



February 5, 2018

Dear Debbie, Wendy, Benson, Tom, Dave, Bruce and Salim,

I'm writing to update you on Youth Theatre Northwest's progress over the past few years, and to share YTN's initial thoughts about our path forward.

Four years ago, we left our school-district-supported "home" on 40th Street, to make room for the construction of Northwood Elementary. When our YTN community said goodbye to the theatre, we were optimistic that MICA would provide us a permanent home as early as 2018. But the situation has changed since 2014. As of now, an optimistic timeline for moving into a permanent home on Mercer Island would require at least four **more** years.

We are proud of the educational enrichment we've provided to thousands of Mercer Island children in the past four years. We're also happy to report that in each of those years, we paid off a portion of the debt we incurred in order to move to our interim location, eliminating that debt entirely. However, the challenge to our organization of remaining on "standby mode" grows every year. To ensure that we can fulfill our mission for many years to come, we must urgently make some strategic changes, for reasons I will explain below.

Our interim location worked financially for the short term, but it is rapidly becoming unsustainable for both us and for our interim landlord, the Emmanuel Episcopal Church. Some background: in 2014, after learning about the impending loss of our school-district space, the Church generously stepped up in support of the community and allowed YTN to occupy temporarily a portion of the Church's buildings. YTN also put skin in the game, paying to renovate the Church's Parish Hall into a theatre. But the economics of this small theatre don't work. For a monthly rental cost of \$3200, Parish Hall allows us to seat an audience of 85 – less than a third of the 300 seats we had in the two performing spaces at 40th Street, where the rent we paid to MISD was only a bit higher, at \$3800. At the Church, we also face constraints on what hours of the week we can stage performances, thereby limiting our programs.

To compensate for the smaller space, we purposefully reduced the audience appeal of our interim-period programming. Turning people away at the door would be bad PR for a group whose survival depends on the generosity of donors in our community. Musicals are popular, for example, but they don't work in Parish Hall – there simply isn't enough stage space for the complex stage scenery, dance numbers, an orchestra of youth and our large casts of children. Unsurprisingly, our annual ticket revenue fell from \$110,000 in our old home to less than \$50,000 from Parish Hall performances. In order to do larger productions such as our very successful staging of *Beauty and the Beast* this January, we

must rent spaces like the Langston Hughes Performing Arts Institute in Seattle because it is capable of seating the 200+ audience members that our big shows routinely attract. The rental cost of such facilities is about \$11,000 per production – a cost we didn't face on 40th Street. I'm sharing these numbers to demonstrate that since 2014, even though we've found ways to serve the same number of kids – about 1,500 each year – our smaller performing arts space has been a significant financial burden.

Over the last several months, we have discussed an extension to our "interim" lease with the Emmanuel Episcopal Church. The Church, faced with financial challenges of its own, expects to receive what they believe is market value for the site and utilities, namely, \$5200 a month. Paying that rent would widen the gap between our rental costs and our potential for ticket revenue by \$24,000 a year.

We also recently learned that, due to a roofing project at the high school, we will not be able to use MISD's Performing Arts Center for our largest summer show, as we have done since 2014. So for our musical this summer, we must rent another off-island venue, adding an unbudgeted \$11,000 to our summer expenses. As with the Emmanuel Church, we are very grateful for MISD's past support of our educational mission. We remain hopeful that in the summer of 2019, we will be able to use their beautiful facility again.

A theatre company needs storage for costumes, props, and equipment. We have been using the old Boys and Girls Club site on West Mercer Way for storage at a very affordable rate, but the site's imminent property development means we must vacate that storage space this year. We will likely have no choice but to dispose of nearly all the valuable equipment that we kept there and seek minimum storage elsewhere, probably off-island. Ironically, we will then have to continuously rent or build much of this same stock per show. It's hard to imagine shrinking our operating space any smaller than we did in 2014, but we'll cinch our belt another notch and make it happen. We feel as if we are getting pushed off the Island by the lack of resources to produce quality theatre here and, sadly, our operational footprint is expanding off-island.

During the current interim period, while our ticket revenue is limited by the small number of seats in our temporary theatre space, the fraction of our income that comes from our donors' generosity has risen from roughly 30% to roughly 45%. Some of my board members see that shift with alarm. But seen from another perspective, the portion of our classes and activities' costs paid by "user fees" (i.e., tuition and ticket sales) has simply moved into the normal range. According to Mercer Island city policy, the classes, events, and sporting activities that are supported by the Parks & Recreation Department budget are typically subject to a total cost recovery policy of 50-55%, which is in line with YTN's interim-period budgets. We look at our school-district's extracurricular activities for another point of comparison, and we see that an even greater fraction of those costs comes from public dollars. For example, MISD's capital improvements to classrooms, performance spaces, and athletic facilities cost over \$10 Million annually. The major difference, of course, is that the funds to subsidize the city and school district-supported activities come from all of us taxpayers. Subsidies to support YTN's activities come from individual donors.

The city council has in past years explored ways to support YTN's activities. In 2014, the city gave us an option to explore the Recycling Center property as a site for a new home. We are deeply grateful to the Board and Staff of MICA for the subsequent herculean efforts and expenses they made to plan a community arts center there, but at the city's request, that project has now been put "on pause."

YTN, however, cannot go “on pause.” Mercer Island families depend on YTN for an important component of their children’s education. In order to continue serving these families, following our critical Gala Fundraiser on March 3 (where we’d love to see you, along with your families!) we will begin development of a plan to regionalize our programming. What does that mean? We are still wrapping our brains around that. In the big picture, it means that we will create programs with a broader and more expansive geographic scope than our past programs that have been centered on Mercer Island. For the sake of our mission, this “Plan B” must also reduce the unpredictability around space that we’ve endured these past few years on Mercer Island. By June 1, we aim to have concrete options for our physical configuration during the years ahead. This timing is critical so that we can budget appropriately for our next fiscal year, beginning July 1st.

You may be asking, “What can the City do?” We don’t know the full range of options that you have, but **we need affordable and nearby space for our classes, performances, office, and/or storage.** If there is any way that Parks & Recreation funds might be used to subsidize YTN’s educational activities as they currently subsidize other Island organizations’ activities, we would love to discuss that, as well.

Given the current lack of a sustainable base location on Mercer Island, we are considering three potential models for operations:

- **No home base theatre.** Staff works remotely or from their homes (mainly in Seattle). Current programs are spread out at satellite sites in cities across King County. Partnership opportunities will determine sites. Specific needs: classrooms and theatre space. No office.
- **Home base is established off-island;** providing long-term classrooms, theatre space and offices. Mercer Island becomes a satellite site. We would aim to make this home base geographically close to Mercer Island to alleviate transportation concerns for our loyal Island families. One advantage to creating a home base in Seattle is the opportunity for annual funding from Seattle’s Arts Commission.
- **Downsize YTN programs.** We would preserve either productions OR classes, but not both. This model would require a redrafting of YTN’s organizational mission, but it would allow us to be flexible in the location of the services we provide, without connection to a specific City. YTN’s primary partners would become school districts. Space needs: classroom OR theatre space.

To explore these options, the YTN Board has created a Satellite Site committee with representatives from multiple nearby cities, and we are working to expand committee membership to include additional interested communities. We believe that Newcastle/Renton, Tukwila/South County, and Shoreline are all promising areas with thriving families.

YTN will also create a Regional Advisory Group to connect with various civic, community and business leaders. We aim to recruit members from Sound Cities, King County Council, 4culture, Rotary, Chamber of Commerce and other broad County service organizations.

Mercer Island has been our home for nearly 35 years. We fully intend to continue providing strong educational programming within this community, at the same time as we expand our geographic reach. We pledge to work with our families to determine what programs are most important on this Island and

what compromises could be made to ensure students still have access to our services no matter where our classrooms and theatre space are.

Sharing our updated story is something we had planned to do last November, but we decided against it, as we didn't want to be viewed as influencing the elections. We hope this letter adds to your understanding of how critical things are for us.

Despite the challenges we face regarding our long term future, in the short term YTN will continue to deliver high caliber programs for the benefit of Island children. All of the shows in our current season will be produced. Our upcoming spring classes and summer camps will occur and we are excited for children to audition for our upcoming summer shows—*Disney's Lion King Jr*, *Lily's Purple Plastic Purse* and an original teen horror film. We are still perusing scripts in anticipation of announcing next year's School Year Season despite the reality that our future is uncertain and not sustainable.

In closing, YTN remains a firm advocate for MICA and we would prefer to expand our program on Mercer Island rather than reduce its scope. We implore the City to demonstrate civic leadership by collaborating with us and charting a path to preserve our service to Mercer Island.

We look forward to participating in the conversation on February 6th.

Sincerely,

A handwritten signature in blue ink that reads "Manny". The signature is written in a cursive, slightly slanted style.

Manuel R. Cawaling, Executive Director