

BEFORE THE DEPARTMENT OF ADMINISTRATIVE SERVICES,  
THE DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT,  
THE BOARD AND DEPARTMENT OF FORESTRY, AND  
THE DEPARTMENT OF ENVIRONMENTAL QUALITY  
OF THE STATE OF OREGON

IN THE MATTER OF THE CLAIM FOR ) FINAL ORDER  
COMPENSATION UNDER ORS 197.352 ) CLAIM NO. M118605  
(BALLOT MEASURE 37) OF )  
Larry L. and Laura B. Luethe, CLAIMANTS )

Claimants: Larry L. and Laura B. Luethe (the Claimants)

Property: Township 2N, Range 1W, Section 32B, Tax lots 700 and 800, Multnomah County  
(the Property)

Claim: The demand for compensation and any supporting information received from the  
Claimants by the State of Oregon (the Claim).

Claimants submitted the Claim to the State of Oregon under ORS 197.352. Under OAR 125-145-0010 *et seq.*, the Department of Administrative Services (DAS) referred the Claim to the Department of Land Conservation and Development (DLCD) as the regulating entity. This order is based on the record herein, including the Findings and Conclusions set forth in the Final Staff Report and Recommendation of DLCD (the DLCD Report), the Oregon Department of Forestry (the ODF Report), and the Department of Environmental Quality (the DEQ Report), attached to and by this reference incorporated into this order.

ORDER

The Claim is denied as to laws administered by the Oregon Department of Forestry or the Oregon Board of Forestry, for the reasons set forth in the ODF Report.

The Claim is denied as to the laws administered by the Department of Environmental Quality for the reasons set forth in the DEQ Report.

The Claim is approved as to laws administered by DLCD and the Land Conservation and Development Commission (LCDC) for the reasons set forth in the DLCD Report, and subject to the following terms:

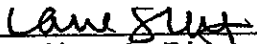
1. In lieu of compensation under ORS 197.352, the State of Oregon will not apply the following laws to Larry and Laura Luethe's portion of the 18.92-acre property into "2 additional parcels of approximately 6 acres each or a 9 lot subdivision" and development of a dwelling on each parcel: applicable provisions of Goal 4, ORS 215 and OAR 660, division 6 (excepting those rules in division 6 concerning fire safety). These land use regulations will not apply to the claimants only to the extent necessary to allow them to use the subject property for the use described in this report, and only to the extent that use was permitted when they acquired the property on August 8, 1973.

2. The action by the State of Oregon provides the state's authorization to the claimants to use the subject property for the use described in this report, subject to the standards in effect on August 8, 1973.
3. To the extent that any law, order, deed, agreement or other legally enforceable public or private requirement provides that the subject property may not be used without a permit, license or other form of authorization or consent, the order will not authorize the use of the property unless the claimants first obtain that permit, license or other form of authorization or consent. Such requirements may include, but are not limited to: a building permit, a land use decision, a "permit" as defined in ORS 215.402 or 227.160, other permits or authorizations from local, state or federal agencies and restrictions on the use of the subject property imposed by private parties.
4. Any use of the subject property by the claimants under the terms of the order will remain subject to the following laws: (a) those laws not specified in Condition 1 above; (b) any laws enacted or enforced by a public entity other than the Commission or the department; and (c) those laws not subject to ORS 197.352 including, without limitation, those laws exempted under ORS 197.352(3).
5. Without limiting the generality of the foregoing terms and conditions, in order for the claimants to use the subject property, it may be necessary for them to obtain a decision under ORS 197.352 from a city and/or county and/or metropolitan service district that enforces land use regulations applicable to the property. Nothing in this order relieves the claimants from the necessity of obtaining a decision under ORS 197.352 from a local public entity that has jurisdiction to enforce a land use regulation applicable to a use of the subject property by the claimants.


This Order is entered by the Director of the DLCD as a final order of DLCD and the Land Conservation and Development Commission under ORS 197.352, OAR 660-002-0010(8), and OAR 125, division 145, and by the Deputy Administrator for the State Services Division of the DAS as a final order of DAS under ORS 197.352, OAR 125, division 145, and ORS 293, and by the Department of Environmental Quality as a final order under ORS 197.352, OAR 125, division 145.

This Order is entered by the Oregon Board and Department of Forestry as a final order of the Board under ORS 197.352, OAR 629-001-0057, and OAR Chapter 125, division 145.

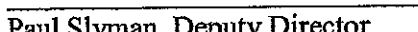
FOR DLCD AND THE LAND  
CONSERVATION AND DEVELOPMENT  
COMMISSION:

  
Lane Shetterly, Director  
DLCD  
Dated this 27<sup>th</sup> day of April, 2006.

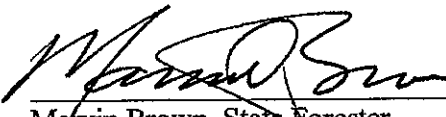
FOR THE DEPARTMENT OF  
ADMINISTRATIVE SERVICES:

  
Dugan Petty, Deputy Administrator  
DAS, State Services Division  
Dated this 27<sup>th</sup> day of April, 2006.

FOR THE FOR DEPARTMENT OF  
ENVIRONMENTAL QUALITY

  
Paul Slyman, Deputy Director  
DEQ  
Dated this 27<sup>th</sup> day of April, 2006

FOR THE OREGON BOARD OF  
FORESTRY AND THE OREGON  
DEPARTMENT OF FORESTRY:

  
Marvin Brown, State Forester  
ODF  
Dated this 27<sup>th</sup> day of April, 2006.

#### NOTICE OF RIGHT TO APPEAL OR OTHER JUDICIAL RELIEF

You are entitled, or may be entitled, to the following judicial remedies:

1. Judicial review under ORS 183.484: Judicial review under ORS 183.484 may be obtained by filing a petition for review within 60 days from the service of this order. A petition for judicial review under ORS 183.484 may be filed in the Circuit Court for Marion County or the Circuit Court in the county in which you reside.
2. A cause of action under ORS 197.352 (Measure 37 (2004)): If a land use regulation continues to apply to the subject property more than 180 days after the present owner of the property has made written demand for compensation under ORS 197.352<sup>1</sup>, the present owner of the property, or any interest therein, shall have a cause of action in the circuit court in which the real property is located.

(Copies of the documents that comprise the record are available for review at the Department's office at 635 Capitol Street NE, Suite 150, Salem, Oregon 97301-2540)

<sup>1</sup> By order of the Marion County Circuit Court, "all time lines under Measure 37 [were] suspended indefinitely" on October 25, 2005. This suspension was lifted on March 13, 2006 by the court. As a result, a period of 139 days (the number of days the time lines were suspended) has been added to the 180-day time period under ORS 197.352(6) for claims that were pending with the state on October 25, 2005.

FOR DLCD AND THE LAND  
CONSERVATION AND DEVELOPMENT  
COMMISSION:

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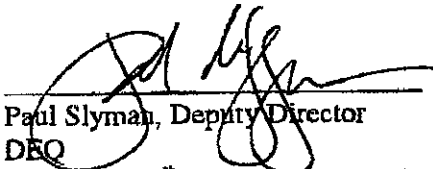
Lane Shetterly, Director  
DLCD  
Dated this 27<sup>th</sup> day of April, 2006.

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**FOR INFORMATION ONLY**

The Oregon Department of Justice has advised the Department of Land Conservation and Development that “[i]f the current owner of the real property conveys the property before the new use allowed by the public entity is established, then the entitlement to relief will be lost.”

**ORS 197.352 (BALLOT MEASURE 37) CLAIM FOR COMPENSATION**  
**OREGON DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT**  
**Final Staff Report and Recommendation**

April 27, 2006

**STATE CLAIM NUMBER:** M118605

**NAMES OF CLAIMANTS:** Larry L. and Laura B. Luethe

**MAILING ADDRESS:** 13225 Northwest McNamee Road  
Portland, Oregon 97231

**PROPERTY IDENTIFICATION:** Township 2N, Range 1W, Section 32B  
Tax lots 700 and 800  
Multnomah County

**OTHER CONTACT INFORMATION:** Mark P. O'Donnell  
Kristian Roggendorf  
O'Donnell & Clark, LLP  
1706 Northwest Glisan Street, Suite 6  
Portland, Oregon 97209

**DATE RECEIVED BY DAS:** June 14, 2005

**180-DAY DEADLINE:** April 29, 2006<sup>1</sup>

**I. SUMMARY OF CLAIM**

The claimants, Larry and Laura Luethe, seek compensation in the amount of \$900,000<sup>2</sup> for the reduction in fair market value as a result of land use regulations that are alleged to restrict the use of certain private real property. The claimants desire compensation or the right to "all permitted uses except farm or forest uses, including but not limited to 2 additional parcels of approximately 6 acres each or a 9 lot subdivision" on the 18.92-acre property. The subject property is located at 13225 NW McNamee Road, near Portland, in Multnomah County. (See claim.)

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<sup>1</sup> This date reflects 180 days from the date the claim was submitted, as extended by the 139 days that all timelines under Measure 37 were suspended during the pendency of *MacPherson v. Dept. of Admin. Svcs.*, 340 Or 117 (2006).

<sup>2</sup> The claimants included two estimates: one based on two six-acre parcels, resulting in a reduction in fair market value of approximately \$550,000 and another based on a division of nine new parcels, resulting in a reduction in fair market value of approximately \$700,000 to \$1,300,000. The department averaged the low and high figures of this range.

## II. SUMMARY OF STAFF RECOMMENDATION

Based on the findings and conclusions set forth below, the Department of Land Conservation and Development (the department) has determined that the claim is valid. Department staff recommends that, in lieu of compensation, the requirements of the following state laws enforced by the Land Conservation and Development Commission (the Commission) or the department not apply to Larry and Laura Luethe's partition of the 18.92-acre property into two to nine new parcels and to their development of a dwelling on each parcel: applicable provisions of Statewide Planning Goal 4 (Forest Lands), ORS 215 and Oregon Administrative Rules (OAR) 660, division 6. These laws will not apply to the claimants only to the extent necessary to allow them to use the subject property for the use described in this report, and only to the extent that use was permitted when they acquired the property on August 8, 1973. (See the complete recommendation in Section VI of this report.)

## III. COMMENTS ON THE CLAIM

### Comments Received

On July 7, 2005, pursuant to OAR 125-145-0080, the Oregon Department of Administrative Services (DAS) provided written notice to the owners of surrounding properties. According to DAS, one written comment was received in response to the 10-day notice.

The comment is relevant to whether a state law restricts the claimants' use of the property; and whether the restriction of the claimants' use of the property reduces the fair market value of the property. The comment has been considered by the department in preparing this report.

## IV. TIMELINESS OF CLAIM

### Requirement

ORS 197.352(5) requires that a written demand for compensation be made:

1. For claims arising from land use regulations enacted prior to the effective date of Measure 37 (December 2, 2004), within two years of that effective date, or the date the public entity applies the land use regulation as an approval criteria to an application submitted by the owner, whichever is later; or
2. For claims arising from land use regulations enacted after the effective date of Measure 37 (December 2, 2004), within two years of the enactment of the land use regulation, or the date the owner of the property submits a land use application in which the land use regulation is an approval criteria, whichever is later.

### Findings of Fact

This claim was submitted to DAS on June 14, 2005, for processing under OAR 125, division 145. The claim identifies state land division statutes (ORS 92), applicable provisions of ORS 92, 197, 215 and 227 and administrative rules contained in OAR 660 as laws that restrict

the use of the property and as the basis for the claim.<sup>3</sup> Only laws that were enacted or adopted prior to December 2, 2004, are the basis for this claim.

### **Conclusions**

The claim has been submitted within two years of the effective date of Measure 37 (December 2, 2004), based on land use regulations enacted or adopted prior to December 2, 2004, and is therefore timely filed.

## **V. ANALYSIS OF CLAIM**

### **1. Ownership**

ORS 197.352 provides for payment of compensation or relief from specific laws for “owners” as that term is defined in ORS 197.352. ORS 197.352(11)(C) defines “owner” as “the present owner of the property, or any interest therein.”

### **Findings of Fact**

The claimants, Larry and Laura Luethe, acquired the subject property on August 8, 1973, from his parents Brooks and Virginia Luethe, as reflected by a warranty deed included with the claim. Brooks and Virginia Luethe acquired the subject property on April 8, 1940, as reflected by a warranty deed recorded that date and included with the claim. The Multnomah County Assessor’s Office confirms that the claimants are the current owners of the subject property.

### **Conclusions**

The claimants, Larry and Laura Luethe, are “owners” of the subject property as that term is defined by ORS 197.352(11)(C), as of August 8, 1973. Claimant Larry Luethe’s parents are “family members” as defined by ORS 197.352(11)(A), and acquired the subject property on April 8, 1940.

### **2. The Laws That are the Basis for This Claim**

In order to establish a valid claim, ORS 197.352(1) requires, in part, that a law must restrict the claimants’ use of private real property in a manner that reduces the fair market value of the property relative to how the property could have been used at the time the claimants or a family member acquired the property.

### **Findings of Fact**

The claim indicates that several provisions contained in Multnomah County regulations<sup>4</sup> and state requirements<sup>5</sup> have restricted the property so that it cannot be further divided into two to nine additional new parcels.

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<sup>3</sup> The claim also lists state laws administered by other agencies. This report only addresses those laws administered by the department or Commission.

The claim is based generally on Multnomah County's current Commercial Forest (CFU-2) zone and the applicable provisions of state law that require such zoning. The claimants' property is zoned CFU-2 as required by Goal 4 in accordance with ORS 215 and OAR 660, division 6, because the claimants' property is "forest land" under Goal 4. Goal 4 became effective on January 25, 1975, and requires that forest land be zoned for forest use (see statutory and rule history under OAR 660-015-0000(4)). The forest land administrative rules (OAR 660, division 6) became effective on September 1, 1982, and ORS 215.705 to 215.755 and 215.780 became effective on November 4, 1993 (Chapter 792, Oregon Laws 1993). OAR 660-006-0026 and 660-006-0027 were amended on March 1, 1994, to implement those statutes.

Together, ORS 215.705 to 215.755 and 215.780 and OAR 660, division 6, enacted or adopted pursuant to Goal 4, prohibit the division of forest land into parcels less than 80 acres and establish standards for development of dwellings on existing or proposed parcels on those lands<sup>6</sup>.

The claimants' family acquired the subject property on April 8, 1940, prior to the adoption of the statewide planning goals and their implementing statutes and regulations. The current owners, Larry and Laura Luethe, acquired the property on August 8, 1973.

The claim also summarily lists certain other statutes contained in ORS 92, 197, 215 and 227 and rules contained in OAR 660 as limiting the use of the property, with no description of why or how these laws restrict the claimants' desired use.

ORS 92 establishes procedures for subdivisions and partitions, and to the extent that it may restrict the claimants' use of the property the operative provisions of the statutes were in effect in 1973. The claimants have not described or established that the current versions of the listed statutes are more restrictive than those in effect in 1973.

ORS 197 establishes procedures for comprehensive land use planning, and the claimants have not described or established how the listed statutes restrict the claimants' desired use of the property.

In addition to the specific statutes contained in ORS 215 described above, the claim also lists statutes in this chapter that establish procedures for county planning and zoning. The statutes authorizing county zoning predate 1973. The statutes addressing uses of land zoned for exclusive farm use do not apply to this property. The claimants have not described or established how the listed statutes restrict the claimants' desired use of the property. ORS 227 establishes procedures for city planning and zoning. To the extent ORS 227.110 applies to this property, its operative provisions were in effect in 1973. The claimants have not

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<sup>4</sup> These local regulations include Multnomah County's subdivision and zoning regulations and comprehensive plan policies.

<sup>5</sup> State laws that are administered by the department or the Commission that are referenced in the claim include provisions of ORS 92, 197, 215 and 227, Goals 1 to 14 (except Goal 7) and many of the implementing rules for the Goals.

<sup>6</sup> In a comment letter dated April 17, Multnomah County asks how this conclusion can be "reconciled with the (Oregon Dept. of Justice) opinion that a grant of regulatory relief is not transferable. .. (I)f the only reason the claimant is seeking to divide the property into 2 acre lots is so that they can sell them, but the right to develop the properties is not transferable, than how is *their* use of the property restricted?"

described or established how the listed statute restricts the claimants' desired use of the property<sup>7</sup>.

The claim also lists a large number of state administrative rules administered by the department in OAR 660 (including Goals 1 to 14) in addition to those specific rules addressed above with regard to residential development on land zoned for forest use. The claimants have not described or established how any of the listed rules restrict the claimants' desired use of the property. With the exception of the specific statutes in ORS 215, Goal 4 and the rules implementing Goal 4 relating to residential development of land zoned for forest use, the department is unable to determine whether the listed statutes or rules apply to the claimants' desired use of the property.

### **Conclusions**

The current zoning requirements, minimum lot size and dwelling standards established by Goal 4 and provisions applicable to residential use of land zoned for forest use in ORS 215 and OAR 660, division 6, were all enacted or adopted after the claimants' family acquired the subject property in 1940 and do not allow the desired division or development of the property. These laws restrict the use of the property relative to the uses allowed when the claimants acquired the property.

This report addresses only those state laws that are identified in the claim, or that the department is certain apply to the subject property, based on the uses that the claimants have identified. There may be other laws that currently apply to the claimants' use of the subject property, and that may continue to apply to the claimants' use of the property, that have not been identified in the claim. In some cases, it will not be possible to know which laws apply to a use of the subject property until there is a specific proposal for that use. When the claimants seek a building or development permit to carry out a specific use, it may become evident that other state laws apply to that use.

### **3. Effect of Regulations on Fair Market Value**

In order to establish a valid claim, ORS 197.352(1) requires that any land use regulation described in Section V.2 of this report must have "the effect of reducing the fair market value of the property, or any interest therein."

### **Findings of Fact**

The claim includes an estimate of \$900,000 as the reduction in the subject property's fair market value due to current regulations. This amount is based on a "preliminary limited review appraisal and interpretation of comparable sales," according to the claim.

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<sup>7</sup> In a comment letter dated April 17, Multnomah County states that this report fails to identify the specific statutes and rule from which the claimant is receiving relief, or how these regulations restrict the use and reduce the value of the property. Further, "if regulations are to be set aside, the report should be amended to identify the specific regulations at issue, and explain how they restrict the claimant's (sic) use of the property and reduce its value.

## Conclusions

As explained in Section V.1 of this report, the claimants are Larry and Laura Luethé who acquired the subject property on August 8, 1973. Under ORS 197.352, the claimants are due compensation for land use regulations that restrict the use of the subject property in a manner that reduces its fair market value. Based on the findings and conclusions in Section V.2 of this report, laws enacted or adopted since the claimants acquired the subject property restrict the desired division and development of the property. The claimants estimate the reduction in value due to the restrictions to be \$900,000<sup>8</sup>.

Without an appraisal or other documentation, it is not possible to substantiate the specific dollar amount the claimants demand for compensation. Nevertheless, based on the submitted information, the department determines that it is more likely than not that the fair market value of the subject property has been reduced to some extent as a result of land use regulations enforced by the Commission or the department<sup>9</sup>.

## 4. Exemptions Under ORS 197.352(3)

ORS 197.352 does not apply to certain land use regulations. In addition, under ORS 197.352(3), certain types of laws are exempt from ORS 197.352.

## Findings of Fact

The claim is based on state land use regulations that restrict the use of the subject property, including applicable provisions of Goal 4, ORS 215 and OAR 660, division 6, which Multnomah County has implemented through its current CFU-2 zone. All of these land use regulations were enacted or adopted after the claimants' family acquired the subject property.

## Conclusions

Without a specific development proposal for the subject property, it is not possible for the department to determine all the laws that may apply to a particular use of the property, or whether those laws may fall under one or more of the exemptions under ORS 197.352. It appears that none of the general statutory, goal and rule restrictions on residential division and development of the subject property were in effect when the claimants acquired the property in 1973. As a result, these laws are not exempt under ORS 197.352(3)(E).

Laws in effect when the claimants acquired the subject property are exempt under ORS 197.352(3)(E), and will also continue to apply to the claimants' use of the property. In addition, the department notes that ORS 215.730 and OAR 660, division 6, include standards for

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<sup>8</sup> In a comment letter dated April 17, Multnomah County states the following about this conclusion: "Evidence that there is *likely* a reduction (in fair market value) is not evidence of a reduction. Further, findings regarding the effect on the fair market value of the claimant's (sic) property are vague, and fail to consider the DOJ opinion on transferability."

<sup>9</sup> In a comment letter dated April 17, Multnomah County faults the report's conclusion about the loss of fair market value, indicating that a loss of \$900,000 does not take into account "the substantial costs inherent" in subdividing and building homes on the new lots.

siting dwellings in forest zones. Those provisions include fire protection standards for dwellings. ORS 197.352(3)(B) specifically exempts regulations "restricting or prohibiting activities for the protection of public health and safety, such as fire and building codes..." Accordingly, siting standards for dwellings in forest zones in ORS 215.730 and OAR 660, division 6, are exempt under ORS 197.352(3)(B).

There may be other laws that continue to apply to the claimants' use of the subject property that have not been identified in the claim. In some cases, it will not be possible to know which laws apply to a use of subject property until there is a specific proposal for that use. When the claimants seek a building or development permit to carry out a specific use, it may become evident that other state laws apply to that use. In some cases, some of these laws may be exempt under ORS 197.352(3)(A) to (D).

This report addresses only those state laws that are identified in the claim, or that the department is certain apply to the subject property based on the uses that the claimants have identified. Similarly, this report only addresses the exemptions provided for under ORS 197.352(3) that are clearly applicable, given the information provided to the department in the claim. The claimants should be aware that the less information they have provided to the department in the claim, the greater the possibility that there may be additional laws that will later be determined to continue to apply to their use of the subject property.

## VI. FORM OF RELIEF

ORS 197.352(1) provides for payment of compensation to an owner of private real property if the Commission or the department has enforced one or more laws that restrict the use of the property in a manner that reduces its fair market value. In lieu of compensation, the department may choose to not apply the law in order to allow the present owner to carry out a use of the property permitted at the time the current owner acquired the property. The Commission, by rule, has directed that if the department determines a claim is valid, the Director of the department must provide only non-monetary relief unless and until funds are appropriated by the legislature to pay claims.

### **Findings of Fact**

Based on the findings and conclusions set forth in this report, laws enforced by the Commission or the department restrict the claimants' ability to divide the 18.92-acre property into "2 additional parcels of approximately 6 acres each or a 9 lot subdivision." The claim asserts that the laws enforced by the Commission or the department reduce the fair market value of the subject property by \$900,000<sup>10</sup>. However, because the claim does not provide an appraisal or other specific documentation establishing how the specified restrictions reduce the fair market value of the subject property, a specific amount of compensation cannot be determined. Nevertheless, based on the record for this claim, the department acknowledges that the laws on which the claim is based likely have reduced the fair market value of the subject property to some extent.

<sup>10</sup> In a comment letter dated April 17, Multnomah County suggests that such a sum of \$900,000 "clearly assumes that development rights are transferable". If the state accepts this reduction in value, then the state "appears to accept that development rights are transferable".

