

BEFORE THE DEPARTMENT OF ADMINISTRATIVE SERVICES,
THE DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT OF
THE STATE OF OREGON

IN THE MATTER OF THE CLAIM FOR)	FINAL ORDER
COMPENSATION UNDER ORS 197.352)	CLAIM NO. M118481
(BALLOT MEASURE 37) OF)	
Susan Lorain, CLAIMANT)	

Claimant: Susan Lorain (the Claimant)

Property: Tax lot 200, Township 1S, Range 4E, Section 20
Tax lot 300, Township 1S, Range 4E, Section 20
Multnomah County (the Property)

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

Claimant 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) attached to and by this reference incorporated into this order.

ORDER

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 Susan Lorain's division of the 17.95-acre property into approximately 20,000-square-foot lots or to her development of a single family dwelling on each lot created: applicable provisions of Statewide Planning Goals 3 and 14, ORS 215, and OAR 660, division 33 enacted after February 14, 1973, for tax lot 200 and after December 26, 1974, for tax lot 300. These land use regulations will not apply to Ms. Lorain's use of the property only to the extent necessary to allow her to use the property for the use described in this report, to the extent that use was permitted at the time she acquired tax lot 200 on February 14, 1973, and tax lot 300 on December 26, 1974.
2. The action by the State of Oregon provides the state's authorization to the claimant to use her property for the use described in this report, subject to the standards in effect on February 14, 1973, for tax lot 200, and subject to the standards in effect on December 26, 1974, tax lot 300. On December 26, 1974, tax lot 300 was subject to applicable provisions of ORS 215 then in effect, including the interim planning goals under ORS 215.515.

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 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 claimant to use the 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 the claimant 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 property by the claimant.

This Order is entered by the Deputy 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.

FOR DLCD AND THE LAND CONSERVATION
AND DEVELOPMENT COMMISSION:

Lane Shetterly, Director



George Naughton, Deputy Director
DLCD

Dated this 29th day of March, 2006.

FOR the DEPARTMENT OF ADMINISTRATIVE
SERVICES:



Dugan Petty, Deputy Administrator
DAS, State Services Division

Dated this 29th day of March, 2006.

NOTICE OF RIGHT TO APPEAL OR OTHER JUDICIAL RELIEF

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

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 197.352¹, 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)

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."

¹ 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.

**BALLOT MEASURE 37 (ORS 197.352)
CLAIM FOR COMPENSATION**

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

March 29, 2006

STATE CLAIM NUMBER: M118481

NAME OF CLAIMANT: Susan Lorain

MAILING ADDRESS: 1211 Southwest Fifth Avenue, Suite 1900
Portland, Oregon 97204

PROPERTY IDENTIFICATION: Township 1S, Range 4E, Section 20
Tax lot 200
Township 1S, Range 4E, Section 20
Tax lot 300
Multnomah County

OTHER CONTACT INFORMATION: Jill Gelineau
1211 Southwest Fifth Avenue, Suite 1900
Portland, Oregon 97204

DATE RECEIVED BY DAS: May 20, 2005

180-DAY DEADLINE: April 4, 2006¹

I. SUMMARY OF CLAIM

The claimant, Susan Lorain, seeks compensation in the amount of \$2,640,000 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. The claimant desires compensation or the right to divide the 17.95-acre property into approximately 20,000-square-foot lots and to develop a single-family dwelling on each lot. The property is located in Multnomah 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 by the Land Conservation and Development Commission (the Commission) or the department

¹ This date reflects 180 days from the date the claim was submitted as extended by the 139 days enforcement of Ballot Measure 37 was suspended during the pendency of the appeal of *MacPherson v. Dep't of Admin. Servs.*, 340 Or ___, 2006 Ore. LEXIS 104 (February 21, 2006).

not apply to Ms. Lorain's division of the property into approximately 20,000-square-foot lots or to her development of a single-family residential dwellings on each lot: Statewide Planning Goals 3 (Agricultural Lands) and 14 (Urbanization), ORS 215, and applicable provisions of OAR 660, division 33. These laws will not apply to the claimant only to the extent necessary to allow Susan Lorain to use the property for the use described in this report, and only to the extent that use was permitted at the time she acquired tax lot 200 February 14, 1973, and tax lot 300 on December 26, 1974. (See the complete recommendation in Section VI. of this report.)

III. COMMENTS ON THE CLAIM

Comments Received

On June 27, 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 (compensation or waiver) under ORS 197.352 (Ballot Measure 37). Comments concerning the effects a use of the property may have on surrounding areas generally are 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 waiving a state law. (See 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 Ballot 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 Ballot 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 May 20, 2005, for processing under OAR 125, division 145. The claim identifies Multnomah County's Exclusive Farm Use (EFU) zoning as the law that restricts 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 Ballot 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 Ballot Measure 37, based on land use regulations 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 claimant, Susan Lorain, acquired tax lot 200 on February 14, 1973, and tax lot 300 on December 26, 1974, as reflected by Warranty Deeds included with the claim. The claimant transferred the property to the Susan Christine Lorain Revocable Trust on October 24, 1997, as reflected by a Warranty Deed included with the claim. The transfer to a revocable trust is not a change of ownership for purposes of ORS 197.352. A copy of a title report dated March 28, 2005, indicates that The Susan Christine Lorain Revocable Trust is the current owner of the subject property.

Conclusions

The claimant, Susan Lorain, is an “owner” of the subject property as that term is defined by ORS 197.352(11)(C), as of February 14, 1973, for tax lot 200, and as of December 26, 1974, for tax lot 300.

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 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 claimant’s representative indicates that state laws, implemented by the County’s EFU zone, have restricted the use of the subject property so that it cannot be subdivided into 20,000 square foot lots for residential development.

The claim is based, generally, on Multnomah 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 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 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, 215.780 and OAR 660, division 33 as applied by Goal 3, do not allow the subject property to be divided into parcels of 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.)

Statewide Planning Goal 14 (Urbanization) would apply to the division of the claimant's property into parcels of less than two acres in size. Goal 14, generally, requires that land outside urban growth boundaries be used for rural uses. Goal 14 also became effective on January 25, 1975.

The claimant acquired the tax lot 200 on February 14, 1973, prior to the adoption of the statewide planning program. At that time (as well as in December 1974,) the property was zoned RS – Suburban Residential by Multnomah County.

The claimant acquired tax lot 300 on December 26, 1974, after the adoption of Senate Bill 100 (Chapter 80, Oregon Laws, 1973, effective October 5, 1973,) but before the adoption of the statewide planning goals. As such, ORS 197.175(1) and 197.280 (1973 edition) required, in addition to any local plan or zoning provisions, the application of the interim land use goals set forth in ORS 215.515 (1973 edition) to the preparation, revision, adoption or implementation of any comprehensive plan prior to the effective date of the statewide planning goals (see *Petersen v. Klamath Falls*, 279 OR 249 (1977)). As a result, if the claimant had sought at that time to develop the property for the use requested in this claim, as a matter of law, the use would have

been subject to compliance with the interim planning goals at 215.515.² No information has been submitted demonstrating that claimant's requested use of tax lot 300 complies with the interim planning goals in effect when she acquired tax lot 300 on December 26, 1974.

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 Susan Lorain acquired ownership of tax lot 200 (1973) and tax lot 300 (1974), and do not allow the division of the property, thereby restricting the use of the property relative to the uses that may have been allowed when she acquired the property in 1973 and 1974. In 1973 and 1974, the property was subject to the requirements of the County's RS (suburban residential) zone. In 1974, tax lot 300 was also subject to the provisions of the interim planning goals as set forth in ORS 215.515 (1973 edition).

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, 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 appraiser's estimate of \$2,640,000 as the reduction in the property's fair market value as a result of current regulations. This amount is based on an estimate of the market value of 20,000 square foot lots in the area.

Conclusions

As explained in Section V.(1) of this report, the claimant, is Susan Lorain acquired tax lot 200 on February 14, 1973, and tax lot 300 on December 26, 1974. Under ORS 197.352, Ms. Lorain is

² See also, *Meeker v. Board of Commr's*, 287 Or 665 (1979) (review of a subdivision is an exercise of planning responsibilities requiring application of the Goals; and *Housing Council v. Lake Oswego*, 48 Or App 525 (1981) (land use planning responsibility is not defined in ORS 197.) The Supreme Court has interpreted "land use planning responsibility to include "annexation approvals, subdivision approvals and partition approvals." The use requested here is to subdivide the land.

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 of the subject property. The claimant estimates the reduction in value due to the restrictions to be \$2,640,000.

Based on the documentation submitted with the claim, it is not possible to substantiate the specific dollar amount the claimant demands 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 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 land use regulations that restrict the use of the property relative to what may have been allowed in 1973 and 1974, when Susan Lorain acquired the property. These provisions include Statewide Planning Goal 3 (Agricultural Lands) and applicable provisions of ORS 215 and OAR 660, division 33, which Multnomah County has implemented through its EFU zone. These laws are not exempt under ORS 197.352(3)(E), to the extent they were enacted or adopted after the claimant acquired tax lot 200 on February 14, 1973, and tax lot 300 on December 26, 1974. Provisions of ORS 215, including the requirements of the interim planning goals under ORS 215.515, in effect when the claimant acquired tax lot 300, are exempt under ORS 197.352(3)(E), which exempts laws in effect when the claimant acquired the property.

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 ORS 197.352. 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 these laws are not exempt under ORS 197.352(3)(E) to the extent they were enacted or adopted after the claimant acquired the property. Provisions of ORS 215, including the interim planning goals under ORS 215.515, in effect when the claimant acquired tax lot 300, are exempt under ORS 197.352(3)(E) and will continue to apply to the property.

Other laws in effect when the claimant acquired the property are also exempt under ORS 197.352(3)(E), 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 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 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 property based on the uses that the claimant has 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 claimant should be aware that the less information she has provided to the department in her 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 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 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 claimant's division of the subject 17.95-acre property into approximately 20,000 square foot lots and the development of a dwelling on each lot. The claim asserts the laws enforced by the Commission or department reduce the fair market value of the subject property by \$2,640,000. Based on the documentation submitted in the claim, 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, ORS 197.352 authorizes the department to modify, remove or not apply all or parts of certain land use regulations to allow Susan Lorain to use the subject property for a use permitted at the time she acquired tax lot 200 on February 14, 1973, and tax lot 300 on December 26, 1974 (tax lot 300).

Conclusion

Based on the record, the department recommends that the 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 Susan Lorain's division of the 17.95-acre property into approximately 20,000-square-foot lots or to her development of a single family dwelling on each lot created: applicable

provisions of Statewide Planning Goals 3 and 14, ORS 215, and OAR 660, division 33 enacted after February 14, 1973, for tax lot 200 and after December 26, 1974, for tax lot 300. These land use regulations will not apply to Ms. Lorain's use of the property only to the extent necessary to allow her to use the property for the use described in this report, to the extent that use was permitted at the time she acquired tax lot 200 on February 14, 1973, and tax lot 300 on December 26, 1974.

2. The action by the State of Oregon provides the state's authorization to the claimant to use her property for the use described in this report, subject to the standards in effect on February 14, 1973, for tax lot 200, and subject to the standards in effect on December 26, 1974, tax lot 300. On December 26, 1974, tax lot 300 was subject to applicable provisions of ORS 215 then in effect, including the interim planning goals under ORS 215.515.

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 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 claimant to use the 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 the claimant 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 property by the claimant.

VII. COMMENTS ON THE DRAFT STAFF REPORT

The department issued its draft staff report on this claim on March 13, 2006. OAR 125-145-0100(3), provided an opportunity for the claimant or the claimant's 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.