

CITY OF STOCKTON v. SUPERIOR COURT

Supreme Court of California, 2007.

42 Cal.4th 730, 68 Cal.Rptr.3d 295, 171 P.3d 20.

CORRIGAN, ASSOCIATE JUSTICE.

Government Code section 905 requires that “all claims for money or damages against local public entities” be presented to the responsible public entity before a lawsuit is filed. Failure to present a timely claim bars suit against the entity. (§ 945.4.) Here we hold that these requirements apply to breach of contract claims. We also adopt the practice of referring to the claims statutes as the “Government Claims Act,” to avoid the confusion engendered by the informal short title “Tort Claims Act.”

In this suit against a city and its redevelopment agency, the trial court overruled defendants’ demurrer, deciding that the claim requirements did not apply to plaintiff’s contract causes of action. The Court of Appeal issued a writ of mandate directing that the trial court sustain the demurrer. We affirm the Court of Appeal’s judgment, with modifications.

I. BACKGROUND

Plaintiff Civic Partners Stockton, LLC (Civic) executed two redevelopment contracts in May 2000 with defendant Redevelopment Agency of the City of Stockton (the Agency). One contract involved rehabilitation of the Hotel Stockton; the other was for construction of an adjacent cinema. In May 2001, defendant City of Stockton (the City) leased the upper floors of the hotel from Civic for office space.

Three months later, however, the City repudiated the lease.

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On March 19, 2002, without informing Civic, the Agency entered into a new hotel development agreement with a company named Hotel Stockton Investors, operated by Youssefi. This agreement conflicted with Civic’s hotel agreement, which was still in effect. * * *

Civic did not present a claim before filing suit. Its original complaint * * * sought declaratory relief to establish its rights in the hotel plans, damages from Youssefi and his companies for interference with its contracts, and damages from the City and the Agency for breaching the hotel agreement and the mitigation agreement of February 19, 2002. The City and the Agency demurred, but did not rely on the government claim requirements. The trial court sustained the demurrer on the grounds that Civic’s rights in the hotel plans were governed by federal copyright law and within the exclusive jurisdiction of the federal courts, [and] that the City was not liable on the contract claims

* * *

Civic's amended complaint * * * sought damages from the City * * *. The City and the Agency demurred again, still without raising the claim requirements.

The court sustained the demurrer. * * *

The second amended complaint * * * restated the contract and interference with contract causes of action * * *. The City and the Agency demurred for the third time. They * * * asserted that the second amended complaint was barred because Civic had failed to comply with the government claim requirements. They noted that in *State of California v. Superior Court (Bodde)* (2004) 32 Cal.4th 1234, 13 Cal.Rptr.3d 534, * * * this court ruled that failure to plead compliance with the claim requirements is a ground for demurrer.

The trial court overruled this demurrer. It decided that the factual allegations supported the contract claims, and that the claims statutes did not affect contractual liability. The City and the Agency then * * * petitioned the Court of Appeal for a writ of mandate directing the trial court to sustain their demurrer. They pointed out that the claims statutes unquestionably governed Civic's tort claim for interference with contract, and contended they also applied to Civic's contract claims under the weight of the case authority.

The Court of Appeal agreed. It held that the claim presentation requirements apply to contract causes of action against government defendants, and rejected a series of arguments by Civic attempting to excuse its noncompliance. * * * The trial court was directed to enter an order sustaining the demurrer; the Court of Appeal did not reach the question whether leave to amend was proper. We granted Civic's petition for review.

II. DISCUSSION

* * * Civic concedes, as it did below, that its tort cause of action for interference with contract was subject to the claim requirements, unless compliance was somehow excused.

A. The Claims Statutes and Contract Causes of Action

Section 905 requires the presentation of "all claims for money or damages against local public entities," subject to exceptions not relevant here. Claims for personal injury and property damage must be presented within six months after accrual; all other claims must be presented within a year. (§ 911.2.) "[N]o suit for money or damages may be brought against a public entity on a cause of action for which a claim is required to be presented . . . until a written claim therefor[e] has been presented to the public entity and has been acted upon . . . or has been deemed to have been rejected" (§ 945.4.) "Thus, under these statutes, failure to timely present a claim for money or damages to a public entity bars a plaintiff from filing a lawsuit against that entity."

Deleted:

The purpose of the claims statutes is not to prevent surprise, but “to provide the public entity sufficient information to enable it to adequately investigate claims and to settle them, if appropriate, without the expense of litigation. It is well-settled that claims statutes must be satisfied even in face of the public entity’s actual knowledge of the circumstances surrounding the claim.” The claims statutes also “enable the public entity to engage in fiscal planning for potential liabilities and to avoid similar liabilities in the future.”

Contract claims fall within the plain meaning of the requirement that “all claims for money or damages” be presented to a local public entity. (§ 905.) As the *Baines Pickwick* court noted, other statutory terms further demonstrate the Legislature’s intent that the claim requirements apply to contract causes of action. ([*Baines Pickwick Ltd. v. City of Los Angeles* (1999) 72 Cal.App.4th 298, 303-304, 85 Cal.Rptr.2d 74].) Section 905.2 requires the presentation of all claims against the state “[f]or money or damages on express contract.” (§ 905.2, subd.(b)(3).) Section 910, governing the contents of claims against both the state and local entities, requires specification of the “date, place and other circumstances of the occurrence *or transaction* which gave rise to the claim asserted,” (italics added), and a “general description of the *indebtedness, obligation, injury, damage or loss incurred*” (italics added.) Section 910.2 provides that “[c]laims against local public entities for supplies, materials, equipment or services need not be signed by the claimant or on his behalf if presented on a billhead or invoice regularly used in the conduct of the business of the claimant.” Section 930.2 permits local government contracts to include provisions for the presentation of “any or all claims arising out of or related to the agreement.” (See also § 930, providing the same authorization for state contracts.) In view of these provisions, it is no surprise that courts have routinely applied the claim requirements to contract causes of action against local government defendants.

The legislative history of the “money or damages” term of sections 905 and 945.4 confirms that they were meant to include contract claims. The current statutory scheme was the second enacted to replace a multiplicity of former claim requirements. In 1959, the Legislature acted on the Law Revision Commission’s recommendation to provide a unified procedure for claims against local entities.⁴

* * *

Civic’s argument that breach of contract claims are not subject to the claim requirements is based primarily on section 814, which provides: “Nothing in this part affects liability based on contract or the right to obtain relief other than money or damages against a public entity or public employee.” It is true that some Courts of Appeal have read section 814 to exclude contract causes of action from the scope of the claim requirements. Others, however, have rejected that view, reasoning that section 814 pertains only to immunity from liability, and has no effect on the claims requirements.

⁴ The scheme in effect today was established in 1963, when the Legislature combined the requirements for claims against local entities with those for claims against the state * * * .

This reasoning finds ample support in the language, structure, and purpose of the statutes.

Section 814 is found in part 2 of the statutory scheme, which the Legislature captioned “Liability of Public Entities and Public Employees.” The claim presentation requirements are in part 3, which was enacted separately. Thus, the claim requirements are not included in section 814’s declaration that “nothing in this part affects liability based on contract.” Section 814 simply reaffirms the long standing rule that governmental immunity does not encompass contractual liability. That proposition has no necessary connection to the requirement that a claim be presented before suit is filed. Prior notice of claims serves the purpose of facilitating investigation and possible settlement, whether or not the public entity would otherwise be immune from liability.

* * *

Because of the broad scope of the claim requirements, a number of Courts of Appeal have followed the suggestion in *Baines Pickwick* that “Government Claims Act” is a more appropriate short title than the traditional “Tort Claims Act.” We agree that this practice is a useful way to reduce confusion over the application of the claim requirements. Henceforth, we will refer to division 3.6, parts 1 through 7 of the Government Code (§ 810 et seq.) as the Government Claims Act.

* * *

C. Estoppel and Waiver

Civic argues that defendants were estopped from relying on the Government Claims Act, or that they waived their defense under the act, either by failing to notify Civic that its claim was defective, by cross-complaining against Civic, or by failing to promptly raise the act as a defense in their first two demurrers. These arguments fail.

“It is well settled that a public entity may be estopped from asserting the limitations of the claims statute where its agents or employees have prevented or deterred the filing of a timely claim by some affirmative act. Estoppel most commonly results from misleading statements about the need for or advisability of a claim; actual fraud or the intent to mislead is not essential.” Civic specifies no act or statement by defendants that prevented it from filing a timely claim. It asserts that in early 2002 defendants assured it that its interests would be protected, in an effort to avoid a claim against them. But Civic alleges no conduct that might have deterred it from presenting a claim after defendants failed to keep their promises. Thus, it does not establish even a colorable estoppel claim.

Civic’s principal waiver argument is equally defective. It contends the defense-waiver provisions of sections 910.8 and 911 apply because defendants did not advise it that the correspondence between the parties in February and March of 2002 was insufficient to constitute a claim. Section 910.8 provides that “[i]f, in the opinion of the board or the person designated by it, a claim as presented fails to comply substantially

| with the requirements of Sections 910 and 910.2, . . . the board or the person may, at any time within 20 days after the claim is presented, give written notice of its insufficiency, stating with particularity the defects or omissions therein.” Under section 911, “[a]ny defense as to the sufficiency of the claim based upon a defect or omission in the claim as presented is waived by failure to give notice of insufficiency with respect to the defect or omission as provided in Section 910.8. . . .”

For a document to constitute a “claim as presented” under section 910.8, it must “disclose[] the existence of a ‘claim’ which, if not satisfactorily resolved, will result in a lawsuit against the entity.” Nothing in the correspondence relied on by Civic indicates that litigation might ensue if defendants did not comply with the terms under discussion. This is the most essential element of a “claim as presented,” because it satisfies the primary purposes of the Government Claims Act: facilitating the investigation of disputes and their settlement without trial if appropriate. Civic has alleged that the parties attempted to restructure their plans in a mutually agreeable fashion, but it points to nothing that would have specifically alerted defendants to weigh the alternatives of litigation or compromise.

Civic also argues that defendants waived the right to rely on the claim requirements by filing a cross-complaint.

* * *

Civic asserts in contradictory fashion that it was not defendants’ cross-complaint that waived the claims act defense, but their delay in raising the defense in the demurrer proceedings. Civic contends that if defendants had promptly asserted the claim requirements, it could have filed a timely claim.¹³ In essence, this argument equates the filing of a lawsuit with a “claim as presented” under section 910.8, obligating the public entity to notify the plaintiff of the necessity to present a proper claim if the entity is to preserve its defense under the claims statutes. Such a procedure would be irreconcilable with the statutory scheme. The legislature’s intent to require the presentation of claims *before* suit is filed could not be clearer. (§ 945.4.) The purpose of providing public entities with sufficient information to investigate claims without the expense of litigation is not served if the entity must file a responsive pleading alerting its opponent to the claim requirements. Civic cannot shift responsibility for ascertaining the claim requirements to defendants.

* * *

¹³. Civic’s first complaint was filed in January 2003. The period for asserting contract claims is one year. (§ 911.2.) Other than the City’s alleged breach of the hotel lease, the conduct giving rise to Civic’s claim occurred in 2002. Defendants did not raise the claims act defense until their third demurrer in 2004. If the plaintiff has not had an opportunity to amend the complaint in response to the demurrer, leave to amend is liberally allowed as a matter of fairness, unless the complaint shows on its face that it is incapable of amendment.

III. DISPOSITION

We modify the judgment of the Court of Appeal to include directions to order the trial court to grant Civic leave to amend the second amended complaint, should Civic seek to do so * * *. As so modified, the judgment is affirmed.