shows were either rescheduled or cancelled from mid-March 2020 onwards.

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

- 4.8 The tenant has advised that up until the pandemic the Palais Theatre was trending towards having a strong year with a continuing trend for increased performances, unique events and attendees.
- 4.9 The 2020 event schedule can be reviewed on page 2 of the Annual Report.

2021 and 2022 Event Schedules

- 4.10 Live Nation had budgeted to undertake 79 ticketed performances in 2021, exclusive of the 8 community dates.
- 4.11 As at 25 June 2021, there are 116 performances contracted.
- 4.12 In addition, there are 47 ticketed performances already booked for 2022 including many shows that have been rescheduled for international artists that are not currently able to enter the country.
- 4.13 If there are no capacity restrictions and international travel is allowed the tenant anticipates that 2022 will be a very busy year for the Palais Theatre.
- 4.14 The booking schedule for 2021 can be viewed on pages 8 to 10 of the Annual Report.



Community Benefit

Community Reservations

- 4.15 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.
- 4.16 These events are to be nominated by the Landlord at least 12 months in advance.
- 4.17 In 2020, 2 projects applied for the City of Port Phillip Palais Theatre Community Reservations grant:
- Heart of St Kilda bump in – Sacred Heart Mission; and
 - Heart of St Kilda Livestream – Sacred Heart Mission
- This organisation secured the venue for a rental cost of \$1, plus costs and GST.
- 4.18 In 2020/21 City of Port Phillip Palais Theatre Community Reservations Grant was put on hold. Sacred Heart Mission and St Kilda Film Festival have ongoing grants. Due to the pandemic Sacred Heart Mission's Dine with Heart and St Kilda Film Festival were not able to go ahead. Sacred Heart Mission's Heart of St Kilda Concert is intending (at this stage) to proceed in Q4 2021.
- 4.19 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 2020.
- 4.20 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.
- 4.21 Other noteworthy community reservations included:
- Live Nation, our "Green Nation" team gathered at the venue prior to undertaking a beach clean-up project; and
 - Free community venue access was provided to several not-for-profit photography and filming projects, stage access was provided for dancers and venue tours, including the "Show Me the Light Paranormal" project.

Palais Theatre Community Fund

- 4.22 The Palais Theatre Community Fund (PTCF) was established in late 2017.
- 4.23 Once Round 5 (April 2020) was complete, the PTCF was placed into hibernation until the Theatre was able to re-open.
- 4.24 To date the PTCF has raised \$239,567.85 solely from Live Nation contributing \$0.50 for every ticket sold at the venue. The program has now stemmed 5 rounds of grants, with the sixth round planned for August 2021.
- 4.25 The fifth round of the grant program ran in April 2020, with the PTCF expanding its promotional reach to include both not-for-profits and charities. It also modified the application process which helped to increase the variety of applications, especially by some who were not able to apply previously. The following applicants were successful with funds totalling \$32,260:



- Finucane & Smith (Auspicious Arts Projects Inc – A live and online immersive auditorium celebrating Luna Park);
 - Uniting (Vic and Tas) Ltd – Covering for outside area at the Engagement Hub;
 - Space2b Social Design – COVID19 project: Space 2b in your Home;
 - Australian National Memorial Theatre – Upgrade to Infrastructure to allow both classes and performances to be delivered online;
 - Theatrical Incorporated – Funding for a Theatrical Workshop;
 - Elwood Toy Library – New scooters and Ezyrollers at the toy library; and
 - Rawcus Theatre Company Inc – Funding a Portal Pop Up Project.
- 4.26 In September 2020 it was decided to place round six of the grant program on hold until the venue was able to operate again.
- 4.27 The term for all members of the Palais Theatre Community Fund Committee (PTCFC) was extended for another year to end 2021 due to the fund being placed into hibernation during COVID-19. In late 2021 half of the PTCFC members positions will be made available for nominations, with two positions remaining for consistency until late 2022.
- 4.28 As at end of April 2021 there is \$8,966.54 in the Community Fund Bank Account.
- 4.29 As anticipated in the Year 3 annual Report the impact of COVID-19 has reduced the amount available in future rounds. Officers will monitor this and work with the tenant during recovery to ensure that this fund continues to be considered.

Grants and Support

- 4.30 During 2020 Live Nation sought any available funding for business support and grants with successful outcomes as follows:
- Business Support Fund - \$10,000 Generic operating costs; and
 - Business Support Fund - \$15,000 Generic operating costs.
- 4.31 JobKeeper was received for the business due to the decline in turnover and supported all full-time staff along with 26 casuals.
- 4.32 During 2020 Live Nation was successful in applying for two grants:
- Live Music Australia Funding via the Department of Infrastructure, Transport, Regional Development and Communications (\$28,340) – this enabled Live Nation to purchase and install a new intimate mode temporary curtain system for the stalls seating area; and
 - Energy Efficient Communities Program via the Department of Industry, Science, Energy and Resources (\$19,120) – this enabled Live Nation to purchase and install an energy monitoring system which enables a clearer understanding of energy use throughout the venue.



Corporate Social Responsibility and Sustainability

- 4.33 Live Nation's partnership with Get Skilled Access continued during 2020. Co-founded by Dylan Alcott OAM, this partnership seeks to improve accessibility and set new standards in the live event industry. It has already provided accessibility training to 150 Live Nation employees across Australia and New Zealand.
- 4.34 The Palais Theatre continues to review and revise the way it communicates and helps those with accessibility needs.
- 4.35 As part of the commitment to its sustainability goal the Palais Theatre has initiated a strategy to introduce compostable cups and eliminate single use plastics by 2022.
- 4.36 Over the last 18 months the Palais Theatre has worked with BioPak, who are a green cup solution, to develop a waste management system that has enabled the venue to adopt compost designed cups made of plant materials. Over 20,000 of these cups have been used through the venue since they were introduced in 2020. Compost disposable bins will be introduced as the next stage of the program.

Annual Forecast (Management of Assets and Facilities)

- 4.37 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.
- 4.38 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 of \$1,004,380.
- 4.39 For the 2020/21 period the indexed BISF obligation was \$531,619. Due to the amount of BISF spend brought forward during 2017/18 Live Nation has no contractual obligation to undertake further BISF works until 2021/22.
- 4.40 During 2020/21 one item of capital expenditure counted towards the BISF, being the Energy Efficient Communities Program grant of \$19,120 for the purchase and installation of an energy monitoring system referred to above.
- 4.41 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 when the venue has re-opened and built up sufficient cash reserves to complete the projects.

Council Capital Works Program

- 4.42 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".
- 4.43 The schedule of works noted below is extracted from the Council report of 1 November 2017 where it was resolved to proceed with the works as costed.

MEETING OF THE PORT PHILLIP CITY COUNCIL

18 AUGUST 2021



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	

- 4.44 Renewal and upgrade of the toilets commenced in August 2020 with an original expected completion date of December 2020.
- 4.45 Works were originally programmed to be staged to avoid show disruption however the subsequent closing of the Palais Theatre due to government restrictions originally allowed the works to be undertaken concurrently to expedite the schedule in its early stages.
- 4.46 The schedule ultimately deviated significantly throughout construction due to the changing COVID-19 restrictions. At one stage of construction during the strictest restrictions only 5 construction personnel were allowed on site which elongated the schedule.
- 4.47 As the restrictions began easing, the construction methodology required revision to support the Palais Theatre to re-open, albeit to smaller visitor numbers. This included providing temporary fixtures and fittings to ensure amenities were available for use during shows, as well as after-hours work, additional cleaning etc. further impacting the schedule and budget.
- 4.48 Additional scope items were also added to address the COVID-19 situation including installation of touchless fixtures and fittings requiring additional budget.
- 4.49 Construction was completed in early June 2021, with some minor defects and compliance issues currently being addressed.
- 4.50 The total budget spend to date on the project is \$841,000 (incl. GST) with some additional spend expected to be incurred to address the remaining small works. The increased spend over the budgeted \$760,000 relates to some additional scope items and regular rescheduling of works required to comply with the changing restrictions during the pandemic.



Additional Capital Works

Concrete Spalling

- 4.51 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.
- 4.52 The assessment found concrete delamination and spalled concrete in the mezzanine slabs, supporting beams and columns.
- 4.53 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.
- 4.54 In October 2020 a project was approved for investigation, design and construction to rectify the spalling with a total budget of \$918,000.
- 4.55 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.
- 4.56 Design works are underway and expected to be completed by the end of July with construction to commence in late 2021.
- 4.57 Works will be scheduled and monitored to minimise disruption to the Palais Operations where possible.

Underground Tunnels

- 4.58 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.
- 4.59 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.
- 4.60 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.
- 4.61 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.
- 4.62 The report also recommended long term rectification works need to occur and proposed several options.
- 4.63 Regular inspections have been undertaken since the revised propping was installed.
- 4.64 In November 2019, flooding of the tunnels identified through routine inspections identified the need to bring forward the tunnel rectification work as the propping was completed using different grades of timber plywood, and since the time of installation, water ingress from cracks in the concrete slabs of the tunnels has begun to damage the timber plywood.



- 4.65 Palais staff have been informed of the damage and to mitigate any risk the tunnels have been restricted from entry and vehicles have been prohibited from the immediate vicinity of the tunnels at ground level to minimise weight loading.
- 4.66 A budget bid of \$1.62m has been approved as part of the 2021/22 Council plan to include design and construction works to rectify the tunnels over 2 years.
- 4.67 Investigation into options and concept designs are anticipated to commence in Q2 2021/22.

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 engage 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 regarding 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 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 To date Live Nation has invested \$2,533,180 of funding through the BISF fund.
- 7.4 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.

8. ENVIRONMENTAL IMPACT

- 8.1 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 2022.
- 8.2 The Palais Theatre is working with the City of Port Phillip to ensure that their sustainability standards are constantly improving.

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 align with:

10.1.1 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”.

10.1.2 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”.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

11.1.1 Live Nation will be required to submit their next report in May/June 2022.

11.2 COMMUNICATION

11.2.1 The next report will be presented at an Ordinary Council Meeting during July/ Aug 2022.

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 material or general interest in the matter.

ATTACHMENTS 1. Palais Theatre Annual Report - Year 4  