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July 19, 2005

VIA CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Lincoln County Planning & Development Dept.
210 SW 2nd Street
Newport, OR 97365

Re: Measure 37 Claim for Dr. Matthew Gruber, Alice Gruber,
Merrick Kriz, and Cynthia Condon for Real Properties Known as
Olalla Valley Land in Lincoln County, Oregon

Dear Sir/Madam:

My office represents Dr. Matthew Gruber, Alice Gruber, Merrick Kriz, and Cynthia Condon. Ms. Kriz and Ms. Condon are the daughters of Dr. and Mrs. Gruber. Pursuant to Measure 37, my clients demand the right to subdivide and develop these properties or receive \$1,820,000.00, the amount of reduction in the fair market value of the properties.

My clients are filing their claim in the form of this letter as permitted under Sections 6 and 7 of Measure 37. Measure 37 states that adherence to county requirements is not mandatory. Measure 37 only requires a written demand to exist for 180 days before a claim to circuit court can be made.

The subject is comprised of three (3) parcels totaling approximately 127.66 acres. These three parcels consist of eight (8) separate tax parcels. Attached as Exhibit "A" is a summary of these properties. Dr. Gruber and/or Alice Gruber acquired all of the parcels of between 1956 and 1967. These properties have remained in the control and ownership of Dr. Gruber, Alice Gruber, and Ms. Kriz and/or Ms. Condon up until the date of this letter.



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The parcels have been owned by my clients since at least July of 1967. Attached as Exhibit "B" is a copy of a Title Report issued by Western Title and Escrow Company, verifying ownership. Ownership of the parcels is currently as follows:

Parcel I	Alice Gruber
Parcel II	Merrick Kriz and Cynthia Condon
Parcel III	Matthew Gruber and Alice Gruber

My clients plan to create separate legal parcels out of the 127.66 acres through a series of partitions. My clients will either develop the properties themselves or sell the parcels to developers. Single family homes will be built on these parcels and the necessary public infrastructure required for them will be provided. It is my clients' intent to have the properties developed in relation to the Olalla Valley Golf Course that is surrounded by the subject properties.

We have identified a number of State and County Land Use Regulations currently in effect which were enacted subsequent to July 12, 1967, and which restrict the use and reduce the value of the properties. These Land Use Regulations are listed in Exhibit "C" to this letter. These Land Use Regulations prohibit my clients from utilizing the properties as they desire. To my knowledge, there were no applicable State or County Land Use Regulations in 1967 that would prohibit the partitioning of the subject parcels and development of homes on the proposed newly created parcels.

Claimants qualify for compensation under Measure 37 pursuant to Sections 1, 2, and 3(e). Dr. Gruber and/or Alice Gruber acquired the properties between 1963 and 1967, and the properties have remained within all of my clients' control ever since. The Land Use Regulations restricting my clients from partitioning the properties were enacted substantially after 1967, when my clients acquired the properties, therefore, my clients are entitled to just compensation equal to the reduction in fair market value of Claimants' properties resulting from the regulations. My clients hired a licensed MAI appraiser to determine the fair market value of the properties, as well as the reduction in value as a result of the applicable Land Use Regulations. That appraisal is attached as Exhibit "D." Under the current Land Use Regulations, the 127.66 acres have a fair market value of \$960,000.00. The value of the 127.66 acres partitioned as desired by my clients is approximately \$2,780,000.00. Therefore, the reduction in fair market value of the affected properties interest resulting from enactment or enforcement of the Land Use Regulations currently in effect is \$1,820,000.00. Under Measure 37, this reduction in value is the amount due to my clients as just compensation. My clients respectfully demand that this compensation be paid to them pursuant to Measure 37.

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If the County elects to not compensate Claimants under Measure 37, then Claimants qualify for waiver, rescission, modification, or non-enforcement of the regulations pursuant to Section 8 of Measure 37. My clients have been an "owner" of the properties, as defined under Section 11(c) of Measure 37, since no later than July 12, 1967. My clients are the "present owner" of the respective parcels. If my clients are not deemed to be the current owners as defined under Measure 37, then my clients at least own an "interest therein" thereby satisfying the definition of "owner" under Measure 37. Accordingly, if the County elects to not compensate my clients, Measure 37 requires that my clients be allowed to use the properties as permitted in 1956 to 1967, when my clients acquired the properties.

I wish to work with the appropriate parties in order to resolve this matter. Please do not hesitate to contact my office with any questions or concerns regarding this demand as well as any requests for additional information.

Sincerely,

A handwritten signature in blue ink that reads "D. Hilgemann".

David A. Hilgemann

DAH/CBM/lde

Enclosures

cc: Dr. Matthew and Alice Gruber (w/enclosures)
Merrick Kriz (w/enclosures)
Cynthia Condon (w/enclosures)