

**BALLOT MEASURE 37 (CHAPTER 1, OREGON LAWS 2005)  
CLAIM FOR COMPENSATION**

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

September 13, 2005

**STATE CLAIM NUMBER:** M120240

**NAME OF CLAIMANT:** Frank L. Rencher  
Frank L. Rencher Trust

**MAILING ADDRESS:** Route 1, Box 169  
Kooskia, Idaho 83539

**PROPERTY IDENTIFICATION:** Township 14S, Range 13E, Section 27  
Tax Lot 801  
Deschutes County

**OTHER CONTACT INFORMATION:** Edward P. Fitch  
Bryant, Emerson and Fitch  
Post Office Box 457  
Redmond, Oregon 97756

**DATE RECEIVED BY DAS:** March 21, 2005

**180-DAY DEADLINE:** September 17, 2005

**I. SUMMARY OF CLAIM**

The claimant, Frank L. Rencher, seeks compensation in an undisclosed amount for the reduction in fair market value as a result of certain land use regulations that are alleged to restrict the use of certain private real property.<sup>1</sup> The claimant desires compensation or the right to subdivide the 38.96-acre property into eight lots of approximately five-acres each, presumably to develop a dwelling on each lot. The property is located at 5245 NE 5<sup>th</sup> Street near Redmond, in Deschutes County. (See claim.)

**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

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<sup>1</sup> Although the claim to the state included no estimate of the reduction of the property's fair market value, Mr. Rencher's claim to Deschutes County alleges a reduction in value of \$1,300,000.

by the Land Conservation and Development Commission (the Commission) or the department not apply to Mr. Rencher's division of the property for residential development: Statewide Planning Goal 3 (Agricultural Lands), ORS 215.263 and 215.780, and applicable provisions of OAR 660, division 33. These laws will not apply to the claimant only to the extent necessary to allow Mr. Rencher a use of the property permitted at the time he acquired it in 1964. (See the complete recommendation in Section VI. of this report.)

### **III. COMMENTS ON THE CLAIM**

#### **Comments Received**

On March 25, 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, no written comments, evidence or information were received in response to the 10-day notice.

### **IV. TIMELINESS OF CLAIM**

#### **Requirement**

Ballot Measure 37, Section 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 the Measure (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 the Measure (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 March 21, 2005, for processing under OAR 125, division 145. The claim indirectly identifies Statewide Planning Goal 3 and OAR 660, division 33, as laws that restrict the use of the property as the basis for the claim. Only laws that were enacted prior to December 2, 2004, the effective date of Measure 37 are the basis for this claim. (See citations of statutory and administrative rule history of the Oregon Revised Statutes and Oregon Administrative Rules.)

#### **Conclusions**

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

## V. ANALYSIS OF CLAIM

### **1. Ownership**

Ballot Measure 37 provides for payment of compensation or relief from specific laws for “owners” as that term is defined in the Measure. Ballot Measure 37, Section 11(C) defines “owner” as “the present owner of the property, or any interest therein.”

### **Findings of Fact**

The claimant, Frank L. Rencher, acquired the subject property on June 22, 1964, as reflected by a Warranty Deed included with the claim. The property was transferred to the Frank L. Rencher Trust on July 9, 1997.<sup>2</sup> A copy of a Tax Statement indicates that Frank L. Rencher, as trustee of the Frank L. Rencher Trust, is the current owner of the subject property.

### **Conclusions**

The claimant, Frank L. Rencher as trustee of the Frank L. Rencher Trust, is an “owner” of the subject property, as that term is defined by Section 11(C) of Ballot Measure 37, as of June 22, 1964.

### **2. The Laws that are the Basis for this Claim**

In order to establish a valid claim, Section 1 of Ballot Measure 37 requires, in part, that a law must restrict the claimant’s 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 claimant or a family member acquired the property.

### **Findings of Fact**

The claim cites “All state land use Goals and guidelines and every ordinance of Deschutes County adopted since 1964 that restricts ability to divide and develop properties.” Additional information submitted by the claimant’s representative indicates that the property cannot be subdivided into eight lots containing approximately five acres each.

The claim is based, in part, on Deschutes County’s current Exclusive Farm Use (EFU) Zone and the applicable provisions of state law that require such zoning. The claimant’s property is zoned EFU as required by Statewide Planning Goal 3 in accord with OAR 660, division 33, and ORS 215 because the claimant’s property is “Agricultural Land” as defined by Goal 3. Goal 3

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<sup>2</sup> Information provided with the claim indicates that the trust is revocable. Transfer of the subject property to a revocable trust does not result in a change in ownership for purposes of reviewing this Measure 37 claim. However, in order for the department to issue a final order approving this claim, the claimant must provide information to substantiate that the Frank L. Rencher Trust is a revocable trust and that Frank L. Rencher retains an ownership interest in the subject property through his role as trustor.

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, 215.283, 215.284, 215.780 and OAR 660, division 33, as applied by Goal 3, do not allow the subject property to be divided into parcels less than 80 acres and establish standards for allowing the existing or any proposed parcels to have farm or non-farm dwellings on them.

ORS 215.780 established an 80-acre minimum size for the creation of new lots or parcels in EFU zones and became effective November 4, 1993 (Chapter 792, Oregon Laws 1993). ORS 215.263 (2003 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. Subsequent amendments to comply with HB 3326, (Chapter 704, Oregon Laws 2001, and effective January 1, 2002) were adopted by the Commission effective May 22, 2002. (See citations of administrative rule history for OAR 660-033-0100, 0130 and 0135.)

The claimant acquired the subject property on June 22, 1964, prior to the establishment of the Statewide Planning Goals and implementing statutes and rules. Some provisions of ORS 215 were in effect in 1964, before the claimant acquired the property.

## **Conclusions**

The zoning requirements, minimum lot size and dwelling standards established by Statewide Planning Goal 3 (Agricultural Lands) and provisions applicable to land zoned EFU in ORS 215 and OAR 660, division 33, were all enacted after Mr. Rencher acquired ownership of the subject property on June 22, 1964, and do not allow the division of the property, thereby restricting the use of the property relative to the uses allowed when the property was acquired.

This report addresses only those state laws that are identified in the claim, or that the department is certain apply to the property based on the uses that the claimant has identified. There may be other laws that currently apply to the claimant's use of the property, and that may continue to apply to the claimant's use of the property, that have not been identified in the claim. In some cases it will not be possible to know what laws apply to a use of property until there is a specific proposal for that use. When the claimant 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, Section 1 of Ballot Measure 37 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 does not include an estimate of the reduction of the property’s fair market value, either currently or in the absence of current regulations. In a claim filed with Deschutes County, the claimant alleged a reduction in value of \$1.3 million. The basis for the reduction in value is not clear from information submitted with the claim.

#### **Conclusions**

As explained in Section V.(1) of this report, the current owner is Frank L. Rencher, trustee of the Frank L. Rencher Trust, acquired the property on June 22, 1964. Under Ballot Measure 37, the Frank L. Rencher Trust is 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 adopted since the claimant acquired the property restrict division and development of the subject property.

Without an appraisal based on the value of eight, five-acre lots or other explanation, it is not possible to substantiate a specific dollar amount that the claimant may demand for compensation. Nevertheless, based on the submitted information, the department determines that it is more likely than not that there has been some reduction in the fair market value of the subject property as a result of land use regulations enforced by the Commission or the department.

### **4. Exemptions under Section 3 of Measure 37**

Ballot Measure 37 does not apply to certain land use regulations. In addition, under Section 3 of the Measure, certain types of laws are exempt from the Measure.

#### **Findings of Fact**

The claim includes a general reference to any state land use regulations that restrict the use of the property relative to what would have been allowed in 1964, when Frank L. Rencher acquired the property. These provisions include Statewide Planning Goal 3 (Agricultural Lands), and applicable provisions of ORS 215 and OAR 660, division 33, which Deschutes County has implemented through its EFU zone. With the exception of provisions of ORS 215 in effect on June 22, 1964, none of these laws appear to be exempt under Section 3(E) of Ballot Measure 37. Provisions of what is now ORS 215 adopted before June 22, 1964, are exempt under subsection 3(E) of the Measure.

## **Conclusions**

Without a specific development proposal for the property, it is not possible for the department to determine what laws may apply to a particular use of the property, or whether those laws may fall under one or more of the exemptions under Measure 37. It does appear that the general statutory, goal and rule restrictions on residential development and use of farm land apply to the claimant's use of the property, and for the most part these laws are not exempt under Section 3(E) of Measure 37. Provisions of ORS 215 in effect when the claimant acquired the property in 1964 are exempt under subsection 3(E) of the Measure and will continue to apply to the property.

Other laws in effect when the claimant acquired the property are also exempt under subsection 3(E) of Measure 37, and will continue to apply to the claimant's use of the property. There may be other laws that continue to apply to the claimant's use of the property that have not been identified in the claim. In some cases it will not be possible to know what laws apply to a use of the property until there is a specific proposal for that use. When the claimant 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, in some cases, some of these laws may be exempt under subsections 3(A) to 3(D) of Measure 37.

This report addresses only those state laws that are identified in the claim, or that the department is certain apply to the property based on the uses that the claimant has identified. Similarly, this report only addresses the exemptions provided for under Section (3) of Measure 37 that are clearly applicable given the information provided to the department in the claim. The claimant should be aware that the less information he has provided to the department in his claim, the greater the possibility that there may be additional laws that will later be determined to continue to apply to his use of the property.

## **VI. FORM OF RELIEF**

Section 1 of Measure 37 provides for payment of compensation to an owner of private real property if the Commission or the department has enforced a law that restricts 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 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 division of the subject property into parcels or lots, and the use of the property for residential purposes. The claimant cannot create the desired eight lots of approximately five acres each, out of the subject property, or develop those lots for residential use because laws enacted after the claimant acquired the property prohibit lot sizes that small. The claim asserts the laws enforced by the Commission or department reduce the fair market

value of the subject property by an undisclosed amount. However, because the claim does not provide an appraisal or other specific explanation for how the specified restrictions reduce the fair market value of the 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 property to some extent.

No funds have been appropriated at this time for the payment of claims. In lieu of payment of compensation, Ballot Measure 37 authorizes the department to modify, remove or not apply all or parts of certain land use regulations to allow Frank L. Rencher to use the subject property for a use permitted at the time he acquired the property on June 22, 1964.

### **Conclusion**

Based on the record, the department recommends that the claim be approved, subject to the following terms:

1. In lieu of compensation under Measure 37, the State of Oregon will not apply the following laws to the division of the 38.96-acre property into eight, five-acre lots or parcels or to the establishment of a single-family dwelling on each lot or parcel created: applicable provisions of Statewide Planning Goal 3, ORS 215.263, 215.283, 215.284, 215.780, and OAR 660, division 33, enacted after June 22, 1964. These land use regulations will not apply to Frank L. Rencher's use of his property only to the extent necessary to allow him a use permitted at the time he acquired the property on June 22, 1964.
2. The action by the State of Oregon provides the state's authorization to the claimant to use the property subject to the standards in effect on June 22, 1964. On that date, the property was subject to applicable provisions of ORS 215 then in effect.
3. To the extent that any law, order, deed, agreement or other legally enforceable public or private requirement provides that the 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 claimant 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 ORS 227.160, other permits or authorizations from local, state or federal agencies, and restrictions on the use of the property imposed by private parties.
4. Any use of the property by the claimant 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 Measure 37 including, without limitation, those laws exempted under Section (3) of the Measure.
5. Without limiting the generality of the foregoing terms and conditions, in order for the claimant to use the property, it may be necessary for Frank L. Rencher to obtain a decision under Measure 37 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 claimant from the

necessity of obtaining a decision under Measure 37 from a local public entity that has jurisdiction to enforce a land use regulation applicable to a use of the property by the claimant.

## **VII. COMMENTS ON THE DRAFT STAFF REPORT**

The department issued its draft staff report on this claim on August 23, 2005. OAR 125-145-0100(3), provided 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. Comments received have been taken into account by the department in the issuance of this final report.