

**FIRST UNITARIAN UNIVERSALIST SOCIETY OF SAN FRANCISCO'S POSITION ON LITIGATION
BETWEEN THE CHURCH AND MONTESSORI HOUSE OF CHILDREN
May 6, 2025**

This document provides background on the dispute between the First Unitarian Universalist Society of San Francisco, a church that was formed in San Francisco in 1850 and that is also a non-profit corporation, and its tenant, the Montessori House of Children (MHOC), a *for-profit* corporation.

Because MHOC has failed to pay rent for more than 8 months, the church initiated two legal actions against MHOC: 1) an unlawful detainer action, and 2) a lawsuit for money damages. On April 28, 2025, a San Francisco court granted the church's motion for summary judgment in the unlawful detainer action. The court ruled that the lease is terminated and MHOC owes the church at least \$190,000 in base rent. This ruling means that MHOC will need to vacate the premises in the near future, and the church will be seeking a new tenant to occupy the space.

In its almost 175 years, the Society has had an outsized impact on the City and State. During the Civil War, it was one of the largest and most influential congregations in the City. The Society counted among its members several mayors and civic leaders, which included Leland Stanford and his wife during their founding of Stanford University. Its ministers played a role in establishing the University of California. One of its first ministers, the Rev. Thomas Starr King, is credited with keeping California on the side of the Union, and inspiring Californians to donate over \$1 million for humanitarian relief to the US Sanitary Commission, the inspiration for the Red Cross.

The 1889 church building, the third in the church's history, is a state historic landmark. Its 1969 (also landmarked) UU Center is shared with dozens of important non-profit groups, including the Winter Shelter program of the San Francisco Interfaith Council, currently in its 36th year and of which the congregation was a founding host and member. Although the congregation numbered over 1000 official members when the center was developed, its present membership of just over 260 endeavors to maintain its large physical plant, to sustain an active outreach to the wider community, and to be a gathering place for larger value-centered endeavors in the City of San Francisco. Twelve-step groups, community choirs, and a political action group for elderly and disabled people are currently among the groups using the church property for their activities.

For over 40 years, MHOC has been a tenant of the church. As is the case with many churches who rent space to preschools, MHOC has had possession of the premises during the week, and the church has used the premises on the weekends for its church school program. The church has depended on rental income from MHOC for more than 15% of the church's annual budget. The prior lease with MHOC expired on June 30, 2024. MHOC asked for rent to be reduced by approximately 50%. Because the Society could not sustain such a large reduction in the rent, it instead offered MHOC a one-year lease at a reduced rate, with the expectation that the church would need to find another tenant. The new lease was negotiated at arms' length over a period of many months, with the church inviting MHOC to provide the church with rent comparisons and be represented by counsel. During lease renewal negotiations, when MHOC asked about plans to upgrade the heating system, the church said that a task force was exploring options but, due to the anticipated expense, nothing would be done in the near future. The church and MHOC signed a new lease commencing on July 1, 2024. As requested by MHOC, the new lease reduced the rent modestly and extended the prior lease for 5 years, with a 3-year option to renew. Because MHOC had been in continuous possession of the premises since at least 1980, the commercial

lease stated that MHOC accepted the premises “as is.” Prior leases had also been on an “as is” basis. This means that the Society did not make any promises to MHOC about the premises.

In July 2024, as soon as the new lease became effective, MHOC stopped paying rent. MHOC provided as its reason for nonpayment that the church supposedly was not adequately heating the premises. Under California law, however, commercial tenants are not permitted to withhold rent as residential tenants may do. California law provides that if there is a dispute of this sort, the commercial tenant’s remedy is not to withhold rent but instead to sue the landlord for damages (and, in fact, MHOC has done so). Moreover, the church’s position is that the heating system, while aging, functions adequately. The church has an annual retainer with an HVAC contractor to maintain and certify as safe the HVAC system. Annually the church has spent a considerable amount on maintaining the heating system. Moreover, the church has repeatedly asked MHOC to stop propping open the classroom doors, as no heating system can function properly if the doors are kept open.

As MHOC continued not to pay rent, the church pleaded with MHOC to designate an HVAC expert who could explain to the church’s HVAC contractor any inadequacies in the heating system. Despite repeated written requests from the church, MHOC never designated an HVAC expert to support its claim that the heating system was inadequate. Eventually, the church hired an independent HVAC expert to assess the heating system, and that expert attested that the HVAC system is functioning adequately.

After the lease was signed, MHOC listed its business for sale, with a \$750,000 listing price. MHOC asked the church to reduce the rent, with the stated rationale that reduced rent would facilitate a sale. Having no obligation to assist MHOC in selling its business, particularly after MHOC had just agreed to lease terms on which the church’s member-approved budget was based, the church refused this request.

The church’s prevailing in its unlawful detainer action allows the church to evict the tenant and initiate collection action for unpaid base rent. The pending lawsuit for money damages will allow the church to collect other amounts under the lease (such as utilities, late fees, attorney’s fees, and unpaid property taxes). The money damages lawsuit is expected to go to trial in November 2025. MHOC filed a cross complaint against the church, an action the church believes is without merit. The church intends to aggressively pursue its rights in this connection. Beyond the base rent, MHOC now owes the church a substantial amount and the church has mounting legal bills. The church is tapping its reserves and making other cuts to plug the budget gap, but cannot do this indefinitely.

While the church community certainly regrets the impact that an eviction may have on the families whose children are enrolled at MHOC, this crisis is not of the church’s making. It has been immoral for MHOC to use the church’s space and utilities without paying the church, while collecting tuition from these families. It is untenable for a for-profit corporation to force a non-profit church to subsidize MHOC’s profits, and make deep cuts in its finances, programs and, potentially, staff.