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IN THE SUPREME COURT OF THE STATE OF CALIFORNIA ^{Deputy}

CITY AND COUNTY OF SAN FRANCISCO,
acting by and through its Office of Treasurer and Tax Collector,

Plaintiff and Petitioner,

v.

REGENTS OF THE UNIVERSITY OF CALIFORNIA, et al.,

Defendants and Respondents.

*After a Decision by the Court of Appeal
First Appellate District, Division One, Case No. A144500*

*San Francisco Superior Court, Case No. CPF-14-513434
Honorable Marla J. Miller, Judge*

ANSWER BRIEF ON THE MERITS

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TABLE OF CONTENTS

	Page
I. INTRODUCTION	14
II. STATEMENT OF FACTS	15
A. San Francisco’s parking tax ordinance.	15
B. UC Hastings’ campus parking garage.	17
C. The parking tax collection dispute.	19
III. STANDARD OF REVIEW	21
IV. ARGUMENT	21
A. The State must provide affirmative consent before local governments may control the sovereign activities of state agencies, and that consent has not been given in this case.	21
B. Operating a campus parking garage for UC Hastings’ students, faculty, staff, and others is a sovereign activity.	24
C. <i>Hall</i> ’s immunity test properly recognizes that adjusting the boundaries of state and local power is a job for the Legislature or the people of California, not the courts.	27
1. Adjusting the boundaries of state and local political authority is a legislative function.	28
2. Decisions about whether, and how, state universities should collect local parking taxes involve policy trade-offs that are best made through the political process.	31
3. <i>Cal Fed</i> does not give courts the authority to balance state and local interests in the manner San Francisco proposes.	34
D. UC Hastings’ immunity from local control does not turn on the fact that San Francisco’s parking tax ordinance is an exercise of its constitutional power to tax or on a characterization of San Francisco’s tax collection regulations as “revenue” measures.	36

1.	San Francisco’s power to tax does not include the power to impose tax collection obligations on state universities.	36
2.	The distinction between “revenue” and “regulatory” measures invoked by San Francisco is a preemption doctrine that is not relevant to the immunity analysis.	39
3.	San Francisco’s “home rule” powers may not intrude on the State’s exclusive control over public schools.	42
4.	The structural principles underlying the State’s immunity from local control are more important than any problems San Francisco might face when collecting its parking tax.	43
E.	Except for one appellate opinion that conflicts with <i>Hall</i> , the authorities cited by San Francisco either support the judgment below or do not speak to the issue presented here.	44
1.	The Court of Appeal’s opinion in this case is consistent with other California authorities, with the sole exception of <i>Modesto</i> ’s erroneous alternative holding.	44
2.	Federal immunity cases support the conclusion that UC Hastings need not collect San Francisco’s parking tax.	47
a.	Under federal law, San Francisco could not impose tax collection obligations directly on UC Hastings.	49
b.	San Francisco’s parking tax discriminates against people who park in UC Hastings’ campus garage.	50
3.	Tribal immunity from state regulation is not analogous to the State’s immunity from local control.	52

4.	Two sister states have held that “home rule” cities cannot force state universities to collect local taxes.	54
V.	CONCLUSION	54

TABLE OF AUTHORITIES

	Page(s)
California Cases	
<i>926 North Ardmore Avenue, LLC v. County of Los Angeles</i> (2017) 3 Cal.5th 319	32
<i>Ainsworth v. Bryant</i> (1949) 34 Cal.2d 465	40, 45, 47
<i>Ayres v. City Council of the City of Los Angeles</i> (1949) 34 Cal.2d 31	31
<i>Baldwin Park County Water District v. Los Angeles County</i> (1962) 208 Cal.App.2d 87	30, 42
<i>Bame v. City of Del Mar</i> (2001) 86 Cal.App.4th 1346	21, 24, 37, 47
<i>Board of Supervisors of Sacramento County v. Local Agency Formation Commission of Sacramento County</i> (1992) 3 Cal.4th 903	27
<i>Board of Trustees of the California State University and Colleges v. City of Los Angeles</i> (1975) 49 Cal.App.3d 45	25
<i>Board of Trustees of the Leland Stanford Junior University v. County of Santa Clara</i> (1978) 86 Cal.App.3d 79	27
<i>Butt v. State of California</i> (1992) 4 Cal.4th 668	42
<i>California Federal Savings & Loan Ass'n v. City of Los Angeles</i> (1991) 54 Cal.3d 1	<i>passim</i>
<i>California Redevelopment Ass'n v. Matosantos</i> (2011) 53 Cal.4th 231	28, 42
<i>California Teachers Ass'n v. Governing Board of the Rialto Unified School District</i> (1997) 14 Cal.4th 627	28, 29

<i>Chafor v. City of Long Beach</i> (1917) 174 Cal. 478	26
<i>Church Divinity School of the Pacific v. County of Alameda</i> (1957) 152 Cal.App.2d 496	25
<i>City and County of San Francisco v. Regents of the University of California</i> (2017) 11 Cal.App.5th 1107	<i>passim</i>
<i>City of Dinuba v. County of Tulare</i> (2007) 41 Cal.4th 859	21
<i>City of Los Angeles v. A.E.C. Los Angeles</i> (1973) 33 Cal.App.3d 933	45
<i>City of Modesto v. Modesto Irrigation District</i> (1973) 34 Cal.App.3d 504	44, 46
<i>City of Orange v. Valenti</i> (1974) 37 Cal.App.3d 240	24
<i>City of Santa Ana v. Board of Education of the City of Santa Ana</i> (1967) 255 Cal.App.2d 178	23, 29
<i>City of Santa Cruz v. Santa Cruz City School Board of Education</i> (1989) 210 Cal.App.3d 1	31
<i>Community Memorial Hospital v. County of Ventura</i> (1996) 50 Cal.App.4th 199	38
<i>Coutin v. Lucas</i> (1990) 220 Cal.App.3d 1016	24
<i>Eastern Municipal Water District v. City of Moreno Valley</i> (1994) 31 Cal.App.4th 24	45
<i>Fuller v. San Bernardino Valley Municipal Water District</i> (1966) 242 Cal.App.2d 52	45
<i>Goldberg v. Regents of the University of California</i> (1967) 248 Cal.App.2d 867	24
<i>Great Western Shows, Inc. v. County of Los Angeles</i> (2002) 27 Cal.4th 853	24, 34, 36

<i>Hall v. City of Taft</i> (1956) 47 Cal.2d 177	<i>passim</i>
<i>Howard v. County of San Diego</i> (2010) 184 Cal.App.4th 1422	32
<i>In re Groves</i> (1960) 54 Cal.2d 154	40
<i>In re Means</i> (1939) 31 Cal.App.2d 290	22
<i>In re Means</i> (1939) 14 Cal.2d 254	<i>passim</i>
<i>In re Sanitary Board of East Fruitvale Sanitary District</i> (1910) 158 Cal. 453	28
<i>Johnson v. Bradley</i> (1992) 4 Cal.4th 389	37
<i>Laidlaw Waste Systems, Inc. v. Bay Cities Services, Inc.</i> (1996) 43 Cal.App.4th 630	23, 38, 47
<i>Los Angeles County v. City of Los Angeles</i> (1963) 212 Cal.App.2d 160	29
<i>Morrison v. Smith Bros., Inc.</i> (1930) 211 Cal. 36	45
<i>Morrison v. Viacom, Inc.</i> (1997) 52 Cal.App.4th 1514	39
<i>Muskopf v. Corning Hospital District</i> (1961) 55 Cal.2d 211	46
<i>Oakland Raiders v. City of Berkeley</i> (1976) 65 Cal.App.3d 623	45
<i>Pasadena School District v. City of Pasadena</i> (1913) 166 Cal. 7	21, 22
<i>People ex rel. Owen v. Miami Nation Enterprises</i> (2016) 2 Cal.5th 222	43

<i>Pleasant Hill Bayshore Disposal, Inc. v. Chip-It Recycling, Inc.</i> (2001) 91 Cal.App.4th 678	38
<i>Professional Engineers in California Government v. Kempton</i> (2007) 40 Cal.4th 1016	21
<i>Regents of the University of California v. Aubry</i> (1996) 42 Cal.App.4th 579	25
<i>Regents of the University of California v. City of Santa Monica</i> (1978) 77 Cal.App.3d 130	24, 30
<i>Regents of the University of California v. Superior Court (Regan)</i> (1976) 17 Cal.3d 533	25
<i>Rivera v. City of Fresno</i> (1971) 6 Cal.3d 132	40, 41, 45, 47
<i>San Jose Unified School District v. Santa Clara County Office of Education</i> (2017) 7 Cal.App.5th 967	30
<i>State Building and Construction Trades Council of California, AFL-CIO v. City of Vista</i> (2012) 54 Cal.4th 547	33
<i>Taxpayers for Accountable School Bond Spending v. San Diego Unified School District</i> (2013) 215 Cal.App.4th 1013	30
<i>The Pines v. City of Santa Monica</i> (1981) 29 Cal.3d 656	39, 40, 41
<i>Town of Atherton v. Superior Court</i> (1958) 159 Cal.App.2d 417	24, 30
<i>Trader Sports, Inc. v. City of San Leandro</i> (2001) 93 Cal.App.4th 37	35
<i>Warburton/Buttner v. Superior Court</i> (2002) 103 Cal.App.4th 1170	43
<i>Weekes v. City of Oakland</i> (1978) 21 Cal.3d 386	41, 45, 46

<i>Wells v. One2One Learning Foundation</i> (2006) 39 Cal.4th 1164	37, 42
<i>West Coast Advertising Co. v. City and County of San Francisco</i> (1939) 14 Cal.2d 516	47
<i>Yamaha Corp. of America v. State Board of Equalization</i> (1998) 19 Cal.4th 1	40
<i>Yolo v. Modesto Irrigation District</i> (1932) 216 Cal. 274	46

Federal Cases

<i>Boeing Co. v. Movassaghi</i> (9th Cir. 2014) 768 F.3d 832	49
<i>County of Santa Clara v. Trump</i> (N.D. Cal. 2017) 250 F.Supp.3d 497	50
<i>Davis v. Michigan Dep't of Treasury</i> (1989) 489 U.S. 803	51
<i>Garcia v. San Antonio Metropolitan Transit Authority</i> (1985) 469 U.S. 528	27
<i>Hancock v. Train</i> (1976) 426 U.S. 167	49
<i>Jefferson County, Alabama v. Acker</i> (1999) 527 U.S. 423	48
<i>Knight v. United States</i> (Fed. Cir. 1993) 982 F.2d 1573	50
<i>M'Culloch v. State of Maryland</i> (1819) 17 U.S. 316	44
<i>Mayo v. United States</i> (1943) 319 U.S. 441	50
<i>McClanahan v. State Tax Commission of Arizona</i> (1973) 411 U.S. 164	52
<i>Mescalero Apache Tribe v. Jones</i> (1973) 411 U.S. 145	53

<i>Moe v. Confederated Salish and Kootenai Tribes of the Flathead Reservation</i> (1976) 425 U.S. 463	52, 53
<i>North Dakota v. United States</i> (1990) 495 U.S. 423	49, 50
<i>Oklahoma Tax Commission v. Citizen Band Potawatomi Indian Tribe of Oklahoma</i> (1991) 498 U.S. 505	52, 53
<i>Phillips Chemical Co. v. Dumas Independent School District</i> (1960) 361 U.S. 376	50, 51, 52
<i>Printz v. United States</i> (1997) 521 U.S. 898	27, 50
<i>State of Alabama v. King & Boozer</i> (1941) 314 U.S. 1	48
<i>United States v. City of Arcata</i> (9th Cir. 2010) 629 F.3d 986	49
<i>United States v. New Mexico</i> (1982) 455 U.S. 720	48
<i>Washington v. Confederated Tribes of Colville Indian Reservation</i> (1980) 447 U.S. 134	52
<i>White Mountain Apache Tribe v. Bracker</i> (1980) 448 U.S. 136	53

Other State Cases

<i>City of Boulder v. Regents of the University of Colorado</i> (Colo. 1972) 501 P.2d 123	54
<i>City of Chicago v. Board of Trustees of the University of Illinois</i> (Ill.Ct.App. 1997) 689 N.E.2d 125	54
<i>Kentucky Institution for Education of Blind v. City of Louisville</i> (Ky.Ct.App. 1906) 123 Ky. 767, 97 S.W. 402	23

California Constitution and Statutes

California Constitution

Article IX	
§ 6	42
Article XI	
§ 5	<i>passim</i>
§ 7	22, 27, 34
Article XII	
§ 8	41
Article XIII	
§ 3(e)	27
Article XX	
§ 22	40

Education Code

§ 92201	17, 24
§ 92202	17
§ 92204	17, 18, 24, 42
§ 92205	17
§ 92206	17, 24
§ 92215	18

Government Code

§ 53090(a)	30
§ 53091(a)	30
§ 53091(d)	30
§ 53091(e)	30
§ 53094	30, 31
§ 53096	30

Revenue & Taxation Code

§ 7270	32
§§ 11901 <i>et seq.</i>	32
§ 11911(b)	32
§ 11911(c)	32
§ 11931	32
§ 11931(3)	32
§ 42020(e)	32
§ 42101.5	32
§ 42101.7	32
§ 42102	32
§ 42103(a)	32

§ 42107	32
---------------	----

Statutes of California

Stats. 1915 (former Cal. Const. art. XII, § 23)	41
Stats. 1959, Ch. 2110	31
Stats. 1965, Ch. 1538	31
Stats. 1976, Ch. 760	31

Federal Constitution and Statutes

United States Constitution

Article X	27
-----------------	----

2 U.S.C.

§ 4555	48
§ 4594	48

5 U.S.C.

§ 5516	48
§ 5517	48
§ 5520	48

Statutes at Large

Pub. L. 82-587, 66 Stat. 765	48
Pub. L. 84-460, 70 Stat. 77	49
Pub. L. 93-340, 88 Stat. 294	49
Pub. L. 93-371, 88 Stat. 427	48
Pub. L. 94-440, 90 Stat. 1448	49
Pub. L. 94-455, 90 Stat. 1704	49
Pub. L. 95-30, 91 Stat. 157	49
Pub. L. 100-180, 101 Stat. 1086	49

San Francisco Municipal Code

Business and Tax Regulations Code

Article 6

§ 6.2-20.5	16
§ 6.4-1	16
§ 6.6-1	16
§ 6.6-1(b)	16
§ 6.6-1(c)	16
§ 6.6-1(f)	16
§ 6.6-1(g)	16

§ 6.7-1	15, 16
§ 6.7-1(a)	16, 17
§ 6.7-1(d)	16, 17, 33
§ 6.7-1(f)	16
§ 6.7-2(c)	15, 16
§ 6.9-1(a)	16
§ 6.9-3(a)	15, 16
§ 6.10-1	17
§ 6.10-2	17
§ 6.17-1	17, 33
§ 6.19-3	17
§ 6.19-4(d)	17
§ 6.21-1	17
Article 9	
§ 601	15
§ 602	15
§ 602.5	15
§ 603	15
§ 604	15, 16
§ 604(b)	16, 17
§ 604(c)	16, 17
§ 606	16, 17
§ 606(1)	51
§ 607	16
§ 607(d)	16, 17
Article 22	
§ 2203	16
Police Code	
Article 17	
§§ 1215-1215.7	16

Other Authorities

Attorney General Opinion No. 81-506 (1982) 65 Ops.Cal.Atty.Gen. 267	47
Black's Law Dictionary (10th ed.) 1475	39

I. INTRODUCTION

Sixty-two years ago, in *Hall v. City of Taft* (1956) 47 Cal.2d 177, 183, this Court held that the State of California and its agencies, when engaged in sovereign activities, are “not subject to local regulations unless the Constitution says [they are] or the Legislature has consented to such regulation.” The case now before the Court asks whether this principle of state immunity from local control remains good law. It does.

San Francisco imposes a 25% tax on the cost of renting parking spaces in the city and requires parking lot operators to collect the tax on its behalf. After decades of not enforcing its tax collection regulations against state universities, San Francisco recently instructed Respondent Board of Directors of Hastings College of the Law to collect the parking tax at UC Hastings’ campus garage. The Board refused, believing that the tax would hamper its efforts to ensure that students, faculty, staff, and others have a safe and convenient way to travel to and from the college. The Court of Appeal, like the trial court before it, looked to *Hall* and agreed that UC Hastings cannot be compelled to act as San Francisco’s tax collector.

In its opening brief, San Francisco barely mentions *Hall* or the many decisions that have followed it. Instead, San Francisco advocates for an entirely new rule that would allow charter cities to impose “reasonable” tax collection obligations on the State and its agencies as a matter of law.

The Court should reject this proposed rule and reaffirm its holding in *Hall*. *Hall* is the lodestar that courts have used for six decades to determine when state agencies must comply with local laws, and there is no need to change course now. Requiring state consent to local control reflects the fundamental fact that while the California Constitution grants charter cities significant political autonomy, only the State is sovereign. The people of California—acting through the Legislature or, if necessary, by initiative—may compel state universities to serve as local parking tax collectors. But

they haven't. Instead, the responsibility of managing UC Hastings, and furthering its educational mission, has been delegated by the Legislature to UC Hastings' Board of Directors, which has determined that collecting San Francisco's parking tax is not currently in the best interests of the college. It is not the Court's place, or San Francisco's, to veto this decision.

The opinion below is the latest iteration of an established principle: state agencies are exempt from local laws unless the State agrees to be bound by those laws. This rule is grounded in precedent; it respects the legislative nature of the immunity question; and it places the power to decide how state agencies operate where it belongs—with the State. Accordingly, the judgment of the Court of Appeal should be affirmed.

II. STATEMENT OF FACTS

A. San Francisco's parking tax ordinance.

San Francisco imposes a tax on "the rent" charged for parking spaces in the city, at a rate of 25% of the charge, and requires parking lot operators to collect the tax from "occupants" who use their lots. (CT 24-28, 54-55 [BTRC art. 9, §§ 601, 602, 602.5, 603, 604; art. 6, § 6.7-1].)¹ Operators must remit all collected taxes to San Francisco on a monthly basis and file monthly returns showing, if requested, the total number of taxed rental transactions and the amount of parking tax owed on each transaction. (CT 54-56, 58 [BTRC art. 6, §§ 6.7-1, 6.7-2(c), 6.9-3(a)(1)].)

In addition to these principal collection requirements, San Francisco has adopted rules addressing how operators must run their parking lots, the equipment they must use, the receipts they must provide, the records they

¹ Citations in this brief use the following format: "City's Br." refers to San Francisco's opening brief; "CSU's Br." and "Regents' Br." refer to the answering briefs filed by California State University and the UC Regents, respectively; "CT" refers to the Clerk's Transcript on Appeal; and "BTRC" refers to San Francisco's Business and Tax Regulations Code.

must keep, and the manner in which they must collect, account for, and remit the city's parking tax. (CT 26-29, 46-58, 95-96, 98-108 [BTRC art. 9, §§ 604, 607; art. 6, §§ 6.4-1, 6.6-1, 6.7-1, 6.7-2(c), 6.9-1(a), 6.9-3(a)(1); art. 22, § 2203; S.F. Police Code art. 17, §§ 1215-1215.7].) Although San Francisco recently exempted state universities and other public agencies from some of these rules, many continue to apply. (CT 11 [¶¶ 15-17].)

For instance, state universities that operate campus parking lots must maintain specified records for five years, including detailed information about lost tickets and claimed tax exemptions, and they must produce these records on demand. (CT 26-29, 46-47, 54 [BTRC art. 9, §§ 604(b)-(c), 607(d); art. 6, §§ 6.4-1, 6.7-1(a)(1)].) If instructed to do so, they must maintain special trust accounts for all collected taxes. (CT 54-55 [BTRC art. 6, § 6.7-1(f)].) And, critically, they must obtain a certificate of authority from San Francisco before operating a campus parking lot. (CT 48 [BTRC art. 6, § 6.6-1(b)].) In fact, no state university may operate a parking lot in the city unless it first obtains a certificate of authority from San Francisco, and San Francisco may refuse to issue, suspend, or revoke a certificate if the university violates "any provision of the Business and Tax Regulations Code" (CT 48-50 [BTRC art. 6, §§ 6.6-1(c), (f)-(g)].)

Moreover, state universities, like other operators, must remit all parking taxes that *should have* been collected in a particular month, whether or not those taxes are actually collected, and any uncollected taxes must be paid directly from school funds. (CT 46, 54-55 [BTRC art. 6, §§ 6.2-20.5, 6.7-1(d)].) If someone refuses to pay the tax, UC Hastings must pay it. If UC Hastings does not collect the parking tax based on an exemption and cannot prove to San Francisco's satisfaction that the exemption applies, it must pay the tax as well. (CT 28, 54 [BTRC art. 9,

§ 606; art. 6, § 6.7-1(a).) And if UC Hastings cannot establish the amount or validity of a lost ticket transaction, it must pay the tax owed for a full value ticket. (CT 26-29 [BTRC art. 9, §§ 604(b)-(c), 607(d)].)

Uncollected taxes are deemed “a debt owed to” San Francisco and any failure to remit all taxes owed can result in a late payment penalty. (CT 54-55, 77-78 [BTRC art. 6, §§ 6.7-1(d), 6.17-1].) San Francisco can require state universities to deposit collateral for uncollected taxes, and to secure full payment of uncollected amounts, it can limit state universities’ ability to sell or transfer their property and third parties’ ability to return property owned, or pay debts owed to, a state university operator. (CT 64-65, 91 [BTRC art. 6, §§ 6.10-1, 6.10-2, 6.21-1].) Finally, if any administrative requirements are not fulfilled, San Francisco may impose penalties of \$500 per day (in most cases), up to \$25,000 per year (for each type of violation), and may enforce these penalties by placing liens on state universities’ property. (CT 84-87 [BTRC art. 6, §§ 6.19-3, 6.19-4(d)].)

B. UC Hastings’ campus parking garage.

UC Hastings, founded in 1878, is the oldest public law school in California. (CT 270 [¶ 3].) The college is “affiliated with the University of California, and is the law department thereof[,]” and its statutory purpose is to “afford facilities for the acquisition of legal learning in all branches of the law.” (Ed. Code §§ 92201, 92202.) The “business of the college” is managed by a Board of Directors appointed by the Governor and approved by the Senate. (*Id.* §§ 92204, 92206.) The Board holds title to McAllister Tower, Snodgrass Hall, and Kane Hall, where the college’s classrooms, faculty, administrative, and clinic program offices, library, cafeteria, academic research center, student housing, and recreational facilities are located. (*Id.* § 92205; CT 270 [¶ 4].) In 2014, UC Hastings had approximately 1,043 full-time students, 62 full-time faculty members, 150 adjunct faculty members, and 185 support staff. (CT 270 [¶ 3].)

Until recently, UC Hastings' only parking facility was an 18-space lot beneath Snodgrass Hall, used by faculty and staff. (CT 270-271 [¶¶ 4, 11].) To remedy this deficiency, and because its campus is in an urban area with limited street parking, UC Hastings began construction of a seven-story, 395-space garage in 2008, located on the same block as Kane Hall. (CT 270-271 [¶¶ 5, 10].) The garage, now built, is staffed by UC Hastings employees, and revenues and expenses are processed by UC Hastings employees as well. (CT 270 [¶ 6].) Security at the garage was originally provided by UC Hastings' Public Safety Department, and it is now handled by the UCSF Police Department. (*Ibid.*; see <http://www.uchastings.edu/about/admin-offices/security/index.php> (last accessed March 21, 2018).)

The new garage allows students, faculty, and staff to conveniently access campus, and it is used by lawyers, alumni, and guests who patronize the UC Hastings' library and who attend lectures, symposia, receptions, and other events at the college. (CT 270 [¶ 7].) It also plays a key role in maintaining a safe campus environment. (CT 270-271 [¶ 8].) The college's library is open until 11:00 p.m., with extended hours during finals, but because the Tenderloin/Civic Center neighborhood is poorly lit and suffers from high levels of crime, many students do not feel safe leaving campus at night. (*Ibid.*) The garage, which has on-site security personnel and a state-of-the-art security system, offers a safe way for students to leave campus that is superior to the nearby, underground Civic Center garage, which does not provide the same level of security. (*Ibid.*)

UC Hastings financed the construction of the garage by issuing \$25.1 million in tax-exempt general obligation bonds. (CT 271 [¶ 10]; Ed. Code §§ 92204, 92215.) The average annual debt service over the thirty years necessary to pay off these bonds, including principal and interest, is approximately \$1,576,000. (CT 271 [¶ 10].) As of the 2013-14 fiscal year, UC Hastings was operating the garage at an annual loss of about \$269,000,

with total expenses amounting to nearly \$2,000,000. (CT 272-273 [¶ 17].) And yet, notwithstanding these costs, UC Hastings offers a substantial discount to its students—\$210 per month or a maximum daily rate of \$9. (CT 271 [¶ 9].) Although members of the public may also use the garage, they were, at the time this case was pending in the trial court, charged \$260 per month or \$11 to \$26 for a stay lasting between 2 and 12 hours. (*Ibid.*)

C. The parking tax collection dispute.

When it was considering whether to incur the debt needed to construct its new garage, UC Hastings did not analyze the financial impacts of collecting San Francisco’s parking tax. (CT 271 [¶ 11].) And with good reason; even though that tax has been on the books since the 1970s, San Francisco never required state universities to collect it. (CT 25-26.) UC Hastings has operated its 18-space parking lot beneath Snodgrass Hall since 1953, but it was never told to collect the tax at that lot. (CT 271 [¶ 11].) Moreover, in 1983, San Francisco tried to force UCSF to collect the parking tax at its campus lots, but UCSF objected on immunity grounds and the city did not pursue the matter. (CT 271-272, 275-284 [¶ 12, Ex. A-B].)

It therefore came as a surprise when, in 2011, UC Hastings received a letter from San Francisco’s Tax Collector directing it to begin collecting the parking tax. (CT 272, 286-287 [¶ 13, Ex. C].) UC Hastings refused, explaining that San Francisco’s demand impermissibly infringed upon the college’s exclusive power to manage its affairs and property. (CT 272, 288-293 [¶ 14, Ex. D].) After this exchange, nearly two years passed before UC Hastings received a second letter stating that San Francisco had amended its parking tax ordinance and that UC Hastings was now obligated to collect the parking tax at its campus garage. (CT 272, 294-295 [¶¶ 14-15, Ex. E].) UC Hastings again refused. (CT 272, 296-298 [¶ 16, Ex. F].)

San Francisco subsequently filed suit, seeking a writ of mandate that would compel UC Hastings—as well as UCSF and CSU—to comply with

the city's parking tax collection regulations. (CT 7-21.) At the writ hearing, UC Hastings argued that in the absence of any state law to the contrary, San Francisco could not compel state universities to act as local tax collectors. (CT 243-267.) It also submitted uncontested evidence that it built its new garage on the assumption that San Francisco would continue its long-standing practice of not requiring state universities to comply with the city's parking tax ordinance. (CT 272-274 [¶¶ 17-21].) UC Hastings' Chief Financial Officer explained that the college, if forced to collect San Francisco's 25% parking tax, would end up absorbing most of that tax in the garage's operating budget—up to \$364,000 per year, resulting in a total annual operating deficit of \$633,000. (*Ibid.*) In light of statutory limitations on the use of student tuition and state appropriations, which comprised 80% of UC Hastings' budget in the 2013-14 fiscal year, it would be difficult to cover this kind of deficit. (CT 273-274 [¶ 20].) Nor could UC Hastings afford to continue operating its garage under such conditions; doing so would jeopardize its obligations to bondholders and threaten its creditworthiness and access to capital markets, rendering future capital projects infeasible or prohibitively expensive. (*Ibid.*) Thus, if compelled to collect San Francisco's parking tax, UC Hastings would likely have to sell the garage. (*Ibid.*) And if a sale did not extinguish all outstanding debt, UC Hastings might be forced to use funds currently allocated for other purposes to fulfill its debt service obligations. (CT 274 [¶ 21].)

The trial court denied San Francisco's writ petition, and a divided Court of Appeal affirmed. (CT 556-564; *City and County of San Francisco v. Regents of the University of California* (2017) 11 Cal.App.5th 1107 ["CCSF"].) Like the trial court before it, the Court of Appeal held that the operation of UC Hastings' campus garage is a sovereign function that directly supports the college's educational mission, and that in the absence of any statutory or constitutional provision requiring state universities to

collect local parking taxes, UC Hastings cannot be compelled to act as San Francisco's tax collector. This Court has now granted review.

III. STANDARD OF REVIEW

On appeal from a judgment denying a petition for writ of mandate, the Court "defers to [the] trial court's factual determinations if supported by substantial evidence" (*Professional Engineers in California Government v. Kempton* (2007) 40 Cal.4th 1016, 1032, citations and quotation marks omitted.) In cases such as this, where "the trial court's decision did not turn on any disputed facts[.]" the Court is presented with a question of law that is "subject to de novo review." (*Ibid.*, citations omitted; see *Bame v. City of Del Mar* (2001) 86 Cal.App.4th 1346, 1354.)

IV. ARGUMENT

In the trial court, San Francisco sought a writ of mandate compelling UC Hastings to comply with the city's parking tax collection regulations. This remedy is only appropriate if UC Hastings has a "clear, present and ... ministerial duty" to collect the parking tax. (*City of Dinuba v. County of Tulare* (2007) 41 Cal.4th 859, 868, citations omitted.) And because there is no dispute that the city's parking tax ordinance, as written, instructs state universities to collect the tax, the central issue here is a more fundamental one: Does San Francisco have the power to compel state universities to act as local tax collectors? For the reasons set forth below, it does not.

A. The State must provide affirmative consent before local governments may control the sovereign activities of state agencies, and that consent has not been given in this case.

Hall v. City of Taft is this Court's definitive statement regarding state agencies' immunity from local control, but the history of *Hall's* immunity rule actually begins forty years earlier, with *Pasadena School District v. City of Pasadena* (1913) 166 Cal. 7. In that case, the Court held that school districts were required to comply with building regulations

imposed by the cities in which school facilities were located—including regulations requiring districts to submit building plans for approval, pay a fee, and obtain a permit. (*Id.* at 8-14.) The Court reasoned that by granting cities the power to make and enforce “all such local, police, sanitary and other regulations as are not in conflict with general laws[,]” the California Constitution gave cities the power to regulate any “independent governmental agency of the state” unless that power was withdrawn by “positive and general law” (*Id.* at 9-12; Cal. Const. art. XI, § 7.)

Two decades later, the Court began to walk back this holding. *In re Means* (1939) 14 Cal.2d 254, 255-57 involved an ordinance adopted by the City of Sacramento, pursuant to an express grant of authority in its charter, making it unlawful for any person to perform labor as a “journeyman plumber” without passing an examination, posting a bond, and obtaining a certificate from the city. The petitioner, a civil service employee engaged by the State to work as a plumber at the California State Fair, was arrested for failing to obtain a certificate and post the required bond. (*Ibid.*)

The petitioner challenged his arrest, and the Third District, relying on *City of Pasadena*, rejected the challenge. (*In re Means* (1939) 31 Cal. App.2d 290.) This Court reversed, holding that “[t]here can be no question concerning the power of the state in its proprietary capacity to lay down the qualifications for its employees. It acts in an exclusive field, and is not subject to the legislative enactments of subordinate governmental agencies.” (*Means, supra*, 14 Cal.2d at 258.) In the Court’s view, “[i]f one who has been employed by the state may not work on state property within a municipality without the consent of the municipality obtained after examination, the city has, in effect, added to the requirements for employment by the state, and restricted the rights of sovereignty.” (*Ibid.*)

The principle is that the state, when creating municipal governments, does not cede to them any control of the state’s

property situated within them, nor over any property which the state has authorized another body or power to control. The municipal government ... governs in the limited manner and territory that is expressly or by necessary implication granted to it by the state. It is competent for the state to retain to itself some part of the government even within the municipality, which it will exercise directly, or through the medium of other selected and more suitable instrumentalities. How can the city have ever a superior authority to the state over the latter's own property or in its control and management? From the nature of things it cannot have.

(*Id.* at 259, quoting *Kentucky Institution for Education of Blind v. City of Louisville* (Ky.Ct.App. 1906) 123 Ky. 767, 97 S.W. 402, 404.)

Hall was decided against this backdrop. In *Hall, supra*, 47 Cal.2d at 179, the City of Taft demanded that a contractor hired by a school district to construct school facilities obtain a building permit and follow the city's building ordinance. The trial court issued an injunction prohibiting enforcement of the city's ordinance against the district and its contractor, and this Court affirmed. (*Id.* at 179, 189.) In doing so, the Court overruled *City of Pasadena* and instead held that when a state agency engages in "such sovereign activities as the construction and maintenance of its buildings, as differentiated from enacting laws for the conduct of the public at large, it is not subject to local regulations unless the Constitution says it is or the Legislature has consented to such regulation." (*Id.* at 183-84.)

Subsequent courts have reaffirmed this rule on numerous occasions, holding that state agencies "enjoy immunity from local regulation" unless the State "consent[s] to waive such immunity." (*Laidlaw Waste Systems, Inc. v. Bay Cities Services, Inc.* (1996) 43 Cal.App.4th 630, 635.) The Courts of Appeal, for instance, have found that state agencies need not comply with local waste disposal regulations (*City of Santa Ana v. Board of Education of the City of Santa Ana* (1967) 255 Cal.App.2d 178, 179-80; *Laidlaw, supra*, 43 Cal.App.4th at 635-41); local zoning and parking