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

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| IN THE MATTER OF THE CLAIM FOR | ) | FINAL ORDER |
| COMPENSATION UNDER ORS 197.352 | ) | CLAIM NO. M122223 |
| (BALLOT MEASURE 37) OF | ) | |
| Donald C. Lunstedt and | ) | |
| Lewis H. Lunstedt, CLAIMANTS | ) | |

Claimants: Donald C. Lunstedt and Lewis H. Lunstedt (the Claimants)

Property: Township 8S, Range 11W, Section 12, Tax lot 803
Township 8S, Range 11W, Section 13BA, Tax lot 400
Lincoln County (the Property)

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

Claimants submitted the Claim to the State of Oregon under ORS 197.352. Under OAR 125-145-0010 *et seq.*, the Department of Administrative Services (DAS) referred the Claim to the Department of Land Conservation and Development (DLCD) as the regulating entity. This order is based on the record herein, including the Findings and Conclusions set forth in the Final Staff Report and Recommendation of DLCD (the DLCD Report) 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 Donald and Lewis Lunstedt's division of the 14.33-acre property into ten 1-acre parcels for residential development and their development of an RV park and a marina: applicable provisions of Goals 14 and 17 and OAR 660-004-0018 and 660-004-0040. These land use regulations will not apply to the claimants only to the extent necessary to allow them to use the subject property for the use described in this report, and only to the extent that use was permitted when they acquired the property on June 22, 1964.

2. The action by the State of Oregon provides the state's authorization to the claimants to use the subject property for the use described in this report, subject to the standards in effect on June 22, 1964.

3. To the extent that any law, order, deed, agreement or other legally enforceable public or private requirement provides that the subject property may not be used without a permit, license or other form of authorization or consent, the order will not authorize the use of the property unless the claimants first obtain that permit, license or other form of authorization or consent. Such requirements may include, but are not limited to: a building permit, a land use decision, a "permit" as defined in ORS 215.402 or 227.160, other permits or authorizations from local, state or federal agencies and restrictions on the use of the subject property imposed by private parties.

4. Any use of the subject property by the claimants under the terms of the order will remain subject to the following laws: (a) those laws not specified in (1) above; (b) any laws enacted or enforced by a public entity other than the Commission or the department; and (c) those laws not subject to ORS 197.352 including, without limitation, those laws exempted under ORS 197.352(3).

5. Without limiting the generality of the foregoing terms and conditions, in order for the claimants to use the subject property, it may be necessary for them to obtain a decision under ORS 197.352 from a city and/or county and/or metropolitan service district that enforces land use regulations applicable to the property. Nothing in this order relieves the claimants from the necessity of obtaining a decision under ORS 197.352 from a local public entity that has jurisdiction to enforce a land use regulation applicable to a use of the subject property by the claimants.

This Order is entered by the Director of the DLCD as a final order of DLCD and the Land Conservation and Development Commission under ORS 197.352, OAR 660-002-0010(8), and OAR 125, division 145, and by the 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
DLCD
Dated this 18th day of July, 2006.

FOR the DEPARTMENT OF ADMINISTRATIVE SERVICES:

David Hartwig, Administrator
DAS, State Services Division
Dated this 18th day of July, 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 197.352[1], 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.

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

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

July 18, 2006

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| **STATE CLAIM NUMBER:** | M122223 |
| **NAMES OF CLAIMANTS:** | Donald C. Lunstedt and Lewis H. Lunstedt |
| **MAILING ADDRESS:** | Donald Lunstedt<br>1112 Siletz Highway<br>Lincoln City, Oregon 97367<br><br>Lewis Lunstedt<br>Box 197<br>48980 San Patricio, Jal<br>Mexico |
| **PROPERTY IDENTIFICATION:** | Township 8S, Range 11W, Section 12<br>Tax lot 803<br>Township 8S, Range 11W, Section 13BA<br>Tax lot 400<br>Lincoln County |
| **DATE RECEIVED BY DAS:** | September 7, 2005 |
| **180-DAY DEADLINE:** | July 23, 2006[1] |

## I. SUMMARY OF CLAIM

The claimants, Donald and Lewis Lunstedt, seek compensation in the amount of $556,000 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 14.33-acre property into ten 1-acre parcels for residential development and to use the remaining portion of the property as an RV park and a marina. The subject property is located at 1112 Siletz Highway, near Lincoln City, in Lincoln County. (See claim.)

[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. Srvcs.*, 340 Or 117 (2006).

## II. SUMMARY OF STAFF RECOMMENDATION

Based on the findings and conclusions set forth below, the Department of Land Conservation and Development (the department) has determined that the claim is valid. Department staff recommends that, in lieu of compensation, the requirements of the following state laws enforced by the Land Conservation and Development Commission (the Commission) or the department not apply to Donald and Lewis Lunstedt's division of the 14.33-acre property into ten 1-acre parcels for residential development and their development of an RV park and a marina: applicable provisions of Statewide Planning Goals 14 (Urbanization) and 17 (Coastal Shorelands) and Oregon Administrative Rules (OAR) 660-004-0018 and 660-004-0040. These land use regulations will not apply to the claimants only to the extent necessary to allow them to use the subject property for the use described in this report, and only to the extent that use was permitted when they acquired the property in 1964. (See the complete recommendation in Section VI of this report.)

## III. COMMENTS ON THE CLAIM

### Comments Received

On month day, 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 were received in response to the 10-day notice.

## 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 7, 2005, for processing under OAR 125, division 145. The claim generally identifies land use laws enacted or adopted since 1964 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**

The claimants, Donald and Lewis Lunstedt, acquired the subject property on June 22, 1964, as reflected by a warranty deed included with the claim. The Lincoln County Assessor's Office confirms the claimants' current ownership of the subject property.

**Conclusions**

The claimants, Donald and Lewis Lunstedt, are "owners" of the subject property as that term is defined by ORS 197.352(11)(C), as of June 22, 1964.

**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 14.33-acre property into ten 1-acre parcels for residential development and to use the remaining portion of the property as an RV park and a marina. It indicates that current land use regulations prevent the desired use.

The claim is based generally on Lincoln County's current Rural Residential (RR-5) zone and Coastal Shorelands (C-S) overlay zone, and the applicable provisions of state law that require such zoning.

The county's RR-5 zone is a rural residential zone consistent with Goal 14, which generally requires that land outside of urban growth boundaries be used for rural uses. Goal 14 was effective on January 25, 1975, and requires that local comprehensive plans identify and separate urbanizable land from rural land in order to provide for an orderly and efficient transition from

rural to urban land use. In 2000, as a result of a 1986 Oregon Supreme Court decision,[2] the Commission amended Goal 14 and adopted OAR 660-004-0040 (Application of Goal 14 to Rural Residential Areas), which was effective on October 4, 2000.

The rule states that the area of any new lots or parcels in a rural residential zone in effect on October 4, 2000, must be at least two acres. If a county rural residential zone specifies a minimum lot or parcel size smaller than two acres, the area of any new lot or parcel must equal or exceed two acres (OAR 660-004-0040(5)(b) and (7)(d)). The creation of any new lot or parcel smaller than two acres in a rural residential zone is considered an urban use, and may be created only if an exception to Goal 14 is taken (OAR 660-004-0040(7)(a)). Some relief from these provisions is available for lots or parcels having more than one permanent habitable dwelling pursuant to OAR 660-004-0040(7)(h). Because Lincoln County's rural residential zone was in effect on October 4, 2000, and allows a lot or parcel size less than two acres, OAR 660-004-0040 requires that all new lots or parcels have a minimum lot or parcel size of two acres or more, unless an exception to Goal 14 is taken.

OAR 660-004-0018 regulates the zoning of exception areas and specifies the types of uses that may be permitted by a county in "physically developed" and "irrevocably committed" exception areas. This rule may limit whether an RV park can be permitted on the subject property. OAR 660-004-0018 became effective on December 30, 1983.

The county's C-S zone is a coastal shoreland overlay zone as required by Goal 17, which generally requires that land identified as coastal shoreland be managed for the protection and maintenance of water quality, fish and wildlife habitat, water dependent uses, economic resources and recreation and aesthetics, and for the reduction of hazard to human life and property. The subject property is located within Lincoln County's coastal shoreland overlay zone because a portion of the property is identified as a major marsh and within 50 feet of a coastal estuary.

Goal 17 was effective on June 7, 1977, and requires that local comprehensive plans identify and inventory coastal shorelands in order to maintain the diverse environmental, economic and social values of coastal shorelands and the water quality in coastal waters, and that the uses permitted within coastal shorelands be consistent with protecting these natural values.

The claimants acquired the subject property in 1964, prior to the adoption of the statewide planning goals and their implementing statutes and rules. At that time, it was not zoned by the county.

**Conclusions**

The minimum lot size requirements for rural residential lots or parcels established by Goal 14 and OAR 660-004-0040 and limitations on uses in exceptions areas in OAR 660-004-0018 were adopted since the claimants acquired the subject property in 1964 and do not allow the desired division of the property. The restriction on specific uses in Goal 17 was adopted since the claimants acquired the subject property in 1964 and does not allow the desired use of the property.

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[2] *1000 Friends of Oregon v. LCDC (Curry County)*, 301 Or 447 (1986).

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

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

In order to establish a valid claim, ORS 197.352(1) requires that 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 $556,000 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 fair market value.

**Conclusions**

As explained in Section V.(1) of this report, the claimants are Donald and Lewis Lunstedt who acquired the subject property on June 22, 1964. Under ORS 197.352, the claimants are 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 adopted since the claimants 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 subject property is a reduction of $556,000.

Without an appraisal or other relevant evidence, 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, 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 Goal 14 and OAR 660-004-0018 and 660-004-0040, which Lincoln County has implemented through its RR-5 zone, and Goal 17, which Lincoln County has implemented

through its C-S overlay zone. These land use regulations were adopted after the claimants acquired the subject property.

**Conclusions**

Without a specific development proposal for the subject property, it is not possible for the department to determine all the laws that may apply to a particular use of the property, or whether those laws may fall under one or more of the exemptions under ORS 197.352. It appears that none of the general goal and rule restrictions on the claimants' desired use were in effect when the claimants acquired the subject property in 1964. As a result, these laws are not exempt under ORS 197.352(3)(E).

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

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

## VI. FORM OF RELIEF

ORS 197.352(1) provides for payment of compensation to an owner of private real property if the Commission or the department has enforced one or more laws that restrict the use of the property in a manner that reduces its fair market value. In lieu of compensation, the department may choose to not apply the law in order to allow the present owner to carry out a use of the property permitted at the time the 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 $556,000. 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 they 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 Donald and Lewis Lunstedt to use the subject property for a use permitted at the time they acquired the property on June 22, 1964.

**Conclusions**

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 Donald and Lewis Lunstedt's division of the 14.33-acre property into ten 1-acre parcels for residential development and their development of an RV park and a marina: applicable provisions of Goals 14 and 17 and OAR 660-004-0018 and 660-004-0040. These land use regulations will not apply to the claimants only to the extent necessary to allow them to use the subject property for the use described in this report, and only to the extent that use was permitted when they acquired the property on June 22, 1964.

2. The action by the State of Oregon provides the state's authorization to the claimants to use the subject property for the use described in this report, subject to the standards in effect on June 22, 1964.

3. To the extent that any law, order, deed, agreement or other legally enforceable public or private requirement provides that the subject property may not be used without a permit, license or other form of authorization or consent, the order will not authorize the use of the property unless the claimants first obtain that permit, license or other form of authorization or consent. Such requirements may include, but are not limited to: a building permit, a land use decision, a "permit" as defined in ORS 215.402 or 227.160, other permits or authorizations from local, state or federal agencies and restrictions on the use of the subject property imposed by private parties.

4. Any use of the subject property by the claimants under the terms of the order will remain subject to the following laws: (a) those laws not specified in (1) above; (b) any laws enacted or enforced by a public entity other than the Commission or the department; and (c) those laws not subject to ORS 197.352 including, without limitation, those laws exempted under ORS 197.352(3).

5. Without limiting the generality of the foregoing terms and conditions, in order for the claimants to use the subject property, it may be necessary for them to obtain a decision under ORS 197.352 from a city and/or county and/or metropolitan service district that enforces land

use regulations applicable to the property. Nothing in this order relieves the claimants from the necessity of obtaining a decision under ORS 197.352 from a local public entity that has jurisdiction to enforce a land use regulation applicable to a use of the subject property by the claimants.

## VII. COMMENTS ON THE DRAFT STAFF REPORT

The department issued its draft staff report on this claim on June 28, 2006. 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.