



ADMINISTRATIVE REPORT

Report Date: March 18, 2013
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Meeting Date: June 12, 2013

TO: Standing Committee on City Finance and Services

FROM: General Manager of Community Services, Managing Director of Cultural Services, and Director (Interim) of Vancouver Civic Theatres

SUBJECT: Rental Rate and Ticket Surcharge Increase - Civic Theatres 2013-2014

RECOMMENDATION

THAT Council approve the following user fees for Civic Theatres:

- i) Rental Rate increases as outlined in the Schedule of Rental Rates for Civic Theatres (Appendix "A"), effective September 1, 2013;
- ii) Ticket surcharge increases of \$0.50 per ticket, effective September 1, 2013.

REPORT SUMMARY

This report seeks Council approval of the proposed fee increases for Civic Theatres as outlined in the Schedule of Rental Rates contained in Appendix "A" for the uses of the Civic Theatres during the period of September 1, 2013 to August 31, 2014. This report also seeks Council approval of the proposed ticket surcharge increase of \$0.50 per ticket, effective September 1, 2013.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Council approves the Schedule of Rental Rates for Civic Theatres on an annual basis. Council approves ticket surcharge increases as recommended by staff.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Community Services recommends approval of the foregoing recommendation.

REPORT

Background/Context

RENTAL RATES

Rental rates are reviewed each year prior to the preparation of the annual operating budget. Adjustments are made effective September 1st of each year in alignment with the traditional performing arts season. The rental rates are reviewed in relation to those of comparable facilities to ensure that Vancouver's rates are appropriately placed according to local, national and international markets. The results of the rate review are shown in Appendix "B" (Rental Rate Review).

A summary schedule of some of the key rental rates for prior years and the proposed 2013-2014 rates are shown below:

			Proposed
Queen Elizabeth Theatre/Orpheum	2011-2012	2012-2013	2013-2014
Evening	\$12,000	\$12,240	\$12,485
Afternoon	\$9,000	\$9,180	\$9,364
Technical Day/Film shoot	\$6,000	\$6,120	\$6,242
% increase		2.0%	2.0%

			Proposed
Vancouver Playhouse Theatre	2011-2012	2012-2013	2013-2014
Evening	\$3,170	\$3,230	\$3,295
Afternoon	\$2,380	\$2,430	\$2,479
Technical Day/Film shoot	\$1,585	\$1,615	\$1,647
% increase		2.0%	2.0%

			Proposed
Orpheum Annex	2011-2012	2012-2013	2013-2014
Performance	\$1,000	\$1,000	\$1,020
Meeting/Conference	\$500	\$500	\$510
Technical Day/Film Shoot/Rehearsal	\$500	\$500	\$510
% increase		0.0%	2.0%

VCT uses two types of rental rates: commercial and flat rates. Although the flat rate is used in most cases, including all granted uses of the theatres, the commercial rate is applied to pop, rock and comedy events at the Queen Elizabeth Theatre and Orpheum, and reflects a percentage of the final ticket sales for the event with a published minimum and maximum.

For the 2013-2014 Season, we are proposing a 1.0% increase to the minimum and maximum rates, and a 1.0% increase in the rate calculation:

		Proposed
Queen Elizabeth Theatre/Orpheum	2012-2013	2013-2014
Commercial Rental Rates	\$8,060 or 14% to a maximum of \$15,600	\$8,140 or 15% to a maximum of \$15,750

All booking enquiries received for the 2013-2014 season have been informed of a potential rental increase pending Council approval. A letter has been sent to all Resident Companies and current Licensees informing them of the potential rental increase. Once Council has approved the rental rate increases, a follow-up letter will be sent to all Resident Companies and current Licensees to confirm the increase.

TICKET SURCHARGE

Ticket surcharges accrue to the Civic Theatres Capital Reserve. The purpose of the Reserve is to fund equipment upgrades and improvements to the Queen Elizabeth Theatre, Vancouver Playhouse and Orpheum. Currently the Reserve has a zero balance as the surcharge collected is currently being used to repay a loan for the redevelopment of the Queen Elizabeth Theatre and acoustic separation of the Queen Elizabeth Theatre and the Vancouver Playhouse.

The last increase to the ticket surcharge was in July 2010. The current surcharge is \$2.25 for City-supported not-for-profit performing arts organizations and \$2.50 for all others, on tickets over \$20.00 in face value. Subject to Council approval of the increase recommended in this report, the surcharge will be \$2.75 for City-supported not-for-profit performing arts organizations and \$3.00 for all others, in tickets over \$20.00 in face value.

A review of ticket surcharges of comparable Canadian facilities is included in Appendix "C" (Ticket Surcharge Comparisons).

Strategic Analysis

RENTAL RATES

Rental rates are reviewed annually in relation to the specific economic factors, such as general inflation, cost and labour increases, the City's budget objectives, and in relation to the local, regional and national market (see rental rates review in Appendix "B"). We are proposing for the existing Civic Theatres rental spaces, that the 2013-14 increase be equal to 2.0% for the Queen Elizabeth Theatre, Orpheum, Orpheum Annex and Vancouver Playhouse.

The data included in the rental rates review (Appendix "B") is gathered through an annual survey of published rates at comparable facilities in order to identify a "per seat" cost for comparison. Our proposed flat rates for the Queen Elizabeth Theatre (\$4.49 per seat), Orpheum (\$4.64 per seat) and Vancouver Playhouse (\$4.93 per seat) are well within the range of the comparable published rental rates, showing an average per seat cost of \$4.67. For the Orpheum Annex, the proposed rate of \$5.28 per seat is competitive with comparable venues, falling below the average of \$5.77-6.05 per seat.

Commercial rates for the Queen Elizabeth Theatre and Orpheum reflect a greater range of cost per seat (\$2.93-\$5.66 at the Queen Elizabeth Theatre and \$3.03-\$5.86 at the Orpheum). The published minimum and maximum Commercial rates were established some years ago in response to a more volatile market for Commercial events and were intended to allow us to earn additional revenue when a show sells well, and ensure a guaranteed minimum if a show sells poorly.

TICKET SURCHARGE

The ticket surcharge is a charge applied to each ticket sold. Ticket surcharges are an effective mechanism to raise funds to support future capital improvements. Combined with other government and private sector contributions, ticket surcharges can provide the necessary support to expand, maintain and sustain the City's important cultural assets.

As noted above, the Capital Reserve for Civic Theatres currently has a zero balance. Surcharges are currently being used to repay a loan for the redevelopment of the Queen Elizabeth Theatre and acoustic separation of the Queen Elizabeth Theatre and the Vancouver Playhouse. The City has not increased the surcharge since 2010. Given this, coupled with the

outstanding loan we are currently repaying, our recommendation is to implement an increase. This increase will serve to accelerate the amortization rate of the loan repayment, thus allowing us to begin to build up the reserve.

Implications/Related Issues/Risk (if applicable)

Financial

RENTAL RATES

The proposed rental rate adjustment reflects an increase in gross revenue of approximately \$33,000 for 2013 based on current bookings from September 1 to December 31. Arts organizations who received Theatre rental grants for 2013 will be impacted by the increase as the existing Theatre Rental Grant allocation is not increasing to match the rate increase. The approved rates will be used when building the 2014 operating budget targets.

TICKET SURCHARGE

As noted, the surcharge was established to fund capital improvements at Civic Theatres through the Civic Theatres Capital Reserve. The Reserve currently has a zero balance, and surcharges collected are being used to repay the loan for major capital improvements carried out between 2006 and 2010. If we do not increase these charges on a regular basis, we will inhibit our ability to repay the loan in a timely fashion and again begin to establish a healthy reserve for future capital improvements.

CONCLUSION

This report proposes an increase in Theatre rental rates of 2.0% over the 2012-2013 Rental rates, effective September 1, 2013 to August 31, 2014, which will apply to the Queen Elizabeth Theatre, Orpheum, Vancouver Playhouse and Orpheum Annex.

This report also proposes an increase in the Ticket Surcharge of \$0.50 per ticket effective September 1, 2013, in order to move towards re-establishing a healthy reserve for future capital improvements.

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**VANCOUVER CIVIC THEATRES
SUMMARY OF RENTAL RATES**

APPENDIX "A"

Schedule of rental rates for September 1, 2013 to August 31, 2014

Queen Elizabeth Theatre & Orpheum <small>Bold are new rates; 2012-2013 rates are in italic</small>	EVENINGS	AFTERNOONS	MORNINGS
1 Performance	\$12,485 <i>\$12,240</i>	\$9,364 <i>\$9,180</i>	\$6,242 <i>\$6,120</i>
2 Performances in the same time period	\$18,727 <i>\$18,360</i>	\$14,045 <i>\$13,770</i>	\$9,364 <i>\$9,180</i>
Meetings & Conferences Daily Maximum \$12,240 (Staff extra)	\$5,518 <i>\$5,410</i>	\$5,518 <i>\$5,410</i>	\$5,518 <i>\$5,410</i>
Secondary School Graduations	\$8,220 <i>\$8,060</i>	\$8,220 <i>\$8,060</i>	\$8,220 <i>\$8,060</i>
VSO School Concerts (11am & 1pm)			\$9,364 <i>\$9,180</i>
Commercial Rent	\$8,140 vs. 15% to a maximum of \$15,750 <i>\$8,060 vs. 14% to a maximum of \$15,600</i>		
Rental Deposit (non refundable)	\$3,120 Per performance or set up day <i>\$3,060</i>		
Technical Day/Film Shoot	\$6,242 Per day (8am to midnight) <i>\$6,120</i>		
Additional Stage/Lobby Use	\$500 Per hour <i>\$490</i>		
Displays	First display free subject to conditions		
Sponsor displays	\$56 Per display area; per performance		
Non Sponsor/sales displays	\$112 Per display area; per performance		
Vancouver Playhouse <small>Bold are new rates; 2012-2013 rates are in italic</small>	EVENINGS	AFTERNOONS	MORNINGS
1 Performance	\$3,295 <i>\$3,230</i>	\$2,479 <i>\$2,430</i>	\$1,647 <i>\$1,615</i>
2 Performances in the same time period	\$4,947 <i>\$4,850</i>	\$3,713 <i>\$3,640</i>	\$2,479 <i>\$2,430</i>
Meetings & Conferences Daily Maximum \$3,230 (Staff extra)	\$1,250 <i>\$1,225</i>	\$1,250 <i>\$1,225</i>	\$1,250 <i>\$1,225</i>
Rental Deposit (non refundable)	\$830 Per performance or set up day <i>\$815</i>		
Technical Day/Film Shoot	\$1,647 Per day (8am to midnight) <i>\$1,615</i>		
Additional Stage/Lobby Use	\$320 <i>\$315</i>		
Displays	First display free subject to conditions		
Sponsor displays	\$56 Per display area; per performance		
Non Sponsor/sales displays	\$112 Per display area; per performance		
Orpheum Annex	EVENINGS	AFTERNOONS	MORNINGS
1 Performance	\$1,020 <i>\$1,000</i>	\$1,020 <i>\$1,000</i>	\$1,020 <i>\$1,000</i>
2 performances in the same time period	\$1,530 <i>\$1,500</i>	\$1,530 <i>\$1,500</i>	\$1,530 <i>\$1,500</i>
Meetings & Conferences Daily Maximum \$1,000 for meetings & conferences; staffing extra	\$510 <i>\$500</i>	\$510 <i>\$500</i>	\$510 <i>\$500</i>
Rental Deposit (non-refundable)	\$255 Per performance or set up day <i>\$250</i>		
Technical Day/Film Shoot/Rehearsals	\$510 Per day (8am to midnight) <i>\$500</i>		
	\$2,550 Per week (labour extra) <i>\$2,500</i>		
Additional Stage use	\$51 Per hour plus labour costs <i>\$50</i>		
ALL RATES ARE SUBJECT TO APPLICABLE TAXES			

RENTAL RATE REVIEW

APPENDIX "B"

QUEEN ELIZABETH THEATRE, ORPHEUM, VANCOUVER PLAYHOUSE

THEATRE	CITY	SEATING CAPACITY	BASE RENT	TOTAL RENT	RATE PER SEAT
QET	VANCOUVER	2,781	\$12,240 (proposed flat rate)	\$12,485	\$4.49
QET	VANCOUVER	2,781	\$8,140 vs. 15% to a max of \$15,750 (proposed commercial rate)	\$8,140-\$15,750	\$2.93-\$5.66
ORPHEUM	VANCOUVER	2,688	\$12,240 (proposed flat rate)	\$12,240	\$4.64
ORPHEUM	VANCOUVER	2,688	\$8,060 vs. 14% to a max of \$15,600 (proposed commercial rate)	\$8,060-\$15,600	\$3.03-\$5.86
VANCOUVER PLAYHOUSE	VANCOUVER	668	\$3,295 (proposed flat rate)	\$3,295	\$4.93
HULT CTR.	EUGENE, OR	2,450	\$4,950 plus 8% gross over \$40,000	\$9,554	\$3.90
SCHNITZER HALL	PORTLAND, OR	2,776	\$4,055 vs. 8%	\$10,623	\$3.83
MOORE	SEATTLE, WA	1,384	\$2,000 vs. 10%	\$6,090	\$4.40
PARAMOUNT	SEATTLE, WA	2,807	\$4,500 vs. 10%	\$12,351	\$4.40
McCAW HALL	SEATTLE, WA	2,960	\$3,700 vs. 9%	\$11,722	\$3.96
ROYAL	VICTORIA	1,416	\$1,940 vs. 10%	\$6,232	\$4.40
CHAN CENTRE	U.B.C.	1,185	\$5,410	\$5,410	\$4.57
JACK SINGER HALL	CALGARY, AB	1,800	\$4,000 vs. 10%	\$7,920	\$4.40
JUBILEE AUDITORIUM	CALGARY, AB	2,535	\$6,500 vs. 10% to a max of \$14,000	\$11,154	\$4.40
JUBILEE AUDITORIUM	EDMONTON, AB	2,514	\$6,500 vs. 10% to a max of \$14,000	\$11,062	\$4.40
WINSPEAR CENTRE	EDMONTON, AB.	1,932	\$3,675 vs. 10%	\$8,503	\$4.40
THUNDER BAY AUD.	THUNDER BAY	1,497	\$2,000 vs. 10%	\$6,584	\$4.00
ROY THOMSON HALL	TORONTO, ON	2,630	\$7,500 plus 100 times top ticket price	\$16,500	\$6.27
MASSEY HALL	TORONTO, ON	2,753	\$5,500 plus 100 times top ticket price	\$14,500	\$5.27
SONY CTR.	TORONTO, ON	3,191	\$10,000 plus 4.5%	\$16,311	\$5.12
HAMILTON PLACE	HAMILTON, ON	2,193	\$2,500 vs. 11%	\$10,612	\$4.84
CENTRE IN SQUARE	KITCHENER, ON	2,047	\$2,500 vs. 11%	\$9,907	\$4.84
SOUTHAM HALL, NAC	OTTAWA, ON	2,323	\$5,900 plus 2%	\$10,543	\$4.54
St. DENIS THEATRE	MONTREAL, PQ	2,218	\$2,500 plus 7-9%	\$10,310	\$4.65
AVERAGE OF COMPARABLES					\$4.56

Notes:

Where a % of ticket sales applies, an average ticket price of \$55 was applied to an 80% house

Where a "top ticket price is a factor, 90% was used

Data is taken from Pollstar's Concert Venue Directory 2013-14 Edition and constitutes the most recent published data available

RENTAL RATE REVIEW

APPENDIX "B" CONT'D

ORPHEUM ANNEX

The Orpheum Annex rental rates include staffing (2 Front of House staff for 6 hours each and 1 Stage Technician at 8 hours). The "per seat" comparison includes base commercial rental rates and comparable staffing at house rates.

PERFORMANCE RATES				
VENUE	LOCATION	SEATING CAPACITY	RENT	RATE PER SEAT
Orpheum Annex	Downtown	193	\$1,020 Staff included	\$5.28
Arts Club- Revue Stage	Granville Island	198	\$1,050 Staff included	\$5.30
Evergreen Cultural Centre	Coquitlam	220	\$920 (\$720 base rent/\$200 staff)	\$4.18
Firehall Theatre	East Vancouver	175	\$1094 (\$600 base rent/\$494 staff)	\$6.25
Performance Works	Granville Island	200	\$1,437-1,937 (\$1,000-1,500 base rent/\$437 staff)	\$7.19-9.69
Presentation House	North Vancouver	158	\$552 (\$360 base rent/\$192 staff)	\$3.49
Soctiabank Dance Centre Faris Studio	Downtown	154	\$1,237.50 (\$700 base rent/\$537.50 staff)	\$8.04
Vancouver East Cultural Centre	Commercial	275	\$1,520 (\$1,000 base rent/\$437.50 staff)	\$5.23
Shadbolt Centre for the Arts	Burnaby	285	\$1,278 (\$732 base rent/\$617.50 staff)	\$4.74
(James Cowan Theatre)	Burnaby	150	\$1,131 (\$514 base rent/\$617 staff)	\$7.54
AVERAGE OF COMPARABLES				\$5.77-6.05

TICKET SURCHARGE COMPARISONS

APPENDIX "C"

FACILITY	PER TICKET FACILITY FEE
Queen Elizabeth Theatre, Orpheum, Vancouver Playhouse	\$2.75 - 3.00 (tickets over \$20)
National Arts Centre, Ottawa, Ontario	3.00 (tickets over \$25)
Roy Thompson Hall/Massey Hall, Toronto, Ontario	3.00 (tickets over \$30)
Elgin and Winter Garden, Toronto, Ontario	3.00
Centre in the Square, Kitchener, Ontario	2.75 (tickets over \$20)
Epcor Centre, Calgary, Alberta	2.75 (tickets over \$25)
Jubilee Auditoria, Edmonton & Calgary, Alberta	2.00
Manitoba Centennial, Winnipeg, Manitoba	2.00
AVERAGE OF COMPARABLES	2.64