1 2	MARSHA JONES MOUTRIE (SBN 69711) City Attorney Marsha.Moutrie@smgov.net		
3	Marsha.Moutrie@smgov.net JOSEPH LAWRENCE (SBN 99039) Assistant City Attorney CLERK, U.S. DISTRICT COURT		
4	LANCE S. GAMS (SBN 125487)		
5	IVAN O. CAMPBELL (SDN 210049)		
6	Deputy City Attorney 1685 Main Street, Third Floor Santa Monica, California 90401-3295 CENTRAL DISTRICT OF CALIFORNIA DEPUTY		
7	Telephone: 310.458.8336 Facsimile: 310.393.6727		
8	DON G. RUSHING (SBN 87565) DRushing@mofo.com		
9	JAMES W. HUSTON (SBN 115596) WILLIAM V. O'CONNOR, JR. (SBN 216650) MORRISON & FOERSTER LLP		
10	MORRISON & FOERSTER LLP 707 Wilshire Boulevard, Suite 6000		
11	Los Angeles, California 90017-3543 Telephone: 213.892.5200 Facsimile: 213.892.5454		
12	Facsimile: 213.892.5454		
13	Attorneys for Plaintiff CITY OF SANTA MONICA		
14	CITT OF SAINTA MONICA		
15	UNITED STATES DISTRICT COURT		
16	CENTRAL DISTRICT OF CALIFORNIA		
17	CITY OF SANTA MONICA, CaCNo13-08046		
18	Plaintiff, COMPLAINT FOR		
19	v. DECLARATORY AND INJUNCTIVE RELIEF UNDER		
20	UNITED STATES OF AMERICA, UNITED STATES CONSTITUTION		
21	ADMINISTRATION CONSTITUTION ADMINISTRATION and MICHAEL P.		
22	HUERTA, in his Official Capacity as Administrator of the Federal Aviation		
23	Administration,		
24	Defendants.		
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Plaintiff City of Santa Monica ("City" or "Santa Monica") brings this action against Defendants United States of America ("United States"), the Federal Aviation Administration ("FAA"), and Michael P. Huerta, in his official capacity as the Administrator of the FAA.

NATURE OF THE ACTION

- This lawsuit stems from the FAA's unsubstantiated claim that Santa 1. Monica must operate the Santa Monica Municipal Airport in perpetuity. The City purchased most of the property, upon which a part of the Airport is situated, in the 1920s by grant deed and has retained its fee interest in the land ever since. In 1941, to assist in providing military protection for the Douglas Aircraft Company during World War II, the City leased the Airport Property to the United States. At no point has the City's fee interest to the Airport Property been alienated from the City. Yet the FAA contends that a 1948 Instrument of Transfer terminating the United States' short-lived lease of the Airport Property obligates Santa Monica to run an airport on the property forever. The Instrument of Transfer, however, is not a deed. It is merely a surrender of the United States' temporary leasehold interest back to the City. While the Instrument of Transfer contains "restrictions" and a "reversion clause," the only interests that could revert back are the then-existing property rights of the United States in 1948—that is, a mere right to possession under a temporary leasehold interest without title to the property. When the leases expired on their own terms in 1953, the United States' interest in the Airport Property ceased entirely.
- 2. Santa Monica has clearly and repeatedly asserted its unencumbered title to the Airport Property and its ability, after certain contractual and legal obligations expire in July 2015, to use the Airport Property as it chooses in its sovereign discretion, including for non-aviation purposes. Santa Monica has also attempted to negotiate with the FAA regarding options for the Airport Property after July 2015, but the FAA refuses to move from its arbitrary and unsupported

position that the City must operate the Airport in perpetuity under the Instrument of Transfer, or the Airport Property will revert to the United States.

- 3. Santa Monica brings this lawsuit to establish the City's rights to determine for itself and its citizens the future of the Santa Monica Airport. By this action, the City seeks to clear the City's title to the Airport Property and establish its right to operate its property in the exercise of its police power for the benefit of its citizens.
- 4. Santa Monica brings a quiet title action against the FAA's claim of a continuing interest in the Airport Property. The FAA's asserted right of reverter should Santa Monica cease to operate the Airport Property as an airport clouds Santa Monica's title to the Airport Property. Through this action, Santa Monica seeks to quiet title against restrictions on the property and the claimed right of reverter. The City further seeks a declaration and, if necessary, injunctive relief, preventing the FAA from interfering with the City's fee interest, right to title, and unfettered use of the Airport Property as it sees fit in its sovereign discretion after present contractual obligations expire.
- 5. Furthermore, Santa Monica brings constitutional claims seeking a declaration that the FAA's actions in taking the Airport Property from the City and commandeering the City to run the airport in perpetuity are unconstitutional under the Fifth and Tenth Amendments to the United States Constitution.
 - a. First, the FAA's demand that Santa Monica operate an airport in perpetuity at its direction and on its terms amounts to a taking by the United States without just compensation in violation of the Fifth Amendment of the United States Constitution.
 - b. Second, the FAA's command that Santa Monica run an airport on the Airport Property in perpetuity deprives Santa Monica of its right to use the property for other purposes. This deprivation amounts to a regulatory taking by the United States without just

- compensation in violation of the Fifth Amendment of the United States Constitution.
- c. Third, by forcing the City to run an airport at its direction, the FAA is commandeering the City and its officials to act for the purposes of the United States in violation of the Tenth Amendment of the United States Constitution. Additionally, the FAA has violated the Fifth and Tenth Amendments of the United States Constitution through conditioning the return of the Airport Property on the City's relinquishing its inherent sovereign rights and its rights as a property owner to exercise control over its own land.
- d. Finally, by asserting that the City of Santa Monica must operate the Airport in perpetuity, the FAA is depriving Santa Monica of its sovereign right to control the Airport Property, in which Santa Monica has an established property right. The FAA's assertion lacks factual and legal support, and impairs Santa Monica's rights as a municipality and property owner.

JURISDICTION AND VENUE

- 6. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 (federal question jurisdiction) and 28 U.S.C. §1346(f) (district court has exclusive jurisdiction of civil actions under section 2409a to quiet title as against a property interest claimed by the United States). Additionally, the action arises out of the Constitution of the United States, and the City seeks to redress violations of the Fifth and Tenth Amendments to the United States Constitution. The relief sought is authorized by 28 U.S.C. §§ 2201-2202, 2409a.
- 7. Venue is proper in the Central District of California under 28 U.S.C. § 1391(e), as the City is located in this district and the property that is the subject of this action is located within this judicial district.

1	8.	There can be no doubt that there is a present and actual controversy	
2	between the parties.		
3	<u>PARTIES</u>		
4		Plaintiff	
5	9.	The City is a State of California Charter City and Municipal	
6	Corporation, organized and existing under and by virtue of the Constitution and		
7	laws of the State of California, located in the County of Los Angeles, California.		
8	The City owns and operates the Santa Monica Municipal Airport ("the Airport" or		
9	"SMO") and the Airport Property is located within the political boundaries of the		
10	City. ¹		
11		Defendants	
12	10.	Defendant United States of America acts by and through its agencies	
13	and officers, including the FAA.		
14	11.	Defendant FAA is the agency responsible for federal oversight of	
15	airports.		
16	12.	Defendant Michael P. Huerta is the Administrator of the FAA. He is	
17	sued in his official capacity. Administrator Huerta has statutory responsibility for		
18	all matters relating to the FAA.		
19	13.	Relief is sought against each defendant as well as his agents, assistants,	
20	successors, employees, attorneys, and all persons acting in concert or cooperation		
21	with them or at their direction or under their control.		
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26	A small portion of SMO is situated in the City of Los Angeles. All parcels		
27	referenced in and related to this Complaint (i.e., all of the Airport Property) lie within the borders of Santa Monica.		
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FACTUAL BACKGROUND

The City's Acquisition of the Airport Property

- 14. The site that is now the Airport (the "Airport Property") was used as an informal landing strip beginning in 1917. In 1922, Douglas Aircraft Company ("Douglas") began testing and producing military and civilian aircraft on and around the Airport Property.
- 15. In 1926, the City acquired title to certain parcels of unimproved land that now constitute most of the Airport Property through a Grant Deed. This Grant Deed conveyed the entire Airport Property to the City "free of incumbrances" [sic] except taxes related to the year 1926–1927, and the terms of a five year lease that the former owner (Herbert Stanton) had made to the City of Santa Monica. The total purchase price for these parcels was more than \$755,000, or approximately \$10 million in today's dollars. On August 30, 1926, the City passed a resolution accepting the 1926 Grant Deed. Between 1926 and before December 1941, the City acquired, through various other grant deeds that vested fee simple title in the City, additional smaller parcels that make up the Airport Property.
- 16. In 1929, Douglas expanded its operations and use of the Airport Property, ramping up production and testing of its early airliners, the DC-3 and DC-4.
- 17. When the United States entered World War II in 1941, Douglas became a major defense contractor, employing nearly 44,000 workers and supplying hundreds of aircraft in support of the war effort. The Douglas jobs transformed the City as new homes were built for the Douglas workers near the Airport Property.

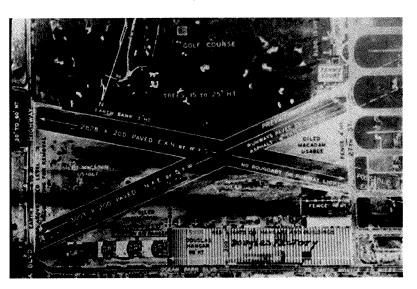
United States' Lease of the Airport Property

18. On May 27, 1941, President Franklin D. Roosevelt issued Presidential Proclamation 2487, which declared that the United States was faced with an "unlimited national emergency" which required "military, naval, air and civilian

defenses be put on the basis of readiness to repel any and all acts or threats of aggression directed toward any part of the Western Hemisphere."

- 19. In December 1941, the City leased the Airport Property to the United States to aid in the war effort and so that the United States could provide military protection for Douglas—a major military contractor—during the war. The United States' leasehold interest was accomplished through two separate leases covering two adjoining parcels of land, which together comprised the Airport Property.
- 20. Lease No. W-04-193-ENG.4894 (the "Runway Lease") leased approximately 86 acres on the northern portion of the Airport Property that consisted mostly of two runways laid out in an "X" configuration (see Figure 1, below (photograph of X-configured runway at SMO)). The Runway Lease term began on December 8, 1941 and was to end twelve months from the date of the termination of Presidential Proclamation 2487. The City charged the United States only \$1 for the entire term of the lease.²

Figure 1



² The Runway Lease and its supplements are attached as Exhibit A to this Complaint.

- 21. Lease No. W3460-ENG.549 (the "Golf Course Lease") went into effect December 1, 1941, and leased to the United States for "[m]ilitary purposes" approximately 83 acres on the southern portion of the Airport Property that consisted of a golf course. The Golf Course Lease terminated on June 30, 1943 with an option of renewal annually thereafter until June 30, 1947. Under the Golf Course Lease, the City required the United States to pay only \$150 per month to the City.³
- 22. In 1944, the Santa Monica City Council passed Resolution No. 3536, in which the City agreed to allow the United States the right to build a Project on the Airport Property. As a condition to this agreement, the Civil Aeronautics Administration "required that the City have certain property interests in the landing area of the Airport and the lands to be improved." Specifically, under Section 2 of Resolution No. 3536, the City, "[i]n order to satisfy the Government" that the City was "qualified to sponsor the Project," warranted that it had "fee simple title to all the lands comprising the present airport." The City noted that such lands were held in fee simple free from encumbrances, except for the City's lease to Douglas, the City's lease to a gas utility company, and the City's December 1941 leases to the United States. Through Resolution No. 3536, the City reaffirmed its fee interest in the land.
- 23. In 1944 and 1945, respectively, Supplement Number 1 to the Runway Lease and the Golf Course Lease modified the leases to allow for the construction of a new runway to accommodate larger aircraft. (See Figure 2 below (showing a view of the new runway circa 1952).) Supplement Number 1 to the leases also released the United States from its obligation to restore the leased parcels to their original condition under the leases in exchange for the United States' conveyance

³ The Golf Course Lease and its supplements are attached as Exhibit B to this Complaint.





24. In April 1945, the United States condemned a number of residential properties on approximately 20 acres of the west side of the airport. The properties were purchased by the United States using City funds in order to expand the Airport.

25. In November 1945, the Airport Property was further expanded when Douglas conveyed an approximately 15 acre parcel on the Airport's south side to the City by grant deed.

26. Figure 3 below is an aerial view of the modern airport, including all acquired parcels, with overlays of the Runway Lease (yellow) and Golf Course Lease (red).

Figure 3



- 27. The City made significant investments in the Airport Property from 1941 to 1946 to support the war effort and protect Douglas employees that lived and worked in the community. Furthermore, the City invested a significant amount of its own funds into the Airport and collected only nominal rent from the United States.
- 28. At the end of World War II, the United States determined that it was no longer necessary to maintain a presence at the Airport Property to protect Douglas. Accordingly, the United States and the City modified both the Runway and Golf Course Leases through a Supplement Number 2 to each lease. In accordance with the language of these second supplemental agreements entered into on July 15, 1946, the United States stopped maintaining and operating the airport and paying rent. Thus, since 1946, the City has continuously maintained and operated the airport.

29. Because the United States had not yet surrendered its leasehold interest and Proclamation 2487 had not been terminated, from July 1946 until 1948, the City operated the Airport under a right of entry from the United States. The City, as always, retained its fee interest in the land.

The United States Surrenders Its Leasehold

- 30. On July 29, 1946, the War Assets Administration ("WAA") issued Form SPB-5 *Declaration of Surplus Real Property* concerning the Airport Property, declaring as surplus the United States' leasehold interest in the Runway Lease and Golf Course Lease. On January 9, 1947, the United States made the determination that its 168 acre leasehold interest at the Airport Property, along with any improvements, should be disposed of under the Surplus Property Act of 1944 ("SPA"). By April 1948, the WAA had agreed to surrender its leasehold interest in the Airport to the City pursuant to the SPA and its implementing regulations.
- 31. On August 10, 1948, the United States officially surrendered its leasehold interest in the Airport Property to the City pursuant to a 1948 Instrument of Transfer. The Instrument of Transfer provided certain restrictions on the property, including non-discrimination restrictions and public use requirements.
- 32. In order to enforce these restrictions, the Instrument of Transfer included a "reversion clause," which provides that, in the event any of the restrictions or conditions set forth in the Instrument of Transfer is not met, "the title, right of possession, and all other rights transferred by the instrument" to Santa Monica shall, at the option of the government, "revert" to the government "sixty (60) days following the date upon which demand to this effect is made in writing[.]" The reversion clause, which by its terms only applies to rights transferred pursuant to the Instrument, is set forth in its entirety in Figure 4 below.⁴

⁴ The Instrument of Transfer is attached as Exhibit C.

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That in the event that any of the aforesaid terms, conditions, reservations or restrictions is not met, observed, or complied with by the PARTY OF THE SECOND PART or any subsequent transferee, whether caused by the legal inability of said PARTY OF THE SECOND PART or subsequent transferes to perform any of the obligations herein set out, or otherwise, the title, right of possession and all other rights transferred by this instrument to the PARTY OF THE SECOND PART, or any portion thereof, shall at the option of the PARTY OF THE FIRST PART revert to the PARTY OF THE FIRST PART sixty (60) days following the date upon which demand to this effect is made in writing by the Civil Aeronautics Administrator or his successor in function, unless within said sixty (60) days such default or violation shall have been oured and all such terms, conditions, reservations and restrictions shall have been met, observed or complied with, in which event said reversion shall net occur and title, right of possession, and all other rights transferred hereby, except such, if any, as shall have previously reverted, shall remain vested in the PARTY OF THE SECOND PART, its transferees, successors and assigns.

- 33. A resolution of the Santa Monica City Council confirmed that the intent of the Instrument of Transfer was only to surrender the United States' leasehold interest in the Airport Property. Through Resolution No. 183, the City confirmed that the United States of America "does surrender to the City of Santa Monica [its] lease-hold interest in and to the premises[.]" The Instrument of Transfer did not convey title in the land as the City always maintained its fee interest in the Airport Property. The Instrument of Transfer, therefore, is not a deed transferring title to real property; it is merely a surrender of the United States' leasehold interest back to the City.
- 34. The City Council never agreed to, or even considered, forfeiting its police powers over the Airport Property for all time. Nor could the City Council do so, because all governments must maintain their flexibility to protect the public welfare through unpredictably changing times and circumstances. The City Council could not have contracted away the right of future Councils to address emerging community needs. No such express or implied contract was created.

- 35. In 1949, the United States transferred to the City through quitclaim deed the 20 acres acquired through condemnation by exercise of federal war powers and paid for with City funds. This property is not covered by the Instrument of Transfer.
- 36. On April 28, 1952, President Truman proclaimed that the national emergency declared in 1941 no longer existed and terminated Proclamation 2487. Accordingly, the already-surrendered Runway and Golf Course Leases expired, by their own terms, on April 28, 1953.

The Pure Jets Nuisance

- 37. In the 1960s, the first civilian jets began using the Airport. These "pure jets" were ten times louder and more polluting than the present-day fan jets. The noise impact on adjacent neighborhoods was severe.
- 38. In 1967, a large group of City residents living near the Airport sued the City, claiming jet operations had damaged their property value and created a nuisance. The California Supreme Court held that, although the plaintiffs' evidence failed to establish their case, the City could be sued by residents for Airport impacts on nuisance and other theories. (*Nestle v. City*, 6 Cal. 3d 920 (1972)). Thereafter, the City considered a wide range of regulations to shield itself from liability, including a jet ban, jet curfew, and even Airport closure. A jet curfew was enacted.

The City's Plan for Airport Closure and the 1984 Settlement Agreement

- 39. In the late 1960s, there was a growth in general aviation nationwide, and Santa Monica Airport operations (takeoffs and landings) reached an all-time high of over 356,000 per year. Santa Monica residents began expressing their concern about the impact of the increased air travel on the City.
- 40. In response to the rising tide of resident apprehensions, various aviation associations also began expressing their concerns if the Airport operations were to end. The FAA recognized and responded to these aviation-related concerns in an April 1971 letter to the then Senior Vice President of the Aircraft Owners and

Pilots Association, Max Karant. The FAA stated its position that once the City's grant assurance obligations ended, "Santa Monica Airport is vulnerable to being discontinued and used for non-aviation purposes." The FAA characterized "the challenge" it faced with regards to the Airport as needing to convince Santa Monica residents of "the good things aviation offers[.]" The FAA did not take the position that the City was obligated to operate the Airport in perpetuity.

- 41. In 1975, to alleviate the impact on Santa Monica residents, the City Council adopted ordinances to reduce aircraft noise, including a total jet ban, a ban on helicopter flights, a noise limit, a night curfew, and a weekend and holiday ban on touch-and-go, stop-and-go, and low approach operations conducted during fixed-wing flight training.
- 42. These ordinances led to litigation against the City by the Santa Monica Airport Association ("SMAA litigation"). The FAA intervened in the case as amicus curiae on behalf of the Airport Association and argued against the City's ordinances. Ultimately, the ordinances were upheld with the sole exception of the jet ban ordinance, which was struck down as disproportionately affecting newer aircraft when there was insufficient evidence to show that newer aircraft were more dangerous or noisier than older aircraft. Both parties appealed, but the Ninth Circuit affirmed the conclusion of the district court. The Ninth Circuit recognized that Federal law does not preempt the City as "airport proprietor" from adopting ordinances intended to limit its liability and protect the City's "human environment," as long as those ordinances are not unconstitutionally discriminatory.
- 43. In 1979, while the appeal of the SMAA litigation was pending, the City Council adopted Ordinance No. 1137, which imposed a lower decibel limit at the Santa Monica Airport.
- 44. Ordinance No. 1137 also prompted litigation against the City, this time by the National Business Aircraft Association ("NBAA litigation"), which argued

 that the decibel limit in Ordinance No. 1137 was a disguised jet ban, and thus was impermissibly discriminatory for the same reasons as the jet ban ordinance at issue in the SMAA litigation. The NBAA litigation was assigned to the same district court judge who heard the SMAA litigation. Again, the FAA intervened as amicus curiae on behalf of the Airport Association and argued against the Ordinance. In November 1979, the court enjoined the City from enforcing Ordinance No. 1137, and litigation of the case continued.

- 45. In June 1981, while the NBAA litigation was pending, the City Council adopted Resolution No. 6296 (CCS) declaring its intention to close the Airport when legally possible. In 1982, after Resolution No. 6296 was passed, the parties to the NBAA litigation agreed that the lawsuit would be conditionally dismissed provided the City adopted a new "Airport Master Plan" and "Noise Mitigation Project" by November of 1983.
- 46. Thereafter, in 1983, the City adopted a new Master Plan for the Airport Property that created two new Fixed Base Operators ("FBOs") on the north (non-residential) side of the Property and released aviation land on the south side of the Airport Property for non-aviation purposes. The NBAA litigation was dismissed.
- 47. Although the adoption of Resolution No. 6296 and the creation of the new Master Plan led to the dismissal of the NBAA litigation, these actions also prompted several Part 13 (the equivalent of today's Part 16) proceedings to be filed against the City by airport users. As a result of the multiple Part 13 complaints, the City engaged in negotiations with the FAA concerning the future of the Airport. These negotiations were intended to settle the then-pending Part 13 proceedings.
- 48. Ultimately, the negotiations between the City and the FAA culminated in the signing of a "Settlement Agreement" in 1984 ("the 1984 Agreement"). The 1984 Agreement provided that the City would operate and maintain the Airport

Property as an airport until July 1, 2015.⁵ There is no mention in the 1984 Agreement that the City must operate the Airport in perpetuity. Nor is there an assertion that the FAA had a property interest in the Airport Property.

- 49. The 1984 Agreement also recognized the City's authority to mitigate aircraft impacts through the existing noise limit, jet curfew, helicopter ban, and pattern flying restrictions. It further limited the number of aircraft tie-downs, removed land from aviation use, and provided for the relocation of aviation facilities to the north side of the Airport, away from residential neighborhoods.
- 50. In June 1994, the City accepted its last federal grant for airfield improvements, in exchange for contractual promises to maintain the Airport for the use and benefit of the public for the useful life of improvements made with federal funds, but no more than twenty years from the date of execution of the federal grant agreement. As of June 2014, therefore, the Airport will owe no further obligations to the United States under any federal grant agreement contracts.
- 51. Until recently, and as reflected in the 1984 Agreement, the FAA has consistently recognized the City's ability to reevaluate the future of the Airport.
- 52. For example, in a 1998 Part 16 administrative proceeding involving a dispute over the City's refusal to offer long term leases to two airport tenants beyond 2015, the FAA issued a Director's Determination discussing the 1984 Agreement and again demonstrating the FAA's position that the City had the ability to reevaluate the future of the Airport. The Director states: "[The 1984] Settlement Agreement makes clear that the City is obligated to operate the Airport only for the duration of the [1984] Agreement (through July 1, 2015) . . . To the extent that Complainants and [the Airport Association] seek to prevent the future closure of the Airport or require the City to operate the Airport beyond July 1, 2015, *that is a*

⁵ The 1984 Agreement is attached as Exhibit D.

local land use matter. . . . When the City's last grant agreement expires in approximately 2014, the AIP grant sponsor assurances will no longer require the City to operate the Airport as an airport." (FAA Docket No. 16-99-21; Director's Determination, pp. 22-23 (emphasis added).)

53. An appeal of the Director's Determination resulted in the FAA issuing its Final Agency Decision on the issue in 2003. The Final Agency Decision affirmed the Director's Determination regarding the City's obligations to operate SMO as an airport only through July of 2015. While discussing the 1984 Settlement Agreement, the FAA Administrator concluded that the Settlement Agreement "provided a conceptual blueprint" by which the City was required to maintain "SMO's role in the National Airport System as a general aviation reliever airport until July 1, 2015." (FAA Docket No. 16-99-21; Final Agency Decision, p. 3.) This Final Agency Decision constitutes a "final agency action" under the federal regulations applicable to Part 16 proceedings.

Litigation Regarding the City's Aircraft Conformance Program

- 54. In 2001, to address the safety and liability risks inherent in the increase of Category C and D aircraft traffic at SMO⁶, a study commissioned by the City Council recommended the "Aircraft Conformance Program" to promote safety and to conform airport usage to be consistent with the purpose of the 1984 Agreement.⁷
- 55. Among other things, the Aircraft Conformance Program called for expanding the distance from the runway ends to the airport perimeter in the interests of safety, which would require shortening the runway. The result would

⁶ SMO is an FAA-classified B-II airport.

⁷ Category C and D aircraft are large jets with landing approach speeds that exceed 140 miles per hour. Approach speed is determined at the point the aircraft passes over the runway threshold.

be a runway that could not accommodate large Category C and D aircraft due to their need for a longer runway for takeoff and landing.

- 56. On December 10, 2002, the City Council unanimously approved the Aircraft Conformance Program in principle and directed staff to continue to seek a voluntary agreement with the FAA to implement it. The FAA refused the City's efforts to reach a voluntary agreement despite several years of good faith negotiations by the City.
- 57. The City Council then asserted its airport proprietor's rights in 2008 and promulgated an ordinance, intended to promote safety and protect adjacent neighborhoods from aircraft overruns, by prohibiting the generally larger, faster category C and D aircraft from using the Airport ("the Ordinance").
- 58. On March 26, 2008, the FAA issued an Order to Show Cause to the City seeking to prohibit the City from enforcing the Ordinance, and—*for the first time*—claimed that the Surplus Property Act of 1944 and the 1948 Instrument of Transfer obligated the City to operate the Airport Property in perpetuity as an airport or ownership of the airport would revert to the United States.
- 59. In April 2008, the FAA issued a Cease and Desist Order, and later obtained a temporary restraining order and preliminary injunction prohibiting the City from enforcing the Ordinance, claiming that the City's attempt to conform Airport operations to federal runway safety standards violated federal law.
- 60. After the preliminary injunction was issued, the City and the FAA proceeded through the FAA's administrative review process regarding the C and D jet ban, and on May 27, 2008, the FAA issued a Director's Determination, in which the FAA found that the Ordinance unreasonably and unjustly discriminated between aircraft and thereby violated the grant assurances, the 1948 Instrument of Transfer, and the 1984 Agreement.
- 61. The City then requested a hearing. The hearing was held over four days in March 2009, before the FAA Hearing Officer. In his Initial Decision, the

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Hearing Officer essentially affirmed the Director's Decision, holding that the Ordinance was contrary to the City's obligations under grant assurance 22 (economic non-discrimination), the 1984 Settlement Agreement, and the 1948 Instrument of Transfer. Both the City and the FAA appealed the Hearing Officer's Initial Determination to the Administrator of the FAA.

- 62. On July 8, 2009, the FAA issued its Final Agency Decision, holding that the City was bound under grant assurance 22, and that the Ordinance was contrary to non-discrimination requirements of grant assurance 22. Accordingly, the Final Agency Decision affirmed the Initial Decision with regards to the City's obligations under grant assurance 22. However, the Final Agency Decision also held that the City's "obligations under the 1984 Settlement Agreement are not a proper subject in a proceeding under [Part 16] because that Agreement was not incorporated in the Grant Assurances." (FAA Docket No. 16-02-08, Final Agency Decision at 4.) Accordingly, the Final Agency Decision reversed the Initial Decision with regards to whether the Ordinance was contrary to the 1984 Settlement Agreement. (Id.) The Final Agency Decision also reversed the Initial Decision with regards to its holding concerning the Surplus Property Act and the Instrument of Transfer, noting that it was "not necessary to decide whether the Ordinance [was] contrary to the Surplus Property Act." (Id.)
- 63. In September 2009, the City appealed the Final Agency Decision regarding the Ordinance to the D.C. Circuit. The D.C. Circuit, applying a highly deferential standard of review, concluded that the FAA did not "act arbitrarily or capriciously when it concluded" that the Ordinance was "contrary to grant assurance 22's requirement[s.]" (Case No. 09-1233, D.C. Cir. 2011.)
- The D.C. Circuit declined to address whether the Ordinance violated 64. the 1984 Settlement Agreement or the Instrument of Transfer. The D.C. Circuit also found it unnecessary to reach the issue of whether the City's action to regulate safety at the Airport was preempted by federal law. The D.C. Circuit noted,

however, that the 1984 Settlement Agreement "would remain effective until July 1, 2015" and required the City to "operate and maintain SMO 'as a viable functioning facility without derogation of its role as a general aviation reliever' <u>until that date</u>." (*Id*.at 4 (emphasis added).)

The City Evaluates the Future of the Santa Monica Airport

- 65. In December 2010, in anticipation of the expiration of the 1984
 Settlement Agreement, the City Council directed staff to proceed with a
 comprehensive public process regarding the Airport's future. The result was a
 March 2013 report outlining a three-phased "Visioning Process."
- 66. Though the Visioning Process report did not take a position on whether the Airport should close at the expiration of the 1984 Agreement, it did conclude that the status quo at the Airport is not acceptable to City residents.
- 67. In an attempt to avoid litigation, City staff members met with FAA representatives several times in the last three years to convey community concerns about impacts and the City's position about its authority to determine the Airport's future. The FAA representatives willingly met and listened; however, the Agency was unwilling or unable to agree to, or even to negotiate on, any compromise as to the Airport's future operation. Notably, FAA representatives steadfastly maintained that the City is obligated to continue operating the Airport in perpetuity under the Instrument of Transfer, that the operational status quo must be maintained, and that no agreements to the contrary could be made outside of the context of litigation.

FAA Guidance Concerning Reversionary Interests

- 68. The FAA's inflexible position concerning the reversion clause is contrary to published FAA guidance on reversionary interests created by property conveyances under the Surplus Property Act.
- 69. The FAA has published an "FAA Airport Compliance Manual" through FAA Order 5190.6B ("Airport Compliance Manual"). According to the

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FAA, the Airport Compliance Manual "sets forth policies and procedures for the FAA Airport Compliance Program." The Airport Compliance manual also "provides basic guidance for FAA personnel" concerning certain issues, including interpretation of conditions related to the conveyance of property.

70. Chapter 23 of the Airport Compliance Manual addresses "Reversion of Airport Property." Section 23.3 of that Chapter specifically sets forth how far—in the FAA's view—reversionary rights extend. Specifically, Section 23.3 provides that the right of reverter "extends only to the title, right of possession, or other rights vested in the United States at the time the United States transferred the property described in the instrument to the grantee." Section 23.3 is reproduced in full as Figure 5, below.

Figure 5

09/30/2009

5190.6B

Chapter 23. Reversions of Airport Property

23.3. Right of Reverter. The instrument of conveyance from the federal government must specify the right to have property interest revert to a federal agency and title revest in the United States. This right extends only to the title, right of possession, or other rights vested in the United States at the time the federal government transferred the property described in the instrument to the grantee. The right may be exercised only at the option of the United States – with or without the cooperation of a grantee – against all or part of the property in question.

71. Pursuant to the Airport Compliance Manual, the reverter right contained in the Instrument of Transfer—if any—extended only to the United States' temporary leasehold interest in the Airport Property as that interest existed at the time of the 1948 Instrument of Transfer; leasehold interests that would, by their own terms, expire upon the conclusion of the War, when Presidential Proclamation 2487 was terminated.

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- 72. Presidential Proclamation 2487 was terminated on April 28, 1952. Thus, on April 28, 1953, one year after Presidential Proclamation 2487 was terminated, the United States' reverter right in the Airport Property ceased.
- 73. The FAA cannot create greater property rights than it had in 1948 and there is no basis to claim that the FAA has any ability to disturb Santa Monica's fee interest in the Airport Property under the Instrument of Transfer.

FIRST CLAIM FOR RELIEF

(Quiet Title Action under 28 U.S.C. § 2409a)

- 74. Plaintiff incorporates by reference the allegations set forth in paragraphs 14 to 73.
- 75. This is an action pursuant to 28 U.S.C. § 2409a to quiet title to certain real property located within this judicial district in Los Angeles County, California and more particularly described in the Runway Lease (Ex. C) as follows:
 - a. Parcel 1: All that portion of the Santa Monica Municipal
 Airport lying between a line 700.13 feet southeasterly from and
 parallel to the south-easterly line of Ocean Park Boulevard,
 measured at right angles thereto, and a line 1600 feet
 southeasterly from and parallel to the said south-westerly line of
 Ocean Park Boulevard measured at right angles thereto and
 extending from 25th Street, in the City of Santa Monica, to
 Bundy Drive in the City of Los Angeles, California.
 - b. Parcel 2: All of that certain parcel of real property adjoining the above described Parcel 1, on the southeasterly line thereof, having 100 feet of frontage on said 25th Street, in City of Santa Monica, California, being rectangular in shape and having a uniform depth of 765.87 feet.

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- 76. This action also seeks to quiet title to certain real property located within this judicial district in Los Angeles County, California and more particularly described in the Golf Course Lease (Ex. D) as follows:
 - a. That portion of the Santa Monica Municipal Golf Course, in the City of Santa Monica, County of Los Angeles, State of California, described as follows: Bounded on the Northwest by a line parallel to and distant 1800 feet southeasterly from the southeasterly line of Ocean Park Boulevard, measured at right angles to Ocean Park Boulevard; bounded on the northeast by the southwesterly line of Centinela Avenue, bounded on the southeast by the City Limit line of the City of Santa Monica, California, and bounded on the southwest by the northeasterly line of Twenty-seventh street in the said City, containing approximately 85 acres, together with the two-one story frame utility and repair shops containing approximately 2600 square feet and all of the one store stucco Club House, excepting the Golf Shop, restaurant and lobby, consisting of approximately 2400 square feet. Also Lot A of the George Tract, as per map recorded in Book 16, Page 21 of Maps, Records of said County, said lot being included in the above mentioned 85 acres.
- 77. The City of Santa Monica is the owner in fee simple of the property described above. (*See supra*, ¶ 15.)
- 78. Under 28 U.S.C.§ 2409a, the United States has consented to be sued in civil actions to adjudicate disputes regarding title to real property in which the United States claims an interest.
- 79. This court has exclusive jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1346(f).

- 80. The City of Santa Monica acquired fee simple title to the property described above from Herbert W. Stanton, Alice B. Stanton, Forrest Q. Stanton, Elizabeth P. Stanton, Edwin L. Stanton, and Evelyn C. Stanton, prior owners of such property, on August 30, 1926, at which time the City received a grant deed to such property. Certain additional property comprising the Airport Property was obtained in fee simple prior to December 1941 when the Runway and Golf Course Leases were executed.
- 81. The United States has never challenged the City's chain of title or Santa Monica's right, title, and interest in fee simple absolute to the Airport Property that was leased to the United States during World War II.
- 82. The United States claims a reversion fee interest in the property was created by the Instrument of Transfer. The FAA has asserted that title to the Airport Property will revert to the United States if the purported airport use condition in the 1948 Instrument of Transfer is not met (i.e., if the City decides to close any portion of the Airport to aviation use). The FAA makes this assertion despite the fact that the only interest in the Airport Property by the United States was a World War II era lease, which expired by its own terms over sixty years ago.
- 83. Santa Monica first learned of the existence of the claim of reversion interest of full title to the Airport Property on or after March 26, 2008, through the FAA's Order to Show Cause.
- 84. However, the United States never had any right, title or interest in the Airport Property other than the leasehold interests that were surrendered to the City by the 1948 Instrument of Transfer and which otherwise expired by their own terms in 1953.
- 85. The reverter clause in the Instrument of Transfer does not vest title upon breach of a covenant or restriction. The reverter only applies to the rights transferred under the 1948 Instrument of Transfer, a leasehold interest. This leasehold interest expired by its own terms in 1953. The improvements to the

Airport Property were paid for with City funds, or were exchanged prior to execution of the Instrument of Transfer in return for the City's release of the United States from its obligation to return the property to its original condition and additional cash compensation to the City, or have exceeded their useful life.

- 86. There is no basis for the United States to receive title to the Airport Property if Santa Monica determines not to operate an airport after 2015. Under the Instrument of Transfer, the United States has no remaining interest that can revert.
- 87. To the extent the United States claims any interest remains to be reverted under the reversion clause of the 1948 Instrument of Transfer, the 1984 Agreement releases the City of any obligation to operate the Airport Property as an airport after July 1, 2015.
- 88. A declaration concerning the City's rights to the Airport Property is necessary at this time due to the upcoming expiration of the 1984 Settlement Agreement.
- 89. The City requests a judgment by this Court declaring that the claims of defendant United States to the described real property are of no validity whatsoever, and that this Court declare that the City is the owner in fee simple of such real property and that defendant United States has no right, title, or interest in the property.

SECOND CLAIM FOR RELIEF

(For Violation of the Fifth Amendment to the U.S. Constitution-Taking)

- 90. Plaintiff incorporates by reference the allegations set forth in paragraphs 14 to 73.
- 91. The "Takings Clause" of the Fifth Amendment of the United States Constitution provides that "private property [shall not] be taken for public use without just compensation."
- 92. Property taken by the United States from a state or local entity is considered "private property" for purposes of the Fifth Amendment.

- 93. The United States has constructively confiscated the Airport by requiring the City to operate the property as an airport in perpetuity.
- 94. Santa Monica purchased title to the Airport Property in fee simple in 1926.
- 95. To aid in the war effort, Santa Monica leased the Airport to the United States under the terms described above.
- 96. The United States never owned the Airport Property; it only had a leasehold interest in the property.
- 97. Despite lacking ownership of the Airport, the FAA has decided and proclaimed that Santa Monica is required to operate the Airport in perpetuity.
- 98. This is constructive confiscation of the Airport because Santa Monica is prohibited from using the property for other purposes required for the benefit of its citizens. Thus, the United States has effectively seized the Airport Property.
- 99. The damage that the City would incur from this illegal and unconstitutional taking is not compensable through monetary damages. The taking would prevent the City from using the land in its sovereign capacity and for whatever purposes it deems fit under the City's inherent governmental and proprietary power. Further, this taking impinges upon the City's police powers to protect the public, address emerging community needs, and enforce order within the City consistent with the City's policies and the citizens' priorities. The value that the City will lose if this illegal and unconstitutional taking is effectuated cannot be quantified in monetary terms. The United States cannot condition the ability of the City and its citizens to use the land on the City's forfeiture of its inherent constitutional rights.
- 100. The United States did not and cannot provide just compensation for the loss of the City's sovereign rights. The United States did not justly compensate Santa Monica in any way in exchange for the requirement that it operate the Airport in perpetuity.

- 101. The United States did not give Santa Monica title to the Airport Property because the United States never had title to convey.
- 102. Any improvements to the land were not just compensation. The improvements were previously passed to Santa Monica (along with additional compensation) in exchange for the release of the United States' obligation to return the land to its original condition and cash compensation paid to the City.
- 103. This constructive confiscation constitutes a taking without just compensation in violation of the Fifth Amendment of the United States Constitution.
- 104. In order to resolve this controversy, the City requests that, pursuant to 28 U.S.C. § 2201, this Court declare the respective rights of the parties in this matter. In particular, this Court should declare that the City is the owner of the Airport Property in fee simple, and that the United States' act of constructive confiscation of the Airport Property is violative of the Fifth Amendment's protection against taking without just compensation.

THIRD CLAIM FOR RELIEF

(For Violation of the Fifth Amendment to the U.S. Constitution-Regulatory Taking)

- 105. Plaintiff incorporates by reference the allegations set forth in paragraphs 14 to 73.
- 106. The "Takings Clause" of the Fifth Amendment of the United States Constitution provides that "private property [shall not] be taken for public use without just compensation."
- 107. The FAA's stance that the City is required to use the Airport Property as an airport in perpetuity deprives the City of any other use of the property.
- 108. The damage that the City would incur from this illegal and unconstitutional taking is not compensable through monetary damages. The taking would prevent the City from using the land in its sovereign capacity and for

whatever purposes it deems fit under the City's inherent governmental and proprietary power. Further, this taking impedes on the City's police powers to protect the public, address emerging community needs, and enforce order within the City consistent with the City's policies and values. The value that the City will lose if this illegal and unconstitutional taking is effectuated cannot be quantified. The United States cannot condition the City's and the City's residents ability to use the land on the City's forfeiture of its inherent constitutional rights.

- 109. The United States did not and cannot provide just compensation for the loss of the City's sovereign rights. The United States did not justly compensate Santa Monica in any way in exchange for the requirement that it operate the Airport in perpetuity.
- 110. The United States did not give Santa Monica title to the Airport Property because the United States never had title to convey.
- 111. Any improvements to the land were not just compensation. The improvements were previously passed to Santa Monica (along with additional compensation) in exchange for the release of the United States' obligation to return the land to its original condition.
- 112. The prohibition by the United States on Santa Monica's use of the Airport Property for any purpose other than an airport constitutes a regulatory taking without just compensation in violation of the Fifth Amendment of the United States Constitution.
- 113. In order to resolve this controversy, the City requests that, pursuant to 28 U.S.C. § 2201, this Court should declare the respective rights of the parties in this matter and, in particular, this Court declare that the City is the owner of the Airport Property in fee simple, and that the United States' act of requiring the City to operate an airport in perpetuity is violative of the Fifth Amendment's protection against taking without just compensation.

FOURTH CLAIM FOR RELIEF

(For Violation of the Tenth Amendment to the U.S. Constitution)

- 114. Plaintiff incorporates by reference the allegations set forth in paragraphs 14 to 73.
- 115. The Tenth Amendment to the United States Constitution provides "[t]he powers not delegated to the United States by Constitution, nor prohibited by it to the States, are reserved for the States respectively, or to the people."
- 116. Pursuant to the Tenth Amendment, the United States cannot commandeer or otherwise demand and require a state or local government, or their officials, to perform federal functions.
- 117. By requiring that Santa Monica operate the Airport in perpetuity, the United States has commandeered Santa Monica for its own purposes.
- 118. Santa Monica purchased title to the Airport Property in fee simple in 1926.
- 119. Santa Monica used the property as an airport, but had no limitations on what it could do on the property in the future.
- 120. The United States never owned the Airport Property; it only had a brief leasehold interest in the property. Further, the United States' leasehold in the Airport Property was released through the 1948 Instrument of Transfer and the leases expired by their own terms on April 28, 1953.
- 121. Despite lacking ownership of the Airport Property, the United States has attempted to place, as a condition of surrendering its temporary leasehold interest in the Airport Property, a requirement that Santa Monica agrees to surrender its sovereignty and to operate the airport in perpetuity even if Santa Monica does not wish to do so. This is coercion.
- 122. This coercive condition unconstitutionally forces Santa Monica to forfeit its constitutional rights and to operate an airport as the FAA determines and regardless of any contrary wishes of the City or its citizens.

- 123. The condition is also contrary to stated FAA policy. Chapter 23 of the Airport Compliance Manual specifically addresses "Reversion of Airport Property." Section 23.3 of the Airport Compliance Manual provides that the right of reverter "extends only to the title, right of possession, or other rights vested in the United States at the time the United States transferred the property described in the instrument to the grantee." The United States government has never had a fee simple interest in the Airport Property. The United States government did not have a fee simple interest in the Airport Property at "the time the United States transferred the property" back to Santa Monica under the Instrument of Transfer. The only interest the United States had in the Airport Property was a leasehold interest, which has since expired by its own terms.
- 124. The FAA's acts and assertions will force Santa Monica to operate the Airport against its wishes. This is against stated FAA policy, and also violates the basic principal that the United States may not compel the states to enact or administer a federal regulatory program.
- 125. The FAA's acts and assertions therefore amount to a violation of Santa Monica's Tenth Amendment rights. Santa Monica is entitled to equitable relief enjoining the FAA and the United States from further attempts to commandeer Santa Monica to operate the Airport.
- 126. The City requests that, pursuant to 28 U.S.C. § 2201, this Court declare the condition contrary to stated FAA policy, that the United States did not have a fee simple interest in the Airport Property at the time the United States transferred the property back to Santa Monica, and that the condition is violative of Santa Monica's Tenth Amendment right not to be compelled to enact or administer a federal regulatory program.

FIFTH CLAIM FOR RELIEF

(For Violation of the Fifth Amendment to the U.S. Constitution-Due Process)

- 127. Plaintiff incorporates by reference the allegations set forth in paragraphs 14 to 73.
- 128. The Fifth Amendment of the United States Constitution provides "[n]o person shall be . . . deprived of life, liberty, or property without due process of law."
- 129. Santa Monica has an established and protected property interest in the Airport Property; it has at all times owned the Property in fee simple.
- 130. By asserting a requirement that Santa Monica operate the Airport in perpetuity, the United States deprived Santa Monica of its right to control the Airport Property.
- 131. The FAA's assertion that Santa Monica must operate the Airport in perpetuity or else the Airport Property will revert to the United States Government in fee simple is contrary to the FAA's policy as set forth in the Airport Compliance Manual. Chapter 23 of the Airport Compliance Manual specifically addresses "Reversion of Airport Property." Section 23.3 of the Airport Compliance Manual provides that the right of reverter "extends only to the title, right of possession, or other rights vested in the United States at the time the United States transferred the property described in the instrument to the grantee." The United States did not have a fee simple interest in the Airport Property at "the time the United States transferred the property" back to Santa Monica under the Instrument of Transfer, or at any other time. The only interest the United States had in the Airport Property was a leasehold interest, which has since expired by its own terms.
- 132. The FAA's assertions, which are contrary to the policy set forth in the Airport Compliance Manual, are arbitrary and capricious and will result in grave unfairness to Santa Monica and its citizens.

- 133. The FAA's decision to act contrary to the policy set forth in the Airport Compliance Manual was made with the intent to coerce Santa Monica and unconstitutionally deprive Santa Monica of its substantive due process and sovereign rights related to the Airport Property. This decision was irrational, and trammels on both Santa Monica's sovereign rights and established property rights. In this sense, the FAA's assertion amounts to a deliberate flouting and abuse of power in violation of the Fifth Amendment.
- 134. The FAA's assertion that, in transferring the United States' leasehold back to the City, Santa Monica must operate the Airport in perpetuity, effectively requiring a forfeiture of the City's rights as a sovereign and property owner, amounts to an unconstitutional restriction and condition.
- 135. The FAA's assertions and decision therefore amount to a violation of Santa Monica's due process rights. Santa Monica is entitled to equitable relief enjoining the United States and its agency, the FAA, from further impairing Santa Monica's rights to control the Airport Property.
- 136. The City requests, pursuant to 28 U.S.C. § 2201, that this Court declare the FAA's assertion that Santa Monica must operate an airport in perpetuity is contrary to stated FAA policy, that the United States did not have a fee simple interest in the Airport Property at the time it surrendered its leasehold interest in the Airport Property to Santa Monica, and that the United States' decision to act contrary to FAA policy was in violation of Santa Monica's due process rights under the Fifth Amendment.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief as follows:

- 1. This Court render a declaratory judgment providing that the City of Santa Monica has unencumbered title to the Airport Property.
 - 2. This Court render a declaratory judgment providing that the City of

Santa Monica is the owner in fee simple of the Airport Property and title to the Airport Property is quieted as against any interest of the United States.

- 3. This Court render a declaratory judgment providing that the claims of the United States to the Airport Property are invalid and the United States has no right, title, or interest in the Airport Property.
- 4. This Court render a declaratory judgment providing that the United States' constructive confiscation of the Airport by prohibiting Santa Monica from using the property for whatever purpose it desires constitutes a taking in violation of the Fifth Amendment of the United States.
- 5. This Court render a declaratory judgment providing that the United States' prohibition on Santa Monica from using the Airport Property for any other purpose than as an airport constitutes a taking without just compensation in violation of the Fifth Amendment of the United States Constitution.
- 6. This Court render a declaratory judgment that the United States' act of placing a condition on the return of the Airport Property to Santa Monica was coercion and that such coercion is contrary to stated FAA policies; and that this coercion is violative of Santa Monica's Tenth Amendment right not to be compelled to enact or administer a federal regulatory program.
- 7. This Court render a declaratory judgment that the United States' decision to act contrary to stated FAA policy and its Congressional mandate with respect to the City and the Airport Property is a deliberate flouting and abuse of power in violation of Santa Monica's due process rights under the Fifth Amendment.
- 8. This Court enjoin the United States from taking any action affecting Santa Monica's right, title, or interest in the Airport Property.
- 9. This Court enjoin the United States from demanding or asserting in any forum that Santa Monica must operate the Airport Property as an airport in perpetuity.

- 10. This Court order that the United States shall cease and desist from taking any action to require Santa Monica to operate the Airport Property as an airport after the 1984 Agreement expires in July of 2015.
- 11. That this Court order such further relief as the nature of the case may require.

Dated: October 31, 2013

OFFICE OF THE CITY ATTORNEY SANTA MONICA, CALIFORNIA

By: MARS

Dated: October 31, 2013

MORRISON & FOERSTER LLP

By:

DON G. RUSHING

Attorneys for Plaintiff CITY OF SANTA MONICA