



**Dominic
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THE PROCESS OF FORMULATING A LEASE

If the most likely or preferred option is the lease of the property, then the broker should do the following:

- Work with the Church to identify those areas of the property that could be leased on an exclusive basis versus those areas that may be shared by the tenant and the congregation, including days and hours of operation.
- Provide a market analysis—inclusive of market comparable properties—that estimate the rent to be garnered for the aforementioned exclusive and shared areas of the property.
- Create and review with the Church a template Letter of Intent (often referred to as an “LOI”) outlining the general terms and conditions which the Church would consider as the basis for a Lease Agreement with a prospective tenant. By way of example, if a church leased the property to a school these terms and conditions may include, but are not necessarily be limited to, the following;

PREMISES: A description of the exclusive and shared areas to be leased, days, and hours of operations, square footage, access to and use of the parking lot, recreational spaces, multi-purpose room, and other ancillary spaces. Exact square footage, dimensions, and usage of classrooms, storage cabinets, other storage, and shared use areas to be agreed upon between Landlord and Tenant and incorporated into a lease agreement.

TENANT: Legal name of tenant and identification as a sole proprietorship, corporation, nonprofit corporation, etc.

PROPOSED USE: For example, a Private School serving grades K-12. No other uses should be permitted without Landlord’s consent.

LEASE TERM: Include the number of years and months, as well as dates for Lease Commencement and Lease Termination.

LEASE COMMENCEMENT: Date the Landlord delivers the property to the Tenant.





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RENT COMMENCEMENT: On the first day of the month following removal of all contingencies, and after any rent abatement period, the Tenant shall begin to be assessed rent for the property.

LANDLORD'S DELIVERY: Landlord shall deliver the Premises to Tenant free and clear of all debris and in AS-IS condition upon Tenant's removal of contingencies.

BASE RENT: For example, \$4.00/SF per month for 24/7 exclusive use spaces and \$3.50/SF per month for shared use spaces. Base Rent should further be defined as either (a) inclusive of other operating expenses, (b) not inclusive of operating expenses, or (c) a modified version thereof. Additional Costs may include, but are not necessarily limited to, utilities, insurance, real property taxes and assessments, personal property taxes, fees, insurance and other governmental levies and maintenance and repair. Ideally, churches will employ an "Absolute Net Lease" where virtually 100% of the operating expenses are paid by the tenant, including any property taxes that may accrue due to the nature of a profit-making business versus the tax-exempt nature of the church. The landlord is typically responsible for the building structure, foundation, exterior walls, roof and roof membrane, major electrical systems, major mechanical, major plumbing systems, HVAC systems, and major fire protection systems.

BASE RENT ESCALATIONS: Annual rent adjustments are typically linked to the Consumer Price Index ("CPI") or a pre-established annual percentage rate.

SECURITY DEPOSIT: Upon execution of a Lease Agreement, Tenant shall deliver a security deposit to the Landlord. This is often equivalent to the first and last month's rent. The security deposit shall be refundable until all contingencies have been waived by Tenant.

FINANCIAL STATEMENTS: The Tenant shall provide summary financial statements sufficient to indicate their capability to pay the lease payments during the lease term. The Landlord's approval of these financial statements is a contingency of the lease agreement.

CONTINGENCY PERIOD: Tenant shall have a predefined period of days from mutual execution of the Lease Agreement to review and inspect all aspects of the Premises, but not limited to; (a) Investigate all physical aspects of the Premises, including conducting inspections on the condition of all building systems that it will be responsible for maintaining during the term of the lease, and (b) Confirm with its architect and general contractor that its proposed improvements will not be cost prohibitive (e.g., by triggering other major building system upgrades).





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A Contingency Period of this type will take approximately 60-90 days from the mutual execution of the Lease Agreement. This can be much longer if the Tenant is required to obtain a Use Permit and/or Building or major improvements are required (from 6—12 months), which expense would be borne wholly by the Tenant. If the Contingency Period is lengthy, the Landlord will typically require the Tenant to release nonrefundable payments to the Landlord, which can be applied toward future rent if the lease agreement is formally consummated. In the event that any contingencies have not been satisfied or waived, Tenant may elect to terminate the Lease and Tenant shall have no further obligations to the Landlord unless otherwise mentioned in the Lease Agreement.

LANDLORD'S COOPERATION DURING CONTINENCY PERIOD: Landlord shall reasonably cooperate with Tenant (at no cost to Landlord) in connection with Tenant's investigation during the Contingency Period. In addition, Landlord should be prepared to provide the Tenant with requisite disclosures, reports, plans, inspections, permits and other documents and information that may be relevant to the Tenant's review of the property's suitability for their use.

TENANT IMPROVEMENTS: Once all contingencies are removed and the lease agreement is consummated, with Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed, Tenant shall be allowed to modify the Premises in any way to meet the operational needs of its intended use. Tenant conceptual improvement plan and schedule shall be incorporated into the Lease Agreement. Landlord shall reasonably cooperate with Tenant's efforts to make improvements on the schedule.

PROHIBITIONS: Some Landlords may want to prohibit certain signs or other postings that may be found objectionable. For example, postings by Tenant in classrooms, signage, and other areas on the premises shall not be offensive to the basic Christian values and principles of the Landlord and can be reviewed on a quarterly basis with representatives from both parties.

SIGNAGE: Tenant shall have the right to incorporate signage, to be agreed upon prior to lease execution, and subject to City ordinances.

NON-DISTURBANCE: In the event Landlord has or obtains any loan financing during the Lease or Option Terms, Landlord shall cause lender to provide a commercially reasonable subordination, non-disturbance and attornment agreement to Tenant.

SHARED USE AND SCHEDULING: The Lease shall include a process for establish-





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ing allowable uses and reciprocal access at approved locations and times between the leased Premises and the remainder of the property owned by the Landlord. The shared use areas shall be coordinated and scheduled on the Landlord's master calendar as provided by the Ministry Support Center, which shall be provided on an annual basis in advance of the school year. The Lease shall also provide for Tenant's use of the parking lot, drive aisles for student pick-up and drop-off, and recreational spaces at no cost during regularly scheduled school hours with agreed traffic control procedures to ensure safety and compatibility with the Tenant's and Landlord's respective uses and activities. Any additional use of the facilities may be scheduled based on availability.

This planning will be conducted in advance of the school year, no less than on a quarterly basis. Tenant and Landlord will require shared use of certain areas of the facility and will cooperate to schedule the usage of the shared space. Tenant and Landlord will be flexible as needed to accommodate each other's needs. In the shared use areas, both Tenant and Landlord will be allowed to reconfigure the furniture for special purpose use of the space, provided that the Tenant and Landlord shall return the room to the original configuration without any apparent disturbance to the original set up. The goal for shared classroom use would be to minimize any reconfiguration of the classroom.

MULTIPURPOSE ROOM (MPR): The Tenant and Landlord shall have shared use of the MPR from 7:00am to 5:30pm. Annually the Tenant and Landlord shall create an exact daily usage schedule before the beginning of each school year or in the spirit of cooperation, other usage requirements that may change for either party during the year shall be mutually scheduled on a quarterly basis in advance of the upcoming quarter. Tenant generally has requirements to use the MPR daily for normal school day activities until 4:30pm. In addition, Tenant desires to have the MPR available daily until 5:30pm. Unless Landlord has other scheduled events and other special events, Landlord is willing to accommodate the desired scheduling. Landlord has regular requirements of the MPR during the week for the church and school use and would have priority during certain periods of the year.

Routinely the Landlord would need access to the MPR for the preparation of the stage and room as needed for events that may occur during the week and weekend. In a good faith effort to honor the Tenant's daily use of the MPR, these activities will be scheduled well in advance and shall include the limited activities as follows. The Landlord has four regularly scheduled major events during the school year including: 1) Easter Week events, Vacation Bible School preparations during the second week in June prior to VBS, 3) Fall Family Festival on October 31st, inclu-





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ding the need for use of the north portion of the parking lot for activity booths and games during the day on Oct 31st, and 4) Christmas Musical and dress rehearsals for participants leading up to the musical during December. The exact dates and times needed will be scheduled on the annual calendar. There are also other regularly scheduled events such as back to school nights and children's musicals and other events.

Landlord is developing a community center approach for the entire facility that will include sports and other activity programs. Both parties will cooperate in the scheduling of the shared use of the MPR. In order not to limit the use by either party for similar sports activities, Tenant and Landlord shall endeavor to collaborate and establish synergies for jointly developed programs where possible, as long as they are allowable under State or other agency licensing requirements. For example, this may include sports activities such as basketball, volleyball, badminton, and other activities, etc.

ADDITIONAL USE: Tenant may from time to time request the use of additional equipment, resources, and other spaces located in the facility. One specific item of interest is the use of the MPR stage and audio visual ("TECH") equipment including the control booth above the MPR that controls the stage lighting, audio/visual systems, and other support equipment. Landlord is willing to allow the usage of the TECH equipment and other spaces in the facility based on the normal rental fees that are charged to third parties. The usage of the TECH equipment shall be supervised by the landlord's experienced personnel.

ASSIGNMENT/SUBLETTING: Tenant shall have the right to assign or sublease the lease with Landlord's consent, which shall not be unreasonably withheld.

BROKER: Landlord and Tenant each represent and warrant to the other that it has not dealt with, consulted, or contacted any real estate broker, agent, or finder in connection with or in bringing about the leasing of the property other than the Tenant's Representative and the Landlord's Representative. The Church should be formally notified, in writing, if the broker is representing both parties to the transaction.

EXCLUSIVITY: Landlord agrees to deal exclusively with Tenant with respect to the proposed Leasing of the Premises for a period of thirty (30) days, during which time the Lease Agreement is to be completed and mutually executed by both parties. During this period, neither Landlord nor its broker shall solicit or accept any offers with respect to the Premises or engage in discussions with other potential Tenants





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As consideration for this period of exclusivity, Tenant shall pay to Landlord the sum of five thousand dollars (\$5,000), which shall be delivered to Landlord within five (5) business days following delivery to Landlord of a counterpart of this Letter of Intent executed by Tenant, such amount to be credited to the Security Deposit. Such payment shall not be refundable to Tenant if the parties are unable to reach a mutually acceptable Lease Agreement.

CONFIDENTIALITY: The parties have executed a Non-Disclosure Agreement (NDA); acknowledge this document, negotiations, and other information exchanged between the parties is subject to the NDA; and reaffirm their obligations and duties under the NDA.

NONBINDING: This Letter of Intent is non-binding on either party until fully executed Lease documents are exchanged by both parties and is further subject to final review and approval by Tenant's legal counsel and officers.

