



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: April 28, 2005
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TO: Vancouver City Council
FROM: Director of Civic Theatres
SUBJECT: Theatre Rental Rates for September 1, 2005 to August 31, 2006

RECOMMENDATION

THAT Council approve the Schedule of Rental Rates for Civic theatres, as contained in Appendix "A", effective September 1, 2005.

GENERAL MANAGER'S COMMENTS

The General Manager recommends approval.

COUNCIL POLICY

Council annually approves the Schedule of Rental Rates for the three civic theatres.

PURPOSE

This report seeks approval of the proposed Schedule of Rental Rates contained in Appendix "A", for uses of the Orpheum, Queen Elizabeth Theatre and Vancouver Playhouse, during the period September 1, 2005 to August 31, 2006.

BACKGROUND

Rental rates are reviewed each year during the preparation of the annual operating budget and any adjustments are made effective September 1st of each year in alignment with the traditional performing arts season. The rental rates are reviewed periodically in relation to those of comparable facilities to ensure that Vancouver's rates are appropriately placed in relation to the local, national and international markets. Results of the survey of rates are shown in Appendix "B".

Recent rental rate increases proposed are shown below:

RENTAL RATES 1999-2000 TO 2005-2006

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	<i>Proposed</i> 2005-2006
QET/ORPHEUM							
Evening	\$7600	\$7900	\$8300	\$8700	\$8700	\$9050	\$9700
Afternoon	\$5700	\$5925	\$6225	\$6525	\$6525	\$6800	\$7275
Tech	\$3800	\$3950	\$4150	\$4350	\$4350	\$4525	\$4850
% increase (Eve. Rate)		3.9%	5.1%	4.8%	0.0%	4.0%	7.2%

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
PLAYHOUSE							
Evening	\$2050	\$2130	\$2220	\$2300	\$2300	\$2390	\$2560
Afternoon	\$1540	\$1600	\$1665	\$1725	\$1725	\$1795	\$1920
Tech	\$1025	\$1065	\$1110	\$1150	\$1150	\$1195	\$1280
% increase (Eve. Rate)		3.9%	4.2%	3.6%	0.0%	3.9%	7.1%

The 2003-2006 CUPE 15 Collective Agreement will have a cumulative cost impact on Civic Theatre's operating costs for the 2005-2006 season equal to 11% of which only 4% was covered in last rental rate increase.

DISCUSSION

The VCT Prime Performers

The most stable presenters in our market are the Prime Performers, the group of eight resident companies: Playhouse Theatre Company, Vancouver Opera, Vancouver Symphony, Ballet BC, Vancouver Recital Society, Friends of Chamber Music, Vancouver Bach Choir and Vancouver Chamber Choir. The high quality of their productions and their stability is due in part to long-standing funding from the City, Provincial and Federal agencies as well as very energetic private and corporate sponsorship campaigns, in addition to the support of their subscriber bases of loyal patrons. Their relative stability cannot be taken for granted, however, as they are vulnerable to fluctuations in funding support due to changes in government policies and programs, and to market forces.

In other jurisdictions, rental support for local non-profit companies is often provided in the form of discounts from the commercial rental rates.

The Commercial Live Entertainment Market

While the Performing Arts seasons remain relatively stable from year to year, the commercial sector fluctuates unpredictably. While we managed to secure *Mamma Mia!* for 48 performances in the summer of 2003, no such shows were available for summer 2004 or 2005. Efforts were made to secure the Toronto productions of *Lion King*, *The Producers*, and a return of *Mamma Mia!* following its closing in Toronto in May 2005, without success.

In 2004 pop/rock/stand-up comedy started the year strongly and there was reason to be optimistic about another record year comparable to the 54 concerts we had in 2002. Among other indicators, the stronger Canadian dollar made US touring shows more profitable here relative to past years. The year tracked as predicted with 30 concerts to the end of August and another 25 predicted for the remainder of the year. But from September on there were only 8 concerts, ending the year short by 17. Possible reasons included a reaction to over-supply and poor overall ticket sales in the US in the summer and that many bands stayed in the US to campaign in their election. As these kinds of shows have the potential to pay higher rent and generate the highest concessions sales, the impact on estimated revenues for the year was significant.

Theatre Rental Market - Comparisons

Each year we consult the trade publications to survey the rental rates of theatres on the US West Coast, locally and across Canada. The results are contained in Appendix "B". The rates for Regina, Saskatoon and Winnipeg are omitted as they are maintained below market through provincial subsidies. Rental rates in the Appendix are reduced to a dollar-figure per seat available for the sake of comparison.

For commercial rentals, the vast majority of theatres in North America use a flexible rental structure, similar to ours, based on a minimum rent versus a percentage of the box office (between 8% and 11% in the theatres surveyed). There is generally, but not always, a maximum, or cap, though many do not publish the figure. These theatres also generally add on the labour costs for audience services and stage technical staff and some even charge extra for the use of theatre equipment. As a consequence, the rental rates and costs form a package that many theatres consider negotiable. Civic Theatres does not negotiate rental rates and includes most of the costs.

Proposed Increase

Rental rate increases are motivated by such things as negotiated labour settlements, general inflation and the need to meet the objectives of the City's operating budget. In this instance, the prime motivation is the recent City labour agreement.

For the 2003 - 2004 season, the rate of general inflation was very low, and the City was still in the process of negotiating a new collective agreement with CUPE 15, so there was no rental rate increase. For the 2004 - 2005 season an increase of 4% was approved in order to balance against 2 year's of general inflation and an anticipated labour settlement. Upon

settlement of the collective agreement in 2004, a retroactive wage settlement was awarded, with a 2.5% increase for 2003, 2.5% increase for 2004, 2.5% increase for 2005 and a further estimated 3.0% increase in April 2006. The cumulative impact on operating costs over the life of the new collective agreement will be equal to an increase of 11.0% of which only 4.0% was covered by last year's rental rate increase. Consequently, Civic Theatres proposes that this year's increase be equal to 7% in order to catch up to the cost of operations.

Appendix "A" shows the results of a 7% increase compared to 2004-2005 rental rates.

Theatre Rental Grants

Local non-profit performing arts organizations may receive support from the City in the form of Theatre Rental Grants. Grants are awarded to established non-profit performing arts presenters: in 2004-2005 they were Vancouver Symphony Orchestra, Vancouver Opera Association, Playhouse Theatre Company, Ballet BC, Vancouver Bach Choir, Vancouver Chamber Choir, Vancouver Recital society, Friends of Chamber Music, Dancing on the Edge Festival, Holy Body Tattoo, Music in the Morning, Festival Vancouver, Vancouver Youth Symphony, Vancouver Academy of Music, Coastal Jazz and Blues and Vancouver New Music.

In the past, the Vancouver Foundation's Baxter Fund Grants, administered by the Office of Cultural Affairs, were awarded to performing arts organizations which had previously not accessed the Civic Theatres. Licensees who have benefited in the recent past include: United Scottish Cultural Society, Goh Ballet, Arts Umbrella, Lion's Gate Chorus, Vancouver Folk Music Festival, Flamenco Rosario, Vancouver Chinese Choir, Mandala Arts and Culture Society etc. The Baxter Fund has depleted its capital and the absence of this important source of funding will be addressed in a separate report to Council.

Grant recipients are generally insulated from the effects of increases in rental rates for those uses covered by grants. It must be noted however that not all of the Licensees' uses are covered by grants, so there can be some financial impacts from rental rate increases. Ballet BC for example, receives grants for its own productions at the QET but does not receive support for its partner visiting companies in the Dance Alive! series, such as the Royal Winnipeg Ballet, National Ballet of Canada, etc. In these cases, rental rate increases directly affect the visiting companies and can be seen to create a hardship. There are also other regular, non-profit users, such as Coastal Jazz and Blues, Friends of Chamber Music and Vancouver Cantata Singers who do not receive grants for all of their theatre uses.

Graduations

High school graduations have been provided with a special rental rate for many years. The rate encourages uses of the theatres at a time when regular bookings are usually low, and it facilitates access when school venues are often inadequate for one reason or another. This special rate still pays for the incremental costs of operation and makes a contribution to overhead.

This year there will be 21 graduations.

FINANCIAL IMPLICATIONS

The rental rate increase impacts revenues for the last four months of the 2005 fiscal year and the first 8 months of the 2006 fiscal year.

The proposed increases are:

QET/Orpheum: \$650 to \$9,700 for an evening performance.

Playhouse: \$270 to \$2,560 for an evening performance.

Commercial rate:

From: Minimum \$6,000 vs. 10.5% of ticket sales to a maximum of \$11,500

To: Minimum \$6,400 vs. 11.5% of ticket sales to a maximum of \$12,300

The approved Theatre Rental Grant Budget for 2005 is \$1,892,000 out of which \$100,000 is allocated to the VSO office rent. To date, \$903,910 has been allocated for spring 2005 uses, leaving an unallocated balance of \$888,090 to cover the \$748,275 requested fall 2005 uses which are the subject of a separate Council report. The impact of the proposed rental grant increases will reduce the remaining unallocated funds of \$139,815 by \$51,695 to leave an unspent balance of \$88,120.

Staff note that this is an unusual year for some of the Prime Performers with fewer than normal uses. Because of this, we are able to accommodate this significant rental rate increase within the Theatre Rental Grant budget. However, seasonal adjustments in scheduling may require additional funds in 2006. Staff will review and report back in the context of the 2006 Operating Budget.

COMMUNICATIONS PLAN

A letter advising of this proposed increase was sent to Licensees in May advising them of the proposed increase and inviting them to a consultation meeting to discuss any concerns they may have. The consultation meeting was held June 8. Eight organizations were represented; 6 non-profit and 2 commercial. The consensus of the non-profit participants was that the rental increase seemed warranted and would be manageable as long as the Theatre Rental Grants kept pace. The increase may be more of a challenge for the commercial users but the representatives present did not voice opposition to it.

CONCLUSION

This report proposes an increase in Theatre Rental Rates of 7.0% over the 2004-2005 Rental Rates, effective September 1, 2005 to August 31, 2006.

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VANCOUVER CIVIC THEATRES

SUMMARY OF RENTAL RATES

Appendix "A"

PROPOSED SCHEDULE OF RENTAL RATES for SEPT. 1, 2005 to AUGUST 31, 2006

7%

* Bold is proposed; light is 2004-2005.

QUEEN ELIZABETH THEATRE & ORPHEUM	EVENINGS	AFTERNOONS	MORNINGS
1 performance	\$9,700 \$9,050	\$7,275 \$6,800	\$4,850 \$4,525
2 performances in the same time period	\$14,550 \$13,600	\$10,900 \$10,200	\$7,275 \$6,800
Meetings & Conferences	\$4,200	\$4,200	\$4,200
Daily Maximum: \$9700. Staff extra.	\$3,650	\$3,650	\$3,650
Secondary School Graduations	\$6,350	\$6,350	\$6,350
VSO School Concerts (11:00 am & 1:00 pm)	\$5,950	\$5,950	\$5,950
			\$7,275 \$6,800
Commercial rent	\$6,400 vs. 11.5% to a max. of \$12,300 \$6,000 vs. 10.5% to a max. of \$11,500		
RENTAL DEPOSIT (non-refundable)	\$2,425.00	Per performance or set-up day.	
TECHNICAL DAY/FILM SHOOT	\$2,260.00	Per day (8:00 am to midnight)	
ADDITIONAL STAGE/LOBBY USE	\$4,850 \$4,525	Per Hour	
DISPLAYS	\$385 \$360	Per Hour	
	First display free subject to conditions.		
SPONSOR	\$55	Per display area, Per performance.	
NON-SPONSOR/SALES	\$110	Per display area, Per performance.	

VANCOUVER PLAYHOUSE	EVENINGS	AFTERNOONS	MORNINGS
1 performance	\$2,560 \$2,390	\$1,920 \$1,795	\$1,280 \$1,195
2 performances in the same time period.	\$3,840 \$3,585	\$2,880 \$2,690	\$1,920 \$1,795
Meetings & Conferences	\$950	\$950	\$950
Daily Maximum \$2560. Staff extra.	\$780	\$780	\$780
RENTAL DEPOSIT (non-refundable)	\$640 \$600	Per performance or set-up day.	
TECHNICAL DAY/FILM SHOOT	\$1,280 \$1,195	Per day (8:00 am to midnight).	
ADDITIONAL STAGE USE	\$270	Per Hour	
ADDITIONAL LOBBY USE	\$250 \$360	Per Hour	
DISPLAYS	\$360	Per Hour	
	First display free subject to conditions.		
SPONSOR	\$55	Per display area, Per performance.	
NON-SPONSOR/SALES	\$110	Per display area, Per performance.	

ALL RATES ARE SUBJECT TO GST.

27-Jun-05

THEATRE	CITY	SEATING CAP.	BASE RENT		ADDED RENT	TOTAL RENT \$50/80%	RENT per SEAT
2005-2006 proposed	Vancouver Civic Th.		proposed		proposed		
QET	FLAT RATE	2,929	\$9,700			\$9,700	\$3.31
ORPHEUM	FLAT RATE	2,780	\$9,700			\$9,700	\$3.49
QET	COMMERCIAL RATE	2,929	\$6,400	vs	11.5% cap.12,300	\$12,300	\$4.20
ORPHEUM	COMMERCIAL RATE	2,780	\$6,400	vs	11.5% cap.12,300	\$12,300	\$4.42
2004-2005 Actuals-							
HULT CTR.	EUGENE, OR	2,500	\$3,750	plus	8% gross over \$40,000	\$8,550	\$3.42
SCHNITZER HALL	PORTLAND, OR	2,776	\$3,300	vs.	8%	\$8,880	\$3.20
MOORE	SEATTLE, WA	1,420	\$1,800	vs.	10%	\$5,680	\$4.00
PARAMOUNT	SEATTLE, WA	2,807	\$3,500	vs.	10%	\$12,011	\$4.28
McCAW HALL	SEATTLE, WA	2,960	\$3,700	vs.	9%	\$10,656	\$3.60
ROYAL	VICTORIA	1,434	\$1,575	vs.	10%	\$5,735	\$4.00
CHAN CENTRE	U.B.C.	1,185	\$4,345			\$4,345	\$3.67
JACK SINGER HALL	CALGARY, AB	1,800	\$1,750	vs.	10%	\$7,200	\$4.00
JUBILEE AUDITORIUM	CALGARY, AB	2,535	\$4,000	vs.	10% cap\$8,000	\$8,000	\$3.16
JUBILEE AUDITORIUM	EDMONTON, AB	2,538	\$4,000	vs.	10% cap\$8,000	\$8,000	\$3.15
F. WINSPEAR CENTRE	EDMONTON, AB.	1,932	\$2,000	vs.	10%	\$7,728	\$4.00
THUNDER BAY AUD.	THUNDER BAY, ON	1,497	\$1,515	vs.	10%	\$5,998	\$4.01
J. BASSETT	TORONTO, ON	1,330	\$4,900			\$4,900	\$3.68
ROY THOMSON HALL	TORONTO, ON	2,630	\$7,000	plus	100 times top tkt. price	\$15,500	\$5.89
MASSEY HALL	TORONTO, ON	2,753	\$5,000	plus	100 times top tkt. price	\$13,500	\$4.90
HUMMINGBIRD CTR.	TORONTO, ON	3,223	\$8,350	plus	2.8%	\$11,895	\$3.69
HAMILTON PLACE	HAMILTON, ON	2,191	\$2,200	vs.	11%	\$9,640	\$4.40
CENTRE IN SQUARE	KITCHENER, ON	2,047	\$2,500	vs.	11%	\$9,007	\$4.40
SOUTHAM HALL, NAC	OTTAWA, ON	2,325	\$5,450	plus	2%	\$7,310	\$3.14
St. DENIS THEATRE	MONTREAL. PQ	2,218	\$2,250	plus	7-9% calc at 8%	\$9,346	\$4.21
AVERAGE							\$3.94
MEDIAN							\$4.51

Assumptions: Where a percentage of ticket sales applies, an average ticket price of \$50 was applied to an 80% house.
Where a "top ticket price" is a factor, \$85 was used.

DATA IS TAKEN FROM POLSTAR'S CONCERT VENUE DIRECTORY, SPRING 2005 EDITION, AND CONSTITUTES THE MOST RECENT PUBLISHED DATA AVAILABLE.