



Oregon

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October 11, 2007

To: Claimant and Interested Persons

From: Cora R. Parker, Acting Director



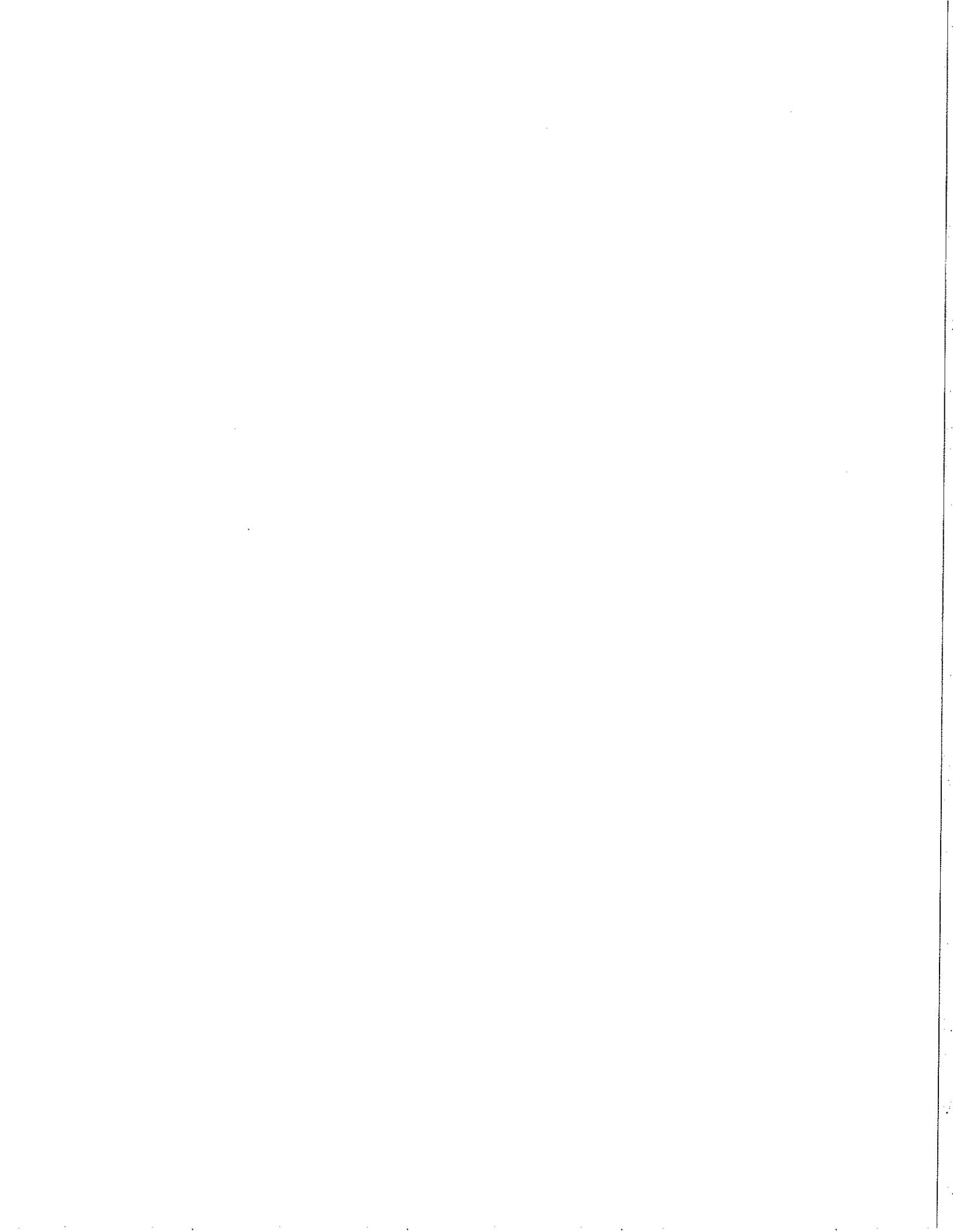
Re: Ballot Measure 37 (ORS 197.352) Claim Number M131550

Claimants: June Hinkson, Stephanie Woods

Enclosed, in regard to the above-referenced claim for compensation under Ballot Measure 37 (ORS 197.352), is the Department of Land Conservation and Development's Draft Staff Report and Recommendation.

This Draft Staff Report and Recommendation sets forth the department's evaluation of and recommendation on the claim. Oregon Administrative Rule 125-145-0100(3) provides that the claimant (or the claimant's agent) and any third parties who submitted comments on the claim may submit written comments, evidence, and information in response to any third-party comments contained in the report, and to the staff report and recommendation itself. Such response must be filed no more than 15 calendar days after the date of mailing of this report. Any response from you must be delivered to the Oregon Department of Administrative Services (DAS), 1225 Ferry Street SE, U160, Salem, Oregon 97301, and will be deemed timely filed if either postmarked on the 15th day or actually delivered to DAS by the close of business on the 15th day.

This department will review any responses submitted, and a Final Order on the claim will be issued after such review.



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

October 11, 2007

STATE CLAIM NUMBER: M131550

NAMES OF CLAIMANTS: June Hinkson
Stephanie Woods

MAILING ADDRESSES: June Hinkson
16173 S Springwater Road
Oregon City, Oregon 97045

Stephanie Woods
12042 SE Sunnyside Road
Clackamas, Oregon 97015

PROPERTY IDENTIFICATION: Township 2S, Range 3E, Section 29
Tax lots 1000, 1001 and 1200
Clackamas County

OTHER CONTACT INFORMATION: Michael L. Rosenbaum
1826 NE Broadway
Portland, Oregon 97232

OTHER INTEREST IN PROPERTY: Steve Hinkson (Trustor)

DATE RECEIVED BY DAS: November 29, 2006

DEADLINE FOR FINAL ACTION:¹ May 22, 2008

I. SUMMARY OF CLAIM

The claimants, June Hinkson and Stephanie Woods, seek compensation in the amount of \$4 million 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 43.68-acre subject property² into 1- to 2-acre parcels and to develop a dwelling on

¹ ORS 197.352, as originally enacted, required that final action on claims made under Measure 37 be made within 180 days of the date the claim was filed. In response to the large volume of claims filed in late 2006, the Oregon legislature passed House Bill 3546, which became effective on May 10, 2007. This legislation increased the amount of time state and local governments have to take final action on Measure 37 claims filed on or after November 1, 2006, by 360 days, to a total of 540 days.

² The 43.68-acre subject property includes three tax lots. Tax lot 1000 consists of 2.64 acres, tax lot 1001 consists of 8.64 acres and tax lot 1200 consists of 32.40 acres.

each resulting undeveloped parcel. The subject property is located at 16173 Springwater Road, 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 June Hinkson's division of the 43.68-acre subject property into 1- to 2-acre parcels or to her development of a dwelling on each resulting undeveloped parcel: applicable provisions of Statewide Planning Goal 3 (Agricultural Lands) and 14 (Urbanization), ORS 215 and Oregon Administrative Rules (OAR) 660, division 33, enacted or adopted after she acquired each of the tax lots. These laws will not apply to June Hinkson 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 1001 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980.

The department has further determined that the claim is not valid as to Stephanie Woods because the claimants' desired use of the subject property was prohibited under the laws in effect when she acquired the property in 2003. (See the complete recommendation in Section VI. of this report).

III. COMMENTS ON THE CLAIM

Comments Received

On July 27, 2007, 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, two written comments were received in response to the 15-day notice.

The comments do 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 letters 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 November 29, 2006, for processing under OAR 125, division 145. The claim identifies Goals 3 and 4 (Forest Lands) and county regulations 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(1)(C) defines “owner” as “the present owner of the property, or any interest therein.”

Findings of Fact

Claimant June Hinkson acquired tax lot 1000 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980, as reflected by recorded bargain and sale deeds included with the claim. On January 21, 2003, claimant June Hinkson and her husband, Steve Hinkson, transferred the subject property to a revocable trust, the Hinkson Family Land Trust, with June Hinkson and Stephanie Woods as trustees, as reflected by recorded bargain and sale deeds included with the claim. The Clackamas County Assessor’s Office confirms the claimants’ current ownership of the subject property.

Conclusions

The claimants, June Hinkson and Stephanie Woods, are “owners” of the subject property, as that term is defined by ORS 197.352(1)(C). June Hinkson has been an owner of tax lot 1001 since August 25, 1967, and tax lots 1000 and 1200 since April 30, 1980. Stephanie Woods has been an “owner” of the subject property since January 21, 2003.

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 the claimants desire to divide the 43.68-acre subject property into 1- to 2-acre parcels and to develop a dwelling on each resulting undeveloped parcel, and that current land use regulations prevent the desired use.³

The claim is based generally on the applicable provisions of state law that require Exclusive Farm Use (EFU) zoning and restrict uses on EFU-zoned land. The claimants' property is zoned EFU by Clackamas County 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 Goal 3 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, 1994.⁵

Goal 14, which also became effective on January 25, 1975, would likely apply to the division of the claimants' property into parcels less than two acres. Goal 14 generally requires that land outside of urban growth boundaries be utilized for rural uses.

Claimant June Hinkson acquired tax lot 1001 on August 25, 1967, prior to the adoption of the statewide planning goals and their implementing statutes and regulations.

³ The claimants cite Goal 4 as applicable to this claim, but do not establish how that statute either applies to the claimants' desired use of the subject property or restrict its use with the effect of reducing its fair market value. On its face, Goal 4, which regulates forest-zoned resource land, does not apply to the claimant's EFU-zoned property. This report addresses only those regulations that the department finds are applicable to and restrict the claimants' desired use of the subject property, based on the claimants' description of their desired use.

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

⁵ The Commission adopted amendments to OAR 660-033-0100, -0130 and -0135 to comply with House Bill 3326 (Chapter 704, Oregon Laws 2001, effective on January 1, 2002), which were effective on May 22, 2002. These amendments clarified but did not further restrict dwelling standards for EFU-zoned land.

June Hinkson acquired tax lots 1000 and 1200 after the adoption of the statewide planning goals, but before the Commission acknowledged Clackamas County's land use regulations to be in compliance with the statewide planning goals pursuant to ORS 197.250 and 197.251.⁶ At that time, tax lot 1000 was zoned EFU-20 and tax lot 1200 was zoned General Agricultural District (GAD) by Clackamas County. However, because the Commission had not acknowledged the county's plan and land use regulations when June Hinkson acquired tax lots 1000 and 1200 on April 30, 1980, the statewide planning goals, and Goal 3 in particular, applied directly to tax lots 1000 and 1200 when June Hinkson acquired those tax lots.⁷

As adopted on January 25, 1975, Goal 3 required that agricultural land be preserved and zoned for EFU pursuant to ORS 215. The Goal 3 standard for land divisions involving property where the local zoning was not acknowledged required that the resulting parcels must be of a size that is "appropriate for the continuation of the existing commercial agricultural enterprise within the area." Further, ORS 215.263 (1979 edition) only authorized the partition of land subject to EFU zoning, and required that all divisions of land subject to EFU zoning comply with the legislative intent set forth in ORS 215.243 (Agricultural Land Use Policy). Thus, June Hinkson's opportunity to divide tax lots 1000 and 1200 when she acquired them in 1980 was limited to land divisions that were consistent with Goal 3, which required that the resulting parcels be (1) appropriate for the continuation of the existing commercial agricultural enterprise in the area and (2) shown to comply with the legislative intent set forth in ORS 215.

Under the Goal 3 standards in effect on April 30, 1980, farm dwellings were allowed if they were determined to be "customarily provided in conjunction with farm use" under ORS 215.213(1)(e) (1979 edition). Non-farm dwellings were subject to compliance with ORS 215.213(3) (1979 edition).

The claim does not establish whether or to what extent the claimants' desired division and development of the subject property were allowed under the standards in effect when June Hinkson acquired tax lots 1000 and 1200 on April 30, 1980.

When Stephanie Woods acquired the subject property on January 21, 2003, the property was subject to the regulations currently in effect, as described above.

⁶ Clackamas County's comprehensive plan and land use regulations were acknowledged by the Commission for compliance with Goal 3 on December 31, 1981.

⁷ The statewide planning goals became effective on January 25, 1975, and were applicable to legislative land use decisions and some quasi-judicial land use decisions prior to the Commission's acknowledgment of each county's comprehensive plan and implementing regulations. *Perkins v. City of Rajneeshpuram*, 300 Or 1 (1985); *Alexanderson v. Polk County*, 289 Or 427, rev. den 290 Or 137 (1980); *Sunnyside Neighborhood Assn. v. Clackamas County*, 280 Or 3 (1977); *Jurgenson v. Union County*, 42 Or App 505 (1979); and *1000 Friends of Oregon v. Benton County*, 32 Or App 413 (1978). After the county's plan and land use regulations were acknowledged by the Commission, the statewide planning goals and implementing rules no longer applied directly to such local land use decisions. *Byrd v. Stringer*, 295 Or 311 (1983). However, statutory requirements continue to apply, and insofar as the state and local provisions are materially the same, the local provisions must be interpreted consistent with the substance of the goals and implementing rules. *Forster v. Polk County*, 115 Or App 475 (1992) and *Kenagy v. Benton County*, 115 Or App 131 (1992).

Conclusions

The current zoning requirements, minimum lot size and dwelling standards established by applicable provisions of Goals 3 and 14, ORS 215 and OAR 660, division 33, were all enacted or adopted after June Hinkson acquired tax lot 1001 in 1967 and tax lots 1000 and 1200 in 1980 and before Stephanie Woods acquired the subject property on January 21, 2003, and do not allow the claimants' desired division or development of the subject property. These laws restrict the use of the subject property relative to the uses allowed when June Hinkson acquired the property. However, the claim does not establish whether or the extent to which the claimants' desired use of the subject property complies with the standards for land divisions and development under the requirements of Goals 3 and 14 and ORS 215 in effect when June Hinkson acquired tax lots 1000 and 1200 on April 30, 1980. Laws enacted or adopted since Stephanie Woods acquired the subject property in 2003 do not restrict her use of the property relative to when she acquired it on January 21, 2003.

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 June Hinkson's use of the subject property, and that may continue to apply to June Hinkson's 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 June Hinkson 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 regulations (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 \$4 million 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, the claimants are June Hinkson who acquired tax lot 1001 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980, and Stephanie Woods who acquired the subject property on January 21, 2003. No state laws enacted or adopted since Stephanie Woods acquired the subject property restrict her use of the property relative to the uses allowed in 2003. Therefore, the fair market value of the subject property has not been reduced as a result of land use regulations enforced by the Commission or the department as to Stephanie Woods.

Under ORS 197.352, June Hinkson 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 June Hinkson acquired the subject property restrict the claimants' desired use of the property. The claimants estimate that the effect of the regulations on the fair market value of the property is a reduction of \$4 million.

Without an appraisal or other documentation, and without verification of whether or the extent to which the claimants' desired use of the property was allowed under the regulations in effect when June Hinkson acquired tax lots 1000 and 1200, it is not possible to substantiate the specific dollar amount by which the land use regulations have reduced the fair market value of the subject property. Nevertheless, based on the evidence in the record for this claim as to June Hinkson, 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.

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 Goals 3 and 14, ORS 215 and OAR 660, division 33, which Clackamas County has implemented through its current EFU zone. With the exception of provisions of Goals 3 and 14 and ORS 215 in effect when June Hinkson acquired tax lots 1000 and 1200 in 1980, these land use regulations were enacted or adopted after claimant June Hinkson acquired the subject property. All of the state land use regulations that restrict the claimants' desired use of the subject property were in effect when claimant Stephanie Woods acquired the property in 2003.

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 with the exception of provisions of Goals 3 and 14 and ORS 215 in effect when June Hinkson acquired tax lots 1000 and 1200 in 1980, the general statutory, goal and rule restrictions on division and development of the claimants' property were enacted or adopted after June Hinkson acquired the subject property. These laws are not exempt under ORS 197.352(3)(E) to the extent they were enacted or adopted after she acquired the property. Provisions of Goals 3 and 14 and ORS 215 in effect when June Hinkson acquired tax lots 1000 and 1200 on April 30, 1980, are exempt and will continue to apply to her use of those tax lots. All of these laws were in effect when Stephanie Woods acquired the subject property and therefore are exempt under ORS 197.352(3)(E).

Other laws in effect when June Hinkson acquired the subject property are exempt under ORS 197.352(3)(E) and will continue to apply her use of the property. There may be other laws that continue to apply to June Hinkson'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 subject

property until there is a specific proposal for that use. When June Hinkson seeks 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 June Hinkson's 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 a law or 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 do not restrict claimant Stephanie Woods' desired use of the subject property because the claimants' desired use was not allowed at the time she acquired the property in 2003. Laws enforced by the Commission or the department do restrict claimant June Hinkson's desired use of the 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 \$4 million. 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 subject property was allowed under the standards in effect when June Hinkson acquired tax lot 1001 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980. 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 June Hinkson to use the subject property for a use permitted at the time she acquired tax lot 1001 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980.

Conclusions

Based on the record and the foregoing findings and conclusions, Stephanie Woods is not entitled to relief under ORS 197.352(1) as a result of land use regulations enforced by the Commission or the department because no state land use regulations restrict her use of the property relative to uses permitted when she acquired it, with the effect of reducing the property's fair market value. Therefore, the department recommends that the claim for Stephanie Woods be denied.

The department otherwise recommends that the claim be approved for June Hinkson, 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 June Hinkson's division of the 43.68-acre subject property into 1- to 2-acre parcels or to her development of a dwelling on each resulting undeveloped parcel: applicable provisions of Goals 3 and 14, ORS 215 and OAR 660, division 33, enacted or adopted after she acquired each of the tax lots. These laws will not apply to June Hinkson 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 1001 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980.

2. The action by the State of Oregon provides the state's authorization to June Hinkson to use the subject property for the use described in this report, subject to the standards in effect when she acquired tax lot 1001 on August 25, 1967, and tax lots 1000 and 1200 on April 30, 1980. On April 30, 1980, the property was subject to the provisions of Goals 3 and 14 and 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 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 June Hinkson 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 June Hinkson 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 June Hinkson 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 June Hinkson 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 June Hinkson.

6. Nothing in this report or the state's final order for this claim constitutes any determination of ownership by the State of Oregon as to submerged or submersible lands, or as to public rights to the use of waters of the state.

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 15 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 15th day, or actually delivered to DAS by the close of business on the 15th 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.