

CLERIS OF THE COURT

By:

Deputy Clerk

# SUPERIOR COURT OF THE STATE OF CALIFORNIA COUNTY OF SAN FRANCISCO

CITY AND COUNTY OF SAN FRANCISCO,

Plaintiff,

v.

ALL PERSONS INTERESTED IN THE
MATTER OF Proposition C on the November 6,
2018 San Francisco ballot, authorizing an
increase in specified business taxes to fund
specified homeless services in San Francisco, and
all other matters and proceedings relating thereto,

Defendants.

CALIFORNIA BUSINESS PROPERTIES
ASSOCIATION; HOWARD JARVIS
TAXPAYERS ASSOCIATION; and
CALIFORNIA BUSINESS ROUNDTABLE,

Interested Persons/Defendants.

Case No. CGC-19-573230

ORDER ON CROSS-MOTIONS FOR JUDGMENT ON THE PLEADINGS

Case No. CGC-19-573230

ORDER ON CROSS-MOTIONS FOR JUDGMENT ON THE PLEADINGS

On July 3, 2019, this matter came on regularly for hearing before the Court pursuant to the motion for judgment on the pleadings filed by Plaintiff City and County of San Francisco (the City), and the cross-motion for judgment on the pleadings filed by Interested Persons/Defendants California Business Properties Association, Howard Jarvis Taxpayers Association, and California Business Roundtable (CBPA or Defendants). All parties appeared by their respective counsel of record, as reflected in the minutes and reporter's transcript. Having fully considered the papers filed in support of and in opposition to the cross-motions for judgment on the pleadings, and the arguments of counsel presented at the hearing, this Court rules as follows:

### I. Introduction

The City brought this validation action following the November 6, 2018 Consolidated General Election in the City and County of San Francisco to obtain a ruling concerning the validity of Proposition C, a voter initiative that appeared on the ballot in that election. Proposition C, which in the Voter Information Guide bears the short title, "Additional Business Taxes to Fund Homeless Services," would add Article 28, the "Homelessness Gross Receipts Tax Ordinance," to the City's Business and Tax Regulations Code. (Prop. C, Legal Text, in Voter Information Pamphlet, City's RJN, Ex. E at 107-112.) Article 28 would impose an additional gross receipts tax on specified revenues of certain local businesses and an additional administrative office tax on certain other businesses, and would devote the resulting revenues to specified services for the homeless, including permanent housing, mental health services, and short-term shelter and access to hygiene programs. (*Id.* at 74.) Proposition C received the affirmative votes of 61.34% of the 351,326 City voters who voted on that measure. (Compl. ¶ 4; Ans. ¶ 4.)<sup>1</sup>

Defendants CPBA et al. filed an answer to the City's complaint. They assert that Proposition C imposed a special tax that under the California Constitution and the San Francisco Charter required the approval of two-thirds of the voters, and that having failed to achieve that

<sup>&</sup>lt;sup>1</sup> The Court grants the City's unopposed request for judicial notice of the Voter Information Pamphlet including the text of Proposition C, various Charter provisions and ordinances, and the parties' pleadings.

10

9

12

13

11

14

15 16

17

18

19 20

21

22

23 24

25 26

27

28

either of the provisions of the California Constitution upon which they rely, or the Charter, required a supermajority vote on Proposition C. It asserts, instead, that the initiative required only a simple majority of the electors, as it informed the voters in the November 2018 election. (See Voter Information Pamphlet, City's RJN, Ex. E at 74-75 ["This measure requires 50%+1 affirmative votes to pass."].)

The Court's resolution of the parties' competing contentions turns largely on the language of the constitutional provisions at issue, the legislative history of the voter constitutional initiatives by which they were added to the California Constitution, appellate authority construing those provisions, particularly the California Supreme Court's decision in California Cannabis Coalition v. City of Upland (2017) 3 Cal.5th 924, and general principles concerning the people's initiative power. For the following reasons, the City's motion for judgment on the pleadings is granted, and Defendants' cross-motion is denied.

#### II. California Cannabis Coalition v. City of Upland

"The California Constitution, as amended by a series of voter initiatives, places limitations on the authority of state and local governments to collect revenue through taxes, fees, charges, and other types of levies." (City of San Buenaventura v. United Water Conservation Dist. (2017) 3 Cal.5th 1191, 1195; see Jacks v City of Santa Barbara (2017) 3 Cal.5th 248, 258-260.) In California Cannabis Coalition v. City of Upland (2017) 3 Cal.5th 924, our Supreme Court recently addressed a broadly similar issue to that presented here: whether these provisions, which limit the ability of state and local governments to impose taxes, "also restrict[] the ability of voters to impose taxes via initiative." (Id. at 930.) As the parties agree, a careful examination of the Court's analysis and reasoning in California Cannabis Coalition is central to the resolution of the issues presented here.

California Cannabis Coalition involved a voter initiative ordinance that would have required medical marijuana dispensaries to pay an annual \$75,000 licensing and inspection fee.

The City of Upland determined that the fee was actually a general tax. Because article XIII C, 2 3 4 5 6 7 9 10 11 12 13

section 2(b) of the California Constitution precludes local governments from imposing general taxes unless they are submitted to voters at a general election, Upland refused to call a special election for the proposed initiative, and instead ordered the initiative submitted to the voters at the next general election. The initiative proponents sued, alleging that the City had violated the Elections Code by failing to submit the initiative to the voters at a special election. They also argued that article XIII C, section 2 did not apply because the charge proposed by the initiative was not a tax, nor was it imposed by local government. The trial court denied the writ petition, the Court of Appeal reversed, and the California Supreme Court granted review and elected to hear the case, even though the initiative at issue was defeated at the November 8, 2016 ballot, because the case presented "important questions of continuing public interest." (3 Cal.5th at 933.) The Court held that the requirement in article XIII C, section 2(b) that general taxes be

submitted to voters at a general election did not apply to taxes proposed by voter initiative. (Id. at 943, 945.) Although the technical holding of the case thus was relatively narrow, the Court's analysis and reasoning extended far more broadly. The Court viewed the issue before it as involving "the interplay of two constitutional provisions": the provisions of article II of the state Constitution safeguarding the people's initiative power, and article XIII C's limitation on the ability of local governments to impose (or increase) general taxes. (Id. at 930.) Resting its holding on the importance of the people's initiative power, the plain language of article XIII C, the constitutional provision in question in that case, and other evidence of the purpose of that provision, the Court concluded that "article XIII C does not limit voters' 'power to raise taxes by statutory initiative." (Id. at 931, quoting Kennedy Wholesale, Inc. v. State Bd. of Equalization (1991) 53 Cal.3d 245, 251.) As it explained,

23 24

25

14

15

16

17

18

19

20

21

22

A contrary conclusion would require an unreasonably broad construction of the term "local government" at the expense of the people's constitutional right to direct democracy, undermining our longstanding and consistent view that courts should protect and liberally construe it. . . . Without a direct reference in the text of a provision—or a similarly clear, unambiguous indication that it was within the ambit of a provision's purpose to constrain

27

(*Id*.)

The Court began its analysis with the text of article XIII C, section 2, which applies only to actions taken by a "local government." (*Id.* at 936.) Article XIII C defines that term to mean "any county, city, city and county, including a charter city or county, any special district, or any other local or regional governmental entity." (Cal. Const., art. XIII C, § 1(b).) The Court rejected Upland's argument that this definition is broad enough to include the electorate. (3 Cal.5th at 937.) It reasoned that the common understanding of local government does not include the electorate; that the term "local government" was used in the findings and declarations of Proposition 218, by which article XIII C was enacted in 1996, to refer to municipalities, not their voters; and that standard canons of statutory interpretation would preclude such a reading. (*Id.* at 937-939; see also *id.* at 946-947 ["nothing in the text of article XIII C, or its context, supports the conclusion that the term 'local government' was meant to encompass the electorate."].)

Moreover, the Court emphasized, nothing in Proposition 218 showed any intent to burden voters' power to propose and adopt initiatives concerning taxation. Rather, the Court observed, the only portion of article XIII C that mentioned the voters' direct democracy rights appears in section 3, which suggests that section 2 was not intended to limit those rights. (See *id.* at 938-939.)

Further, nothing in the ballot materials suggested that the voters intended to constrain the power of the initiative. "To the contrary: The crux of the concern repeatedly reflected in the ballot materials is with local governments and politicians—not the electorate—imposing taxes. Nowhere in the materials is there any suggestion that Proposition 218 would rescue voters from measures they might, through a majority vote, impose on themselves." (*Id.* at 940.) Significantly in light of the issues presented here, the Court found further support for that reading in the ballot materials for Proposition 13, which added article XIII A in 1978, and Proposition 26, which amended article XIII C in 2010. (*Id.* at 941.)

Finally, the Court adopted a "clear statement" rule in order to protect the initiative power, which is liberally construed. "Without an unambiguous indication that a provision's purpose was to constrain the initiative power, we will not construe it to impose such limitations. Such evidence might include an explicit reference to the initiative power in a provision's text, or sufficiently unambiguous statements regarding such a purpose in ballot materials." (*Id.* at 945-946.)

Two Justices dissented in part, disagreeing with the majority's core conclusion that "when article XIII C speaks of taxes imposed by local government, it means taxes enacted by the city council or other public officials; local taxes enacted by voter initiative are exempt." (*Id.* at 949 [conc. and dis. opn. of Kruger, J., joined by Liu, J.].) The dissenting Justices anticipated the very issue presented here, observing that because the language of article XIII C, section 2(b) is "essentially identical" to that of section 2(d), "from here on out, special taxes can be enacted by a simple majority of the electorate" rather than the two-thirds vote otherwise required for approval of a special tax. (*Id.* at 956.)

### III. Discussion

Defendants base their contention that Proposition C required a two-thirds or supermajority vote on three different provisions. *First*, Defendants assert that Proposition C is a special tax that requires a supermajority vote under article XIII C, section 2(d) of the California Constitution. *Second*, Defendants contend that Proposition C also requires a two-thirds vote under article XIII A, section 4, which was added in 1978 by the initiative commonly known as Proposition 13.<sup>2</sup> *Third* and finally, Defendants contend that a supermajority vote was required by the San Francisco City Charter. The Court addresses each issue in turn.

<sup>&</sup>lt;sup>2</sup> The City does not dispute that Proposition C involves a "special tax" within the meaning of both provisions at issue here. (See Cal. Const., art. XIII C, § 1(d) [defining special tax as "any tax imposed for specific purposes, including a tax imposed for specific purposes, which is placed into a general fund"]; Jacks v. City of Santa Barbara, 3 Cal.5th at 258-260.)

# A. Article XIII C, Section 2(d) (Proposition 218)

Article XIII C, section 2(d), which was added to the Constitution in 1996 by an initiative commonly known as Proposition 218, provides in pertinent part, "No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote." This provision is a different subdivision of the same provision, Section 2 of Article XIII C, that was at issue in *California Cannabis Coalition*. In the Court's view, the analysis and reasoning in that case lead inescapably to the conclusion that the requirement in article XIII C, section 2(d) that a special tax must be adopted by a two-thirds vote does not apply to taxes proposed by voter initiative, such as Proposition C.

First, the two provisions employ parallel and nearly identical language. (Compare Cal. Const., art. XIII C, § 2(b) ["No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote."] with *id.*, § 2(d) ["No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote."]; see *California Cannabis Coalition*, 3 Cal.5th at 956 ["The critical language we are construing here . . . appears in essentially identical form in article XIII C, section 2(d)"] [dis. opn. of Kruger, J.]; *id.* at n.7.) Critically, they share the common term "local government," which the Supreme Court squarely held is not "broad enough to include the electorate." (*California Cannabis Coalition*, 3 Cal.5th at 937.)

Defendants contend that "local government" as that term is used in Section 2(d) nevertheless should be interpreted to include the electorate, and that the City places too much weight on the "interpretive rule of thumb" that the same meaning ordinarily should be given to the same term used in different places in the same statute. Defendants' argument is risible. Section 1(b) of Article XIII C expressly defines "local government" to mean "any county, city, city and county, including a charter city or county, any special district, or any other local or regional governmental entity." As a matter of logic, that term—which is defined "[a]s used in this article," including all of Section 2—must be given the same meaning in both subdivisions.

. 7

Moreover, the balance of the Court's reasoning in California Cannabis Coalition applies equally here, and supports the same conclusion. In its opinion, the Court repeatedly referred generally to article XIII C, and not merely to Section 2(b) of that article. (See, e.g., 3 Cal.5th at 930 ["The question before us is whether article XIII C also restricts the ability of voters to impose taxes via initiative"; "we agree with the Court of Appeal that article XIII C does not limit voters' 'power to raise taxes by statutory initiative"]; id. at 940-941 [concluding that "article XIII C employs the term 'local government' as it is commonly understood and that the provision's intended purpose did not include limiting voters' 'power to raise taxes . . . by statutory initiative."]; id. at 946-947 ["nothing in the text of article XIII C, or its context, supports the conclusion that the term 'local government' was meant to encompass the electorate"].) That was not, as Defendants seem to imply, due to inattention on the Court's part; it was because the Court's reasoning related to Proposition 218, and its ballot materials, as a whole, and not merely to the particular subdivision of the provision before it. The Court concluded that neither Proposition 218 nor its ballot materials contained any "clear statement or equivalent evidence" that it was intended to constrain the people's power of initiative. (Id. at 946.) That conclusion applies equally here.

Defendants rely heavily on a passage from the majority opinion that, they contend, supports their position:

[W]hen an initiative's intended purpose includes imposing requirements on voters, evidence of such a purpose is clear. In article XIII C, section 2, subdivision (d), for example, the enactors adopted a requirement providing that, before a local government can impose, extend, or increase any special tax, voters must approve the tax by a two-thirds vote. That constitutes a higher vote requirement than would otherwise apply. [Citation.] That the voters explicitly imposed a procedural two-thirds vote requirement on themselves in article XIII C, section 2, subdivision (d) is evidence that they did not implicitly impose a procedural timing requirement in subdivision (b).

(*Id.* at 943.) Defendants highlight in particular the phrase, "the voters explicitly imposed a procedural two-thirds vote requirement *on themselves*," suggesting that the Court believed the two-thirds voting requirement in Section 2(d) would continue to apply to voter initiatives. However,

17

13

14

15

18

20

19

22 23

21

24 25

26

27

28

the immediately preceding sentence refers to imposition of a tax by a local government, which as discussed does not include the electorate. Thus, this language appears to imply that the voters imposed the two-thirds voting requirement on themselves only with respect to taxes placed on the ballot by local government (e.g., in San Francisco, by the Mayor or the Board of Supervisors). It does not explicitly impose this heightened procedural burden on all special taxes voted on by the electorate, whatever their source. The Court cannot view this single sentence, which at best constitutes ambiguous dictum, as requiring a different conclusion, particularly when the entire thrust of the analysis and reasoning of the Court's opinion points in the opposite direction. (See also id. at 956 n.7 [observing that the majority opinion contains language that "could be read to suggest that article XIII C, section 2(d) should be interpreted differently from section 2(b)," but expressing the view that "Sections 2(b) and 2(d) are, in all pertinent respects, indistinguishable" and there is no basis for construing them differently] [conc. and dis. opn. of Kruger, J.].)

## B. Article XIII A, Section 4 (Proposition 13)

Defendants also contend that Proposition C is invalid because Article XIII A, section 4 of the California Constitution, which was enacted by Proposition 13 in 1978, required a two-thirds vote. Article XIII A, section 4 provides, "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district." This provision, "although written in permissive terms, was intended to circumscribe the taxing power of local government." (Rider v. County of San Diego (1991) 1 Cal.4th 1, 6.) The same conclusion follows with regard to this provision as to Article XIII C, section 2(d): it does not apply to taxes by voter initiative.

First, Article XIII A, section 4 employs closely similar language to that of Article XIII C, section 2(d). The latter, as we have seen, prohibits any "local government" from imposing a special tax without a two-thirds vote, and defines that term to mean "any county, city, city and county, including a charter city or county, any special district, or any other local or regional

governmental entity." Article XIII A, section 4 similarly applies to "Cities, Counties and special districts"—all of which are public agencies specifically referred to in article XIII C's definition. Indeed, as Defendants acknowledge, Proposition 218, the "Right to Vote on Taxes Act," merely "reiterated, reaffirmed, and did not alter" the two-thirds vote requirement enacted by Proposition 13. (See also Apartment Ass'n of Los Angeles County, Inc. v. City of Los Angeles (2001) 24 Cal.4th 830, 838 ["Proposition 218 is Proposition 13's progeny. Accordingly, it must be construed in that context."].) Thus, the analysis must be the same for these two similarly worded provisions.

Moreover, just as with Proposition 218, there is nothing in either the text of Proposition 13 itself or in the accompanying ballot materials that provides any "clear statement" of the voters' intent to constrain the people's initiative power. To the contrary, as the Supreme Court recognized in *California Cannabis Coalition*, the ballot materials concerning Proposition 13 "similarly evince a specific concern with *politicians* and their imposition of taxes without voter approval.

[Citations.] . . . All of this is more evidence that the drafters of these propositions [Propositions 13 and 26], like the drafters of Proposition 218, simply did not contemplate that they were affecting the power of voters to propose taxes via initiatives." (3 Cal.5th at 941; see also *Kennedy Wholesale, Inc. v. State Bd. of Equalization* (1991) 53 Cal.3d 245, 249 ["Nothing in the official ballot pamphlet [of Proposition 13] supports the inference that the voters intended to limit their own power to raise taxes in the future by statutory initiative."].)<sup>3</sup> In short, the same conclusion follows under Proposition 13 as under Proposition 218: the requirement of a two-thirds vote applies only to taxes imposed by local governments, not those enacted as a result of voter initiatives.

#### C. San Francisco Charter

Defendants also contend that the San Francisco Charter required a two-thirds vote. That contention is based on the following reasoning: (1) Article XVII of the Charter defines "initiative"

<sup>&</sup>lt;sup>3</sup> Defendants take issue with that characterization of Proposition 13's ballot materials, but they do not point to anything in those materials that expressly refers to the possibility of the voters themselves raising taxes by way of a ballot initiative.

to include "a proposal by the voters with respect to any ordinance, act or other measure which is within the powers conferred upon the Board of Supervisors to enact"; (2) by virtue of article XIII A, § 4 and article XIII C, § 2(d), the Board of Supervisors is not empowered to enact a special tax without the concurrences of two-thirds of the electors; (3) therefore, the voters' initiative power is similarly constrained.

This argument is readily dismissed. California Cannabis Coalition explained that "where legislative bodies retain lawmaking authority subject to procedural limitations, e.g., notice and hearing requirements [citation] or two-thirds vote requirements [citation], we presume such limitations do not apply to the initiative power absent evidence that such was the restrictions' intended purpose." (3 Cal.5th at 942 [emphasis added]; see also Kennedy Wholesale, 53 Cal.3d at 249 [reasoning that while "the voters' power is presumed to be coextensive with the Legislature's," that does not mean that "legislative procedures, such as voting requirements, apply to the electorate"].) It follows that the two-thirds vote requirement placed on the Board of Supervisors must be presumed not to apply to the electorate, absent evidence of a clear indication that it was intended to do so. Plaintiffs point to no such evidence.

# D. Defendants' Remaining Arguments Lack Merit

Defendants raise a number of additional arguments. None has merit.

First, Defendants assert that for many years, the "prevailing understanding" has been that local special taxes require a two-thirds vote of the electorate, whether the tax was proposed by the local government or by initiative petition, which they assert should be considered persuasive evidence of the meaning of Propositions 13 and 218. However, the two Court of Appeal opinions Defendants point to supply no convincing evidence of this supposed "historical consensus." *City of Dublin v. County of Alameda* (1993) 14 Cal.App.4th 264 held that a surcharge on waste disposal imposed by a voter initiative was not a special tax within the meaning of Proposition 13, but rather was a valid regulatory fee. (*Id.* at 280-285.) As a result, the court did not reach the question whether the initiative required a two-thirds vote. And in *Altadena Library Dist. v. Bloodgood* 

enacted Proposition 218 in 1996 must be deemed to have intended to limit their power of initiative in adopting article XIII A, section 4. That argument is doubly flawed. Contrary to Defendants' argument, none of the decisions to which they point clearly held that the two-thirds vote requirement applied to voter initiatives, such that the voters must be deemed to have been aware of

Cases II (2007) 41 Cal.4th 1257, 1276.)

27

13

15

16

17

18

19

22

23

24

25

<sup>20</sup> <sup>4</sup> Defendants seek judicial notice of official ballot materials for local ballot propositions submitted to San Francisco voters in 2004 and 2016 (Def. RJN, Exs. 3, 4) and a copy of the Legislative 21 Analyst's analysis of a proposed initiative constitutional amendment that was never submitted to

the voters (Ex. 5). Defendants also seek to draw the Court's attention to positions taken by other California cities including Oakland and Fresno in litigation pending in other Superior Courts, and to a newspaper article from the San Francisco Chronicle quoting a commentator's characterization of San Francisco's position on the issues presented here. The Court declines to consider those

materials, none of which is a proper subject of judicial notice or has any bearing on the issues before it. Likewise, the Court denies the City's request that it consider a press release issued by the

Howard Jarvis Taxpayers Association regarding the possible effects of the Supreme Court's decision. (See Mangini v. R. J. Reynolds Tobacco Co. (1994) 7 Cal.4th 1057, 1063 [matter to be judicially noticed must be relevant to a material issue], overruled on other grounds in In re Tobacco

those decisions when they were asked to vote on Proposition 218. To the contrary, in Kennedy Wholesale, the California Supreme Court "reach[ed] the same conclusion" as to article XIII A as 2 3 the Court later reached with respect to article XIII C: that it "does not limit voters' 'power to raise taxes by statutory initiative." (California Cannabis Coalition, 3 Cal.5th at 931.) 4 Third and finally, Defendants assert that enforcing the two-thirds vote requirement would 5 advance the goal of protecting the voters' initiative rights, because Propositions 13 and 218 were themselves adopted pursuant to the exercise of the initiative power. However, that argument actually undercuts rather than advances Defendants' position. As the Court pointed out in 8 California Cannabis Coalition, "had the voters wanted the procedural requirements contained in 10 article XIII C, section 2, subdivision (b) to apply to the initiative power, Proposition 218 could 11 have made that clear" through the use of clear and unambiguous language. (23 Cal.5th at 943.) "The voters did not do so, and we will not infer such a purpose. [Citations.] Particularly because, 12 given that article XIII C was enacted via initiative constitutional amendment, its enactors were 13 14 certainly aware of the initiative power." (Id.) 15 IV. 16 Conclusion 17 For the foregoing reasons, the City's motion for judgment on the pleadings is granted, and Defendants' cross-motion for judgment on the pleadings is denied. 18 19 IT IS SO ORDERED. 20 Dated: July 21 22 JUDGE OF THE SUPERIOR COURT 23 24 25 26 27 13 28 Case No. CGC-19-573230

ORDER ON CROSS-MOTIONS FOR JUDGMENT ON THE PLEADINGS

# CGC-19-573230 CITY AND COUNTY OF SAN FRANCISCO VS. ALL PERSONS INTERESTED IN THE MATTER OF

I, the undersigned, certify that I am an employee of the Superior Court of California, County Of San Francisco and not a party to the above-entitled cause and that on July 05, 2019 I served the foregoing **Order on Cross-motions for judgment on the pleadings** on each counsel of record or party appearing in propria persona by causing a copy thereof to be enclosed in a postage paid sealed envelope and deposited in the United States Postal Service mail box located at 400 McAllister Street, San Francisco CA 94102-4514 pursuant to standard court practice.

Date: July 05, 2019

by: shirley le

CHRISTOPHER E. SKINNELL NIELSEN, MERKSAMER, PARRINELLO, GROSS & LEONI LLP 2350 KERNER BLVD, SUITE 250 SAN RAFAEL, CA 94901

WAYNE K. SNODGRASS OFFICE OF THE CITY ATTORNEY CITY HALL, RM 234 1 DR CARLTON B GOODLETT PLACE SAN FRANCISCO, CA 94102-4682