

**FIRST UNITARIAN UNIVERSALIST SOCIETY OF SAN FRANCISCO'S POSITION ON LITIGATION
BETWEEN THE CHURCH AND MONTESSORI HOUSE OF CHILDREN
April 18, 2025**

Recently the First Unitarian Universalist Society of San Francisco, a church that was formed in San Francisco in 1850 and that is also *non*-profit corporation, initiated legal action against 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 is owed more than \$280,000 and has incurred significant legal fees. The legal actions could result in MHOC being evicted from the church's premises, and the church will need to seek a new tenant to occupy the space. This document provides background on the dispute between the church and MHOC, and explains the church's position.

The Society was founded in 1850. In its almost 175 years, it 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. Its members included several mayors and other civic leaders, and its ministers played a role in establishing both the University of California and included Leland Stanford and his wife during their founding of Stanford University. One of its first ministers, the Rev. Thomas Starr King, is credited with keeping California on the side of the Union, and raising over \$1 million, the largest amount raised, for humanitarian relief for both sides for 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 both 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 possession of the premises during the week, and the church uses the premises on the weekends for its church school program. The church depends 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 modestly reduced rate, with the thought 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. The new lease reduced the rent modestly and extended the prior lease for 5 years, with a 3-year option to renew. Because MHOC has been in continuous possession of the premises since at least 1980, the commercial lease states that MHOC accepts the premises "as is." Prior leases have also been on an "as is" basis. This means that the Society has not made 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 has continued failing to pay rent, the church has pleaded with MHOC to designate an HVAC expert who can explain to the church's HVAC contractor any inadequacies in the heating system. Despite repeated written requests from the church, MHOC has not designated an HVAC expert to support its claim that the heating system is inadequate. Eventually, the church hired an independent HVAC expert to assess the heating system, and that expert attests that the HVAC system is functioning adequately.

MHOC has listed its business for sale, with a \$750,000 listing price. Because MHOC has few assets, the church believes that MHOC's nonpayment of rent is an attempt to force the church to reduce the rent in the newly negotiated lease, so as to provide MHOC with a below-market asset to offer in the sale.

MHOC now owes the church more than \$280,000. Moreover, 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. The church has initiated two actions: a lawsuit for money damages, and an unlawful detainer action (eviction). MHOC has filed a cross complaint against the church, an action which the church believes is without merit.

While the church community would certainly regret the impact that an eviction would have on the families whose children are enrolled at MHOC, this crisis is not of the church's making. It is 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 make deep cuts in its finances and subsidize MHOC's profits.