

Good Shepherd Lutheran Church
4000 Clayton Road
Concord, CA 94521

Re: Non-Binding Letter of Intent

Dear Good Shepherd Lutheran Church:

This letter will confirm the intent of Holding Hands Montessori (“Tenant”) to enter into a lease with Good Shepherd Lutheran Church (“Landlord”) for the space referenced below (the “Premises” and “Outdoor Playspace”). The basic terms and conditions will be as follows:

1. **Premises.** Lower level of the Sanctuary building located at 4000 Clayton Road, Concord, CA 94521, consisting of approximately 1,160 rentable square feet that includes the multi-purpose space, the interior corridors, and 2 bathrooms. Tenant has the right to access and utilize parking on property under shared use, as well as the various driveways and entries to the property from Clayton Road and Siino Ave. Tenant will be entitled to space near the northeast property driveway from Clayton Road, for a monument sign advertising the preschool. Landlord represents and warrants to Tenant that the use of the Premises for the Permitted Use is allowed under all reciprocal easement agreements, CC&Rs, leases and all other agreements and restrictions affecting the property containing the Premises and Landlord has obtained all necessary approvals under all such agreements, restrictions and leases to allow for such use.
2. **Outdoor Playspace.** In addition to the Premises, Tenant shall have the right under this lease to utilize approximately 2,000 square feet of outdoor space adjacent to the Premises for the construction of an Outdoor Playspace. This area will be used as a secure outdoor space for the exclusive use of students of the preschool, and may include one or more shade canopies, play structures (with protective cushioning), activity areas, and enclosures for the secure storage of playground equipment and school materials.

Final placement of the Outdoor Playspace will be negotiated prior to lease execution, but is expected to be sited in the adjacent empty field area to the west of the Premises.

The Outdoor Playspace will be enclosed by a 6-foot solid fence, as required by applicable regulatory/licensing agencies. Access to the Outdoor Playspace will be provided by a pedestrian gate adjacent to the existing walkway that borders the area.

Landlord represents and warrants to Tenant that the Tenant’s use of this area as an Outdoor Playspace is allowed under all reciprocal easement agreements, CC&Rs, leases and all other agreements and restrictions affecting the property containing the Premises, and Landlord has obtained all necessary approvals under all such agreements, restrictions and leases to allow for such use.

The Landlord understands that the Lease is conditioned on the continued availability of the Outdoor Playspace to the Tenant as the availability of such space will be a condition of Tenant’s Community Child Care License, which is required to operate the preschool.

3. **Permitted Use.** The Premises and Outdoor Playspace may be used and occupied for purposes of operating a preschool program for up to the maximum number of students allowed by the Tenant's Community Child Care License, and all related ancillary uses.
4. **Term.** Three (3) years following the Rent Commencement Date.
5. **Options to Extend.** Two (2) Options to extend, each being three (3) years in length.
6. **Base Rent:** Base Rent for the Premises is calculated at \$1.00 per square foot, over the initial term with a 3% increase per year, over the prior year rent.
7. **Additional Rent.** Tenant and Landlord mutually acknowledge that Premises electricity and water services are not separately metered from the rest of the property. Landlord also includes shared trash and basic Internet services for use by the Tenant. Tenant will pay Landlord an Additional Rent of \$0.35 per square foot for these included services, and such rent which shall be increased by 7.5% per year.

Tenant and Landlord shall meet once per year to evaluate actual utilization of utilities by Tenant. If during this meeting it is agreed that the:

- Tenant did not cover actual utility costs with Additional Rent, Tenant shall reimburse the Landlord for any underpayment.
- Tenant's actual utility costs were less than the Additional Rent paid to Landlord, Tenant shall receive rent abatement from the Landlord for any such overpayment.

If Additional Rent paid by Tenant to Landlord is found to be significantly over or under the actual cost to provide utilities to Tenant, the parties may mutually agree in writing to modify the Additional Rent paid to better match expected costs in the next year to the lease.

8. **Rent.** Base Rent and Additional Rent for the Premises and Outdoor Playspace is payable per the following schedule:

Rent Commencement		Base Rent	Add'l Rent	Total Rent
8/1/2024	7/31/2025	\$1,160.00	\$406.00	\$1,566.00
8/1/2025	7/31/2026	\$1,195.00	\$436.00	\$1,631.00
8/1/2026	7/31/2027	\$1,231.00	\$469.00	\$1,700.00

9. **Option Rent.** Base Rent during each of the two (2) Options will be at fair market value for the Premises with a maximum increase of 5% from the immediately prior Base Rent.
10. **Security Deposit.** \$5,000 payable upon Tenant taking possession of the Premises.

11. **Delivery Date.** Landlord will deliver possession of the Premises and Outdoor Playspace to Tenant on May 1, 2024.
12. **Landlord Requested Improvements.** In addition to customary Tenant improvements, the Landlord has requested specific improvements to the Premises as a condition of occupancy by the Tenant, including:
 - Installation of a separate HVAC system to service the Premises.
 - Installation of self-locking door hardware on the upstairs stairwell doors.

HHM commits to complete the above listed upgrades as part of their own Tenant Improvements. The costs of these specific improvements will be prepaid by the Tenant, and will be recovered by Tenant from Landlord in the form of rent abatement against Base Rent until such costs are fully recovered. During such time, Tenant will pay 25% of base rent (0.25/square foot monthly), with 75% being credited towards recovery of these prepaid expenses. No interest will be assessed or payable during the repayment period.

If Landlord terminates the lease prior to full repayment of costs incurred by Tenant for Landlord requested improvements, the unreimbursed balance of such improvements shall be immediately payable to the Tenant.

13. **Post-Delivery Landlord's Work.** Following delivery, Landlord will complete the following work:
 - By June 1, 2024, resolution of fire code violations, completion of required updates to life safety systems, egress signage, and doors (if applicable).
 - By July 1, 2024, complete all remaining repairs and updates identified in the Program Overview.
14. **Term/Rent Commencement Date.** The term of the Lease will commence May 1, 2024, and the payment of rent and other monetary obligations of Tenant will commence upon: (i) completion of the Tenant improvements and receipt of applicable City and State permits, and Community Care Licensing approval, or (ii) August 1, 2024, whichever comes first.
15. **Condition of Premises.** Upon delivery, the Premises will be ready for Tenant improvements (including being free of any major structural defects and in compliance with applicable laws and codes), with all existing infrastructure (power, water, sewer, and HVAC) in good working order, and no encumbrances that would preclude the immediate use of the Premises for the Permitted Use. Landlord will, at its sole costs and expense, repair any non-compliance regarding structural defects, code or legal compliance, or utility infrastructure discovered by Tenant.
16. **Permit Contingency.** The effectiveness of the Lease is conditioned upon Tenant obtaining applicable Use and/or Occupancy Permits from the City of Concord for the intended Use, and a Community Care License from the California Department of Human Services prior to the rent commencement date. In the event of unforeseen

permit delays, Tenant and Landlord may mutually agree to establish new dates for Term/Rent Commencement Date, or may terminate this agreement without penalty.

17. **Lease Form.** Following execution of this proposal, Tenant will prepare a draft lease and addendum using the AIR CRE Standard Industrial/Commercial Multi-Tenant Lease form for Landlord's review and approval.
18. **Non-Binding.** Landlord and Tenant acknowledge that this proposal is not a Lease, but that it is intended as a basis for the preparation of a Lease between Landlord and Tenant. Landlord and Tenant acknowledge that this proposal is not legally binding.

We hope that these basic terms and conditions are acceptable to you. Should you agree with the above proposal as set forth in this letter of intent, please indicate your agreement by signing a copy of this letter where indicated below and by returning it to us. However, this letter is merely a manifestation of intention to lease and neither party will be legally bound by this letter of intent.

Very truly yours,

Julia Wolfe
Executive Director
Holding Hands Montessori

AGREED:

Good Shepherd Lutheran Church

By: _____
TBD