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Court of Appeal Fourth Appellate District

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09/20/2021

COUR

Kevin J. Lane, Clerk By: Rita Rodriguez

STATE OF CALIFORNIA

FOURTH APPELLATE DISTRICT

DIVISION ONE

## CERTIFIED

UL CHULA TWO LLC, FROM SAN DIEGO COUNTY Plaintiff and Appellant, ) HON. RICHARD E.L. STRAUSS, JUDGE vs. COURT OF APPEAL NO.: CITY OF CHULA VISTA et al. D079215 Defendants and Respondents;) SUPERIOR COURT CASE ) NO.: MARCH AND ASH CHULA VISTA, ) 37-2020-00041554-CU-MC-INC., et al., ) CTL Real Parties in Interest And Respondents.

REPORTER'S APPEAL TRANSCRIPT

February 4, 2021

Volume 1 of 3

Pages 1 to 22

STEPHANIE Y. BRYANT, CSR NO. 13160 OFFICIAL REPORTER PRO TEMPORE SAN DIEGO SUPERIOR COURT

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               THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
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                  COUNTY OF SAN DIEGO - CENTRAL DIVISION
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             DEPARTMENT C-75 HONORABLE RICHARD E.L. STRAUSS
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    UL CHULA TWO LLC,
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            Petitioner/Plaintiff,
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                                          Case No.:
                                          37-2020-00041554-CU-
            vs.
                                          MC-CTL
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    CITY OF CHULA VISTA, a
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    California public entity;
    CHULA VISTA CITY MANAGER, and
                                         EX PARTE MOTION
    DOES 1-20,
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            Respondents/Defendants,
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    MARCH AND ASH CHULA VISTA,
    INC.; TD ENTERPRISE LLC; and
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    DOES 23 through 50,
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            Real Parties In Interest.)
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                      REPORTER'S TRANSCRIPT - MS TEAMS
17
                            SAN DIEGO, CALIFORNIA
18
                              FEBRUARY 4, 2021
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                  STEPHANIE Y. BRYANT, RPR, CSR NO. 13160
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                            PRO TEMPORE REPORTER
                        SUPERIOR COURT OF SAN DIEGO
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1 SAN DIEGO, CALIFORNIA; THURSDAY, FEBRUARY 4, 2021 2 9:46 A.M. 3 -000-4 THE CLERK: Next item, Item No. 5, UL Chula 5 Vista -- I'm sorry -- UL Chula Two versus City of Chula 6 Vista. This matter is being reported. 7 May we have --8 MR. BRUCKER: This is Gary Brucker for the 9 petitioner, UL Chula Two. With me on the line is my 10 colleague Carson Baucher. 11 MS. SHAMOS: Good morning, your Honor. 12 Alena Shamos for City of Chula Vista and 13 Chula Vista City Manager. Good morning, your Honor. 14 MS. RILEY: 15 Heather Riley of Allen Matkins, on behalf of 16 March and Ash Chula Vista, Inc. 17 THE CLERK: Do we have Mr. Philip Tencer? 18 Yes. Good morning, your Honor. MR. TENCER: 19 Philip Tencer on behalf of real party in 20 interest TD Enterprise. 2.1 That's it, your Honor. THE CLERK: 2.2 And, your Honor -- just to confirm, do we have 23 the court reporter? 24 Yes. I am here. THE REPORTER: 25 Stephanie Bryant, court reporter. Thank you. 26 THE CLERK: Thank you. 27 THE COURT: All right. I'm going to ask that 28 everybody -- we're having trouble with the audio. Ιf

1 everybody, please, would refrain from using 2 speakerphones or the headset and use -- I think that 3 will help us. 4 All right. Mr. Brucker? 5 MR. BRUCKER: Thank you, your Honor. Can you hear me okay? 6 7 THE COURT: Yes. Okay. So the reason we're here 8 MR. BRUCKER: 9 today, your Honor, is shortly after our filing our 10 petition, which seeks injunctive relief to stop all 11 licenses for retail storefronts in the city of 12 Chula Vista, the City and I began a dialog, extensively, 13 where the City suggested an idea of simply staying 14 the --15 THE REPORTER: I'm sorry, Counsel -- I'm sorry, 16 Counsel. This is your court reporter. Is it only me? It sounds very broken up. 17 18 No. It's -- he's breaking up to THE COURT: 19 me, too. 20 How is this? Can you guys hear MR. BRUCKER: 21 me okay? 2.2 THE COURT: Can now. Let's see how it goes. 23 Okay. All right. MR. BRUCKER: Thank you. 24 Following discussion with the City, we spent approximately -- almost two months, trying to work out a 25 26 stipulated stay to preserve the status quo. 27 Three-fourths of the parties on the line were open to a 28 stay of licensing till the merit hearings. Real party

1 TD opposed. 2 When we filed our motion for injunctive relief, 3 which is scheduled to be heard on April 30th, following 4 the filing, we asked all the parties for a short-term 5 stipulated stay until April 30th. Again, three-quarters 6 of the parties on the line were agreeable; TD opposed. 7 TD opposed, believing it's not a real party because it's 8 believed it should be granted a license for (inaudible.) 9 THE REPORTER: I'm sorry, Counsel. The last 10 thing, Counsel, you said "they believed should be" --11 MR. BRUCKER: TD believed that it was not a 12 real party, and that should (inaudible.) 13 THE REPORTER: I'm sorry, Counsel. Counsel --I apologize to everybody, but it's breaking up, and I'm 14 15 missing a little bit. 16 THE COURT: It is breaking up. 17 MR. BRUCKER: Not sure if I can speak clearer, 18 or what's going on. 19 Can anybody else not hear me? 20 MR. TENCER: Yes. We can't hear you, as well. 21 You keep breaking -- there's parts that are missing, of 2.2 your speech. 23 Okay. Should I try to call back MR. BRUCKER: 24 into CourtCall? 25 We can try that. THE COURT: 26 Okay. I apologize, your Honor. MR. BRUCKER: 27 I'll be right back. 28 (Brief pause in proceedings.)

1 CourtCall Operator, recalling the THE CLERK: 2 matter of UL Chula Two versus City of Chula Vista. 3 May we have appearances again? 4 MR. BRUCKER: This is Gary Brucker again. Ι 5 apologize for the bad connection. 6 MS. SHAMOS: Good morning. 7 This is Alena Shamos for Chula Vista and the 8 city manager, again. 9 THE COURT: Good morning. 10 MR. TENCER: Good morning. 11 This is Philip Tencer for real party in 12 interest TD Enterprise. 13 THE COURT: Good morning. MS. RILEY: And this is Heather Riley -- and 14 15 this is Heather Riley of Allen Matkins, on behalf of 16 March and Ash. 17 All right. Is that everybody? THE COURT: 18 Do we have Mr. Carson Baucher? THE CLERK: 19 MR. BAUCHER: Carson Baucher, for the Yes. petitioner, as well. 20 2.1 THE CLERK: Thank you. 2.2 THE COURT: All right. Okay. 23 And I apologize, again, everyone. MR. BRUCKER: 2.4 That's all right. THE COURT: Your Honor, may we confirm -- do we 25 THE CLERK: 26 still have the court reporter? 27 THE REPORTER: Yes. I am here. Thank you. 28 THE CLERK: Thank you.

THE COURT: All right. Everybody, if at any time you can't hear clearly, please let us know that.

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All right. Let's go back. And there was a discussion of the parties trying to work out a temporary order, a stay. Go ahead and tell me about that.

MR. BRUCKER: Yes. Thank you, your Honor. This is Gary Brucker for the petitioner.

So after much back-and-forth, we had essentially four of the four parties on the line agreeable to a stay of licensing until April 30th, when our injunction motion was to be heard. The only real dispute was whether it should be a stay of one or two licenses, and so that is why we're here today.

And then I know, also, several parties opposed our ex parte, concerned that the language, the scope of the relief we're seeking is too unclear or too broad. I've told counsel for the City, when we spoke, that we are perfectly okay narrowing the scope of the TRO to just the issuance of the license. And so there shouldn't be any ambiguity as to what would or would not be barred.

So as to whether it should be a stay of one or two licenses, I'll start with a brief discussion of the merits. And mostly that we argue the City erred in applying its own code, critically. Nobody, in opposing our ex parte, argued that the City did not err, that the City properly interpreted its own code. The only real substantive argument that I can see was that the City is

entitled to deference in interpreting its City code. While true, the ultimate decision is for the Court.

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As for the harm, the City believes that will be monetary. But the City ignores two critical points: First, as the Court is aware, UL Chula is a new business. New businesses, when suing for lost profits, typically don't get them because they're being too speculative. And so monetary damages really is not an appropriate remedy.

Second, as we explained in our ex parte, real party TD made a very good argument for us, which is it should only be a stay of one license. Because if you were to stay a second license, which would impede real party TD Enterprise, it would harm TD Enterprise because it wouldn't be going to market with the other competitors in the City.

The same is true for us, your Honor. We were the original District 1 applicants. We were high-scoring District 1 applicants. We were rejected on a ground we believe to be unlawful, and but for that rejection, there would be no question as to who would have been proceeding first -- first to market.

And that matters. It matters because we have issues of brand loyalty. We have -- once a customer finds a retail outlet that they like, they tend to stay there. And everyone knows it's important, and no one can seriously argue that it is not. And so that is why we believe a stay of all licenses in District 1 is

appropriate.

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City.

And again, we -- our preliminary injunction -- excuse me -- our petition originally filed the stay throughout the entire city. But we've limited that to just District 1.

And the final thought, your Honor, is although we believe petitioner is entitled to a TRO, that's not the only relief we ask for. We ask, in the alternative, to move up the April 30th hearing so that we could, if necessary, have a more fuller and fair briefing on the merits on preliminary injunction.

Nobody opposes that alternative request. We may not need that, if we get the TRO and can have briefing on April 30th, but that's an alternative option for the Court to consider.

Thank you.

THE COURT: All right. Anybody else?
MS. SHAMOS: Your Honor, Alena Shamos for the

As a preliminary matter, this is an ex parte. We did not get an opportunity to get into the full merits of our argument. That does not imply that there's some sort of concession with respect to the City's exercising discretion.

The other thing is that all the parties seem to be in agreement as to a narrower scope of the TRO. So getting into all of these side issues on the merits, it doesn't seem to be productive, although it is not within

my discretion to decide that.

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The other thing, your Honor, is that the February 19th date that was proposed by petitioner creates a very short window for full briefing, should that be selected. It's an extreme order shortening time, and just because petitioner has filed their full preliminary injunction papers does not mean that that affords the remaining parties sufficient time to brief all of the issues.

Thank you, your Honor.

THE COURT: All right. Anybody else have a comment?

MR. TENCER: Thank you, your Honor. This is Philip Tencer on behalf of TD Enterprise.

The one thing that plaintiff's counsel has left out is the key Supreme Court decision. And the Supreme Court has explained that. The scope of preliminary relief that a party would be entitled to is necessarily limited by the scope of relief likely to be obtained at the trial on the merits.

In this situation, they're seeking to halve one license into two licenses in District 1. There's no way they could ever get two licenses. And as such, the scope of the relief they're entitled to preliminarily is limited to one license only, not two licenses. And so their request is simply overbroad, as the Supreme Court explained.

I don't know if you got our briefs we had

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1
     delivered last month, but the case is Common Cause
 2
     versus Board of Supervisors, 49 Cal.3d 432 at 442.
 3
              THE COURT:
                          All right.
                                       It's --
 4
              MS. RILEY:
                          Your Honor, this is Heather Riley.
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              THE COURT:
                          Go ahead.
              MS. RILEY:
                          This is Heather Riley of
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 7
     Allen Matkins.
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              I just wanted to reiterate that --
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              THE REPORTER: I apologize, Counsel. Counsel,
     this is your court reporter. I'm having a little bit of
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     trouble hearing you.
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              Can I have you maybe move away from the mic?
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              MS. RILEY:
                          Can you hear me now?
              THE REPORTER:
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                             I can hear you. It just sounds
15
     very muffled.
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              MS. RILEY: Can you hear me now?
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              THE REPORTER:
                             Yes.
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                         Okay. I'll try and turn my phone
              MS. RILEY:
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     up, then. I apologize.
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              Is that better?
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              THE REPORTER:
                             I think so.
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                          That's better.
              THE COURT:
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                                 I just wanted to reiterate a
              MS. RILEY:
                          Okay.
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     point Ms. Shamos made, that just because March and Ash
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     did not engage on the merits in the TRO does not mean
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     that we conceded any points on the merits of the actual
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     matter.
              If the Court has any questions for us, we're
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available for those, but we submit on the papers, otherwise.

THE COURT: All right. Well, let me ask this: Why does there need to be a stay as to two licenses when there's really only one at issue?

MR. BRUCKER: Your Honor, again, this is Gary Brucker.

And to answer that question, the harm from not preserving the status quo is the issue. What we are seeking to do is to right the ship, which would be us being first in line for our license and first in line to open.

This isn't a case where there was two
District 1 applicants who were awarded at the same time;
this is a case where we would be prevailing -- or
first-place District 1 applicants, and the real party
failed, in their respective districts, to get a license.
Only after we were picked did the City invite them to
move to District 1, a place that they did not intend,
originally, to be at.

And so if one license is issued while we go through this process, by the time we get our process completed, if we prevail and we open, we will be six months, a year, a year and a half behind. At that point in District 1, the business will already be gone. The ability to have true relief will be gone. To preserve the status quo, it needs to preserve it as it is, which is there is no licenses now in District 1.

The status quo at this time is that there are no licenses. So to preserve the status quo isn't to preserve one license; it's to preserve that there are no licenses.

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And one quick point to counsel for the City's comment: February 19th was an ideal date. Doesn't have to be the date. We are flexible. We have flexibility there.

THE COURT: Well, we can give you an earlier date than April 30th. We can go to March 26th, if that will help.

MR. BRUCKER: Your Honor, an earlier date, of course, would be preferable, but that is still approximately two months from now, during which point we don't necessarily have a stay.

Would we be able to perhaps advance the hearing date to March 26th, as you suggest, but then also have the short-term stay of the licenses until March 26th so that everyone's only working off of a stay for about seven weeks or so?

THE COURT: Anybody have any thoughts about that?

MR. TENCER: Philip Tencer on behalf of TD Enterprise.

Again, they haven't met the burden with respect to having it narrow enough, and changing dates to something smaller, in fact, prejudices my client.

You know, he talks of this District 1 as in

isolation, while, in fact, the City of Chula Vista has four districts. And one of the locations in District 3 is less than a mile from the location in which my client intends to eventually open a store.

So that's the reason why we told them originally that we wouldn't be willing to stipulate to it, because his argument is that he's prejudiced by the delay in opening up the store. And the same holds true for my client, who -- there's no issue here. So that's the concern.

THE COURT: Anybody else?

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MR. BRUCKER: So, your Honor, Gary Brucker for the petitioner.

I understand the concern of TD. Were the shoe reversed, as I told him on the phone, I don't think --

THE REPORTER: I'm sorry, Counsel. Can I have you repeat that? I apologize, Counsel. You sound muffled.

MR. BUCKNER: Sure.

THE REPORTER: Can I have you repeat that?

MR. BRUCKER: Were the shoe on the other foot,

I believe that I would be arguing this position --

THE REPORTER: I'm sorry, Counsel. Counsel, I apologize. Perhaps if other people that aren't speaking would mute their mic, it would be helpful.

MR. BRUCKER: I believe that if we could take the April 30th date and move it to March 26th with a stay of licensing, that would work for everyone with

the Court making the determination and decision today whether to do one or two licenses. And I think that's the umpire's role here, where everyone is on board with the stay except for one or two. And you've heard the arguments for one or two.

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And so we would love for the Court to make a ruling on that. And as long as the Court's made that ruling and there's some sort of a stay, March 26th works well for, I believe, us and, hopefully, everyone else.

MS. SHAMOS: Your Honor, my apologies. This is Alena Shamos for the City and the city manager.

I wanted to clarify that to the extent that there will be a stay, it needs to be narrow and specific so that the City knows what it needs to do. A proposed language for some sort of stay within the draft stipulation that was attached as an exhibit to my declaration in support of the opposition -- that was language that was being circulated among the parties.

The manner in which the stay is currently drafted, as Mr. Brucker acknowledged, is quite broad. And he did state that he was willing to narrow that. So to the extent that a stay is issued, it really needs to be quite specific as to just issuance.

THE COURT: Mr. Brucker, can you narrow it?
MR. BRUCKER: Absolutely, your Honor.

I believe if the Court were to determine the one-or-two license issue, that we could circulate a proposed order that everybody could deal with. Because

I believe that was the only hiccup.

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THE COURT: All right. I don't know that it's going to do any harm to have the stay apply to two licenses. You indicate that would maintain the status quo. It's difficult for me to -- I mean, it's obvious everybody is concerned about somebody having an advantage in the market, but I don't have any real facts about that, or what the market would be, or if there is any market.

Nevertheless, I would be willing to issue a limited stay to March 26th for two licenses. As best I can tell, that's the closest we'd get to status quo. Now, you're going to have to work out the language of the stay.

MR. BRUCKER: Your Honor, this is Gary Brucker for petitioner.

Thank you. I believe we can. I believe that in addition, the parties were working on a stipulated briefing schedule for the merits hearing, and I would suggest, with the Court's guidance on the stay today, that the parties can prepare and submit a stipulation/proposed order that would have a briefing schedule for the March 26 preliminary injunction, issue a narrow stay until then, and then have a briefing schedule for the merits-based hearing, so that everyone is working in an orderly fashion together. I think if the other counsel would agree, we can work on that very quickly.

1 Your Honor, this is Alena Shamos. MS. SHAMOS: 2 That is consistent with the City's intent in trying to negotiate a stipulation regarding a schedule 3 in the first place. 4 5 MS. RILEY: Your Honor, this is Heather Riley. That's acceptable to March and Ash. 6 7 MR. TENCER: Your Honor, this is Philip Tencer on behalf of TD Enterprise. 8 9 I quess the question is what happens if the 10 parties aren't able to agree on the scope of the stay? 11 Say that again. I couldn't clearly THE COURT: 12 hear you. 13 MR. TENCER: Of course. 14 What happens if the parties are unable to agree 15 as to the scope of the stay? 16 THE COURT: You could come back on and we'll 17 have a discussion about it. 18 The City needs to know specifically what the 19 limitations are going to be, so they don't inadvertently 20 violate it. So it needs to be clear. I think you ought 2.1 to be able to work that out. As to the briefing, can't you do that per code? 2.2 23 MR. BRUCKER: Your Honor, Gary Brucker for 24 petitioner. 25 Yes, we could do a briefing per code. We do 26 have time for that for March 26th. The administrative 27 hearing -- you know, it's a lot more involved.

more work goes into it, and it was the parties' belief

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that we would have enough time to do a good briefing schedule to provide our best, clearest work.

THE COURT: All right. Well, we'll take a look at whatever you come up with, but I believe the motion's been filed, hasn't it?

MR. BRUCKER: The motion has been filed for the preliminary injunction. We can re-notice it for the 26th --

THE COURT: Right.

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MR. BRUCKER: -- and that's fine. It's the -- there's been no moving papers for the merits-based hearing, which -- we have a mid-June hearing date at the moment.

THE COURT: That's right. That's June 18. So that can all go by code, too.

MS. SHAMOS: Your Honor, this is Alena Shamos for the City.

The parties have already discussed a proposed briefing schedule for that hearing, and it makes sense to do the preliminary injunction per code. However, we would like to submit to your Honor some proposed dates in the stipulation for the merits-based hearing, to see if those types of -- if the precise schedule that's proposed would be most convenient for the Court.

THE COURT: Well, our concern is when we get -- how far ahead of the hearing will we have the last pleading?

MS. SHAMOS: I think we gave the Court quite a

1 bit of time. I need to take a guick look at that. I think it was about -- it was in excess of what would 2 be an ordinary reply, which was five court days. So it 3 4 was more than that. 5 THE COURT: All right. And what about the record? 6 7 MS. SHAMOS: We're in the process of working 8 with the petitioner's counsel regarding the record, and 9 that's part of what is still blank in the proposed 10 stipulation. We sent a draft record to petitioner, and 11 are hoping to work that out. 12 All right. Well, of course, we THE COURT: 13 need that. 14 All right. Does that answer the questions for 15 today? 16 MR. BRUCKER: For petitioner, yes, your Honor. 17 Thank you. 18 All right. THE COURT: 19 For March and Ash, yes, SHAMOS: 20 your Honor. Thank you. 2.1 All right. THE COURT: Thank you. 22 MR. TENCER: Yes, your Honor. The next thing, then, will be --23 THE COURT: 24 the next hearing, then, will be March 26. 25 Thank you, everybody. 26 MS. SHAMOS: Thank you, your Honor. 27 MR. BRUCKER: Thank you, your Honor. 28 MR. BAUCHER: Your Honor, will that be at

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               The March 26th hearing?
     9 a.m.?
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               THE COURT: Yes.
                                   9:00 a.m.
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               MR. BAUCHER:
                              This is Carson Baucher, for
     petitioner.
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               THE COURT:
                            Yes.
                              Thank you.
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               MR. BAUCHER:
                            Thank you.
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               THE COURT:
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                  (Proceedings concluded at 10:21 a.m.)
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1	STATE OF CALIFORNIA)
2	COUNTY OF SAN DIEGO)
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4	UL CHULA TWO LLC
5	vs. CITY OF CHULA VISTA, a California public entity; CHULA
6	VISTA CITY MANAGER, and DOES 1-20
7	CASE NO. 37-2020-00041554-CU-MC-CTL
8	
9	I, Stephanie Y. Bryant, Certified Shorthand
10	Reporter licensed in the State of California, License
11	No. 13160, hereby certify:
12	
13	I reported stenographically the proceedings had
14	in the above-entitled cause, and that the foregoing
15	transcript is a full, true, and correct transcription of
16	my shorthand notes taken during the proceedings had on
17	February 4, 2021.
18	
19	Dated at San Diego, California, on
20	September 9, 2021.
21	
22	
23	Stephanie Y. Bryant, CSK No. 13160
24	Stephanie Y. Bryant, CSK No. 13160
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