



14.1 PALAIS THEATRE - PRESENTATION OF ANNUAL REPORT

EXECUTIVE MEMBER: CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES

PREPARED BY: MATTHEW LANGHORN, SENIOR PROPERTY ADVISOR

1. PURPOSE

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

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 2018 and Live Nation have been forthcoming with additional information when requested.
- 2.6 There was a delay in bringing the report to Council whilst officers worked with Live Nation to confirm various details including the forward works undertaken from the Building Improvement Sinking Fund and additional discretionary works undertaken by Live Nation.
- 2.7 CoPP and Live Nation have worked collaboratively around the format and content of the report. The process for reporting is now set up and the next report will be brought to Council in a timely fashion.
- 2.8 It is to be noted that additional upgrade works are scheduled for Palais Theatre in FY 18/19 and FY18/20 utilising the savings from Phase 1 works as per report and subsequent resolution from Council dated 1 November 2017.

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 in the first year of the lease (period ending 31 March 2018).



4. KEY POINTS/ISSUES

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

Repairs & Maintenance Works

- 4.3 There were no “Major Repairs and Maintenance items undertaken in 2017, due to the Venue being a construction site until late 2017. The couple of meaningful repair and maintenance items that occurred between May 2017 and October 2017 were managed by the construction team as part of the refurbishment works.
- 4.4 All new works and equipment came with a 12 month warranty period, reducing repairs and maintenance spend.
- 4.5 A broad summary of the minor repairs and maintenance undertaken between May 2017 and April 2018 can be found on page 1, section A of the report.

Booking Schedule

4.6 2017 Event Schedule

The event schedule has been presented by calendar year as all of Live Nation reporting, tracking and statistical analysis is undertaken on a per quarter basis over a calendar year.

The following matters should be taken in to consideration when reviewing 2017.

- Live Nation phase 2 refurbishment works occurred between 14 March and end of 2017.
- The Venue reopened on Thursday 18 May 2017 with the first event being St Kilda Film Festival.
- The Venue opened 6 weeks earlier than originally planned, so the St Kilda Film Festival and Dine with a Heart function could be held within St Kilda.
- Due to opening earlier than planned, there was very little activity in the Venue for the first couple of months after opening.
- 45 performances/functions were conducted between 18 May 2017 and 31 December 2017.
- In addition to the number of performances and functions contracted, there was another 10 days contracted for bump in, bump out and rehearsal days.
- Average attendances were just over 1800 people per event.
- Refurbishment works were undertaken between events from 18 May 2017 onwards.

The event calendar can be reviewed on page 2 & 3, Section B of the report.



Community Benefit

4.7 Community Reservation Periods

During 2017 there were 4 Community events/functions conducted at the Venue and these were:

- St Kilda Film Festival
- Dine with a Heart
- Jazz Festival Launch
- Heart Of St Kilda Concert

All above organisations secured the Venue for a rental cost of \$1, plus costs, plus GST.

- In addition to the above, Live Nation introduced a special discounted rental rate for schools of \$6,750 plus costs, plus GST, compared to the standard rental of; “the greater of \$12,500 or 11.5% of net ticket sales up to a cap of \$25,000”. 3 school events were conducted in 2017.

4.8 (ii) Palais Theatre Community Fund

- The Palais Theatre Community Fund Committee (PTCFC) was established in late 2017.
- The PTCFC first formal committee meeting was conducted in early 2018 and they have been meeting regularly since the committee inception.
- The Community Fund Committee is made up 6 representatives, 4 local residents and 2 Live Nation appointed representatives.
- As of the end of April 2018, there is \$63,273.09 in the Community Fund Bank Account
- The first round grant process was undertaken concluding in June 2018 with the outcomes to be announced very shortly
- From my (Mark Graham – General Manager) prospective the Community Fund Committee has been functioning very well and all the current members are making a meaningful contribution.
- The second round grant program is scheduled to kick off in October 2018. A decision on an exact date will occur at the conclusion of the round 1 process.
- The CoPP management team are supplied with a copy of the minutes from each meeting.

A reconciliation of the community fund financials can be reviewed on page 4, section C of the report.

4.9 (iii) Community Fund Advisory Committee

- The Advisory Committee was established in late 2017.



- The Advisory Committee first formal committee meeting was conducted in early 2018 and they have been meeting regularly since the committee inception.
- The Advisory Committee is made up 4 representatives, 2 local residents and 2 Live Nation appointed representatives.
- The Advisory Committee has been more challenging to establish, while the members are focused, keen and talented, the Advisory Committees Terms of Reference does not have enough depth within it to keep the Committee fully engaged.
- To keep the Advisory Committee fully engaged, they have been providing meaningful support to the PTCFC in a range of areas related to the grants program.
- Mark Graham – General Manager believes it would be beneficial if the PTCFC and Advisory Committees were merged in to one. A combined Committee could be made up of 8 members (6 community members and 2 Live Nation members).

The note from Mark Graham is to be considered by officers to determine what will present the best outcome.

Annual Forecast (Management & Events of Facilities)

- 4.10 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.
- 4.11 A sum of \$2,040,000 has been invested by Live Nation as advance contributions toward the fund completing both scheduled works and advancing some desirable works.
- 4.12 Live Nation have not yet provided a schedule for works to be undertaken in the 2018/2019 year, having been without a General Manager since May. The new General Manager will be commencing in September 2018 at which time a work plan will be co-ordinated.

Page 5 of the Annual Report tabulates the items completed, and the items anticipated for completion until 2023.

2018 Event Schedule

- 4.13 Live Nation has budgeted to undertake 108 performances/functions in 2018 inclusive of the 8 community dates.
- As of the 16 May, 97 performances/functions are contracted.
 - Based on 97 performances contracted to date, between 110 and 120 performances are expected in 2018.
 - In addition to the performances and functions contracted, 57 days are contracted for bump in, bump out and Rehearsal days.



- Average attendances to date for 2018 are just over 2200 people per performance (up 400 per performance on 2017). Suggested to be due to having a much higher quality of events booked in during 2018.
- Currently 52% events are Rock 'N' Roll shows and 48% are other (e.g. Comedy, family, theatre).

The booking schedule can be viewed on pages 6,7,8 of the Report.

4.14 Demographic data for period 1 Jan 2018 – 30 April 2018 (ticket purchasers)

CoPP residents	8%
Other Vic	81%
Other Australian	8%
International	3%

Community Benefit & Associated activities

4.15 Under the Palais Theatre lease agreement, Live Nation are to provide up to 8 days a year for Community use at a rental rate of \$1 per day, plus costs, plus GST.

- In early 2018, the CoPP publicly advertised 8 dates the Palais Theatre was available to not for profit, charity and community groups.
- CoPP created a Community Date Reservation Committee which incorporated CoPP staff and a Live Nation representative to consider the proposals and make recommendations to which organisation/groups should be granted a Community date.

For 2018, the following organisations/groups have been offered a date:

- St Kilda Art Crawl - Confirmed
- Port Melbourne Primary School - Confirmed
- Dine with a Heart - Confirmed
- St Kilda Film Festival - Confirmed
- Heart of St Kilda Concert - Confirmed
- Multicultural Arts Victoria - Maybe
- Launch Housing - No Reply
- Galilee Regional Catholic Primary School - No Reply
- Middle Park Primary School – Withdrew

Capital Works Program

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

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"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".

4.17 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 (note: some of these items are now complete).

Item	\$ (ex-GST)
1. Hydraulics – renew badly degraded incoming water main	38,500
2. Toilets – renewal & upgrade, ground and mezzanine levels	760,000
3. Ceiling leak – mezzanine ceiling, adjacent proposed bar	10,680
4. Stormwater drainage – network and stormwater harvesting connections	133,000
5. Northern pavement upgrade, including DDA compliance	70,700
6. Southern pavement upgrade, worn during works	32,000
7. Façade balconettes	157,000
8. Bedford Lights – create replicas and install:	150,000
9. Contingency – within and out-of-scope (10% each)	111,976
TOTAL	1,463,856
Cost to CoPP (36.84%)	539,286
Cost to DELWP (63.16%)	924,570

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 are 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 to ensure a fully functioning and compliant facility reverts to Council at the end of the tenure.
- 7.3 Live Nation have invested \$2,040,000 of funding through the BISF fund being advancement of approximately 4 years.
- 7.4 A further spend of \$1,850,000 is forecasted to be spent by Live Nation through the BISF fund for improvements through to end 2023 (to be scheduled).

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.

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 Direction 5 – We thrive by harnessing creativity
- 10.2 Direction 6 – Our commitment to you

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Live Nation will be required to submit their next report in May 2019.

11.2 COMMUNICATION

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11.2.1 The 30 year lease provides for mutually beneficial outcomes for the Lessee, for Council and ultimately the wider metropolitan Melbourne community

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 - 2018