

**MEMORANDUM
COUNTY OF VENTURA
COUNTY COUNSEL'S OFFICE**

**LEGAL ANALYSIS OF ANTIQUATED OILFIELD
CONDITIONAL USE PERMITS**

The County of Ventura's ("County") ability to impose new conditions on antiquated oilfield permits is very limited. Because of the vested rights doctrine and constitutional protections afforded these permits, the County can impose new, narrowly tailored conditions on these permits only when a compelling public necessity, such as danger, harm or public nuisance, or significant violations exist, and not through an ordinary exercise of the police power for the general welfare.

If an antiquated oilfield permit contains open-ended conditions that allow for future requirements or modifications to the permit, the permit language might provide a limited basis for new conditions based on the terms of the permit. Older permits do not contain such language, and imposition of new conditions under this theory would require detailed analysis of each permit's terms and the conditions sought.

ANALYSIS

A. BACKGROUND

The drilling of wells for oil and gas production has been continuously subject to a permit from the County since the adoption of the County's first zoning ordinance in 1947. (Ventura Co. Ord. No. 412, §16 II.10., adopted March 18, 1947.)

Over time, the zoning ordinance has become more stringent in its regulation of oil and gas exploration and production and the conditions imposed on use permits have become more stringent. The language authorizing the oil and gas exploration and production use in permits, as well as conditions on the permits, vary greatly depending on when the use permit was first issued or later modified at the permittee's request.

The County's ordinance provisions for oil permits must be interpreted in a manner consistent with constitutional requirements, as analyzed below.

B. VESTED RIGHTS AND PERMIT MODIFICATIONS

A county may, under its police power, impose new requirements on an antiquated oilfield conditional use permit when a modification to the permit is sought by the

permittee. In such instances a county has broad powers to apply new modern conditions to a permittee-initiated request, subject to principles of reasonable relationship, essential nexus, rough proportionality and preemption. (See Gov. Code, § 65909; *Nollan v. California Coastal Com'n* (1987) 483 U.S. 825 [107 S.Ct. 3141]; *Dolan v. City of Tigard* (1994) 512 U.S. 374 [114 S.Ct. 2309]; *County Sanitation Dist. No. 2 v. County of Kern* (2005) 127 Cal.App.4th 1544, 1618-1624.)

Vested rights limit the power of a county to impose new, more restrictive zoning regulations, new conditions and other use limitations on a property owner after a certain point in the approval process or after actual development has occurred. (See *City of Claremont v. Kruse* (2009) 177 Cal.App.4th 1153, 1179 [holding that zoning moratorium may operate retroactively to require denial of pending applications or nullify permits issued but not utilized, but may not operate retroactively to divest permittee of vested rights previously acquired].)

In *Avco Community Developers, Inc. v. South Coast Regional Com.* (1976) 17 Cal.3d 785, the California Supreme Court stated the vested rights doctrine as applied to land use as follows:

“[I]f a property owner has performed substantial work and incurred substantial liabilities in good faith reliance upon a permit issued by the government, he acquires a vested right to complete construction in accordance with the terms of the permit. [Citations.] Once a landowner has secured a vested right the government may not, by virtue of a change in the zoning laws, prohibit construction authorized by the permit upon which he relied.” (*Id.* at p. 791.)

The vested rights doctrine protects a permit holder’s right not only to construct, but also to use the premises as authorized by the permit. (*County of San Diego v. McClurken* (1951) 37 Cal.2d 683, 691.) Also, for purposes of analyzing the scope of a vested right to operate a business, a business cannot be broken down into components and vested rights recognized for less than the entire business operation. (See *Hansen Brothers Enterprises, Inc. v. Board of Supervisors* (1996) 12 Cal.4th 533, 565-566 [indicating there is “no authority for refusing to recognize a vested right to continue a component of a business that itself has a vested right to continue using the land on which it is located for operation of the business.”].)

The vested rights rule is grounded upon the constitutional principle that a vested right is a property right which may not be taken without due process of law or just

compensation. (*Urban Renewal Agency v. California Coastal Zone Conservation Com.* (1975) 15 Cal.3d 577, 583-584.) When a conditional use permit has been issued and then relied upon by the permittee, giving rise to a vested right, the permit becomes immunized from impairment or revocation by subsequent government action. This rule is subject to the qualification that such a vested right, while immune from divestment through ordinary police power regulations, may be impaired or revoked if the use authorized or conducted under the permit constitutes a menace to public health and safety or a public nuisance. (*Highland Development Co. v. City of Los Angeles* (1985) 170 Cal.App.3d 169, 186.) Thus, a vested right creates a property right in the permit holder which cannot be terminated or impaired by the imposition of new conditions *at all*, unless constitutional requirements addressing the permittee's rights of due process are met. (See *Washington v. Glucksberg* (1997) 521 U.S. 702, 721-722 [117 S.Ct. 2258]; *Kerley Industries, Inc. v. Pima County* (9th Cir. 1986) 785 F.2d 1444, 1446.)

There are both procedural and substantive due process constitutional requirements that apply to governmental interference with such rights. The procedural requirements include notice to the permittee, a hearing on the termination of the permit or impairment of the permit through modified conditions, findings based on evidence received at the hearing and a decision based on the findings. (See *Trans-Oceanic Oil Corp. v. Santa Barbara* (1948) 85 Cal.App.2d 776, 797; *Topanga Assn. For a Scenic Community* (1974) 11 Cal.3d 506, 511.)^{1/} The substantive due process requirements are that vested rights cannot be terminated or impaired by ordinary police power regulations, and can be revoked or impaired (such as by new conditions imposed by a county) *only* to serve a "compelling state interest," such as a harm, danger or menace to public health and safety or public nuisance, and that the government's interference with the vested right be

^{1/} "The fourteenth amendment to the constitution of the United States provides that no person shall be deprived of life, liberty, or property, without due process of law. Article I, Section 1, of the constitution of California, provides that all men have certain inalienable rights, among them being those of enjoying liberty and possessing and protecting property, and section 13 thereof provides that no person shall be deprived of life, liberty, or property, without due process of law. The deprivation of such right without due process of law would be a violation of these provisions. The meaning of this is that no one can be deprived thereof without notice and an opportunity for a hearing before some tribunal authorized to determine the question. . . ." (*Trans-Oceanic Oil Corp. v. Santa Barbara, supra*, 85 Cal.App.2d at p. 796.)

narrowly tailored to address the compelling interest and its magnitude. (See *Washington v. Glucksberg*, *supra*, 521 U.S. at p. 721.)

These principles are best explained by the two following cases.

In *Davidson v. County of San Diego* (1996) 49 Cal.App.4th 639 (“*Davidson*”), the court addressed an attempt by the county to impose a new 650-foot setback requirement on a property owner that had a vested right to a building permit for a crematorium without the new setback. The court explained that:

“Vested rights, of course, may be impaired ‘with due process of law’ . . .” (*Davidson*, *supra*, 49 Cal.App.4th at p. 648.)

“The vested rights doctrine in the land use context ‘is subject . . . to the qualification that such a vested right, *while immune from divestment through ordinary police power regulations, may be impaired or revoked if the use authorized or conducted thereunder constitutes a menace to the public health and safety or a public nuisance.* [Citations.]’ (*Highland Development Co. v. City of Los Angeles* (1985) 170 Cal.App.3d 169, 186 [] (italics added), disapproved on other grounds in *Morehart v. County of Santa Barbara* (1994) 7 Cal.4th 725, 743, fn. 11 [].) Public welfare demands may even require the complete destruction of vested property rights. (*Sunset Amusement Co. v. Board of Police Commissioners* (1972) 7 Cal.3d 64, 80 [].)” (*Davidson*, *supra*, at p. 649.)

“The constitutional question, on principle, therefore, would seem to be, not whether a vested right is impaired [by a change in the law], but whether such a change reasonably could be believed to be sufficiently necessary to the public welfare as to justify the impairment.” (*Davidson*, *supra*, at p. 649.)

“Probably the single most important factor to be considered in determining whether a particular impairment is constitutionally permissible is the nature and extent of the impairment. “The severity of the impairment measures the height of the hurdle the . . . legislation must clear.” ’ [Citations.] Other important factors to be considered are the nature, importance and urgency of the interest to be served by the challenged legislation; and whether the legislation was appropriately tailored and limited to the situation necessitating its enactment. [Citations.]” (*Davidson*, *supra*, at p. 649.)

The court concluded that, while the usual exercises of the police power in the land use context are not so directly related to danger or potential danger to the health and safety (such as down-zoning of uses, lot densities and height requirements) to be applied to the property owner's permit, it was conceivable that the 650-foot setback requirement could be applied to the crematorium project, but only if the county could demonstrate that such a setback was necessary to prevent the operation of the crematorium from being a danger or nuisance to the public. (*Davidson, supra*, at p. 650.)

Similarly, in *O'Hagen v. Board of Zoning Adjustment* (1971) 19 Cal.App.3d 151, ("*O'Hagen*"), the court reviewed a city's revocation of a use permit for the operation of a drive-in restaurant for which the permittee held a vested right under an ordinance which allowed revocation of permits "for violation of conditions and other good cause upon notice and hearing." The court stated that:

"Once a use permit has been properly issued the power of a municipality to revoke it is limited. (*Trans-Oceanic Oil Corp. v. Santa Barbara [supra]*,] 85 Cal.App.2d [at p.] 783 [].) Of course, if the permittee does nothing beyond obtaining the permit it may be revoked. (*Trans-Oceanic Oil Corp. v. Santa Barbara, supra*.) Where a permit has been properly obtained and in reliance thereon the permittee has incurred material expense, he acquires a vested property right to the protection of which he is entitled. (*Trans-Oceanic Oil Corp. v. Santa Barbara, supra*, at pp. 784-787; *Dobbins v. Los Angeles* [(1904)] 195 U.S. 223, 239 [[] 25 S.Ct. 18]; *Jones v. City of Los Angeles* [(1930)] 211 Cal. 304, 309-312 []; see *Brougher v. Board of Public Works* [(1928)] 205 Cal. 426, 433-434 [].) When a permittee has acquired such a vested right it may be revoked if the permittee fails to comply with reasonable terms or conditions expressed in the permit granted (*Trans-Oceanic Oil Corp. v. Santa Barbara, supra*, at p. 783; *Brougher v. Board of Public Works, supra*, at p. 433) or *if there is a compelling public necessity*. (*Jones v. City of Los Angeles, supra*, at p. 314; see *Lawton v. Steele* [(1894)] 152 U.S. 133, 137 [[] 14 S.Ct. 499].") (*O'Hagen, supra*, 19 Cal.App.3d at p. 158, italics added.)

The court further explained that procedurally:

"The constitutional requirements are met with respect to the right of revocation for good cause when notice is given to the licensee or permittee of the charges made against him and he has been given an opportunity to be heard in his defense." (*O'Hagen, supra*, at p. 160.)

And that substantively:

“[I]n order to justify the interference with the constitutional right to carry on a lawful business it must appear that the interests of the public generally require such interference and that the means are reasonably necessary for the accomplishment of the purpose, and not unduly oppressive upon individuals. (*Lawton v. Steele, supra*, 152 U.S. [at p.] 137 [].)

As observed in *Lawton*, ‘The legislature may not, under the guise of protecting the public interests, arbitrarily interfere with private business, or impose unusual and unnecessary restrictions upon lawful occupations.’ (At p. 137 []; see *Dobbins v. Los Angeles, supra*, 195 U.S. [at p.] 236 [].)” (*O’Hagen, supra*, at p. 159.)

“In the present case we perceive that since plaintiff acquired a vested right in the use permit we must equate the term ‘good cause’ with ‘compelling public necessity.’ Such ‘compelling public necessity,’ in turn, must be viewed in the context of a public nuisance, i.e., whether the operation of plaintiff’s drive-in restaurant constituted a public nuisance in fact. If it did constitute a nuisance in fact, our inquiry is then directed to whether there was a compelling necessity warranting the revocation of the use permit.” (*O’Hagen, supra*, at p. 161.)

The court then indicated that conditions should be imposed on the permit to eliminate any public nuisance, if possible, rather than to prohibit the business operations by revocation of the permit. (*O’Hagen, supra*, at p. 165.)

Moreover, permits subject to vested rights are afforded special judicial protection by the courts when there is judicial review of the governmental decision to impair or revoke them. Longstanding vested rights under a use permit are generally treated as creating “fundamental vested rights” to use the property in the manner specified in the conditions for purposes of judicial review. This results in the court applying an “independent judgment” standard of review, rather than the more deferential “substantial evidence” standard of review ordinarily applied to land use decisions. (See *Malibu Mountains Recreation, Inc. v. County of Los Angeles* (1998) 67 Cal.App.4th 359, 368-370; *Goat Hill Tavern v. City of Costa Mesa* (1992) 6 Cal.App.4th 1519, 1526.) So, after affording the government’s findings a presumption of correctness, the court may, upon reviewing the record, exercise its own judgment in making its own findings and reach a different decision from that of the government. (See *Fukuda v. City of Angels* (1999)

20 Cal.App.4th 805, 819). Thus, these fundamental vested rights enjoy “heightened protection against government interference” under the due process clause. (*Washington v. Glucksberg, supra*, 521 U.S. at p. 720.)

Consistent with the above case law, a county must establish the facts and make its decision justifying any modification of conditions or revocation of an antiquated oilfield permit on the basis of harm, danger or menace to the public health and safety or public nuisance.

The vested right in a permit entitles a permit holder significant and heightened judicial protections from revocation, imposition of new regulations, and changes to the permit. To impose new conditions on antiquated permits, a public agency has to demonstrate that for each condition it imposed, there was a danger or menace to public health and safety or public nuisance causing public concern that was addressed by the new condition in a manner commensurate to the level of public concern. The vested rights doctrine and constitutional principles of due process prevent a county from a general exercise of its police power to add modern conditions to antiquated oilfield permits just for the sake of improving their operation for the general welfare.

In addition to the harm/nuisance qualification on the exercise of a vested right, there are other limitations to vested rights. The rights which may vest are no greater than those specifically granted by the permit and its conditions. (*Santa Monica Pines, Ltd. v. Rent Control Board* (1984) 35 Cal.3d 858, 866; *Metropolitan Outdoor Advertising Corp. v. City of Santa Ana* (1994) 23 Cal.App.4th 1401, 1401-1404.) Accordingly, a vested right may be modified or revoked for cause if the permit holder fails to comply with the conditions in the permit. (*O’Hagen, supra*, at p. 158.)

While violation of conditions or laws do provide a basis for permit revocation or modification separate from the “danger to the public/public nuisance” basis, courts continue to apply the heightened scrutiny to the government’s actions revoking or impairing permits on the bases of noncompliance with conditions or violations of law. The court decisions indicate that where failure to comply is extensive and alternative remedies are not feasible, revocation of a permit can be justified. (See *Malibu Mountains Recreation, Inc. v. County of Los Angeles, supra*, 67 Cal.App.4th at p. 359 [involving longtime, multiple uses that violated underlying zoning ordinance and failure to engage in initially allowed use].) However, heightened scrutiny arising out of the vested right in the permit and its due process protections would require a county to “narrowly tailor” its action, and when alternative remedies can achieve compliance with permit conditions, the county would need to pursue such alternatives to revocation if feasible.

(See *Korean American Legal Advocacy Foundation v. City of Los Angeles* (1994) 23 Cal.App.4th 376, 391-393, fn. 5 [indicating that harsh remedy of revocation requires strictest adherence to principles of due process and that alternative remedies to revocation (such as additional conditions or controls) that achieve goal of eliminating violations ought to be pursued if feasible].)

Another qualification on the exercise of a vested right is the existence of open-ended conditions in a vested permit which contemplate future limitations. Such open-ended conditions may restrict the permit holder's vested right when those limitations are subsequently enacted.

For example, in *Russ Bldg. Partnership v. City and County of San Francisco* (1988) 44 Cal.3d 839, 846, a developer was ordered to pay a transit impact development fee enacted after the permit was issued and substantial construction had commenced, based on a permit condition that required future participation in some type of transportation funding. The post-permit issued transit development fee was found by the court to be within the scope of the condition originally imposed and was properly applied to the permittee on this basis.

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