

ORS 197.352 (BALLOT MEASURE 37) CLAIM FOR COMPENSATION

**OREGON DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT
Draft Staff Report and Recommendation**

July 24, 2006

STATE CLAIM NUMBER: M122531

NAMES OF CLAIMANTS: Suzanne and Ronald Saltmarsh

MAILING ADDRESS: c/o Donald Joe Willis
1211 SW 5th Avenue, Suite 1900
Portland, Oregon 97204

PROPERTY IDENTIFICATION: Township 03S, Range 02E, Section 36
Tax lots 401 and 402
Clackamas County

DATE RECEIVED BY DAS: September 29, 2005

180-DAY DEADLINE: August 14, 2006¹

I. SUMMARY OF CLAIM

The claimants, Suzanne and Ronald Saltmarsh, seek compensation in the amount of \$1,150,000 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 divide the 76.31-acre subject property, consisting of tax lots 401 and 402, into approximately 8 to 10 parcels and to develop a dwelling on each parcel. The subject property is located at the locational coordinates listed above, near Oregon City, in Clackamas County. (See claim.)

II. SUMMARY OF STAFF RECOMMENDATION

Based on the preliminary findings and conclusions set forth below, the Department of Land Conservation and Development (the department) has determined that the claim is valid in part. 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 Suzanne Saltmarsh's division of the subject 76.31-acre property into approximately 8 to 10 parcels and to her development of a dwelling on each parcel: applicable provisions of Statewide Planning Goal 3 (Agricultural Lands), ORS 215 and Oregon Administrative Rules (OAR) 660, division 33, enacted or adopted after she acquired each of the tax lots that composes the subject property. These laws will not apply to Suzanne Saltmarsh

¹ 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).

only to the extent necessary to allow her to use the subject property for the use described in this report, and only to the extent that use was permitted when she acquired tax lot 401 on May 8, 1973, and tax lot 402 on October 24, 2001. The department acknowledges that the relief to which Suzanne Saltmarsh is entitled under ORS 197.352 for tax lot 402 will not allow her to use this tax lot in the manner set forth in the claim.

The department has further determined that the claim is not valid as to Ronald Saltmarsh because he has not established his ownership of the subject property. (See the complete recommendation in Section VI. of this report.)

III. COMMENTS ON THE CLAIM

Comments Received

On October 14, 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 does not address whether the claim meets the criteria for relief under ORS 197.352. Comments concerning the effects a use of the subject property may have on surrounding areas are generally not something that the department is able to consider in determining whether to waive a state law. If funds do become available to pay compensation, then such effects may become relevant in determining which claims to pay compensation for instead of waive a state law. (See the comment letter in the department's claim file.)

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 September 29, 2005, for processing under OAR 125, division 145. The claim identifies numerous provisions of ORS 92, 197 and 215 and OAR 660 as the basis for the claim. 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

Claimants Suzanne and Ronald Saltmarsh first acquired the subject property on May 8, 1973, as reflected by a contract included with the claim.² Bargain and sale deeds included with the claim establish that Suzanne Saltmarsh transferred her interest in tax lot 402 to Ronald Saltmarsh on May 25, 1977. Ronald subsequently conveyed his interest in tax lots 401 and 402 to the Suzanne Moore Saltmarsh Trust on April 1, 1991. Suzanne Saltmarsh, as trustee, conveyed tax lot 402 to herself and Ronald Saltmarsh on September 14, 1992. On July 24, 2001, Suzanne Saltmarsh conveyed her interest in tax lot 402 to Ronald Saltmarsh. On October 24, 2001, Ronald Saltmarsh conveyed tax lot 402 to Suzanne Saltmarsh as trustee of the Suzanne Moore Saltmarsh Trust with Suzanne Saltmarsh as trustee. The Clackamas County Assessor’s Office confirms Suzanne Saltmarsh’s current ownership of the subject property.

Conclusions

Claimant Suzanne Saltmarsh is an “owner” of the subject property as that term is defined by ORS 197.352(11)(C), as of May 8, 1973, for tax lot 401 and as of October 24, 2001, for tax lot 402. The subject property has been owned by a “family member” as defined by ORS 197.352(11)(A) since May 8, 1973. Ronald Saltmarsh is not an owner of the subject property.

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.

² Tax lot 402 was created from tax lot 401 in 1974.

Findings of Fact

The claim indicates that the claimants desire to divide the 76.31-acre subject property into approximately 8 to 10 parcels and to develop a dwelling on each parcel. It indicates the desired use is not allowed under current land use regulations.³

The claim is based generally on Clackamas County's current Exclusive Farm Use (EFU) zone and the applicable provisions of state law that require such zoning. The claimants' property is zoned EFU as required by Goal 3, in accordance with ORS 215 and OAR 660, division 33, because the claimants' property is "agricultural land" as defined by Goal 3.⁴ Goal 3 became effective on January 25, 1975, and required that agricultural lands as defined by the Goal be zoned EFU pursuant to ORS 215.

Current land use regulations, particularly ORS 215.263, 215.284 and 215.780 and OAR 660, division 33, enacted or adopted pursuant to Goal 3, prohibit the division of EFU-zoned land into parcels less than 80 acres and establish standards for development of dwellings on existing or proposed parcels on that land.

ORS 215.780 establishes an 80-acre minimum size for the creation of new lots or parcels in EFU zones and became effective on November 4, 1993 (Chapter 792, Oregon Laws 1993). ORS 215.263 (2005 edition) establishes standards for the creation of new parcels for non-farm uses and dwellings allowed in an EFU zone.

OAR 660-033-0135 (applicable to farm dwellings) became effective on March 1, 1994, and interprets the statutory standard for a primary dwelling in an EFU zone under ORS 215.283(1)(f). OAR 660-033-0130(4) (applicable to non-farm dwellings) became effective on August 7, 1993, and was amended to comply with ORS 215.284(4) on March 1, 1994. The Commission subsequently adopted amendments to comply with House Bill 3326 (Chapter 704, Oregon Laws 2001, effective on January 1, 2002), which were effective on May 22, 2002. (See administrative rule history for OAR 660-033-0100, -0130 and -0135.)

The Saltmarsh family acquired the subject property on May 8, 1973, prior to the adoption of the statewide planning goals and their implementing statutes and regulations.

Conclusions

The current zoning requirements, minimum lot size and dwelling standards established by applicable provisions of Goal 3, ORS 215 and OAR 660, division 33, were all enacted or adopted after the Saltmarsh family acquired the subject property in 1973 and do not allow the

³ The claimants have summarily cited numerous state land use laws as applicable to this claim, but do not establish how the laws either apply to their desired use of the subject property or restrict its use with the effect of reducing its fair market value. On their face, most of these regulations either do not apply to the claimants' property or do not restrict the claimants' desired use of the property in a manner that reduces its fair market value. This report addresses only those regulations that the department finds are applicable to and restrict claimant Suzanne Saltmarsh's use of the subject property, based on the claimants' asserted desired use.

⁴ The claimants' property is "agricultural land" because it contains Natural Resources Conservation Service Class I-IV soils.

desired division or residential development of the property. These laws restrict the use of the subject property relative to the uses allowed when the Saltmarsh family 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 Suzanne Saltmarsh's use of the subject property, and that may continue to apply to her 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 subject property until there is a specific proposal for that use. When Suzanne Saltmarsh seeks 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 the land use regulation(s) (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 \$1,150,000 as the reduction in the subject property's fair market value due to the regulations that restrict the claimants' desired use of the property. This amount is based on the claimants' assessment of the subject property's value.

Conclusions

As explained in Section V.(1) of this report, claimant Suzanne Saltmarsh is an owner of the subject property, whose family acquired the property on May 8, 1973. Under ORS 197.352, Suzanne Saltmarsh is due compensation for land use regulations that restrict the use of the subject property and have the effect of reducing its fair market value. Based on the findings and conclusions in Section V.(2) of this report, laws enacted or adopted since the Saltmarsh family acquired the subject property restrict Suzanne Saltmarsh's desired use of the property. The claimants estimate that the effect of the regulations on the fair market value of the subject property is a reduction of \$1,150,000.

Without an appraisal or other documentation and without verification of whether or the extent to which Suzanne Saltmarsh's desired use of the property is allowed under the standards in effect when she acquired the property, it is not possible to substantiate the specific dollar amount by which the land use regulations have reduced the fair market value of the property. Nevertheless, based on the evidence in the record for this claim, the department determines 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 since the Saltmarsh family acquired the subject property.

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, relative to the uses permitted when the Saltmarsh family acquired the property, including applicable provisions of Goal 3, ORS 215 and OAR 660, division 33, which Clackamas County has implemented through its current EFU zone. All of these land use regulations were enacted or adopted after the Saltmarsh family acquired the subject property.

Conclusions

It appears that none of the general statutory, goal and rule restrictions on division and development were in effect when the Saltmarsh family acquired the subject property in 1973. As a result, these laws are not exempt under ORS 197.352(3)(E). Laws in effect when the Saltmarsh family acquired the subject property are exempt under ORS 197.352(3)(E) and do not provide a basis for compensation. In addition, other land use laws enacted or adopted for a purpose set forth in ORS 197.352(3)(A) to (D) are also exempt and would not provide a basis for compensation.

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 laws that restrict the use of the subject 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 subject property permitted at the time the present 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' desired use of the subject property. The claim asserts that existing state land use regulations enforced by the Commission or the department have the effect of reducing the fair market value of the subject property by \$1,150,000. However, because the claim does not provide an appraisal or other relevant evidence demonstrating that the land use regulations described in Section V.(2) reduce the fair market value of the subject property, a specific amount of compensation cannot be determined. In order to determine a specific amount of compensation due for this claim, it would also be necessary to verify whether or the extent to which the claimants' desired use of the property was allowed under the standards in effect when the Saltmarsh Family acquired the property. Nevertheless, based on the record for this claim, the department has determined that the laws on which the claim is based have reduced the fair market value of the subject property to some extent.

No funds have been appropriated at this time for the payment of claims. In lieu of payment of compensation, ORS 197.352 authorizes the department to modify, remove or not apply all or parts of certain land use regulations to allow the present owner, claimant Suzanne Saltmarsh, to

use the subject property for a use permitted at the time she acquired tax lot 401 on May 8, 1973, and tax lot 402 on October 24, 2001.

At the time Suzanne Saltmarsh acquired an interest in tax lot 402 in 2001, it was zoned EFU by Clackamas County and subject to the current lot size and dwelling standards under Goal 3, ORS 215 and OAR 660, division 33, and as described in Section V.(2) of this report.

In addition to the applicable provisions of Goal 3, ORS 215 and OAR 660, division 33, in effect and applicable to tax lot 402 on October 24, 2001, there may be other laws that apply to Suzanne Saltmarsh's 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 the property until there is a specific proposal for that use. When Suzanne Saltmarsh seeks a building or development permit to carry out a specific use, it may become evident that other state laws apply to that use, and depending on when they were enacted or adopted, may continue to apply to the property. In addition, some of these laws may be exempt under ORS 197.352(3)(A) to (D) and will continue to apply to the property on that basis.

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. Claimant Suzanne Saltmarsh should be aware that the less information she has 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 her use of the subject property.

Conclusions

Based on the record, the department recommends that Ronald Saltmarsh's claim be denied because he has not demonstrated his ownership of the subject property. The department further recommends that Suzanne Saltmarsh's claim be approved, 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 Suzanne Saltmarsh's division of the 76.31-acre subject property into approximately 8 to 10 parcels or to her development of a dwelling on each parcel: applicable provisions of Goal 3, ORS 215 and OAR 660, division 33, enacted or adopted after she acquired each of the tax lots that composes the subject property. These land use regulations will not apply to Suzanne Saltmarsh only to the extent necessary to allow her to use the subject property for the use described in this report, and only to the extent that use was permitted when she acquired tax lot 401 on May 8, 1973, and tax lot 402 on October 24, 2001. The department acknowledges that the relief to which Suzanne Saltmarsh is entitled under ORS 197.352 for tax lot 402 will not allow her to use this tax lot in the manner set forth in the claim.
2. The action by the State of Oregon provides the state's authorization to Suzanne Saltmarsh to use the subject property for the use described in this report, subject to the standards in effect on May 8, 1973, for tax lot 401 and October 24, 2001, for tax lot 402. On October 24, 2001, tax lot 402 was subject to applicable provisions of Goal 3, ORS 215 and OAR 660, division 33, currently in effect.

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 Suzanne Saltmarsh first obtains 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 Suzanne Saltmarsh under the terms of the order will remain subject to the following laws: (a) those laws not specified in (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 Suzanne Saltmarsh to use the subject property, it may be necessary for her 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 Suzanne Saltmarsh 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 her use of the subject property.

VII. NOTICE OF OPPORTUNITY TO COMMENT

This staff report is not a final decision by the department and does not authorize any use of the property that is the subject of this report. OAR 125-145-0100 provides an opportunity for the claimants or the claimants' authorized agent and any third parties who submitted comments under OAR 125-145-0080 to submit written comments, evidence and information in response to the draft staff report and recommendation. Such response must be filed no more than 10 calendar days after the date this report is mailed to the claimants and any third parties.

Responses to this draft staff report and recommendation will be considered only as comments related to the claim described in this report. All responses must be delivered to the Oregon Department of Administrative Services (DAS), Measure 37 Unit, Risk Management—State Services Division, 1225 Ferry Street SE, U160, Salem, Oregon 97301-4292 and will be deemed timely filed if either postmarked on the tenth day, or actually delivered to DAS by the close of business on the tenth day. Note: Please reference the claim number, claimant name and clearly mark your comments as "Draft Staff Report comments." Comments must be submitted in writing only. Those comments submitted electronically or by facsimile will not be accepted.