Electronically FILED by Superior Court of California, County of Los Angeles 6/05/2025 5:22 PM CAMERON HALLING, CA Bar No. 306778 1 Pacific Legal Foundation 555 Capitol Mall, Suite 1290 2 David W. Slayton, Executive Officer/Clerk of Court, By C. Nava, Deputy Clerk Sacramento, CA 95814 3 Telephone: (916) 419-7111 Facsimile: (916) 419-7747 4 CHalling@pacificlegal.org 5 ALLISON D. DANIEL, OH Bar No. 96186\* 6 Pacific Legal Foundation 3100 Clarendon Blvd., Suite 1000 7 Arlington, VA 22201 Telephone: (202) 888-6881 8 Facsimile: (916) 419-7747 9 ADaniel@pacificlegal.org 10 \* Pro Hac Vice motion to be filed 11 Attorneys for Petitioners/Plaintiffs 12 SUPERIOR COURT OF THE STATE OF CALIFORNIA 13 **COUNTY OF LOS ANGELES** 14 15 16 Case No.: 25TRCP00296 REDONDO AUTO SPA, LLC, ROCK N ROLL CAR WASH, LLC, and 17 CHRISTOPHER MCKENNA, 18 VERIFIED PETITION FOR WRIT OF Petitioners and Plaintiffs, 19 MANDATE AND COMPLAINT FOR DECLARATORY AND INJUNCTIVE VS. 20 RELIEF AND DAMAGES, CODE CIV. PROC. §§ 1085, 1087 LILIA GARCÍA-BROWER, Labor 21 Commissioner for the State California, 22 Respondent and Defendant. 23 24 25 26 27 28 VERIFIED PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF AND DAMAGES, CODE CIV. PROC. §§ 1085, 1087 1

#### INTRODUCTION

- 1. Petitioners Redondo Auto Spa, LLC, and Rock N Roll Car Wash, LLC, operated bonded car washes in Los Angeles County. In late 2024, the Labor Commissioner issued sweeping and disputed wage-and-hour citations totaling more than \$810,000 against Petitioners and their managing member, Petitioner Christopher McKenna. Within weeks, the Commissioner submitted administrative demands to Petitioners' sureties seeking the full value of their bonds—without affording Petitioners any opportunity to contest the underlying wage allegations or the bond demands themselves.
- 2. The effect of the Labor Commission's actions was devastating. Under California law, a car wash cannot operate without a valid bond. *See* Lab. Code § 2060. The Labor Commissioner's claims against the bonds triggered cancellation notices by the surety company, forcing both businesses to shut down. Petitioners lost the ability to operate, retain staff, or generate income.
- 3. The Commissioner's actions—carried out by a single official in each case who investigated, cited, and enforced—violated basic constitutional safeguards. Acting on behalf of the Labor Commissioner, Deputy Labor Commissioners Jose Guzman and Christopher Garlington each exercised unchecked authority over their respective investigations, issuing citations and making administrative bond demands without external review.
- 4. Labor Code section 2055 sets the bond requirement but does not specify procedures for enforcing bond liability. California's Bond and Undertaking Law, which governs such bonds, authorizes enforcement through a civil action in court. *See* Code Civ. Proc. § 996.430(a). Thus, civil litigation remains the established mechanism for determining liability. The Labor Commissioner's current practice of demanding immediate payment from sureties without notice, adjudication, or court involvement departs from this framework and eliminates the procedural safeguards associated with formal enforcement.

- 5. This case presents a textbook example of executive overreach and structural failure: administrative officers acting as investigator, prosecutor, and judge, with no neutral forum to review the deprivation of the Petitioners' property and livelihood.
- 6. Petitioners bring this combined petition for writ of mandate and complaint for declaratory, injunctive, and monetary relief to restore the constitutional safeguards that the Labor Commissioner disregarded. Pursuant to Code of Civil Procedure sections 1085 and 1087, they seek extraordinary relief compelling the Commissioner to cease demanding bond payments through extrajudicial procedures that lack notice, neutral adjudication, and meaningful review. Petitioners also seek declaratory and injunctive relief confirming that the Commissioner's current bond claim practices violate due process, separation of powers, and just compensation guarantees under the California Constitution. Finally, Petitioners assert an inverse condemnation claim and request compensatory damages under the California Constitution.

#### **PARTIES**

- 7. Petitioner Redondo Auto Spa, LLC, is a limited liability company organized under the laws of California with its principal place of business in Los Angeles County. Until the Labor Commissioner's bond demand triggered cancellation, Redondo Auto Spa was duly registered and bonded pursuant to Labor Code section 2055 and lawfully operated a car wash in Redondo Beach.
- 8. Petitioner Rock N Roll Car Wash, LLC, is a limited liability company organized under the laws of California with its principal place of business in Los Angeles County. Rock N Roll Car Wash operated a car wash in Hermosa Beach until it was forced to cease operations as a result of the actions challenged herein.
- 9. Petitioner Christopher McKenna is an individual and the co-owner and managing member of both Redondo Auto Spa, LLC, and Rock N Roll Car Wash, LLC. He resides in Los Angeles County and is beneficially interested in the subject matter of this petition. Mr. McKenna was named individually in the Labor Commissioner's citations and faces personal liability for the alleged penalties. The Labor Commissioner's actions have therefore directly harmed

Mr. McKenna in his individual capacity by threatening his personal assets, creditworthiness, and business reputation.

10. Respondent Labor Commissioner of the State of California is the state official charged with enforcing wage and hour laws under Division 2, Part 3 of the California Labor Code, and oversees the Division of Labor Standards Enforcement (DLSE). The Labor Commissioner is sued in her official capacity.

### **JURISDICTION AND VENUE**

- 11. This Court has jurisdiction under sections 1085 and 1087 of the California Code of Civil Procedure to issue a writ of mandate compelling a public officer to comply with constitutional and legal duties. This Court also has jurisdiction over Petitioners' claims for declaratory relief, injunctive relief, and damages under the California Constitution.
- 12. Petitioners seek a writ of mandate to compel Respondent Labor Commissioner to cease enforcement practices that violate constitutional guarantees of procedural due process, separation of powers, and the right to just compensation. Petitioners also seek declaratory relief confirming the unconstitutionality of the Commissioner's current bond claim procedures and damages for a regulatory taking.
- 13. Petitioners have no plain, speedy, or adequate remedy in the ordinary course of law. The Labor Commissioner's unilateral bond claims are not subject to any pre-deprivation administrative review, and post-hoc remedies such as administrative adjudication of the underlying wage citation do not redress the lack of notice, hearing, or procedural safeguards. Mandamus is necessary to obtain prospective and structural relief, and inverse condemnation provides the appropriate vehicle for just compensation.
- 14. Venue is proper in the Superior Court of California, County of Los Angeles, under Code of Civil Procedure § 393(b), because the cause of action arose in this county and the public officer whose acts are challenged here maintains an office in Los Angeles County. Additionally, Petitioners' businesses were located and regulated within Los Angeles County.

#### APPLICABLE LAW

15. Labor Code section 2055 requires all car wash employers in California to maintain a surety bond of not less than \$150,000, commonly referred to as a "car wash bond." The bond must be in favor of the People of the State of California and is intended to benefit any employee damaged by an employer's failure to pay wages, interest on wages, or fringe benefits. Lab. Code \$2055(b)(1).

16. California's Bond and Undertaking Law applies to bonds executed in favor of the State of California or the people of the state and thus expressly covers the car wash bond. *See* Code of Civ. Proc. § 995.810; Lab. Code § 2055(b)(1). Under the Bond and Undertaking Law, liability on a bond may be enforced by a civil action where both the principal and sureties are joined as parties to the action. *See* Code of Civ. Proc. § 996.430(a). Moreover, where the bond was given as a condition of licensure or registration, "the action shall be commenced in any court of competent jurisdiction, and the amount of damage claimed in the action, not the amount of the bond, determines the jurisdictional classification of the case." *See* Code of Civ. Proc. § 996.430(b).

17. The Labor Commissioner's administrative demands for immediate payment on the car wash bonds, without initiating a civil action or adjudicating the underlying claims, circumvent the procedural framework of Code Civ. Proc. § 996.430. These demands, which triggered bond cancellations and prevented Petitioners from securing replacement bonds, deprive businesses of property without due process by bypassing statutory safeguards.

18. While 8 Cal. Code Regs. section 13693(a) provides that the Labor Commissioner may "tak[e] whatever action he or she deems appropriate" to obtain unpaid wages from the car wash bond, this vague regulation cannot override the judicial enforcement process prescribed by Code Civ. Proc. §§ 995.810 and 996.430. See Ass'n for Retarded Citizens v. Dep't of Developmental Servs., 38 Cal. 3d 384, 392 (1985)) (Agency regulations cannot override statutory requirements). Absent specific and valid statutory or regulatory authority, administrative demands lack legitimacy.

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19. Lacking clear authorization, the Labor Commissioner's bond demands violate Cal. Gov. Code § 11340.5(a), which prohibits agency actions without explicit statutory or regulatory authority. Labor Code § 2055 mandates car wash bonds but provides no mechanism for enforcing bond liability, leaving Code Civ. Proc. § 996.430's judicial process as the governing framework under the Bond and Undertaking Law. While 8 Cal. Code Regs. section 13693(a) permits "appropriate action" to recover wages, its vague language lacks the specificity to authorize administrative demands and fails to ensure procedural safeguards, such as notice or a hearing, rendering it insufficient to supplant section 996.430's prescribed process. *See Morris v. Williams*, 67 Cal. 2d 733, 748 (1967).

20. Even if section 13693 were interpreted to permit administrative enforcement outside the judicial process, such a delegation of unbounded enforcement discretion—"whatever action [the Commissioner] deems appropriate"—would violate the constitutional separation of powers and due process by authorizing the deprivation of property without notice, hearing, or neutral adjudication. *See Slaughter v. Edwards*, 11 Cal. App. 3d 285, 295 (1970) (regulation authorizing suspension of license without hearing held unconstitutional).

21. California law prohibits the operation of a car wash business without an active bond. Lab. Code §§ 2054, 2055(b), 2060. These bonds are underwritten by private sureties, which may cancel coverage if they believe the bond is no longer secure. When the Labor Commissioner makes a demand against the bond, the surety can respond by issuing a notice of cancellation—especially where, as here, the claimed amounts vastly exceed the bonds' face value and render them functionally exhausted. The employer then has 30 days to replace the bond before losing the legal right to operate. If no replacement is secured, shutdown becomes mandatory. This regulatory mechanism enables the government to force a business closure without prior adjudication of liability or any form of procedural review.

22. By contrast, when the Legislature has authorized the Labor Commissioner to recover amounts owed from final wage citations, it has required a formal, statutorily defined process. Under Labor Code section 90.8, the Commissioner may record a lien on real property only after

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a citation, finding, or decision becomes final and may be entered as a judgment. The statute requires the recording of a certificate of lien with the county recorder. Lab. Code § 90.8(a). It mirrors traditional judgment enforcement, including notice, recordation, renewal, and release procedures. Likewise, as set forth in paragraph 16, Code of Civil Procedure section 996.430 establishes that liability on a bond may be enforced through a civil action in which both the principal and surety are joined. These procedural safeguards stand in stark contrast to the Labor Commissioner's car wash bond claim process, which allows for immediate deprivation without adjudication or notice, underscoring its constitutional infirmities.

23. Article I, section 7 of the California Constitution provides that no person may be deprived of life, liberty, or property without due process of law. These protections apply to business entities and extend to vested property interests, including the right to continue operating a lawfully established business when licensure and bonding requirements have been satisfied. See Goat Hill Tavern v. City of Costa Mesa, 6 Cal. App. 4th 1519 (1992); Nightlife Partners v. City of Beverly Hills, 108 Cal. App. 4th 81 (2003).

24. Businesses have a protected property interest in their continued lawful operation. Where the government disables a business from operating, through the cancellation of its bond or license, without an opportunity to contest the allegations in advance, such action constitutes a deprivation of property without due process of law. See Fascination, Inc. v. Hoover, 39 Cal. 2d 260, 269–71 (1952); Slaughter, 11 Cal. App. 3d at 295 (holding statute unconstitutional because it provided for automatic suspension of real estate broker's license without a hearing); Beaudreau v. Superior Court, 14 Cal. 3d 448, 457–58 (1975) ("We have repeatedly recognized that statutes providing a procedure according to which one . . . can be forced to relinquish an interest in his property for the benefit of another effectuate a 'taking' of property, entitling the former to prior procedural safeguards."). As the California Supreme Court noted in Beaudreau, "in every case involving a deprivation of property within the purview of the due process clause, the Constitution requires some form of notice and a hearing." 14 Cal. 3d at 458.

25. Article III, section 3 of the California Constitution prohibits any branch or officer of government from exercising powers assigned to another branch. This structural protection ensures the separation of powers and guards against arbitrary or unchecked exercises of state authority.

26. The consolidation of investigatory, prosecutorial, and adjudicative functions within a single agency actor—such as a Deputy Labor Commissioner who investigates alleged violations, issues citations, assesses penalties, and initiates bond claims—violates this constitutional structure. *See Manduley v. Superior Ct.*, 27 Cal. 4th 537, 557 (2002). Such consolidation deprives affected individuals and businesses of the neutral adjudication required by law. *See*, *e.g.*, *Applebaum v. Board of Directors*, 104 Cal. App. 3d 648, 657–58 (1980); *Knudsen v. Department of Motor Vehicles*, 101 Cal. App. 5th 186, 197–98 (2024); *Nightlife Partners*, 108 Cal. App. 4th at 91–92 ("One of the basic tenets of the California APA . . . and the federal Administrative Procedure Act is that, to promote both the appearance of fairness and the absence of even a probability of outside influence on administrative hearings, the *prosecutory* and, to a lesser extent, investigatory, aspects of administrative matters must be adequately separated from the adjudicatory function.") (citations omitted).

27. Article I, section 19 of the California Constitution prohibits the taking or damaging of private property for public use without just compensation. A regulatory taking occurs when government action imposes a substantial economic loss, interferes with investment-backed expectations, or deprives property of all economically viable use. *Penn Central Transp. Co. v. New York City*, 438 U.S. 104, 124 (1978); *Lockaway Storage v. County of Alameda*, 216 Cal. App. 4th 161, 185–86 (2013).

28. Government action that effectively shuts down a lawfully operating business can constitute a regulatory taking, particularly where the action is taken without adjudicated findings or procedural safeguards. *Monks v. City of Rancho Palos Verdes*, 167 Cal. App. 4th 263 (2008).

#### **FACTUAL ALLEGATIONS**

- 29. Petitioners Redondo Auto Spa, LLC, and Rock N Roll Car Wash, LLC, are car wash businesses co-owned and managed by Petitioner Christopher McKenna. Redondo Auto Spa operated in Redondo Beach, and Rock N Roll Car Wash operated in Hermosa Beach. Both businesses were bonded pursuant to Labor Code section 2055 and in good standing with applicable state requirements.
- 30. On or about December 5, 2024, the Labor Commissioner issued citations against Petitioners, collectively alleging over \$810,000 in wage-related violations, including minimum wage, overtime, rest period, wage statement, waiting time, and liquidated damages claims. The citations named McKenna individually, along with the LLCs, and were signed by a Deputy Labor Commissioner. (Decl. of Christopher McKenna ¶ 3; Exs. A–B).
- 31. Citation WA 766384, issued to Rock N Roll Car Wash, assessed \$249,007.52 in alleged penalties. Citation WA 766381, issued to Redondo Auto Spa, assessed \$561,912.48 in alleged penalties. These citations served as the basis for the Commissioner's subsequent claims against each business's car wash bond and demand for immediate payment from Petitioners' surety. (McKenna Decl. ¶ 3; Exs. A–B).
- 32. In each case, the same Deputy Labor Commissioner who issued the citation had also conducted the underlying investigation and later signed the demand letter making a bond claim against the respective business. All enforcement actions—including citation, bond demand, and communication—were carried out by a single officer per case, without any hearing, notice of rights, or opportunity to contest the allegations before the claim against the bond triggered cancellation.
- 33. Within days of the citations' issuance, a labor advocacy group known as the CLEAN Carwash Campaign organized a public protest outside Redondo Auto Spa. Protesters carried signs referencing the Labor Commissioner's enforcement actions, and press coverage attributed the citations directly to the protest group's organizing efforts. *ABC7 News, Dozens of Car Wash Workers Protest in Redondo Beach Alleging Unfair Labor Practices* (Dec. 10, 2024),

https://abc7.com/post/workers-protest-unfair-labor-practices-redondo-rock-roll-car-wash/15638114/.

- 34. The timing and content of the protest suggest close coordination between CLEAN and the Labor Commissioner's Office. CLEAN publicly celebrated the issuance of the citations and amplified enforcement claims that had not yet been adjudicated. Petitioners are informed and believe that the Labor Commissioner acted in tandem with CLEAN in a campaign designed to pressure and punish targeted employers through public protest and regulatory action.
- 35. The Department of Industrial Relations ("DIR") issued a press release on December 10, 2024, touting the partnership with CLEAN and falsely claiming that the Petitioner car washes were not registered. News Release, Cal. Dep't of Indus. Rels., *Labor Commissioner Cites 19 Car Washes in Los Angeles, Orange County for \$1.3 Million in Wage Theft Violations and Civil Penalties* (Dec. 10, 2024), https://www.dir.ca.gov/DIRNews/2024/2024-102.html. However, using the DIR's own search tool, it is clear both car washes are registered. Redondo Auto Spa holds the License/Registration Number, CW-LR-1000951903, while Rock N Roll Car Wash holds the License/Registration Number, CW-LR-1000951901.
- 36. Shortly after receiving the citations, Petitioners submitted hearing request forms for both Rock N Roll Car Wash and Redondo Auto Spa. On each form, Petitioners checked the box to voluntarily waive the right to have a hearing scheduled within 30 days, as permitted by Labor Code section 98.7. The waiver did not forfeit the right to a hearing altogether, nor did it reference the pending bond claims. Petitioners reasonably believed that they needed more than 30 days to gather the relevant records and prepare to contest the citations. Petitioners were not advised that the bond claims would operate independently of the hearing process or that forfeiture consequences could occur immediately, before any adjudication. (McKenna Decl. ¶ 4; Ex. C).
- 37. In addition to the procedural deficiencies in claiming the car wash bond, the citation included wage statement violations alleged to have occurred as early as December 2020. However, California courts have consistently held that claims for penalties under Labor Code section 226(e) are subject to a one-year statute of limitations. *See Falk v. Children's Hosp. Los*

Angeles, 237 Cal. App. 4th 1454, 1469 (2015). As of the date of the December 5, 2024 citation, any wage statement violations that occurred prior to December 5, 2023, appear to be time-barred.

38. The citations also allege violations of Labor Code sections 203 (waiting time penalties), 1194.2 (liquidated damages for minimum wages), and 226.7 and Industrial Welfare Commission Orders (rest periods) from December 5, 2020, to December 5, 2023. These are subject to a three-year statute of limitations under Code of Civil Procedure section 338(a). For citations issued on December 5, 2024, claims for these violations prior to December 5, 2021, also appear to be time-barred.

39. The Commissioner did not invoke Business and Professions Code section 17200 to access a four-year statute of limitations for restitution, nor did the citations assert a continuing violation doctrine or equitable tolling to justify including violations from December 5, 2020, to December 4, 2021.

40. While Petitioners are not challenging the merits of the underlying wage claims in this action, the facial defects in the citation, such as the inclusion of claims that appear to be legally barred, underscore the need for meaningful procedural safeguards *before* such allegations are used to justify business shutdowns. The Labor Commissioner's inclusion of these claims inflated the penalty totals by potentially hundreds of thousands of dollars and deprived Petitioners of a fair opportunity to respond to timely and valid allegations.

41. On January 2 and January 9, 2025, the Labor Commissioner submitted claims to the surety bond company against the \$150,000 bonds held by Redondo Auto Spa and Rock N Roll Car Wash, respectively, demanding immediate payment of the full bond amounts. Petitioners were not provided with notice of these demands on the bonds before they were submitted to the surety. (McKenna Decl. ¶ 5; Exs. D–E).

42. The claims, so-titled "Notice of Claim Against the Bond," sent to the surety were styled in the manner of a court filing—bearing a state seal and a designated "State Case Number." The document's formatting, tone, and language gave the appearance of judicial authority. As

shown in the excerpt below, the notice conveyed the impression of an enforceable judgment rather than a contested administrative claim:

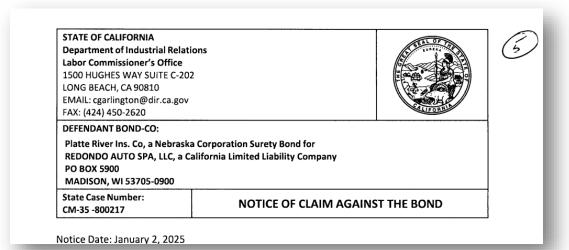


Figure 1. Excerpt from Ex. D, Labor Commissioner's Notice of Claim Against the Bond (Jan. 2, 2025)

43. Additionally, styled in the manner of a judicial demand, the "Notice" instructed the surety to pay the full bond amount immediately, creating the appearance that liability had been lawfully determined and judgment entered—despite the absence of any adjudicative process:

This notice constitutes demand on behalf of the workers that all wages and penalties payable by the bond are due in the total amount of \$150,000.00. The amount due, up to the limit of the bond, should paid immediately by a check or money order made payable to the Labor Commissioner's Office. Payment should include case number referenced in the caption, any applicable citation number(s) and be sent to:

Labor Commissioner's Office
Attn.: Central Cashiering 2031
Howe Street Suite 100
Sacramento, CA 95825

Figure 2. Excerpt from Ex. D, Labor Commissioner's Notice of Claim Against the Bond (Jan. 2, 2025)

section 2055(b)(2), the cancellations were scheduled to take effect 30 days later. (McKenna Decl. ¶ 6; Exs. F–G).

45. After receiving the bond cancellation notices, Petitioners immediately attempted to secure replacement bond coverage in order to continue operating. They contacted numerous

bonds, referencing the claims submitted by the Labor Commissioner. Pursuant to Labor Code

44. On January 17, 2025, the surety company issued notices of cancellation for both

surety providers but were uniformly rejected. Each provider cited the Labor Commissioner claims as an unacceptable risk, regardless of Petitioners' willingness to offer higher premiums or additional security. (McKenna Decl. ¶ 7).

46. Unable to operate without an active bond and unable to source new bonds in light of the Labor Commissioner's demands, both Rock N Roll Car Wash and Redondo Auto Spa ceased operations as of February 16, 2025.

47. While the Labor Commissioner may argue that it was the surety—not the Commissioner—who canceled Petitioners' bonds, that position misconstrues the causal reality. The surety did not act independently or in response to any adjudicated liability; it acted directly in response to the Commissioner's administrative demand for immediate payment—an amount that vastly exceeded the bond's face value. Under industry standards, such a demand renders the bond functionally exhausted and effectively compels the surety to cancel the bond. The Labor Commissioner knew or should have known that submitting a high-value bond claim without notice or adjudication would result in cancellation of the bond, likely prevent Petitioners from securing a replacement bond, and thus force Petitioners to cease operations. The harm was not only foreseeable—it was the intended mechanism of enforcement.

48. The Labor Commissioner offered Petitioners a 15-business-day period to request a hearing on the underlying citations, but offered no procedure to challenge or delay the bond claims themselves. Petitioners were forced to engage in settlement discussions under coercive pressure, with the Commissioner most recently demanding a payment of over \$750,000 as a condition for restoring operations. (McKenna Decl. ¶¶ 8, 12).

it rose from \$15.00 to \$15.50 per hour while also eliminating the prior distinction between large and small employers—a distinction the car washes had previously relied on by applying the lower rate for businesses with 25 or fewer employees. Due to a payroll oversight, some employees continued to receive \$15.00 per hour. Once the 50-cent error was identified, Petitioners promptly issued retroactive back pay to all affected employees via separate checks issued through their regular payroll system, with corrections completed by November 3, 2023—more than a year before the citation was issued. (McKenna Decl. ¶¶ 9, 11). The remaining allegations in the citation were, and remain, contested.

49. Petitioners had already corrected one issue identified during a Labor Commissioner

investigation in 2023: a brief, inadvertent underpayment of the applicable minimum wage in

early 2023. California's minimum wage had increased annually for several years, and in 2023,

50. On May 5, 2025, Petitioners received notice that a hearing had been scheduled for June 11, 2025, concerning the wage citation issued against Rock N Roll Car Wash. No similar hearing notice has been issued for Redondo Auto Spa. The hearing was scheduled more than two months after the businesses were forced to shut down and offered no opportunity to prevent or mitigate the bond cancellations that had already taken effect. As of the date of this Petition, no hearing has been held or scheduled regarding the bond claims themselves.

- 51. Due to the shutdowns, Petitioners suffered substantial economic losses, including lost revenue, forced divestment of business assets, and long-term reputational harm. Rock N Roll Car Wash was sold following the shutdown and is currently in escrow, with the transaction expected to close in the coming months. Redondo Auto Spa is undergoing a reorganization in an effort to resume operations. (McKenna Decl. ¶¶ 8–9).
- 52. The forced shutdown of Redondo Auto Spa resulted in significant financial harm. Before closure, Redondo Auto Spa generated approximately \$165,000 per month in gross revenue. Since February 16, 2025, the business has lost approximately \$577,000 in revenue. Fixed overhead expenses—including rent, utilities, and insurance—continued to accrue, resulting in unrecoverable costs of approximately \$305,000. Petitioners estimate total damages

for Redondo Auto Spa exceed \$1.2 million to date, not including reputational damage or future loss of goodwill. (McKenna Decl. ¶ 9, Ex. H).

53. Similarly, Rock N Roll Car Wash suffered substantial financial losses following the Commissioner's enforcement action. Prior to shutdown, it earned approximately \$165,000 per month in gross revenue. Petitioners estimate that from February 16, 2025, through the present, they have lost approximately \$577,000 in revenue. Fixed operational costs have led to further unrecoverable expenses totaling \$305,000. Petitioners were also forced to divest the business, which is currently under contract to be sold at a reduced value in a sale expected to close in August 2025. Petitioners estimate total losses related to Rock N Roll Car Wash are at least \$3 million, not accounting for future lost business or reputational injury. (McKenna Decl. ¶ 10, Ex. I).

54. In addition to these business harms, Petitioners were forced to lay off nearly all of their employees after the bond cancellations took effect. (McKenna Decl. ¶ 8). Thus, the very enforcement action that purported to protect workers' rights instead resulted in the abrupt loss of employment for dozens of workers—many of whom were immigrant laborers who relied on the car washes for steady income.

## FIRST CAUSE OF ACTION (For Writ of Mandate – Violation of Procedural Due Process, Code Civ. Proc. §§ 1085, 1087; Cal. Const. art. I, § 7)

55. Petitioners reallege and incorporate the preceding paragraphs as if fully set forth herein.

56. Article I, section 7 of the California Constitution guarantees that no person may be deprived of property without due process of law. Due process requires notice and a meaningful opportunity to be heard before the government deprives a person of a significant property interest.

57. The Labor Commissioner issued claims against Petitioners' surety bonds—effectively terminating their business operations without providing any prior notice, hearing, or opportunity to respond. Petitioners learned of the bond cancellations only after they had already taken effect.

58. Because operation of a car wash without a bond is unlawful, the Commissioner's unilateral action resulted in the shutdown of two lawfully operating businesses. These actions imposed severe consequences based solely on unproven allegations, before any adjudication of liability. This goes far beyond a mere economic burden. As the court explained in *Goat Hill Tavern*, 6 Cal. App. 4th at 1530, "[i]nterference with the right to continue an established business is far more serious than the interference a property owner experiences when denied a conditional use permit in the first instance." Such rights are "sufficiently personal, vested and important to preclude their extinction by a nonjudicial body." *Id*.

59. The shutdown deprived Petitioners of their livelihood, revenue, and reputation. While Labor Code section 2055 requires car wash employers to maintain a bond, it does not establish any procedure for contesting a claim against that bond. The governing procedural framework is supplied by California's Bond and Undertaking Law, which applies to bonds executed in favor of the state and authorizes enforcement only through a civil action in which both the principal and surety are joined as parties. *See* Code Civ. Proc. §§ 995.810, 996.430. The Labor Commissioner disregarded this framework by submitting administrative demands for immediate payment without filing suit, obtaining a judgment, or affording Petitioners notice or an opportunity to be heard. This ad hoc enforcement mechanism—unmoored from statute and unsupported by valid regulation—bypassed procedural safeguards and directly precipitated Petitioners' business shutdowns.

60. Petitioners had a protected property and liberty interest in continuing to operate their lawfully registered and bonded car wash businesses. California courts have long recognized that the right to engage in a lawful occupation is fundamental and cannot be impaired without due process of law. See Purdy & Fitzpatrick v. State, 71 Cal. 2d 566, 579 (1969); see also Traux v. Raich, 239 U.S. 33, 41 (1915). Moreover, California courts have held that there is a constitutionally protected property interest in the right to pursue a licensed or regulated profession. Conway v. State Bar, 47 Cal. 3d 1107, 1113 (1989). This interest is especially acute where, as here, the government's action effectively revokes a mandatory condition of

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operation—namely, the surety bond—without notice, a hearing, or any neutral adjudication. Although the Bond and Undertaking Law provides that bond liability may be enforced through a civil action in which both the principal and surety are joined, *see* Code Civ. Proc. § 996.430(a), the Labor Commissioner bypassed that process entirely. The Commissioner's unilateral bond claims triggered cancellation by the surety and rendered continued operation unlawful under Labor Code sections 2055(b) and 2060, depriving Petitioners of their right to operate without due process in violation of article I, section 7 of the California Constitution.

61. California courts follow the framework articulated by the U.S. Supreme Court in *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976), when evaluating whether government procedures satisfy due process requirements. *See Today's Fresh Start, Inc. v. Los Angeles County Office of Education*, 57 Cal. 4th 197 (2013).

62. Under *Mathews*, courts assess the adequacy of procedural protections by weighing three factors: (1) the private interest affected, (2) the risk of erroneous deprivation under the challenged procedures and the probable value of additional safeguards, and (3) the government's interest, including the burden of additional procedural requirements. 424 U.S. at 335. Petitioners' interest in continued lawful operation of their businesses and retention of their bonded status is substantial. The risk of erroneous deprivation is high given the absence of any hearing or review mechanism before the Labor Commissioner demands payment from a surety, and this risk is underscored by the inclusion of legally barred claims in the citation. Notably, California's Bond and Undertaking Law already provides a procedural safeguard by requiring that liability on such bonds be enforced through a civil action in which both the principal and surety are parties. See Code Civ. Proc. § 996.430(a). The Commissioner's decision to circumvent that process increases the risk of error and denies employers any opportunity to contest liability before devastating enforcement consequences take effect. Moreover, the burden of providing basic procedural protections—such as notice and an opportunity to be heard—would be minimal, particularly given that the Labor Commissioner already conducts hearings to adjudicate wage claims under Labor Code section 98. Extending similar protections to employers facing bond forfeiture would impose little additional burden while significantly reducing the risk of unconstitutional deprivation.

63. The Labor Commissioner's actions were the direct and foreseeable cause of Petitioners' injuries. In *Soranno's Gasco, Inc. v. Morgan*, 874 F.2d 1310 (9th Cir. 1989), the Ninth Circuit recognized a protected property interest in business goodwill and held that public officials violated due process by interfering with that goodwill through targeted regulatory actions. There, the agency sent letters warning customers not to do business with the plaintiff, resulting in economic harm. The court emphasized that this interference—though not a traditional adjudication—was both intentional and foreseeable. The same is true here: by demanding immediate payment on Petitioners' car wash bonds without notice or hearing, the Commissioner effectively triggered the cancellation of those bonds, shutting down Petitioners' businesses. These were not independent business decisions by the sureties; they were predictable consequences of the Commissioner's unilateral enforcement action. *See also Northington v. Marin*, 102 F.3d 1564, 1569 (10th Cir. 1996) (state officials may be liable for harm caused by third parties when they "set in motion" a foreseeable chain of events).

64. The above-described deprivation also harmed Petitioner Christopher McKenna individually, as he was personally named in the citations and subjected to regulatory enforcement that threatens his personal liability, business reputation, and economic livelihood.

65. Petitioners request a writ declaring that the Labor Commissioner's practice of demanding payment on car wash bonds—absent any notice or adjudication—violates due process under article I, section 7 of the California Constitution. Petitioners further request that the Court compel the Commissioner to implement meaningful notice-and-hearing protections prior to any future bond demands that may jeopardize a business's ability to lawfully operate.

## SECOND CAUSE OF ACTION (For Writ of Mandate – Separation of Powers Violation, Code Civ. Proc. §§ 1085, 1087, Cal. Const. art. III, § 3)

- 66. Petitioners reallege and incorporate the preceding paragraphs as if fully set forth herein.
- 67. Article III, section 3 of the California Constitution prohibits any person charged with exercising powers belonging to one branch of government from exercising functions properly belonging to another. This structural safeguard exists to preserve individual liberty and to prevent the arbitrary exercise of government power.
- 68. The California Labor Commissioner, through the Division of Labor Standards Enforcement, has assumed multiple and incompatible roles in Petitioners' case—investigator, prosecutor, and adjudicator. The same Deputy Labor Commissioner who investigated the alleged violations also issued the wage citations, assessed penalties, and submitted bond payment demands to Petitioners' surety. All enforcement actions bear the signature of a single individual. Deputy Commissioner Jose Guzman handled all actions related to Rock N Roll Car Wash, while Deputy Commissioner Christopher Garlington handled those related to Redondo Auto Spa.
- 69. Furthermore, the bond demands were submitted without commencing a civil action as contemplated by Code of Civil Procedure section 996.430(a). While that section provides that liability on a bond "may" be enforced through a civil action, that provision—read in context with the Bond and Undertaking Law's structure and purpose—establishes civil litigation as the only process that ensures participation of both principal and surety, judicial oversight, and procedural fairness. *See* Code Civ. Proc. §§ 995.810, 996.430(a)—(b). The vague authorization in 8 Cal. Code Regs. section 13693(a), which allows the Commissioner to take "whatever action he or she deems appropriate" to recover wages, cannot override this statutory framework or authorize extrajudicial enforcement actions. *See Ass'n for Retarded Citizens*, 38 Cal. 3d at 392. Nor may such unbounded discretion displace due process or separation-of-powers constraints. *See Slaughter*, 11 Cal. App. 3d at 295. The Commissioner thereby asserted an enforcement power that the statutory bond framework reserves exclusively for the judiciary.

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70. The Commissioner's assumption of enforcement power also lacks valid statutory or regulatory support. Government Code section 11340.5(a) prohibits state agencies from enforcing any guideline, instruction, or standard of general application unless it has been formally adopted as a regulation. To the extent the Commissioner relies on 8 Cal. Code Regs. section 13693(a) which vaguely authorizes "whatever action he or she deems appropriate" to obtain wages from the bond—that language is too open-ended to confer binding enforcement authority and fails to establish any procedural safeguards. No other regulation appears to authorize the Commissioner's current bond demand practice. In the absence of a properly promulgated rule, the Commissioner's use of administrative demands to compel payment and trigger business closure usurps legislative and judicial power, violating core separation of powers principles.

71. This consolidation of investigatory, prosecutorial, and adjudicative functions violates the separation of powers by eliminating structural checks that are essential to the legitimacy of administrative enforcement. By unilaterally determining liability, imposing penalties, and executing bond demands, the Labor Commissioner has effectively exercised judicial power without judicial oversight. This concentration of authority implicates the core concern underlying the separation of powers doctrine—"to prevent the combination in the hands of a single person or group of the basic or fundamental powers of government." Manduley v. Superior Ct., 27 Cal. 4th 537, 557 (2002) (quoting Parker v. Riley, 18 Cal. 2d 83, 89 (1941)).

72. The California Court of Appeal has held that where an agency both prosecutes and adjudicates penalties without external review, structural due process concerns arise. See, e.g., Nightlife Partners, 108 Cal. App. 4th at 92. The risk of bias and overreach is especially acute where the same official occupies multiple roles in the same enforcement action. See id. ("The due process rule of overlapping functions in [administrative proceedings] applies to prevent the participant from being in the position of reviewing his or her own decision or adjudging a person whom he or she has either charged or investigated.") (citation omitted).

73. California courts have repeatedly emphasized that each branch of government must respect the procedural limits that preserve the constitutional separation of powers. Just as the

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26 27 of Fair Emp. & Hous. v. Sup. Ct. of Kern Cnty., 54 Cal. App. 5th 356 (2022) (DFEH), the executive may not bypass the judiciary's adjudicatory role by imposing enforcement consequences without affording due process. In DFEH, the Court of Appeal granted a writ of mandate against a trial court that had improperly curtailed an agency's investigative authority, holding that courts may not "defeat or materially impair the inherent functions of another branch." Id. at 400-01 (quoting In re Rosenkrantz, 29 Cal.4th 616, 662 (2002)). The same structural principle prohibits the Labor Commissioner from resolving liability, seizing bond funds, and shutting down businesses without submitting its claims to judicial oversight. Where government action displaces the core functions of another branch, courts have not hesitated to intervene.

74. The consolidation of authority also inflicted direct harm on Petitioner McKenna. By personally naming him in the citations and making him jointly liable for over \$800,000 in penalties without neutral adjudication, the Labor Commissioner subjected McKenna to enforcement consequences determined solely by executive officers acting as both accuser and adjudicator. McKenna's personal liability was thus determined without judicial process or institutional safeguards, in violation of the constitutional separation of powers.

75. Petitioners seek a writ declaring that the Labor Commissioner's enforcement structure and its application in this case violate the California Constitution's separation of powers clause and directing the Commissioner to establish and follow procedures that preserve institutional neutrality and meaningful oversight in future enforcement actions.

## THIRD CAUSE OF ACTION (For Inverse Condemnation – Regulatory Taking, Cal. Const. art. I, § 19)

- 76. Petitioners reallege and incorporate by reference the allegations set forth in the preceding paragraphs as though fully set forth herein.
- 77. Petitioners operated bonded car washes in Los Angeles County in compliance with Labor Code section 2055 and all applicable licensing requirements. Petitioners had a vested

property interest in the continued lawful operation of their businesses, including the use of their facilities, labor, and goodwill to generate income.

78. The Labor Commissioner demanded payment on Petitioners' surety bonds without initiating a civil action, as contemplated by the Bond and Undertaking Law. *See* Code Civ. Proc. § 996.430(a). No statutory or regulatory process exists under the Labor Code for challenging or delaying such demands before they take effect. Upon receipt of the administrative demands, Petitioners' surety issued notices of cancellation on January 17, 2025, effective 30 days later pursuant to Labor Code section 2055(b)(2). Despite actively engaging in settlement discussions and anticipating a hearing, Petitioners did not receive any process to contest the bond claim or preserve their ability to lawfully operate before the cancellations took effect.

79. The Labor Commissioner's enforcement strategy effectively blacklisted Petitioners from the surety bond market. After receiving the cancellation notices, Petitioners contacted numerous bond providers in an effort to secure replacement coverage. All declined, citing the pending \$810,000 in unresolved claims as too great a risk, regardless of Petitioners' willingness to pay higher premiums or provide collateral. The Commissioner's actions thus created a permanent barrier to lawful operation that extended far beyond any temporary compliance issue.

80. The expiration of Petitioners' bonds on February 17, 2025, resulted in the legal prohibition on continued business operations under the Labor Code after that date. Petitioners ceased all operations, lost the ability to generate revenue, and were forced to suspend the use of their business property and labor assets.

81. Although Petitioners waived the default 15-business-day timeline for setting a hearing under Labor Code section 98.7, they did not waive their right to a hearing altogether. The waiver was submitted in good faith to allow time to retain counsel, collect relevant payroll documents, and prepare a substantive defense. Moreover, the waiver form made no mention of the pending bond claims, nor did it indicate whether those claims would be addressed in the citation hearing. The appeal rights language printed on the citation references only the citation and proposed penalties—not any demand against the car wash bond—and sets the hearing to

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occur only after a petition is filed and scheduled by the agency. There is no statutory, regulatory, or procedural guidance establishing that the Labor Commissioner's bond demands are stayed, resolved, or even considered as part of that process. As a result, Petitioners had no meaningful opportunity to contest the payment demands on the bonds before they resulted in operational shutdowns.

- 82. Because of the Labor Commissioner's unilateral action, Petitioners have been deprived of all economically beneficial use of their property. The deprivation was not the result of a final adjudication, nor was it incidental. Rather, it was a direct consequence of a government enforcement mechanism that lacked procedural safeguards, notice, or proportionality.
- 83. The Labor Commissioner's actions constituted an uncompensated taking of private property for public use in violation of article I, section 19 of the California Constitution. This claim arises under the doctrine of inverse condemnation. In assessing whether a regulatory action effects a taking, California courts consider factors such as the economic impact on the claimant, the extent to which it interferes with distinct investment-backed expectations, and the character of the government action—factors articulated in *Penn Central*, 438 U.S. 104, and adopted in California takings jurisprudence. *See Lockaway Storage*, 216 Cal. App. 4th at 185–86.
- 84. The public use element is satisfied because the Labor Commissioner's actions were carried out as part of a regulatory enforcement scheme aimed at advancing worker protection, which constitutes a public purpose under California law. But rather than pursuing that purpose through formal adjudication or judicial process, the Commissioner effectively outsourced enforcement to private sureties, triggering business shutdowns without any neutral tribunal ever determining liability.
- 85. The economic impact was severe: Petitioners lost all ability to operate their businesses during the cancellation period, which remains in effect.
- 86. Prior to closure, Redondo Auto Spa generated approximately \$165,000 per month in gross revenue. Point-of-sale data confirms that from November 2024 through January 2025, the business earned approximately \$159,000, \$139,000, and \$180,000, respectively. Between

February 16, 2025, and the present, Redondo Auto Spa has lost an estimated \$577,000 in revenue. During this period, Redondo Auto Spa continued to incur fixed overhead expenses—including rent, utilities, and insurance—totaling approximately \$305,000 in unrecoverable costs. Petitioners estimate total losses attributable to the shutdown exceed \$1.2 million, excluding reputational harm and future loss of goodwill. (McKenna Decl. ¶ 9; Ex. H).

87. Prior to closure, Rock N Roll Car Wash generated approximately \$165,000 per month in gross revenue. Point-of-sale data confirms that from November 2024 through January 2025, the business earned approximately \$138,000, \$146,000, and \$171,000, respectively. Since the forced shutdown on February 16, 2025, the business has recorded no sales, resulting in an estimated revenue loss of over \$577,000. During this period, Petitioners continued to incur fixed operational expenses—including rent, insurance, and utilities—totaling approximately \$305,000 in unrecoverable costs. Due to the prolonged closure and mounting financial strain, Petitioners were compelled to sell the business. It is currently under contract to be sold at a substantially reduced value, with the sale expected to close in August 2025. Based on lost revenue, ongoing expenses, and the reduced sale price, Petitioners estimate the total financial impact from the shutdown to be at least \$3 million, excluding any future loss of business or reputational harm. (McKenna Decl. ¶ 10; Ex. I).

88. The Labor Commissioner's action interfered with reasonable investment-backed expectations. Petitioners operated fully licensed, bonded businesses and had no history of bond claims or regulatory violations. They reasonably expected to continue operating in compliance with California law. They made substantial investments in equipment, employee training, and leasehold improvements. The sudden bond cancellation, triggered without a hearing or adjudication, frustrated those expectations and substantially impaired the value and utility of Petitioners' investments.

89. The character of the government action was punitive and structurally defective. The Labor Commissioner unilaterally exercised enforcement authority, claimed the bond without notice or judicial oversight, and triggered the destruction of business use through an opaque and

unregulated process. The enforcement mechanism imposed the extreme remedy of complete business closure based solely on disputed allegations, without any adjudication of liability or proportionality analysis. This approach forced Petitioners to bear the entire burden of immediate shutdown while the public benefit of wage enforcement could have been achieved through normal judicial collection procedures that preserve business operations during dispute resolution. The disproportionate impact—total loss of business use for contested wage claims—demonstrates that Petitioners suffered an individualized harm far exceeding what is typically imposed to achieve the regulatory purpose of protecting workers' wages.

90. The Labor Commissioner's actions were unlawful not only because they lacked adjudication, but because they bypassed the procedural framework established by statute. Code of Civil Procedure section 996.430 authorizes liability on a bond executed in favor of the state to be determined through a civil action in which both the principal and surety are parties. The Commissioner did not pursue such an action, instead issuing administrative demands that carried immediate legal effect and led to the loss of Petitioners' operating authority. This statutory departure weighs heavily in the takings analysis. As the court held in Lockaway Storage, 216 Cal. App. 4th at 187–88, a regulatory taking occurs when the government interferes with lawful business use in contravention of established legal rights. There, the county's refusal to honor a valid conditional use permit—contrary to binding statutory and judicial authority—resulted in liability for a compensable taking. Similarly here, Petitioners operated lawfully bonded businesses in full compliance with Labor Code § 2055, yet were shut down through a process the Legislature has not authorized. The Labor Commissioner's disregard of the required enforcement procedure, coupled with the lack of any adjudication, rendered the government's conduct unauthorized and unconstitutional. The resulting deprivation of economic use was not incidental to enforcement—it was the direct and foreseeable consequence of bypassing procedures the law requires to protect property rights.

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91. Petitioners are entitled to just compensation under state law for the deprivation of all economically viable use of their businesses. They also seek attorneys' fees under Code of Civil Procedure § 1036.

### PRAYER FOR RELIEF

WHEREFORE, Petitioners/Plaintiffs respectfully pray for judgment against Respondent/Defendant as follows:

- 1. For issuance of an alternative writ of mandate directing the Labor Commissioner to show cause why a peremptory writ should not issue, and, upon hearing, a peremptory writ under Code of Civil Procedure sections 1085 and 1087, directing the Labor Commissioner to cease pursuing or enforcing payment from surety bonds required under Labor Code section 2055 without first affording affected employers meaningful procedural safeguards, including notice, an opportunity to be heard, and adherence to the judicial process authorized by Code of Civil Procedure section 996.430 before any enforcement consequences take effect;
- 2. An order directing the Labor Commissioner to withdraw or rescind any claim submitted against Petitioners' surety bonds unless and until the alleged violations underlying that claim have been adjudicated through a constitutionally sufficient process, including notice and an opportunity to be heard before a neutral decision-maker;
- 3. For a judicial declaration that the Labor Commissioner's current bond claim practices, as applied to Petitioners:
  - Violate article I, section 7 of the California Constitution;
  - Violate article III, section 3 of the California Constitution by consolidating investigative, prosecutorial, and adjudicative functions in a single agency officer;
  - Constitute a taking of property for public use, giving rise to an inverse condemnation claim under article I, section 19 of the California Constitution;
- 4. For temporary, preliminary, and permanent injunctive relief prohibiting the Labor Commissioner from initiating or submitting bond claims that result in business

shutdowns without advance notice, an opportunity to contest the allegations, and adjudication by a neutral decision-maker;

- 5. For an award of just compensation and damages for the period during which Petitioners were deprived of all economically viable use of their businesses as a result of the Labor Commissioner's unconstitutional actions, in an amount to be determined at trial;
- 6. For an award of reasonable attorneys' fees and costs, including under Code of Civil Procedure §§ 1021.5, 1036; and
- 7. For such other and further relief as the Court deems just and proper.

DATED: June 5, 2025.

## Respectfully submitted,

/s/ Cameron Halling
CAMERON HALLING, CA Bar No. 306778
Pacific Legal Foundation
555 Capitol Mall, Suite 1290
Sacramento, CA 95814
Telephone: (916) 419-7111
Facsimile: (916) 419-7747
CHalling@pacificlegal.org

ALLISON D. DANIEL, OH Bar No. 96186\*
Pacific Legal Foundation
3100 Clarendon Blvd., Suite 1000
Arlington, VA 22201
Telephone: (202) 888-6881
Facsimile: (916) 419-7747
ADaniel@pacificlegal.org

\* Pro Hac Vice motion to be filed

Attorneys for Petitioners/Plaintiffs

### VERIFICATION

I, Christopher Charles McKenna, am a Petitioner and Plaintiff in this action, both individually and as the managing member of Petitioners Redondo Auto Spa, LLC and Rock N Roll Car Wash, LLC. I have read the foregoing Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief and Damages, and I am familiar with its contents. The facts stated therein are true of my own knowledge, and as to those matters stated on information and belief, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this verification was executed on this **Znd** day of June, 2025, at **LOS ANGELES**County, State of California.

Christopher Charles McKenna

VERIFIED PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF AND DAMAGES