



## BOARD OF COMMISSIONERS

### BOARD OF COUNTY COMMISSIONERS MEETING

1:00 PM, MONDAY, JANUARY 30, 2023

Allen Room - Deschutes Services Building - 1300 NW Wall St - Bend

(541) 388-6570 | [www.deschutes.org](http://www.deschutes.org)

## AGENDA

**MEETING FORMAT:** In accordance with Oregon state law, this meeting is open to the public and can be accessed and attended in person or remotely, with the exception of any executive session.

Members of the public may view the meeting in real time via the public meeting portal at [www.deschutes.org/meetings](http://www.deschutes.org/meetings). To view the meeting via Zoom, see below.

**Citizen Input:** The public may comment on any meeting topic that is not on the current agenda. To provide citizen input, submit an email to [citizeninput@deschutes.org](mailto:citizeninput@deschutes.org) or leave a voice message at 541-385-1734. Citizen input received by noon on Tuesday will be included in the meeting record for topics that are not on the Wednesday agenda.

If in-person comment from the public is allowed at the meeting, public comment will also be allowed via computer, phone or other virtual means.

**Zoom Meeting Information:** This meeting may be accessed via Zoom using a phone or computer.

- To join the meeting from a computer, copy and paste this link: [bit.ly/3h3oqdD](https://bit.ly/3h3oqdD).
- To join by phone, call 253-215-8782 and enter webinar ID # 899 4635 9970 followed by the passcode 013510.
- If joining by a browser, use the raise hand icon to indicate you would like to provide public comment, if and when allowed. If using a phone, press \*6 to indicate you would like to speak and \*9 to unmute yourself when you are called on.



Deschutes County encourages persons with disabilities to participate in all programs and activities. This event/location is accessible to people with disabilities. If you need accommodations to make participation possible, call (541) 388-6572 or email [brenda.fritsvold@deschutes.org](mailto:brenda.fritsvold@deschutes.org).

## CALL TO ORDER

## PLEDGE OF ALLEGIANCE

**CITIZEN INPUT:** Citizen Input may be provided as comment on any topic that is not on the agenda.

**Note:** In addition to the option of providing in-person comments at the meeting, citizen input comments may be emailed to [citizeninput@deschutes.org](mailto:citizeninput@deschutes.org) or you may leave a brief voicemail at 541.385.1734. To be timely, citizen input must be received by noon on Tuesday in order to be included in the meeting record.

## ACTION ITEMS

1. **1:05 PM** Mid-Year Report from Visit Central Oregon
2. **1:35 PM** Camping Feasibility Study RFP
3. **2:00 PM** Work Session to Prepare for the Board's Review of a Modification Request to the Thornburgh Destination Resort's Fish & Wildlife Management Plan
4. **2:20 PM** Update from City of Bend on its Multiple Unit Property Tax Exemption Program
5. **2:35 PM** Draft FY 2024 Goals and Objectives

## OTHER ITEMS

*These can be any items not included on the agenda that the Commissioners wish to discuss as part of the meeting, pursuant to ORS 192.640.*

## EXECUTIVE SESSION

*At any time during the meeting, an executive session could be called to address issues relating to ORS 192.660(2)(e), real property negotiations; ORS 192.660(2)(h), litigation; ORS 192.660(2)(d), labor negotiations; ORS 192.660(2)(b), personnel issues; or other executive session categories.*

*Executive sessions are closed to the public; however, with few exceptions and under specific guidelines, are open to the media.*

6. Executive Session under ORS 192.660 (2) (e) Real Property Negotiations

## ADJOURN



BOARD OF  
COMMISSIONERS

**AGENDA REQUEST & STAFF REPORT**

**MEETING DATE:** January 30, 2023

**SUBJECT:** Mid-Year Report from Visit Central Oregon

**RECOMMENDED MOTION:**

No action needed.

**BACKGROUND AND POLICY IMPLICATIONS:**

Appointed by the Oregon Tourism Commission to serve as the regional destination marketing organization for the Central Oregon area, Visit Central Oregon works to grow tourism by inviting visitors to experience the landscapes and culture that Central Oregon has to offer.

**BUDGET IMPACTS:**

None

**ATTENDANCE:**

Nick Lelack, County Administrator  
Julie Theisen, CEO, Visit Central Oregon



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: January 30, 2023

SUBJECT: Camping Feasibility Study RFP

BACKGROUND AND POLICY IMPLICATIONS:

The County issued a Request for Proposal (RFP) for a qualified consultant to perform a Camping Feasibility Study for development of private or public RV parks and campgrounds, along with support amenities and infrastructure.

The RFP application period ran from November 16 – December 16. The RFP was advertised in the Bend Bulletin, The Daily Journal of Commerce, and on the County’s social media websites and local news ran stories, live and online. Additionally the RFP was sent directly to consultants who the County had previously worked with and firms who expressed interest in this topic.

The County received five (5) proposals.

A proposal evaluation committee was established that included tourism and recreation representatives as well as local government employees. The evaluation committee met on January 23, 2023 to discuss proposals and submitted final scoring sheets by January 26, 2023.

The scoring criteria is as follows:

- Demonstrated competence and experience of the individual or team relevant to this project (25%)
- Quality and extent of services available (25%)
- Proposal costs (25%)
- Timeline to complete the study (25%)

The submitted proposals are listed below in top scoring order. The proposal costs along with topline feedback from the evaluation committee have been included for consideration.

ECONorthwest  
Score: 476/500  
\$128,170



- Demonstrated a depth of knowledge in feasibility studies and relevant experience
- Scope of work was laid out in two phases:
  - Phase 1 analysis of feasibility on sites listed
  - Phase 2 assessments, operational and finance plans, organizational structure, and executive summary
- Price was within the median range of all proposals submitted
- Proposal outlined a 1-year timeline to complete the study

CHM Government Services (Concessions Hospitality Management Government Services)

Score: 361/500

\$311,300

- Demonstrated extensive experience and the team would consist of a staff of 10 who has specific campground feasibility study knowledge and experience
- Schedule of product deliverables and process was clear and well thought out
- Price was 2 to 3 times that of other proposals, it is noted that the price encompasses every aspect of the RFP where some of the other proposals encompassed a scalable and/or narrowing of sites for full analyses
- No timeline was presented

Crane Associates

Score: 342/500

\$65,000

- Demonstrated unique and thorough experience in the tourism industry however it was not highly relevant to the scope of work listed in the RFP
- Outlined 9 tasks in an effective and detailed manner, the tasks are heavy on market feasibility versus land use, policy, and zoning feasibility
- Consultant would setup an office in Bend at no cost to the County for the duration of the feasibility study
- The costs was the lowest of the 5 proposals
- Proposed a timeline of starting in June lasting 6-8 weeks

Staves Consulting

Score: 314/500

Phase 1 \$54,600

Phase 2 \$20,000 per detailed site study

- Depth of industry knowledge designing campgrounds and RV parks
- Proposal suggests a two-phase approach with separate budgets
  - Phase 1 would gather data, meet with agencies, and provide a written report highlighting the pros and cons of each site
  - Phase 2 would include detailed plans for sites, roads, footprints, electrical, water, and sewer
    - \$20,000 per each site the County would like to include
- Price is within the median range dependent on how many sites the County opts to include in Phase 2
- No timeline or schedule was included which negatively impacted their overall score (timeline was 25% of scoring criteria)

## Healthy Sustainable Communities

Score: 295/500

\$109,402

- Proposal demonstrated years of experience, however direct feasibility study experience was not clear
  - Small team, 2-4 people, includes a consultant from Redmond who would bring local knowledge to the project
- Provided a short description for each of the 5 phases with correlating budget but did not provide a high level of detail on what work would be conducted for each phase
- Proposal cost is similar to other proposals
- Proposed a 6 month timeline beginning in February

The County has received numerous letters from HOA's and home owners in neighborhoods located adjacent to or near Forrest Service Road 4604 (Phil's Trailhead) in opposition to a feasibility study taking place at this location.

Staff seeks next steps from the Board that could include:

1. The Board can request to conduct interviews with some or all of the consultants who submitted a proposal.
2. Staff can return at a later date if the Board is not prepared to make a decision today.
3. The Board can make an award based on the evaluation committee's scores.

### **BUDGET IMPACTS:**

The cost to implement the RFP has not been included in the current budget. Proposals range from \$65,000 up to \$311,300.

### **ATTENDANCE:**

Jen Patterson, Deschutes County, Strategic Initiatives Manager



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: January 30, 2023

SUBJECT: Work Session to Prepare for the Board’s Review of a Modification Request to the Thornburgh Destination Resort’s Fish & Wildlife Management Plan

RECOMMENDED MOTIONS:

N/A

BACKGROUND AND POLICY IMPLICATIONS:

On January 30, 2023, staff will be available to answer questions related to the Hearings Officer’s review of a modification request to the Thornburgh Destination Resort’s FWMP and associated appeals. This work session will provide an opportunity for the Board, prior to the public hearing scheduled for February 1, 2023, to ask staff questions about the application, the Hearings Officer’s decision, and appeals.

BUDGET IMPACTS:

None

ATTENDANCE:

- Caroline House, Senior Planner
Anthony Raguine, Principal Planner
William Groves, Planning Manager



MEMORANDUM

TO: Board of County Commissioners ("Board")
FROM: Caroline House, Senior Planner
DATE: January 25, 2023
RE: Work Session to Prepare for the Board's Review of a Modification Request to the Thornburgh Destination Resort's Fish & Wildlife Management Plan ("FWMP")

On January 30, 2023, staff will be available to answer questions related to the Hearings Officer's review of a modification request to the Thornburgh Destination Resort's FWMP and associated appeals. This work session will provide an opportunity for the Board, prior to the public hearing scheduled for February 1, 2023, to ask staff questions about the application, the Hearings Officer's decision, and appeals.

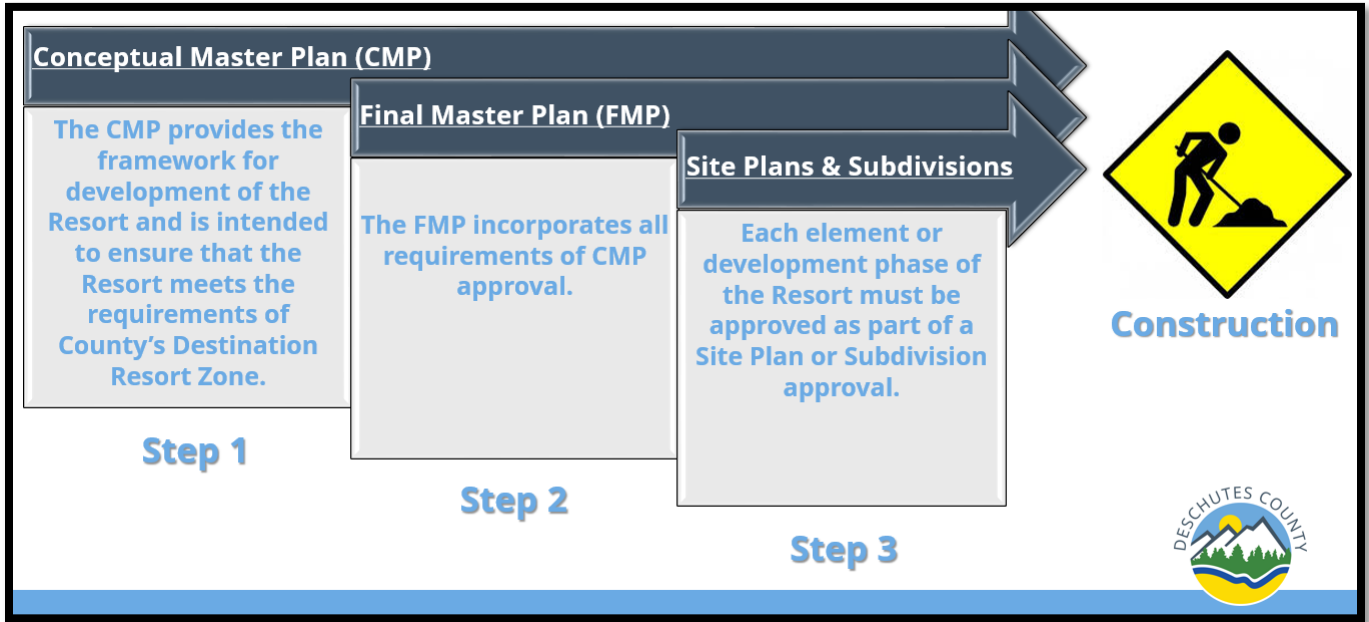
I. BACKGROUND

The Deschutes County Code (DCC) establishes a three-step review process for all destination resorts as shown in Figure 1 below. Each step builds on the previous step and the review process becomes increasingly more detailed. Additionally, the DCC has several code provisions that establish the process(es) and requirements for a resort developer to modify an approved Conceptual Master Plan (CMP), Final Master Plan (FMP), Site Plan, or Tentative Plan (i.e. a subdivision approval).

As part of the CMP and/or FMP review process, destination resorts are required to develop mitigation plans to demonstrate any negative impact on fish and wildlife resources will be mitigated to ensure there is "no net loss" of habitat pursuant to DCC 18.113.070(D). This standard is frequently referred to as the County's "no net loss" standard. In this case, the Thornburgh Resort ("Resort") developed several mitigation plans, including the existing FWMP ("2008 FWMP"), to address the "no net loss" standard.

The Resort's FWMP establishes a set of requirements designed to mitigate impacts on fish habitat. These mitigation measures address both water quantity (volume) and quality (thermal) impacts on nearby streams and rivers from the Resort pumping groundwater for its on-site use.

Figure 1 - Three-Step Review Process for Destination Resorts



## II. SUBJECT APPLICATION

In August 2022, the developer of the Resort ("Applicant") applied for a Modification to replace the 2008 FWMP with a new FWMP ("2022 FWMP"). Please see attached 2008 FWMP and 2022 FWMP for the full details of both plans.

After the initial public hearing, a Hearings Officer denied the Resort's Modification request based on the following two key issues:

1. The Hearings Officer found input on the 2022 FWMP from the Oregon Department of Fish & Wildlife ("ODFW") is a relevant *evidentiary consideration* in determining if the "No Net Loss" standard is met. However, the Resort did not provide ODFW enough time to review the 2022 FWMP and submit a meaningful response.
2. The 2022 FWMP does not contain clear, objective and enforceable compliance language, and for this reason, there can be no assurance that the 2022 FWMP is *likely or reasonably certain to succeed* at achieving the County's "No Net Loss" requirement.

As part of this decision, the Hearings Officer made a number of interpretative decisions that will likely impact future development of the Resort and potentially other land use applications in Deschutes County.

**III. APPEALS**

The Applicant and Annunziata Gould (“Appellant”) both filed appeals of the Hearings Officer’s decision. Please refer to the attached Notices of Appeal for the specific appeal issues each party has raised.

**IV. RECORD**

The record for the subject application and appeals is as presented at the following Deschutes County Community Development Department website:

<https://www.deschutes.org/cd/page/247-22-000678-mc-thornburgh-destination-resort-modification-cmpfmpfwmp>

Attachments:

- 1. Hearings Officer Decision – 247-22-000678-MC
- 2. 2008 FWMP
- 3. 2022 FWMP
- 4. Nov. 7, 2022 - ODFW’s Comments Regarding the Thornburgh Resort Fish and Wildlife Mitigation Plan Addendum #2 (2022 FWMP), File Number 247-22-000678-MC
- 5. Notice of Appeal – Applicant
- 6. Notice of Appeal – Gould

**HEARINGS OFFICER DECISION**

**FILE NUMBER:** 247-22-000678-MC

**SUBJECT PROPERTY:** The entirety of the Thornburgh Destination Resort located at:

Address	Deschutes Co. Assessor Map & Tax Lot Number
11800 Eagle Crest Blvd, Redmond, OR 97756	15-12-00, TL 5000
11810 Eagle Crest Blvd, Redmond, OR 97756	15-12-00, TL 5001
11820 Eagle Crest Blvd, Redmond, OR 97756	15-12-00, TL 5002
67205 Cline Falls Rd, Redmond, OR 97756	15-12-00, TL 7700
67705 Cline Falls Rd, Redmond, OR 97756	15-12-00, TL 7701
67555 Cline Falls Rd, Redmond, OR 97756	15-12-00, TL 7800
67525 Cline Falls Rd, Redmond, OR 97756	15-12-00, TL 7801*
67545 Cline Falls Rd, Redmond, OR 97756	15-12-00, TL 7900
67400 Barr Rd, Redmond, OR 97756	15-12-00, TL 8000**

\* A portion of this tax lot is not included in the FMP.  
 \*\* Portions of this tax lot are not included in the FMP.

**OWNERS/APPLICANTS:** Central Land & Cattle Company, LLC, Kameron DeLashmutt Pinnacle Utilities, LLC

**APPLICANT’S ATTORNEYS:** J. Kenneth Katzaroff – Schwabe Williamson & Wyatt, PC  
 Liz Fancher

**REQUEST:** See Applicant’s Summary of Modification Request below.

**STAFF CONTACT:** Caroline House, Senior Planner  
 Phone: 541-388-6667  
 Email: Caroline.House@deschutes.or

**RECORD:** Record items can be viewed and downloaded from:  
<https://www.deschutes.org/cd/page/247-22-000678-mc-thornburgh-destination-resort-modification-cmpfmpfwmp>

**I. APPLICABLE CRITERIA**

Staff, in the Staff Report, set forth the following as applicable and relevant approval criteria. Applicant, Staff and persons in opposition disagreed as to which criteria should be considered relevant for the review of Applicant’s 2022 FWMP modification proposal in this case. The Hearings Officer addressed the relevant approval criteria in various decision findings below.

Relevant Approval Criteria (per Staff Report):

Deschutes County Code (DCC)

- Title 18, Deschutes County Zoning Ordinance:
  - Chapter 18.113, Destination Resorts Zone
- Title 22, Deschutes County Development Procedures Ordinance:
  - Chapter 22.04, Introduction & Definitions
  - Chapter 22.08, General Provisions
  - Chapter 22.20, Review of Land Use Action Procedures
  - Chapter 22.28, Land Use Action Decisions
  - Chapter 22.36, Limitation on Approvals

**II. BASIC FINDINGS**

**LOT OF RECORD:**

The subject property has been verified as a legal lot(s) of record in previous land use decisions.

**LOCATION:**

The Thornburgh Destination Resort (“Resort”) is comprised of a large tract of land +/-1,970 acres in size and includes several tax lots as shown in *Table 1* and *Figure 1* below.

*Table 1 - Thornburgh Destination Resort Location*

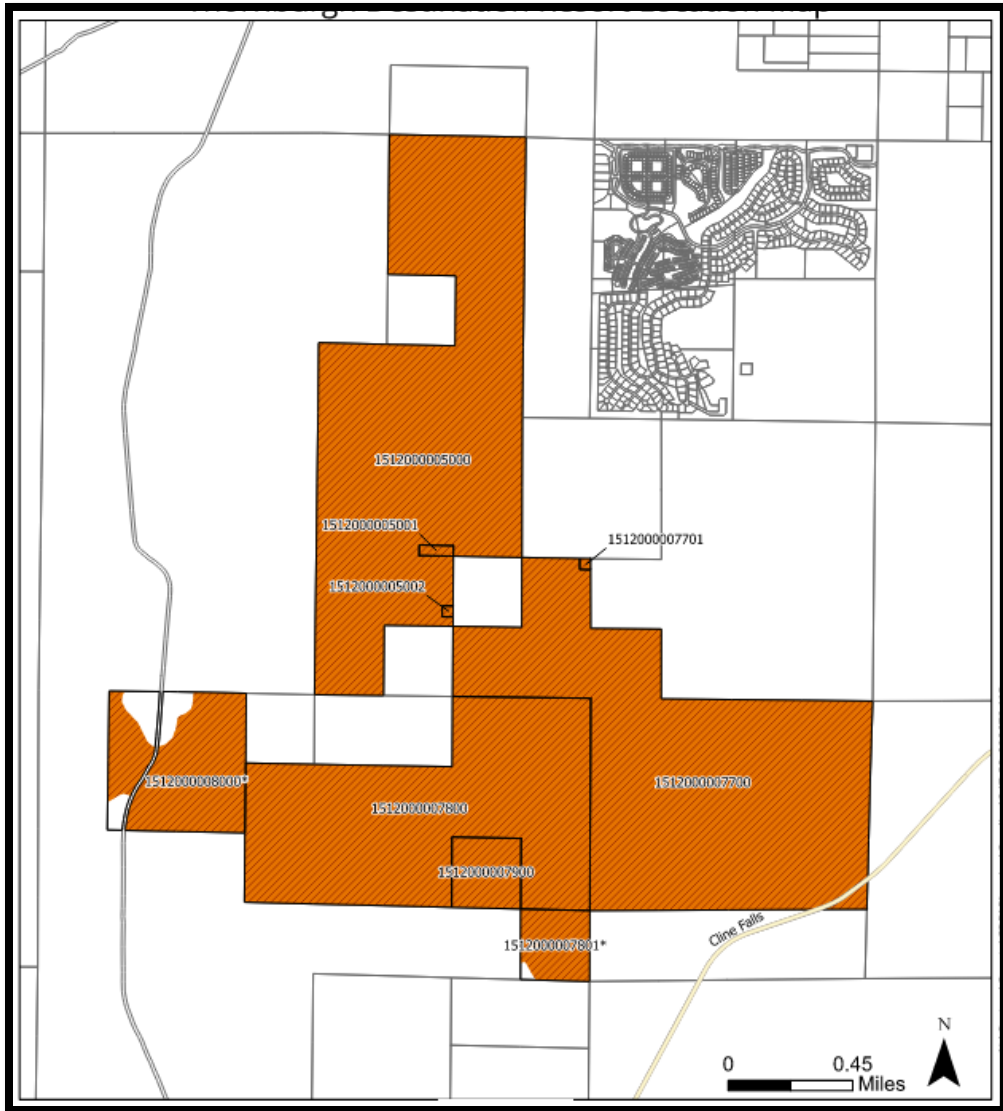
Map Number & Tax Lot	Address
15-12-5000	11800 Eagle Crest Blvd.
15-12-5001	11810 Eagle Crest Blvd.
15-12-5002	11820 Eagle Crest Blvd.
15-12-7700	67205 Cline Falls Rd.
15-12-7701	67705 Cline Falls Rd.
15-12-7800	67555 Cline Falls Rd.
15-12-7801 <sup>1</sup>	67525 Cline Falls Rd.
15-12-7900	67545 Cline Falls Rd.
15-12-8000 <sup>2</sup>	67400 Barr Rd.

<sup>1</sup> A portion of this tax lot is not included in the Final Master Plan (FMP) approval.

<sup>2</sup> Portions of this tax lot are not included in the Final Master Plan (FMP) approval



Figure 1 – Thornburgh Destination Resort Location Map



**SITE DESCRIPTION:**

The property described and displayed above (the “Subject Property”) is approximately 3 miles west-southwest of the City of Redmond. The Subject Property includes variable topography, native vegetation, rock outcroppings and ridge tops. At this time, the Subject Property is largely undeveloped land. However, the Applicant has started construction of access roads, other infrastructure improvements (i.e., community water system, community sewer system, etc.), and a golf course pursuant to prior land use approvals. In addition, the Applicant has applied for building permits for utility facilities<sup>3</sup> and overnight lodging units (“OLUs”). The southeastern corner of the subject property is bisected by Cline Falls Road and Barr Road bisects the southwest corner of the Resort tract.

<sup>3</sup> Staff (Staff Report, page 3) noted that these building permits are ready for issuance, but have not been issued at the time the Staff Report was written. The Hearings Officer is uncertain as to the status of the permits.

**SURROUNDING USES:**

The surrounding lands, not including other tax lots within the Subject Property, are primarily comprised of tracts owned by the Federal Government, State of Oregon, or Deschutes County. Most of this public land is part of the Cline Buttes Recreation Area and is zoned Exclusive Farm Use – Sisters/Cloverdale Subzone (EFU-SC) or Open Space & Conservation (OS&C). Further northeast is the Eagle Crest Destination Resort, and a property with an approved Surface Mining site (Site No. 252) and Wireless Telecommunication Facility. To the east-northeast of the Subject Property are Rural Residential (RR10) zoned lots that are generally five (5) to ten (10) acres in size. Most of these properties are developed with a single-family dwelling and related accessory structures.

**RESORT LAND USE HISTORY:**

Staff, in the Staff Report, provided the following summary of the land use history associated with the Thornburgh Resort. The summary below is included only to provide the reader of this decision Staff’s overview of the general scope of some of the applications, decisions and appeals associated with the Thornburgh Resort.

*Conceptual Master Plan (File No. CU-05-20): On February 16, 2005, Thornburgh Resort Company, LLC (“TRC”) applied for the Resort Conceptual Master Plan (CMP) approval for the Thornburgh Destination Resort. The application was denied by the Hearings Officer on November 9, 2005. The Board of County Commissioners (“BOCC”) issued Order Nos. 2005-143 and 2006-016 to call-up the Hearings Officer decision for review. On May 11, 2006, the BOCC approved the CMP. Annunziata Gould (“Gould”) and Steve Munson (“Munson”) appealed the BOCC decision to the Land Use Board of Appeals (LUBA / LUBA Nos. 2006-100 & 2006-101). LUBA remanded the BOCC decision on May 14, 2007 (Gould v. Deschutes County, 54 Or LUBA 2005 (2007)). The LUBA decision was appealed to the Court of Appeals. On November 7, 2007, the Court of Appeals reversed and remanded LUBA’s decision (Gould v. Deschutes County, 216 Or App150, 171 P3d 1017 (2007)). The result was the BOCC decision in CU-05-20 approving the CMP was remanded to the County for further proceedings.*

*On April 15, 2008, the BOCC issued its decision on remand, again approving the CMP (Order No. 2008-151). Gould and Munson appealed the BOCC remand decision to LUBA on May 6, 2008 (LUBA No. 2008-068). On September 11, 2008, LUBA affirmed the BOCC decision (Gould v. Deschutes County, 57 Or LUBA 403 (2008)). That decision was appealed to the Court of Appeals (A140139). On April 22, 2009, the Court affirmed LUBA’s decision (Gould v. Deschutes County, 227 Or App 601, 206 P3d 1106 (2009)). On October 9, 2009, the Oregon Supreme Court denied review (Gould v. Deschutes County, 347 Or 258, 218 P3d 540 (2009)). On December 9, 2009, the Court of Appeals issued its appellate judgement and the CMP received final approval as of December 9, 2009.*

*CMP Initiation of Use (File No. DR-11-8): On November 1, 2011, TRC applied for a Declaratory Ruling to demonstrate the CMP had been timely initiated. The Hearings Officer found the CMP was timely initiated. The BOCC declined to hear the appeal and Gould filed a LUBA appeal. On appeal, LUBA remanded that decision (LUBA No. 2012-042). LUBA’s decision was affirmed by the Court of Appeals, without opinion (Gould v. Deschutes County, 256 Or App 520, 301 P3d 978 (2013)). On remand, the Hearings Officer found the CMP was not timely initiated. TRC appealed the Hearings Officer’s decision to the BOCC. The BOCC issued a decision finding the CMP was initiated before the two-year deadline expired. Gould appealed the BOCC decision to LUBA. On appeal, LUBA remanded this*

decision back to the BOCC decision on January 30, 2015 (LUBA No 2015-080). However, LUBA’s decision was appealed and the Court of Appeals reversed and remanded stating that the express language of the County Code requires Defendant to substantially exercise the permit conditions as a whole, and any failure to initiate development by fully complying with the conditions should not be the fault of the applicant, a determination of which must be based on more than just the complexity of the process. The Court also held that the County could not interpret the County Code contrary to a prior LUBA order in this same litigation, as the lower tribunal was bound to follow the appellate Court’s Ruling (Gould v Deschutes County, 272 Or App 666 (2015)). Later, as part of the submitted application materials for the Golf Course Site Plan review, the applicant included the following clarification on the status of the remand:

“Loyal Land has not initiated a review on remand. This application is moot, however, because the Resort’s Final Master Plan (FMP) incorporates and satisfies all conditions of the CMP and has received final approval.”

Final Master Plan (File Nos. M-07-2/MA-08-6): Thornburgh Resort Company filed for approval of the Resort Final Master Plan (FMP) in 2007, which was later amended in 2008. The application was approved by the County, appealed by Gould, and subsequently remanded by LUBA to address issues regarding the Thornburgh Wildlife Mitigation Plan (Gould v. Deschutes County, 59 Or LUBA 435 (2009)). The LUBA decision was appealed to the Court of Appeals. The Court affirmed LUBA’s decision (Gould v. Deschutes County, 233 Or App 623, 227 P3d 759 (2010)). In 2015, on remand, the County denied approval of the FMP. Central Land and Cattle Company, LLC (“Central”) successfully appealed the denial and LUBA remanded the County decision (Central Land and Cattle Company v. Deschutes County, 74 Or LUBA 326 (2016)). The Court of Appeals affirmed LUBA’s decision without opinion (A163359). On the second remand, the FMP was approved by the County. The County decision was appealed by Gould. The County’s approval was affirmed by LUBA (LUBA No. 2018-008, August 21, 2018) and the FMP is now final.

Tentative Plan & Site Plan - Phase A-1 Residential/OLU Lots & Utility Facilities (File Nos. 247-18-000386-TP/247-18-000454-SP/247-18-000592-MA): In May 2018, Central filed for approval of its Phase A-1 Tentative Plan and Site Plan review for utility facilities authorized by the CMP and FMP. The Hearings Officer approved the request with conditions. The BOCC declined review of an appeal (Order No. 2018-073). Gould filed an appeal to LUBA (LUBA No. 2018-140). LUBA remanded the County’s decision on the following issue:

“On remand, the county must consider whether, without TP Condition 17, the tentative plan for Phase A-1 satisfies the no net loss/degradation standard and whether a change in the source of mitigation water constitutes a substantial change to the FMP approval, requiring a new application, modification of the application, or other further review consistent with FMP and DCC destination resort regulations.”

The LUBA remand decision was appealed to the Court of Appeals (A171603), but the appeal was dismissed based on the filing deadline. The Court of Appeals denied reconsideration of said order of dismissal. The Oregon Supreme Court accepted review of Court of Appeals order denying reconsideration of the order-dismissing petition for review (S067074). The Supreme Court agreed with Gould and instructed the Court of Appeals to hear that matter. The Court of Appeals subsequently affirmed LUBA’s decision in LUBA No. 2018-140 (A171603). In August 2021, Central initiated a second a remand application (file no. 247-21-000731-A). The Hearings Officer issued a

remand decision approving 247-21-000731-A (the Tentative Plan for Phase A-1 of the Thornburgh Destination Resort), thus clarifying and affirming the County's past approval of 247-18-000386-TP, 18-000454-SP, and 18-000542-MA. The BOCC declined review of an appeal (Order No. 2021-059). The County's decision was appealed to LUBA by Gould and LUBA affirmed the County's decision (LUBA No. 2021-112). A petition for judicial review has been filed to the Oregon Court of Appeals.

Site Plan – Phase A Golf Course (File No. 247-19-000881-SP): In December 2019, Central filed for Site Plan approval for a golf course authorized by the CMP and FMP. In April 2020, the Deschutes County Planning Division administratively approved the application. The BOCC called up an appeal filed by Gould and Central Oregon LandWatch (Order No. 2020-016). The BOCC affirmed the administrative approval on August 31, 2020. The County decision was appealed to LUBA and LUBA affirmed (LUBA No. 2020-095). The LUBA decision was appealed by Gould to the Court of Appeals (A176353). The Court of Appeals affirmed and the Oregon Supreme Court declined review (S069050). Therefore, the Site Plan approval for the golf course is final.

Site Plan – Phase A 80 OLU's (File No. 247-21-000508-SP): In May 2021, Central filed for site plan approval for 80 overnight lodging units authorized under the CMP and FMP. In September 2021, the Deschutes County Planning Division administratively approved the site plan. An appeal was filed by Gould, and the Hearings Officer denied the issues on appeal (file no. 247-21-000849-A) and approved the site plan. The BOCC declined review of an appeal (Order No. 2022-002). The County's decision was appealed to LUBA by Gould and LUBA affirmed the County's decision (LUBA No. 2022-013). The Court of Appeals affirmed LUBA's decision. It is unknown at this time if a petition for review has/will be filed to the Oregon Supreme Court.

Site Plan - Phase A-1 Resort Facilities (File No. 247-21-000537-SP): In May 2021, Central filed for Site Plan approval for a Welcome Center, Gatehouse, Golf Clubhouse and Community Hall authorized under the CMP and FMP. In November 2021, the Deschutes County Planning Division administratively approved the Site Plan. An appeal was filed by Gould, and the Hearings Officer denied the issues on appeal (file no. 247-21-001009-A) and approved the site plan. The BOCC declined review of an appeal (Order No. 2022-012). The County's decision was appealed to LUBA by Gould and LUBA affirmed the County's decision (LUBA No. 2022-026). A petition for judicial review has been filed to the Oregon Court of Appeals.

Modification of FMP – OLU Ratio (File No. 247-21-000553-MC): In June 2021, Central filed a Modification to amend the ratio of OLU's per single-family dwelling unit (from 2:1 to 2.5:1) and related bonding requirements. In October 2021, the Deschutes County Planning Division administratively approved the modification. An appeal was filed by Gould, and the Hearings Officer denied the issues on appeal (file no. 247-21-000920-A) and approved the Modification. The BOCC declined review of an appeal (Order No. 2022-003). The County's decision was appealed to LUBA by Gould and LUBA affirmed the County's decision (LUBA No. 2022-011). A petition for judicial review has been filed to the Oregon Court of Appeals.

Tentative Plan - Phase A-2 Residential Lots (File No. 247-21-000637-TP): In June 2021, Central filed for Tentative Plan approval for 108 single-family dwelling lots authorized under the CMP and FMP. The total development area included in the request encompasses 135 acres and the single-family dwelling lots on the tentative plan drawings identify the lots as lot numbers 193-300. In October 2021, the Deschutes County Planning Division administratively approved the application. An appeal was filed by Christine Larson, and the Hearings Officer denied the issues on appeal (file no. 247-21-

00948-A) and approved the Tentative Plan. The BOCC declined review of an appeal (Order No. 2022-011). Gould has filed an appeal to LUBA (pending LUBA No. 2022-025).

Site Plan – Phase A 70 OLU's (File No. 247-21-001111-SP): In December 2021, Central filed for Site Plan approval for 70 overnight lodging units. This application is pending review.

**PUBLIC AGENCY COMMENTS:**

The Staff Report contained a summary of public agency comments submitted into the record as of the date the Staff Report was issued. The Hearings Officer directs interested persons to review the Staff Report and public record if he/she/they are interested in the details of public agency comments. The Hearings Officer notes that additional public agency comments were received after the issuance of the Staff Report. Public agency comments that are considered relevant to this decision will be addressed in the findings below.

**PUBLIC COMMENTS, TESTIMONY AND RECORD SUBMISSIONS:**

This application, as is typical of all Thornburgh land use applications, generated significant interest from neighbors, nearby residents/farmers and public interest groups and the public in general. The Hearings Officer reviewed each record submission. The Hearings Officer, where related to a relevant approval criterion, will identify specific participants and their comments.

**REVIEW PERIOD:**

The application subject to this decision was submitted on August 17, 2022. On September 16, 2022, the County mailed an incomplete letter to the applicant requesting additional information necessary to complete the review. The applicant provided responses to the incomplete letter on September 22, 2022, and notified the County that no additional information would be submitted. For this reason, the application was deemed complete and a public hearing before a Hearings Officer was scheduled for October 24, 2022. The County mailed a Notice of a Public Hearing to all parties on September 30, 2022, and published a Public Notice in the Bend Bulletin on October 4, 2022. The Hearings Officer, at the October 24, 2022, public hearing kept the record open for the submission of new evidence until November 7, 2022; the record open for the submission of rebuttal evidence until November 14, 2022; and provided for the Applicant to submit a final argument until November 21, 2022. The Hearings Officer finds that Applicant supported/concurred with the Hearings Officer's open-record period. The Hearings Officer finds the Applicant consented to an additional 14 days which shall not be counted towards the 150-day clock. Additionally, the 7-day Applicant final argument period does not count towards the 150-day clock pursuant to ORS 197.797 (6)(e). Therefore, the Hearings Officer finds the 150<sup>th</sup> day in which the County must take final action on the subject application is March 12, 2023.

**APPLICANT'S SUMMARY OF MODIFICATION REQUESTS:**

Applicant (Katzaroff, November 7, 2022, Exhibit 1) provided the following "summary letter" of Applicant's proposal in this case. Attached to the "summary letter" was a "reorganized and updated November 7, 2022 Thornburgh Resort 2022 Fish and Wildlife Mitigation Plan (2022 FWMP) Relating to the Potential Impacts of Thornburgh's Reduced Ground Water Withdrawals on Fish Habitat."

The “summary letter,” in full, is set forth below:

*“This summary letter has been prepared by Jim Newton, PE, RG, CWRE, Principal of Cascade Geoengineering (‘CGE’) on behalf of Central Land and Cattle Company, LLC, owner, and developer of the Thornburgh Resort (‘Thornburgh’) to provide a simplified summary of the 2022 ‘Thornburgh Resort Fish and Wildlife Mitigation Plan, Addendum #2 (2022 FWMP) Relating to Potential Impacts of Thornburgh’s Reduced Ground Water Withdrawals on Fish Habitat’ dated August 16, 2022. The 2022 FWMP presented very detailed changes to the original 2008 FWMP that was approved by the Oregon Department of Fish and Wildlife (ODFW). Both the 2008 and 2022 FWMP provided mitigation to offset any potential impacts on fisheries and aquatic habitat and the specific measures to mitigate for any negative impacts.*

*Thornburgh estimated in 2008 the Resort’s water needs at full build out were up to 2,129 AF per year, having consumptive use of 1,356 AF, and a maximum withdrawal rate of 9.28 cubic feet per second (cfs). The Thornburgh Resort revised water needs at full build out by reducing some water intensive amenities and reducing irrigated landscaping for resort facilities and individual homes. The Resort will also implement the use of improvements in the type and method of fixtures used in Resort buildings to reduce consumption. As a result of this Thornburgh is reducing its total water needs from 2,129 AF to 1,460 AF. A summary table of the 2008 estimated water demand and the 2022 revised water demand are shown below:*

**2008**

**Original Water Use Full Resort Build-Out**

<u>WATER USE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	717 AF	645 AF
Irrigation	195 AF	117 AF
Reservoir Maintenance	246 AF	206 AF
Other Q/M	971 AF	388 AF
<b>TOTALS</b>	<b>9.28 CFS</b>	<b>2,129 AF</b>
		<b>1,356 AF</b>

**2022**

**Reduced/Revised Water Use at Full Resort Build-Out**

<u>WATER USE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	501 AF	451 AF
Irrigation	111 AF	66 AF
Reservoir Maintenance	51 AF	43 AF
Other Q/M	797 AF	319 AF
<b>TOTALS</b>	<b>1,460 AF</b>	<b>882 AF</b>

*The above reductions in estimated annual water usage reflect roughly a one-third in water savings at full buildout of the Resort. Further, the water used for mitigation of the new Resort water usage relies more on groundwater, groundwater that is intended to offset groundwater pumping that could reduce discharges of seeps and springs that contribute cool water to surface flows in the Deschutes River and Whychus Creek at gaining reaches of the River and Creek, respectively. A list of the water rights to be used for mitigation of the Resort water uses are shown below by the referenced name, volume and the water right certificate, transfer or otherwise a cancellation:*

**Water Rights: Certificated, Transfers, and Cancellations.**

1. LeBeau (200 AF) – Surface Water POD: Certificate 95746 and transfer T-13857.
2. Big Falls Ranch (614.4 AF) – Surface Water: Certificate 96192 & 96190 and transfer T-12651 to a groundwater Point of Appropriation.
3. Big Falls Ranch (25.6 AF) – Groundwater POA: Certificate 87558.
4. Tree Farm (327.5 AF) – Groundwater POA: Certificate 94948 and Transfer T13703.
5. Dutch Pacific (49.5 F) – Groundwater POA: Certificate 89259.
6. DRC Temporary Mitigation Credits – 6 AF of mitigation.
7. Three Sisters Irrigation District (1.51 cfs minimum 106 AF) – Surface water. Final order signed for instream transfer. This TSID water will only be used for quality mitigation, not as part of any OWRD mitigation or transfer program.

*These above mitigative water rights, upon approval by the Oregon Water Resources Department, will provide mitigation for 1,217 AF of the 1,460 AF required for fully mitigation the estimated Resort water uses. The remaining approximately 243 AF of mitigation will be completed in the future, prior to the OWRD authorizing the full annual water use of 1,460 AF. If the additional 243 AF of mitigation is not necessary, or unavailable, the Resort will be limited to 1,217 AF annually.*

*Based on the detailed surface and groundwater modelling prepared by Four Peaks Environmental Consulting, and Resource Strategies, Inc., and the analysis of the impacts on Fish Habitat provided by Four Peaks (all submitted into the county written record as of the date of this letter), the mitigation of the Thornburgh Resort groundwater usage achieves compliance with DCC 18.113.070(D), Deschutes County’s “No Net Loss/Degradation” standard as it pertains to fishery resources. Considering the reduced Thornburgh Resort water usage and superior mitigation of future Resort water uses provided by the 2022 FWMP and the ample technical support for the plan, the County should approve the Thornburgh 2022 FWMP.”*

**III. FINDINGS & CONCLUSIONS**

**SIGNIFICANT ISSUES RAISED:**

The Hearings Officer organized this decision somewhat differently than prior Thornburgh land use decisions. The Hearings Officer recognized that the Staff, Applicant and opponents raised a number of issues that were best addressed at the beginning of the decision. The Hearings Officer notes that in many cases these issues could be determinative of the Hearings Officer’s ultimate decision in this case. The Hearings Officer addresses below the issues the Hearings Officer believes were raised clearly with sufficient detail to allow the Hearings Officer to make a reasoned and supportable determination. The Hearings Officer first deals with **procedural issues** and then addresses what the Hearings Officer characterizes as **substantive issues**.

**Procedural Issue #1: Timing of Notice of Hearing**

Staff, (Staff Report, page 13), made the following comments related to the notice of hearing in this case:

*“...a public hearing before a Hearings Officer was scheduled for October 24, 2022. The County mailed a Notice of a Public Hearing to all parties on September 30, 2022, and published a Public Notice in the Bend Bulletin on October 4, 2022....”*

*STAFF COMMENT: Staff notes the hearing will occur on the 20<sup>th</sup> day [footnote 6] from when the Public Notice was published in the Bend Bulletin. DCC 22.24.030(C) requires notice of an in the County at least 20 days prior to the hearing. Staff asks the Hearings Officer to confirm if the notice requirements of DCC 22.24.030 have been met.”*

*footnote 6: “DCC 22.08.070. Time Computation. Except when otherwise provided, the time within which an act is required to be done shall be computed by excluding the first day and including the last day, unless the last day is a Saturday, Sunday, legal holiday or any day on which the County is not open for business pursuant the County is not open for business pursuant to a county ordinance, in which case it shall also be excluded.”*

The Hearings Officer finds that the Bend Bulletin published a notice of the October 24, 2022, hearing (the “Hearing”) in this case on October 4, 2022. The Hearings Officer finds that the Hearing did occur on October 24, 2022, which is 20 days after the published notice of hearing. The Hearings Officer finds that DCC 22.24.030 requires that the published notice happen/occur “at least 20 days **prior** to the hearing.” (Emphasis added by the Hearings Officer)

“Prior” is defined in the Meriam-Webster online dictionary as “earlier in time or order.” The Hearings Officer finds that technically DCC 22.24.030, along with DCC 22.08.070, requires 20-days pass *prior* to the scheduled hearing. The October 24, 2022 Hearing in this case was an initial public hearing. The notice of hearing was published on October 4, 2022, and DCC 22.08.070 mandates that day (October 4, 2022) not be counted towards the 20-day requirement. The first “counting” day for DCC 22.24.030 (C) purposes is October 5, 2022 and the 20<sup>th</sup> day would be October 24, 2022. The Hearings Officer finds that the October 24, 2022 hearing date is *the* 20<sup>th</sup> day. The Hearings Officer finds that the earliest that a hearing could be scheduled to meet the “20 days *prior*” requirement would have been October 25, 2022. The Hearings Officer finds that technically the county did not meet the DCC 22.24.030 (C) notice requirement.

The Hearings Officer did not make an oral ruling, at the Hearing, related to the published notice comments made by Staff. The Hearings Officer reviewed the entire October 24, 2022, hearing recording and attempted to ascertain whether any person provided comments about the hearing notice in the public record. While the Hearings Officer found various procedural objections to the hearing (See Procedural Error findings related to the open-record period, notice signage and County delays in uploading submissions to the online record), the Hearings Officer found no testimony, evidence, argument arguing that the notice of published notice somehow prejudiced any person’s/participant’s substantial rights.

The Hearings Officer finds the relevant law holds that a failure to provide a required notice provides a basis for reversal or remand *only if* an identifiable person’s/participant’s substantial rights were prejudiced by the error. *West Amazon Basin Landowners v. Lane County*, 24 Or LUBA 508 (1993). The Hearings Officer takes note that at least sixteen persons attended the Hearing in person and testified and two testified via the telephone. The Hearings Officer also notes that approximately 275 written submissions were received in the public record prior to the hearing and approximately 17 public agency comments were received. Additionally, the Hearings Officer notes that approximately 101 “new



evidence” submissions were received during the first open-record period and approximately 40 submissions were received during the rebuttal open-record period. The Hearings Officer finds that the public and interested persons actively participated in the hearing process for this case; including attending the Hearing in person, via zoom or by telephone. The Hearings Officer finds the technical error made by the County related to DCC 22.24.030(C) is harmless error and that no identifiable person’s rights were substantially prejudiced.

**Procedural Issue #2: Notice of Hearing Signage**

Hearing participant Christine Larson (“Larson”) objected to the location of the notice of hearing sign placed on the Thornburgh property. In summary, Larson stated that the location where the notice of hearing sign was placed was difficult to safely read. Larson asserted that the location of the notice of hearing sign did not provide meaningful notice to the community.

Applicant provided the following response to Larson’s notice sign placement argument (Katzaroff, November 21, 2022, pages 12 & 13):

*“Ms. Larson, in a Friday, October 21, 2022 Email, suggests the land use notice sign has no hearing date, is posted in “hard to view areas,” are on Thornburgh’s property but “far away from any development” and that there is an entry gate with parking that may make a better location. Respectfully, Thornburgh complied with the code related to posting of notice. As discussed by the planning staff at the Hearing, the land use action sign was filled out properly by staff. DCC 22.24.030(B)(1) requires that the notice be provided on the “subject property” and “where practicable, be visible from any adjacent public right of way.” While we understand the concerns of Ms. Larson, as shown on the map provided in the Staff Report, the only public right of way in the vicinity is Cline Falls Hwy.”*

The Hearings Officer notes that the Katzaroff November 21, 2022, submittal also included two maps and additional discussion related to the logistics of the placement of notice signage. The Hearings Officer finds Katzaroff’s comments and maps to be persuasive. Also, the Hearings Officer finds Staff, at the Hearing, concurred that notice of hearing signage met code requirements. The Hearings Officer finds Larson’s notice sign placement argument is not persuasive.

**Procedural Issue #3: Open-Record**

At the October 24, 2022, public hearing Jennifer Bragar (“Bragar”), an attorney representing Annunziata Gould (“Gould”), requested a period of time for the record to remain open. Bragar requested the record to be kept open for a period of 30-days for new evidence and 30-days for rebuttal evidence and a final 7-days for applicant rebuttal. In Bragar’s initial open-record written submission (Bragar, November 7, 2022, page 4) she stated, in part, the following:

*“At the public hearing, Ms. Gould requested an additional 17 days for the record to remain open to account for the missing 10 days and provide the statutorily required seven day period for an open record request under ORS 197.797(6). The Hearings Officer improperly decided that the record should be left open for 14 days. This does not account for the minimum time Ms. Gould and the public would have had available if Thornburgh’s materials had been made available in a timely manner on September 22, 2022 [footnote omitted]. Another way to look at this is that the 10 day delay of posting the Applicant’s Response to Incomplete Letter is overcome, but with only a 14-day*

*open record period, the statutory seven day open record period has been shortened by three days. In either event, the public has been substantially prejudiced and did not have adequate time to prepare substantive comments for the hearing before the Hearings Officer.”*

The Hearings Officer, at the Hearing, requested Applicant’s response to the Gould’s/Bragar’s open-record request. Kameron DeLashmutt (“Applicant” or “DesLashmutt”) and Kenneth Katzaroff (attorney for Applicant - “Katzaroff”) both expressed opposition to the 17-day open-record request and indicated that Applicant would not agree to extend the 150-day clock for any time period exceeding that required by Deschutes County code.

The Hearings Officer takes note of Deschutes County Code (“DCC”) 22.24.140 D. which states:

*“Leaving record open. If at the conclusion of the initial hearing the Hearings Body leaves the record open for additional written evidence or testimony, the record shall be left open for at least 14 additional days, allowing at least the first seven days for submittal of new written evidence or testimony and at least seven additional days for response to the evidence received while the record was held open. Written evidence or testimony submitted during the period the record is held open shall be limited to evidence or testimony that rebuts previously submitted evidence or testimony.”*

The Hearings Officer also takes note of ORS 197.797 (6). ORS 197.797 (6) sets out the minimum procedures that the county is required to follow when conducting quasi-judicial land use hearings (See, *Emmert v. Clackamas County*, LUBA No. 2011-052). Specifically, ORS 197.797 (6)(c) provides that land use hearing participants must be given an opportunity to rebut evidence submitted during a “first” open-record period.

The Hearings Officer finds that DCC 22.24.141 (D) provides that *if* a hearings officer keeps the record open for the submission of *new* written evidence or testimony *then* the hearings officer *must* allow at least seven additional days for responsive evidence. The Hearings Officer finds that the DCC 22.24.141 (D) responsive open record period satisfies the ORS 197.797(6)(c) opportunity to rebut evidence requirement.

The Hearings Officer finds nothing in the DCC or Oregon Revised Statutes (“ORS”) requiring the Hearings Officer to keep a record open beyond the “seven, seven, seven” DCC 22.24.141 (D) requirement. The Hearings Officer finds that he may exercise discretion in establishing an open-record period so long as the DCC and ORS minimum times requirements are met.

In this case the Hearings Officer extended the first (initial open-record period) from seven days to fourteen days. The Hearings Officer kept the record open for seven days for responsive evidence. The Hearings Officer acknowledged the Applicant’s right to a seven-day final written argument. The Hearings Officer, in this case, provided an additional seven days for any interested person/entity to submit evidence into the record.

The Hearings Officer’s open-record schedule, as set forth at the Hearing and the preceding paragraph, was established considering Bragar’s/Gould’s request in the context of statutory time limitations established to render a local decision. The Hearings Officer finds Bragar provided no persuasive evidence or argument that any party’s rights, in this case, would be substantially prejudiced. The Hearings Officer finds that Bragar’s/Gould’s open-record procedural error argument is not legally persuasive.

**Procedural Issue #4: County Delay in Submitting Items to Public Record**

Bragar (November 7, 2022, pages 3 & 4) argued that the County delayed “uploading” materials submitted by the Applicant to the online public record. Bragar argued that such delay “robbed Ms. Gould and the public of valuable time to prepare for the public hearing for a highly technical and complicated land use decision.” Bragar went on to say that “this oversight by the County to only maintain a digital record, but to not keep it up to date, substantially prejudiced Ms. Gould and the public in their preparation for the hearing and the land use process more broadly.”

Katzaroff provided Applicant’s response to Bragar’s delay in “uploading” argument, as follows:

*“Nothing in the County’s procedures ordinance or state law required the County to immediately upload to the County’s website or Accela the Applicant’s Response to Incomplete Letter. In fact, there is no law or requirement that would have required the County to upload the response in advance of the County issuing a decision on the Application, or in advance of determining that it would send the Application to a hearing. The County complied with DCC 22.20.020, which is all that was required. Like any member of the public, Ms. Gould had the opportunity to specifically request documents or to otherwise seek information from County planning staff related to the Application. The County owes no additional process to Ms. Gould or the general public above what the law required.”*

The Hearings Officer concurs generally with Katzaroff’s above-quoted comments. In addition, the Hearings Officer finds that an the open-record period to submit new evidence was extended from seven to fourteen days to allow Bragar, Gould, Applicant and the public to review the record of this case and provide written evidence and argument. As noted by Janet Neuman (“Neuman”), water rights attorney for Applicant (Neuman, November 14, 2022, page 1), “Ms. Gould’s Open Record materials consist of over 3,000 pages of documents attached to a November 7, 2022 letter from her land use counsel, Jennifer Bragar...”

While the Hearings Officer admits to not **counting** the number of pages submitted by Bragar, Gould and the public (nor the Applicant’s submissions) the Hearings Officer can reasonably characterize the opposition open-record submissions as voluminous, extensive and some very technical. In a perfect world all documents submitted to the County would be instantly become a part of the online public record and accessible to all. The Hearings Officer finds that there is no substantial evidence in the record that Bragar, Gould and/or the public was/were substantially prejudiced through the County’s delay in “uploading” documents.

**Procedural Error #5: Goal 1**

Bragar (November 7, 2022, page 3) stated the following:

*“The opportunity for citizens to be involved on all phases of the planning process’ is an integral component to Oregon’s land use planning program. Statewide Planning Goal 1. The public must have access to all documents and evidence in a timely manner to allow adequate opportunity to prepare for a public hearing. Transparency and the availability of documents in the record is the cornerstone for implementing Goal 1 citizen involvement, and ensuring the public’s due process rights. The inability to access record information substantially prejudices the public’s ability to participate in the planning process and disables widespread citizen involvement.”*

The Hearings Officer incorporates the findings **Procedural Issue #4: County Delay in Submitting Items to Public Record** as additional findings for the Goal 1 findings. Further, the Hearings Officer finds that Bragar did not reference any case law that would be relevant and in support of her Goal 1 argument. The Hearings Officer finds Bragar’s Goal 1 argument is general in nature and lacking sufficient specificity to allow the Hearings Officer to authoritatively respond.<sup>4</sup> The Hearings Officer finds, based upon the findings for “open-record,” “failure to timely upload,” and those set forth above that Bragar’s Goal 1 argument is not persuasive.

**Procedural Error #6: ORS 197.797 & DCC 22.20.055**

Bragar (November 14, 2022, pages 5 & 6) argued that “Applicant’s continued submission of application materials after the hearing constitutes a violation of ORS 197.797 and substantially prejudices the public.” Bragar asserted that Applicant, on November 7, 2022, submitted a “new FWMP as an open record submission.” Bragar went on to say that “the public did not have 20 days before a hearing to review Thornburgh’s proposed additions to its application.” Bragar requested that the Hearings Officer order a “new hearing.”

Bragar, in her November 14, 2022 open-record submission (page 6), provided additional comments relevant to her ORS 197.797 argument:

*“Significantly, at least 44% of the text in the November 7, 2022 FWMP is brand new. Attachment D, where the yellow highlights indicate new text that was not contained in the August 16, 2022 version. [footnote omitted] The August 16, 2022 version of the FWMP contained six more pages of language no longer found anywhere in the brand new November 7, 2022 FWMP. These significant changes to the Application, at a minimum, signify that under DCC 22.20.055 the Hearings Officer should require the Applicant to submit an application to modify, and restart the 150-day time clock.”*

Applicant responded to the above-quoted Bragar argument. First, Applicant highlighted (Katzaroff, November 21, 2022, pages 10 & 11) a prior Deschutes County Board (“BOCC”) decision (involving opponent Gould) addressing DCC 22.040.010 and DCC 22.20.055 (Case No. CU-05-10, DC No. 2006-151). In that case the BOCC noted that Opponent Gould “argued that Applicant’s rebuttal materials, dated September 28, 2005, included so many changes that it resulted in a modification of the application...” The BOCC, in that case, concluded that “Gould did not identify one new DCC criterion that had to be applied or one finding of fact that had to be changed as a result of the alteration she lists. None of the changes made by Applicant in its rebuttal materials required the application of new criteria to the proposal.”

Applicant’s second response to Bragar’s modification argument referenced specific/actual changes made by the November 7, 2022, FWMP submission to the original application 2022 FWMP document (dated August 16, 2022). Applicant concluded that “the updated 2022 document [September 7, 2022 FWMP document] was provided in response to the request from the Hearings Officer to clarify the 2022 FWMP [August 16, 2022 FWMP document]. It provided **no new mitigation measures** or evidence, it simply provides a greater level of description as to how the 2022 FWMP is intended to work.” (bold/underline included in original).

<sup>4</sup> 22.24.120 APPENDIX A PRELIMINARY STATEMENT IN LAND USE ACTION HEARINGS OR APPEALS BEFORE THE BOARD, section titled Hearings Procedures

The Hearings Officer reviewed Bragar’s “marked-up” copy of the August 16, 2022, Thornburgh Resort 2022 Fish and Wildlife Mitigation Plan (2022 FWMP) Relating to Potential Impacts of Thornburgh’s Reduced Ground Water Withdrawals on Fish Habitat. The Hearings Officer also engaged in the lengthy process of comparing each Bragar yellow highlighted section of the August 16, 2022, FWMP to the November 7, 2022, FWMP which Bragar argued should be considered a DCC 22.20.055 modification (requiring Applicant to submit an application to modify and restart the 150-day time clock).

The Hearings Officer concluded, following the review of the August 16, 2022, and September 7, 2022, versions of Applicant’s proposed 2022 FWMP that the September 7, 2022, FWMP version was an Applicant effort to repackage, reorganize and clarify the August 16, 2022 version. The Hearings Officer finds that the September 7, 2022, FWMP version did not change any proposed use, operating characteristic, intensity, scale, site lay out or landscaping element/item that was set forth in the August 16, 2022 FWMP. The Hearings Officer finds that the September 7, 2022, version did not change Applicant’s 2022 FWMP proposal in a manner that would require the application of new criteria to the proposal or would require the findings of fact to be changed.

The Hearings Officer finds that the September 7, 2022, FWMP submission was provided in response to a Hearing request, made by the Hearings Officer to the Applicant, to clarify the August 16, 2022, FWMP. The Hearings Officer finds the September 7, 2022, FWMP submission constitutes evidence submitted into the record after the application was deemed complete and prior to the close of the evidentiary record. The Hearings Officer finds Applicant’s submission of the September 7, 2022, FWMP is not a “modification of application” as defined by DCC 22.04.020. The Hearings Officer finds Bragar’s ORS 197.797 and DCC 22.20.055 arguments are not persuasive.

**Substantive Issue #1: Property Considered**

Bragar (November 7, 2022, page 25) stated that

*“Thornburgh’s slide presentation shows a road traversing tax lot 5300, but tax lot 5300 is not included in this Application ... Further tax lots 5103 and 5104 also need to be included in the Application because the Applicant’s road and water system are located on those properties.”*

Applicant provided the following response (Katzaroff, November 14, 2022, page 7):

*“Tax Lots 5300, 5103 and 5104 are presumably Tax Lots 5300, 5103 and 5104, Map 15-12-00. These properties are owned by the State of Oregon (DSL) and are leased to Thornburgh on a long-term lease. Thornburgh has easements to build roadways across these properties but the properties are not part of the property subject to the CMP and FMP. This is evident from a review of the CMP and FMP decisions Ms. Bragar filed with her November 7, 2022 letter. At the time the CMP was approved, Tax Lots 5300, 5103 and 5104 were not located in the DR overlay zone. Ms. Gould argued that these access roads were, however, resort development that was prohibited because neither property was zoned with Destination Resort overlay zoning. Her claim was summarily rejected by the Oregon Court of Appeals. Gould v. Deschutes County, 216 Or App 150, 158, 171 P3d 1017, footnote 1 (2007) presumably because the access roads may be built outside of the Resort that is subject to the CMP/FMP.”*

The Hearings Officer finds the Applicant’s above-quoted statement to be credible and responsive to Bragar’s above-quoted comments. The Hearings Officer finds, based upon the evidence in the record, that the Applicant included all necessary tax lots in the modification application subject to this decision.

**Substantive Issue #2: Intermittent Streams**

Bragar (November 7, 2022, page 25) asserted, based upon correspondence from the Oregon Department of State Lands (“DSL”) (Bragar attachment 35, page 2), that intermittent streams “crisscross the entirety” of a portion of the Thornburgh Resort property. Bragar argued that the environmental impacts of the intermittent streams must be analyzed prior to approval of the current application to modify.

The Hearings Officer finds the “intermittent streams” issue has been raised in the past by opponents and has been adequately addressed. The Hearings Officer takes note that DSL has previously emailed Staff indicating that notice to DSL was not necessary (October 19, 2022). Further, the Hearings Officer takes note that Applicant submitted a letter from HWA engineering stating that “there are no intermittent streams on the Thornburgh Resort property” (Applicant Exhibit rebuttal exhibit 8).

The Hearings Officer finds the DSL email and HWA letter referenced above are substantial evidence that there are no intermittent streams on the property subject to this application.

**Substantive Issue #3: Removal of one golf course**

Staff (Staff Report, page 20) and opponents asserted that the Applicant’s proposed elimination/removal of one golf course from the Thornburgh project would amount to a substantial change of the CMP/FMP approvals. The Hearings Officer will address the “substantial change” issue in later findings. However, the Hearings Officer addresses the status of the golf course to be removed at this time.

The Hearings Officer reviewed the CMP and FMP documents. The Hearings Officer finds the CMP/FMP approved three golf courses for the Thornburgh Resort. The Hearings Officer finds that one golf course is required and two are optional. The Hearings Officer finds the golf course Applicant proposes to eliminate through the 2022 FWMP modification application is an optional course. The Hearings Officer finds that the removal of one of the optional golf courses cannot be considered a substantial change to the CMP/FMP. The CMP/FMP authorized not building two of the approved golf courses and the application in this case is following that CMP/FMP authorization.

**Substantive Issue #4: On-the-ground changes**

Staff (Staff Report, page 10) expressed concern about possible “on the ground” changes being requested in Applicant’s 2022 FWMP modification proposal. The Hearings Officer finds that Applicant has proposed no “on the ground changes” in the 2022 FWMP application being reviewed in this case. The Hearings Officer finds that map references related to the one optional golf course to be eliminated will need to be addressed in a future site plan or preliminary plan review application. The one golf course proposed to be eliminated was at the time of the CMP and FMP approvals purely optional; it was anticipated during the CMP and FMP stages of approval that the one golf course to be eliminated would in fact not be constructed. If this application is approved such approval will limit golf course development to one required course and one optional course (not two optional courses).

**Substantive Issues #5: Additional development**

This issue is closely related to **Substantive Issue #4: On-the-ground changes**. Staff (Staff Report, page 52) asked the Hearings Officer to “make findings on whether the applicant’s proposal only modifies the FWMP”. Applicant (Katzaroff, October 2, 2022, page 6) responded by saying that

*“Staff request[s] a finding as to whether the Applicant’s tailored request should be broadened beyond the request of the Applicant. It should not, nor is there authority in the code for staff to so require. As noted, the code requires a modification to be related to a discrete aspect of the proposal.”*

The Hearings Officer reviewed the hearings officer’s FMP remand decision and Applicant’s Modification proposal in this case. The Hearings Officer finds that the FMP decision (M-07-2, MA-08-6) approved the 2008 FWMP. The Hearings Officer finds the primary references to water use (i.e., consumptive and mitigation -quantity and quality) at the Thornburgh Resort are found in the 2008 FWMP. The Hearings Officer finds that Applicant’s Modification proposal in this case is to update/change only the 2008 FWMP.

The Hearings Officer finds that Applicant’s proposed reduction in water use, changes in the sources of mitigation water and changes to the source of Thornburgh consumptive water are all related to Applicant’s proposed update to the 2008 FWMP. The Hearings Officer finds Applicant’s proposed modification in this case does not propose changes to CMP / FMP approved development at the Thornburgh Resort. No changes are proposed in the location of streets, open space, number of single-family residences, number of overnight living units or resort amenities (welcome center, clubhouse, etc.). The only development being proposed in this case is a reduction in CMP/FMP optional development (the optional golf course).

**Substantive Issue #6: Illustrations/Graphics Required**

Staff, as part of its incomplete letter response to Applicant indicated that it had requested Applicant to provide updated illustrations and graphics. Staff (Staff Report, pages 29 – 32) included Applicant’s comments in response to its request to provide updated illustrations and graphics. Applicant also addressed the illustrations and graphics issue in a record submission (October 21, 2022, page 3).

The Hearings Officer finds that Applicant’s modification proposal relates specifically to the FWMP. The Hearings Officer does acknowledge that the Applicant proposed to eliminate one golf course. The golf course to be eliminated, per the CMP, was optional; not required. The Hearings Officer agrees with Staff that updated illustrations and graphics would provide the county and persons interested in the Thornburgh Resort project with a timely picture of what has already been approved and what the Applicant is expecting to occur in the future. However, the Hearings Officer finds no participant in this case has provided the Hearings Officer with any legal authority and/or justification to require the Applicant to provide updated illustrations and graphics.

**Substantive Issue #7: Number and Location of Onsite Wells**

Staff (Staff Report, page 26) “asks the Hearings Officer to make findings on well location requirements for the Resort and to review the applicable criteria, if any, associated with changes to the location of and/or the number of wells for the Resort’s water supply.”

Applicant (Katzaroff, October 21, 2022, page 3) responded that Applicant is “not seeking the approval of new well sites.” The Hearings Officer reviewed the Applicant’s modification proposal in this case and concludes that Applicant is not formally applying for a change in the number or location of wells on the Thornburgh Resort property. The Hearings Officer finds that if the 2022 FWMP were to be approved in this decision that approval cannot be considered approval of any specific number of wells or any specific location of wells on the Thornburgh Resort property.

**Substantive Issue #8: Definition of Surrounding properties – DCC 22.36.040**

Staff (Staff Report, page 52) asked the Hearings Officer to define “surrounding properties” as that phrase is used in DCC 22.36.040 (C). Applicant (Katzaroff, October 21, 2022, pages 5 & 6) provided a response to Staff’s “surrounding properties” inquiry. The Hearings Officer agrees with Applicant that “surrounding properties,” as used in DCC 22. 36.040 (C), literally means the real property ownerships that are directly adjacent to (surrounding) the Subject Property.

**Substantive Issue #9: ODFW – Agreement**

The level of (required or optional input) participation of the Oregon Department of Fish and Wildlife’s (“ODFW”) was hotly debated during the record of this case. Many opponents argue that the ODFW must “agree” to Applicant’s proposed 2022 FWMP and must agree to measures assuring the satisfaction of the County “No Net Loss” standard. Applicant disagreed and argued ODFW “agreement” with the proposed 2022 FWMP is not necessary. This section of findings addresses the ODFW level of participation issue.

Staff, in the Staff Report (page 43), requested that the Hearings Officer “determine what authority, if any, shall be given to the ODFW’s verification that the Resort’s proposal complies with DCC 18.113.070(D).” Bragar (November 7, 2022, page 5) stated that “Ms. Gould continues to think that the Hearings Officer erred in finding that Thornburgh’s failure to obtain ODFW, and as described below, BLM agreement with its FWMP modification is integral to a complete application.”

Applicant (Katzaroff, October 21, 2022, page 4) provided the following comments related to ODFW authority in this case:

*“Staff requests finding on whether ODFW has been granted specific review authority of the FWMP and compliance with the no net loss/degradation standard. ODFW has no authority over Thornburgh’s application. The County code does not provide for any jurisdictional oversight by ODFW. ODFW has not asserted that it has any jurisdiction to approve or deny wildlife management plans. To the extent ODFW provides testimony it should be weighed and reviewed the same as any evidence in the record.”*

*DCC 18.113.070(D) states any negative impact on fish and wildlife resources will be completely mitigated so that there is no net loss or net degradation of the resource.”*

The Hearings Officer concurs with Applicant’s above-quoted statement that there is nothing in DCC 18.113.070 (D) requiring participation and/or agreement of ODFW in determining whether or not an application impacting fish and wildlife resources results in “No Net Loss.” Stated another way, the Hearings Officer finds that DCC 18.113.070 (D) does not require ODFW approval of Applicant’s 2022



FWMP proposal. This finding does not mean that ODFW comments, recommendations, or technical expertise are irrelevant or not to be considered. To the contrary, as noted in findings below, the Hearings Officer considered ODFW comments in this case to be very relevant. The Hearings Officer considered the ODFW comments to be provided by persons within ODFW who are competent and technically skilled in matters related to fish and wildlife habitats.

**Substantive Issue #10: Is the Thornburgh CMP “void”**

Bragar (November 7, 2022, pages 6 – 9) provided a historical and analytical analysis of Gould’s argument that because the CMP was void there is nothing to modify in this case. The conclusion of Bragar’s “CMP void” argument was that Applicant must submit an application for a “new” CMP before requesting approval of any proposed 2022 FWMP. The Hearings Officer finds that Bragar made frequent reference to the *Central Land and Cattle Co. v. Deschutes County*, 74 Or LUBA 236 (2016) land use decision (hereafter referred to as the case as the “LUBA FMP 2016 Decision”). Bragar argued that the *LUBA FMP 2016 Decision* held that the Thornburgh CMP was “ineffective and void.”

The Hearings Officer finds that Bragar’s “void CMP” argument, and even the *LUBA FMP 2016 Decision* related to the “void CMP issue,” a bit puzzling. This Hearings Officer has presided over and decided a number of post *LUBA FMP 2016 Decision* Thornburgh cases.<sup>5</sup> The “void CMP” issue has not been effectively raised in any of the prior Thornburgh cases where this Hearings Officer presided. Further, the Hearings Officer notes that in those prior cases the Thornburgh CMP was referenced and in numerous instances CMP conditions of approval were reviewed to determine if an application should be approved. This Hearings Officer finds it difficult to comprehend the “void CMP” issue is relevant at this late stage of the development process. With that said the Hearings Officer did review and consider carefully Bragar’s argument.

The Gould “void CMP” considered was by LUBA in the *LUBA FMP 2016 Decision* (see pages 27 – 32). LUBA noted, in the *LUBA FMP 2016 Decision* (pages 29 & 30) that a Deschutes County Hearings Officer (not the Hearings Officer in this case) “rejected Gould’s ‘void CMP’ argument for several reasons.” As noted in the *LUBA FMP 2016 Decision* the Hearings Officer found that “the FMP was filed pursuant to a CMP that ultimately was affirmed.” LUBA found, in the *LUBA FMP 2016 Decision* that the appropriate approach to the CMP and FMP relationship is that the FMP “has effectively incorporated and displaced the CMP approval” (page 31).

The Hearings Officer, based upon a review of the record and relevant appellate decisions, finds that there is no substantial evidence or persuasive legal authority in the record of this case to allow the Hearings Officer to conclude that the CMP is “void.” As such, the Hearings Officer finds the CMP is not “void” and that the Applicant’s modification proposal may be processed in this case.

**Substantive Issue #11: Overview of the Interaction Between the CMP and FMP**

Closely related to the previous issue (**Substantive Issue #10: Is the Thornburgh CMP “void”**) is a staff (Staff Report, page 35) and opposition (Bragar, November 7, 2022, page 9) concern related to an Applicant representation that “the CMP/FMP is *one* document.” (Applicant’s Response to Issues Raised in Incomplete Application Letter, page 41). The Hearings Officer believes that Applicant’s position is

<sup>5</sup> Including, but not limited to, the following: Phase A-1 Remand, Phase A 80 OLUs, Phase A-1 Resort Facilities, Modification of FMP regarding OLUs, Welcome Center and other resort amenities, Phase A-2.

sourced from LUBA language contained in the *LUBA FMP 2016 Decision*. LUBA stated, in the *LUBA FMP 2016 Decision*, the following:

*“As Gould correctly notes, the CMP potentially remains a relevant source of FMP approval considerations because at least some of the CMP conditions of approval effectively cannot be performed until the FMP approval. But those conditions of approval were carried forward in the county’s first FMP approval decision and remain part of the current FMP decision. All requirements of the CMP approval are now requirements of the county’s FMP approval. The FMP approval has effectively incorporated and displaced the CMP approval.”*

Bragar provided the following comments related to the “CMP/FMP **one** document” issue:

*“The Applicant’s attempt to redefine its CMP and FMP approvals as a single step instead of two separate distinct steps does not tell the whole story. Characterizing the CMP and FMP as one and the same decision based on the FMP containing some mirror, but not always identical conditions of approval or otherwise attempting to address the CMP conditions with a ‘satisfied’ statement, does not by mere assertion change the nature of each independent decision.”*

Bragar’s comments quoted above are generally consistent with the Gould argument presented in the *LUBA FMP 2016 Decision* (See *LUBA FMP 2016 Decision* page 31, footnote 10).

The Hearings Officer, while appreciating the Applicant’s definitional efforts (Katzaroff, November 14, 2022, page 4, footnote 4), conceptually agrees with Bragar, Gould’s and possibly Staff’s description of the relationship between the CMP and FMP. The Hearings Officer finds the County has a three-step destination resort application/approval process. The CMP, the first step, is a singularly unique document not dependent upon any prior approval. The FMP, the second step, is a document that may well be dependent upon the CMP but from a legal perspective is itself an independent document. Site plan or preliminary plan approval documents may well be dependent upon the CMP **and/or** the FMP. Site plan and preliminary plan approvals are legally independent documents.

The Hearings Officer concurs with LUBA (*LUBA FMP 2016 Decision*) that the FMP “effectively incorporated and displaced the CMP approval.” However, that LUBA language does not state that the CMP and FMP are “one document.” In this case the Hearings Officer finds that the Thornburgh CMP and Thornburgh FMP are legally distinct documents and not technically “one document.” The Hearings Officer finds that such a conclusion is appropriate considering that the Deschutes County Code provides a process to modify a CMP (DCC 18.113.080) but not a separate process to modify a FMP document. The Hearings Officer finds that in this case the CMP approval deferred the FWMP decision to be made as part of the FMP. Therefore, the Hearings Officer finds that any decision to change the FMP by changing the FWMP necessarily implicates the CMP. The Hearings Officer finds that modifying a second stage FMP document may require a modification of the first stage CMP document. That appears to the Hearings Officer what is being done in this case.

**SUBSTANTIVE ISSUES - SUBSTANTIAL CHANGE OVERVIEW**

A significant number of opponents asserted that Applicant’s 2022 FWMP modification proposal constituted a “substantial” or “significant” change from past approvals. The “substantial change” issue is addressed in a number of findings below. The Hearings Officer chose to address the interpretation of the phrase in the two specific sections where that phrase is used (DCC 18.113.080 and Condition 1). The

Hearings Officer, in separate findings, considers how the phrase “substantial change,” as used in the two specific instances, can be “harmonized” by reference to DCC 22.36.040.

**Substantive Issue #12: Substantial Change - DCC 18.113.080**

DCC 18.113.080 states:

*“Any substantial change, as determined by the Planning Director, proposed to an approved CMP shall be reviewed in the same manner as the original CMP. An insubstantial change may be approved by the Planning Director. Substantial change to an approved CMP, as used in DCC 18.113.080, means an alteration in the type, scale, location, phasing or other characteristic of the proposed development such that findings of fact on which the original approval was based would be materially affected.”*

The Hearings Officer finds that the DCC 18.113.080 “as determined by the Planning Director” includes Planning Director designees. The Hearings Officer finds that a hearings officer is a Planning Director designee. The Hearings Officer finds the DCC 18.113.080 language “as determined by the Planning Director” allows, permits and authorizes this Hearings Officer to determine if Applicant’s proposed modifications in this case are “substantial changes.” The Hearings Officer takes note that Staff, Applicant and opponents all raised the issue of “substantial changes” in their evidentiary and legal arguments. Applicant, Staff and opponents all asked the Hearings Officer to determine whether or not its proposed modifications were “substantial changes.” No arguments were presented by any participant that the Hearings Officer in this case could not interpret DCC 18.113.080.

This is not the first instance where this Hearings Officer has been required to address the “substantial” or “significant” change issue. The latest instance where the Hearings Officer addressed this issue was in Applicant’s request to modify the Thornburgh CMP/FMP in relation to CMP/FMP Overnight Lodging Units (“OLU’s”) (the Hearings Officer’s “*OLU Modification Decision*”). Gould appealed the OLU Modification Decision to LUBA. LUBA addressed the “substantial” or “significant” change issue, in part, as follows:

*“The hearings officer interpreted FMP Condition 1, DCC 18.113.080, and DCC 22.36.40 in a manner that harmonizes and gives effect to all those provisions. While FMP Condition 1 or DCC 18.113.080 do not expressly define ‘substantial change’ as a change that will result in significant additional impacts on surrounding properties, the hearings officer did not err in interpreting those criteria as implying that analysis. See ORS 174.010 (‘Where there are several provisions or particulars such construction, if possible, to be adopted as will give effect to all.’) In that context, the hearings officer did not err in concluding that a potential loss of 95 units of overnight tourist lodging is not a substantial change that would require a new application. Substantial change to an approved CMP, as used in DCC 18.113.080 means an alteration in type, scale, location, phasing or other characteristic proposal development such that findings of fact on which the original approval was based would be materially affected.’ DCC 18.113.080. Importantly, petitioner does not identify any ‘findings of fact on which the original approval was based that would be materially affected by a decrease in the overall number of OLU’s. DCC 18.113.080” Gould v. Deschutes County, LUBA No. 2022-011 (2022).*

The Hearings Officer, in the OLU Modification Decision, was faced with Applicant requests that reduced, by a relatively small amount, the number of OLU’s required to be constructed and also proposed to change “bonding” requirements. The Hearings Officer found, in the OLU Modification Decision, the

reduction of number of OLU units and the changes in bonding requirements would reduce the scope of the Thornburgh project and correspondingly reduce impacts from the development. The Hearings Officer, in the OLU Modification Decision, did not hold that **any** proposed modification of the CMP/FMP that reduces impacts could not be considered a “substantial change.” By way of example only, if the Thornburgh Applicant offered a modification proposal that reduced the number of single-family units to be constructed to under 10, eliminated all golf courses, restaurants and club house facilities then the decision maker would likely be justified, despite a reduction in impacts, to find that such an application was a “substantial change.”

In this instance the Applicant is seeking approval to modify the CMP/FMP/FWMP in two ways (Hearings Officer summary):

- (1) Limit (lower) the amount of annual water use at the Resort; and
- (2) Change the source of FWMP mitigation water.

The first modification, the limitation of the amount of annual water use allowed by the Resort, proposes to reduce the Resort’s water use from 2,129 Acre Feet (“AF”) to an estimated 1,460 AF. The Applicant proposes to achieve this reduction by “agreeing” not to build a golf course (which the CMP/FMP designated as “optional) and reducing the amount of water used by Resort lakes and various irrigation systems. Many opponents argue that the imposition of a lower use of water limitation meets the DCC 18.113.080 definition of “substantial change.” Opponents argue that Applicant’s proposed 2022 FWMP changes/alters the “*type, scale, location, phasing or other characteristic of the proposed development.*”

Applicant argued that placing a lower limit on the amount of annual water that can be used by the FWMP is not “development.” The Hearings Officer agrees a reduction of water use is not “development.” However, the Hearings Officer finds that what DCC 18.113.080 language “of the proposed development” is directed to is **THE** “proposed development.” In this case **THE** “proposed development” is the “Thornburgh Resort.” DCC 18.113.080 is asking whether or not the Thornburgh Resort, is being altered in type, scale, etc.

Clearly, the “scale” of water use is being proposed to change at the Thornburgh Resort (the “proposed development”); Thornburgh proposes to place a limit (lower than approved) on the water use at the Resort. Additionally, it is clear to the Hearings Officer that reducing the number of golf courses at a destination resort can reasonably be considered a change in scale and location of an important resort amenity at the Thornburgh Resort (the “proposed development”). The Hearings Officer finds that both the Applicant’s proposed reduced water use limitation and the elimination of one of three proposed golf courses meet the “alteration” portion of DCC 18.113.080.

The second aspect of Applicant’s proposal is the FWMP modification (from 2008 FWMP to 2022 FWMP) involving the change of sources of water to be used for fish and wildlife mitigation. Applicant, in its Burden of Proof (page 8) suggests that changing the source of mitigation water is not DCC 18.113.080 “development.” Again, the Hearings Officer agrees with Applicant that changing FWMP mitigation water sources is not “development.” But (once again), the Hearings Officer notes that DCC 18.113.080 is not asking if the alteration is in and of itself “development” but rather is asking if the “proposed development” (Thornburgh Resort) is being altered in type, scale, location, phasing or other characteristic? The Hearings Officer finds that a characteristic (source of water for the FWMP) of the “proposed development” (Thornburgh Resort) is being “altered.”

Staff inquired, in the Staff Report, as to whether “other characteristics” of the Thornburgh Resort were being proposed to be altered. Staff was unsure if Applicant’s proposed elimination of a golf course somehow altered the Thornburgh open space requirements. The Hearings Officer finds that the golf course being proposed to be eliminated was designated as open space in the CMP/FMP. The Hearings Officer finds Applicant did not propose to change any open space requirements. The Hearings Officer finds that so long as the Applicant meets its CMP/FMP and third level application requirements (I.e., tentative plan and site plan approval criteria) then this application does not allow the Hearings Officer to conclude that there is a proposed change in CMP/FMP open space obligations.

Opponents (I.e., Bragar, November 14, 2022, page 12) suggested that Applicant’s reduction of water (limitation) would result in changes to fire and sewage disposal CMP/FMP obligations. The Hearings Officer finds that Applicant did not propose any changes to the CMP/FMP fire suppression and sewage disposal obligations. The Hearings Officer finds opposition allegations related to changes in CMP fire suppression and sewage disposal obligations are not supported by substantial evidence in the record and/or legal authority.

The DCC 18.113.080 definition of “substantial change” has a second requirement (in addition to the “alteration” requirement addressed in the previous paragraphs). That requirement is that the “alteration” must materially affect findings of fact on which the original approval was based. The Hearings Officer reviewed the record in this case to determine if one or more specific CMP/FMP findings would be materially affected by Applicant’s proposed reduction (limitation) on the use of water. As stated by LUBA, in *Gould v. Deschutes County*, LUBA No. 2022-011 (2022), case participants must identify “any findings of fact on which the original approval was based’ that would be materially affected...” Since no participant in this case identified for the Hearings Officer one or more finding of fact in the original decisions (CMP/FMP) that would be materially affected the Hearings Officer finds Applicant’s proposal to modify the CMP/FMP water usage or elimination of an optional golf course are not a “substantial changes” under DCC 18.113.080.

With respect to Applicant’s proposed changes in the source of FWMP mitigation water the Hearings Officer takes note of the following Applicant statement (Burden of Proof, page 8):

*“The applicant acknowledges that an amendment of the FWMP would materially affect the findings of compliance with the ‘no net loss/degradation’ standard but in a way that would reduce impacts.”*

The Hearings Officer agrees with Applicant that an amendment to the FWMP changing water sources would materially affect the findings related to DCC 18.113.070 (D). Further, the Hearings Officer takes note that the FMP hearings officer findings (Hearings Officer Decision: M-07-2 & MA-08-6, hereafter the “HO FMP Decision) specifically identified water sources proposed to supply mitigation obligations and considered the impacts of those specific sources upon equally specific fish and wildlife habitat. These findings need to be changed in a wholesale fashion and not just tweaked. No reasonable person could conclude that the CMP/FMP findings related to the 2008 FWMP need only minor changes if the proposed 2022 FWMP is approved.

The Hearings Officer finds that Applicant’s proposed changes in sources of FWMP mitigation water would materially affect the FMP findings related to the FWMP. The Hearings Officer finds, based upon the evidence and analysis set forth above, that Applicant’s proposed modification of the FWMP mitigation water sources is a DCC 18.113.080 “substantial change.”

The Hearings Officer will address processing issues related to DCC 18.113.080 (“reviewed in the same manner”), Condition 1 (“will require a new application”) and DCC 22.36.040 in separate findings below.

**Substantive Issue #13: Substantial Change - Condition 1**

FMP Condition 1 states the following:

*“Approval is based upon the submitted plan. Any substantial change to the approved plan will require a new application.”*

The Hearings Officer incorporates the preceding findings (**Substantive Issue #12: Substantial Change – DCC 18.113.080**) as additional findings for this section. LUBA generally agreed with the Hearings Officer’s analysis as set forth in the OLU Modification Decision. LUBA concurred with the Hearings Officer that Condition 1 does not include a definition of “substantial change” and that the Hearings Officer’s utilization of the DCC 18.113.080 “substantial change” definition was appropriate.

The Hearings Officer, therefore, finds that Applicant’s proposed modification related to reducing (limiting) the amount of water use at Thornburgh is not a Condition 1 “substantial change” to the CMP/FMP/FWMP. The Hearings Officer finds that Applicant’s proposed modification to the FWMP mitigation water sources is a Condition 1 “substantial change.”

The Hearings Officer will address processing issues related to DCC 18.113.080 (“in the same manner”) Condition 1 (“will require a new application”) and DCC 22.36.040 (subsections 3. And 4.) in the findings for **Substantive Issue #15: Process**.

**Substantive Issue #14: DCC 22.36.040**

The Hearings Officer incorporates the findings for **Substantive Issue #12: Substantial Change – DCC 18.113.080** as additional finding for this section.

DCC 22.36.040 (A) states:

*“An applicant may apply to modify an approval at any time after a period of six months has elapsed from the time a land use action approval has become final.”*

The Hearings Officer finds that six months have elapsed since the FMP became final. The Hearings Officer finds this section of DCC 22.36.040 is met.

DCC 22.36.040 (B) states:

*“Unless otherwise specified in a particular zoning ordinance provision, the grounds for filing a modification shall be that a change of circumstances since the issuance of the approval makes it desirable to make changes to the proposal, as approved. A modification shall not be filed as a substitute for an appeal or to apply for a substantially new proposal or one that would have significant additional impacts on surrounding properties.”*

The Hearings Officer finds that DCC 18.113.080 (B) sets forth a number of requirements. Those requirements include (1) a change in circumstances has occurred since the approval, (2) the application

for modification is not a “substitute for an appeal,” (3) the application is not a “substantially new proposal,” and (4) the application would not have “significant additional impacts on surrounding properties.” DCC 322.36.040 (B) also states “unless otherwise specified in a particular zoning ordinance.” The Hearings Officer finds that no participant in this case presented credible evidence or persuasive argument that there is a “particular zoning ordinance” that overrides or otherwise makes DCC 18.113.080 inapplicable. The Hearings Officer finds no credible evidence or persuasive argument in the record suggesting that DCC 18.113.080 (B) is not relevant to this case.

Applicant provided the following comments related to DCC 22.36.040 (B) (Katzaroff, November 21, 2022, page 26):

*“To the extent the hearings officer determines that a change of circumstances is necessary, both Thornburgh and project opponents have argued that current conditions related to drought and water constraints warrant reduction in water use and to provide better mitigation for water use. Thornburgh is requesting just that, an update from the 2008 FWMP to the 2022 FWMP that will provide more water instream with net benefits to habitat quality through decreases in water temperatures.”*

Applicant provided additional support that there have been changes in circumstances (Burden of Proof, pages 6-8). The Hearings Officer concurs with the Applicant conclusionary comments quoted above and Applicant’s Burden of Proof comments that there has been a change in circumstances. The Hearings Officer takes notice that the FMP proposal was originally submitted in 2008 and since that time the concepts of climate change and need for water conservation have become more accepted. The Hearings Officer also takes notice that during the interim between CMP/FMP/FWMP approval opponents have raised concerns about the amounts and sources of water to be used at the Thornburgh Resort and also challenged the viability of actually completing the current FWMP. The Hearings Officer finds that circumstances related to the Thornburgh Resort CMP/FMP/FWMP have changed making it *desirable* for the Applicant to modify the CMP/FMP/FWMP.

The Hearings Officer finds there is no credible or substantial evidence in the record to conclude that Applicant is filing the modification requests in lieu of an appeal. Opponents have suggested that Applicant submitted the 2022 FWMP application as a substitute for an appeal. The Hearings Officer finds that opponents have not identified any specific land use decision(s) where the current application would in any way act as a “substitute for appeal” for that/those decisions.

The Hearings Officer acknowledges that the 2022 FWMP modification application is a “new FWMP.” However, the Hearings Officer interprets DCC 22.36.040 (B) phrase “substantially new proposal” relates to the CMP that is being proposed to be modified (See findings for DCC 18.113.080, the Destination Resort code section relating to modifications of approved CMP’s). The Hearings Officer finds that the current 2022 FWMP modification application relates to a discrete and relatively small element of the CMP/FMP approval. The application in this case is not a proposal for new resort it is a proposal to modify one part of the CMP/FMP approved resort project.

The Hearings Officer finds Applicant’s reduction of water use is in fact just that: a request to reduce (limit) water use at the Thornburgh Resort. The Hearings Officer finds Applicant’s request to eliminate one of three golf courses at the Thornburgh resort is not a new proposal; it is a request to clarify the number of golf courses that must and/or can be constructed at the Thornburgh Resort (one golf course is currently required and two may be constructed at the option of the Applicant). The changing of the

FWMP water sources is a requested *change* of the existing FWMP. The Hearings Officer finds, based upon the record in this case, that Applicant’s modification proposals are not “substantially new proposal(s).” The Hearings Officer finds Applicant is proposing no new or additional housing units, infrastructure or amenities as part of the current modification proposal. While the application for the 2022 FWMP approval is a *change* the Hearings Officer finds there is no credible and persuasive evidence in the record that even attempts to demonstrate that the application “substantially” changes the CMP.

The final requirement of DCC 22.36.040 (B) asks if the Applicant’s modification proposal will have “significant additional impacts on surrounding properties.” The Hearings Officer incorporates the findings for **Substantive Issue #8: Definition of Surrounding properties – DCC 22.36.040** as additional findings for this section. The Hearings Officer acknowledges that opponents have made general reference to “potential impacts” on surrounding properties but have not provided the Hearings Officer with credible and persuasive evidence that those impacts are “significant” and are “additional” to the impacts of the current CMP/FMP/FWMP.

DCC 22.36.040 (C) states:

*“An application to modify an approval shall be directed to one or more discrete aspects of the approval, the modification of which would not amount to approval of a substantially new proposal or one that would have significant additional impacts on surrounding properties. Any proposed modification, as defined in DCC 22.36.040, shall be reviewed only under the criteria applicable to that particular aspect of the proposal. Proposals that would modify an approval in a scope greater than allowable as a modification shall be treated as an application for a new proposal.”*

The Hearings Officer addressed the “substantially new proposal” and “significant additional impacts on surrounding properties” issues in the findings for DCC 22.36.040 (B) above. Those findings are applicable to DCC 22.36.040 (C).

The Hearings Officer finds that Applicant’s proposed modification of the use of water, elimination of one (of three) golf courses and changing the source of FWMP mitigation water are “discrete” aspects of the CMP/FMP approval. The Hearings Officer finds no credible and substantial evidence in the record to support a conclusion that Applicant’s proposal, in this case, is a modification of an approval (CMP/FMP/FWMP). The Hearings Officer finds that the proposals, in this case, are not such that they are greater in scope than allowable as a modification. The Hearings Officer finds DCC 22.36.040 allows Applicant’s proposals to be treated as a modification.

DCC 22.36.040 (D) states:

*“An application for a modification shall be handled as a land use action.”*

The Hearings Officer finds that Applicant’s proposed modifications to the CMP/FMP/FWMP have been processed as a land use action. There is no evidence in the record to support a contrary conclusion.

**Substantive Issue #15: Process**

Many opponents of Applicant’s 2022 FWMP proposal argued that the Applicant should be required to submit an entirely new CMP/FMP application; in essence “start the resort approval process over.” (i.e.,



Bragar referenced the need for a new CMP/FMP application in her November 7, 2022 submission on at least the following pages – 2, 3, 9, 13, 14, 15, 17, 18, 20, 23, 25, 26, 27, 28, 35 and 37).

DCC 18.113.080 states, in part, the following:

*“Any substantial change, as determined by the Planning Director, proposed to an approved CMP shall be reviewed in the same manner as the original CMP.”* (underlining added by the Hearings Officer)

Condition 1 states, in part, the following:

*“Any substantial change to the approved plan will require a new application.”* (underlining added by the Hearings Officer)

The Hearings Officer found that Applicant’s proposal to change the 2008 FWMP mitigation water sources, by adopting the 2022 FWMP, was a “substantial change” as described in DCC 18.113.080 (See findings above for **Substantive Issue #12: Substantial Change - DCC 18.113.080**) and Condition 1 (**Substantive Issue #13: Substantial Change – Condition 1**). Therefore, the Hearings Officer finds that the 2022 FWMP modification application must be “reviewed in the same manner as the original CMP” (DCC 18.113.080) and as “a new application.” (Condition 1). The balance of these Substantive Issue #15 findings address the phrases “reviewed in the same manner” and “new application.” Neither of these phrases is defined in the Deschutes County Code or in the CMP/FMP.

The Hearings Officer’s initial attempt to interpret the phrases “reviewed in the same manner” and “new application” considered dictionary definitions.<sup>6</sup> The phrase “reviewed in the same manner” (DCC 18.113.080) is not defined in the Deschutes County Code (“DCC” or the “Code”).<sup>7</sup> The word “**review**” is defined in the Merriam-Webster Online dictionary as “a formal assessment or examination of something with the possibility or intention of instituting change if necessary.” The word “**same**” is defined in the Merriam-Webster Online Dictionary as “resembling in every relevant respect” and “conforming in every respect.” Merriam-Webster lists the word “identical” as a synonym to the word same. The word “**manner**” is defined in the Merriam-Webster Online Dictionary as “a characteristic or customary mode of acting” and “a mode of procedure or way of acting.” Combining these three terms (“review,” “same” and “manner”) the Hearings Officer finds a reasonable interpretation of “reviewed in the same manner” is: “**identical procedure or identical way of acting.**”

The phrase “new application” is not a defined in the Code. DCC 1.04.010 does define “Applicant and application” as “the person who applies, and the process for applying, for a franchise, license, permit or other benefit or privilege given by the County.” That definition does employ the word “process” but otherwise is not useful in addressing the Condition 1 “new application” issue. The Hearings Officer notes that no participant in this case provided to the Hearings Officer a BOCC case decision or relevant LUBA or appellate decision case that provided any useful insight into a defensible interpretation of “new application.” The Hearings Officer finds, based upon the evidence in the record, that the Condition 1 phrase “new application” is unique to the Thornburgh CMP/FMP.

<sup>6</sup> The Hearings Officer acknowledges that DCC 22.36.040 may assist in interpreting “reviewed in the same manner” and “new application.” The Hearing Officer, later in these findings, does address the interpretive impact of DCC 22.36.040.

<sup>7</sup> The complete first sentence of DCC 18.113.080 states: Any substantial change, as determined by the Planning Director, proposed to an approved CMP shall be reviewed in the same manner as the original CMP. (underlining added by the Hearings Officer)

The phrase “new application” is also not defined in Code. The term “new” has a temporal connotation; something that is recent and not old. The singular term “**application**” is defined in the code (DCC 1.04.010) as “the process for applying, for a franchise, license, permit or other benefit or privilege given by the County.” The Hearings Officer finds a reasonable interpretation of “new application,” utilizing definitions, is: “**filing a new request for approval.**”

The Hearings Officer attempted a slightly different definition based interpretative approach. The Hearings Officer finds that the “review in the same manner” phrase is directed towards a *process* that is the “same.” The Hearings Officer finds that “new application” is directed towards something “new.” The Hearings Officer finds that both the phrase “review in the same manner” and “new application” are directed to “process.” DCC 18.113.080 mandates the same process as used for reviewing the CMP be used if a modification request is deemed a substantial change. The Hearings Officer finds the Condition 1 “new application” language is also focused on process. Condition 1 requires that a substantial change request must be processed through a new application. The Hearings Officer finds that the DCC 18.113.080 “reviewed in the same manner” language and Condition 1 “new application” language are functionally equivalent as both address processing applications.

The Hearings Officer finds that an attempted harmonization of DCC 18.113.080 and Condition 1 does not assist in answering the “new application” interpretation issue. The Hearings Officer next considered the possibility that DCC 22.36.040 might assist in providing Deschutes County Code insight into how Condition 1 may be interpreted.

The Hearings Officer finds that the dictionary definitions discussed above and the Hearings Officer’s dictionary interpretation of the phrases at issue do not convince the Hearings Officer that “reviewed in the same manner” and/or “new application” require a “start-over” new CMP application or, in the alternative, simply a “modification of the CMP” application. The Hearings Officer next considers the relevance of DCC 22.36.040 to this interpretive issue.

DCC 22.36.040 (C) states in part the following:

*“Any proposed modification, as defined in DCC 22.36.040, shall be reviewed only under the criteria applicable to that particular aspect of the proposal. Proposals that would modify an approval in a scope greater than allowable as a modification shall be treated as an application for a new proposal.”*

The Hearings Officer, in earlier findings, concluded that the Applicant’s proposed 2022 FWMP application did meet the requirements of DCC 22.36.040 (A) and (B). The Hearings Officer found that Applicant’s proposed 2022 FWMP application was a DCC 22.36.040 allowable modification. The Hearings Officer, in the alternative, found that Applicant’s 2022 FWMP proposal was not a request to modify an approval in a scope greater than allowable as a DCC 22.36.040 modification.

The Hearings Officer finds the DCC 22.36.040 (C) language “*shall be reviewed only under the criteria applicable to that particular aspect of the proposal*” provides important interpretative assistance. The Hearings Officer finds, at least under DCC 22.36.040, that if an application is deemed a modification (not exceeding scope greater than allowable as a modification) then review is limited to only the discrete modification request. The Hearings Officer interprets the “*reviewed only under the criteria applicable to that particular aspect of the proposal*” as meaning that only a modification application is necessary and

**not** an application considering the entire scope of the prior approval (a “start-over” CMP/FMP application).

The Hearings Officer, in the “substantial change” findings, with at least tacit support of LUBA (*Gould v. Central Land and Cattle Company*, LUBA No. 2022-011 (2022)) attempted to “harmonize” the DCC 18.113.080 and Condition 1 “substantial change” language. The Hearings Officer extends that “harmonization” approach to the DCC 18.113.080, Condition 1 and DCC 22.36.040 process issue. The Hearings Officer was also not comfortable interpreting “reviewed in the same manner” and “new application” phrases using dictionary definitions of the included words/terms. The Hearings Officer then attempted to use a relevant DCC section addressing “modifications of proposals” (DCC 22.36.040) to assist in interpreting “reviewed in the same manner” and “new application” phrases.

The Hearings Officer finds that it is appropriate to utilize DCC 22.36.040 (C) as an interpretive aide. Hearings Officer finds that the DCC 18.113.080 phrase (“reviewed in the same manner”) and the Condition 1 phrase (“new application”) means that so long as a modification application meets the requirements of DCC 22.36.040 (A) and (B), and can be reasonably considered a modification request in a scope allowed by DCC 22.36.040, then only a modification application -- not a brand new CMP/FMP application -- is required by DCC 18.113.080 and Condition 1 when a substantial change modification to a CMP/FMP is requested.

The Hearings Officer, in addition to the above “reviewed in the same manner” and “new application” findings takes this opportunity to respond to selected Applicant comments (Katzaroff, November 21, 2022, pages 14 & 15) set forth below:

*Opponent Gould argues, at Bragar OR, p. 15, and Bragar Rebuttal, p. 8, that FMP Condition 1 on its own requires a ‘new application.’*

*FMP Condition 1 states that ‘Approval is based upon the submitted plan. Any substantial change to the approved plan will require a new application.’ What is not contained in that condition is a requirement that a new destination resort (or CMP or FMP) must be applied for; it only requires a ‘new application.’ This makes sense because it makes it clear that any substantial change must be reviewed by a land use process before the County that allows public input regarding the proposed changes [footnote 16: No substantial change was requested here. However, it goes without saying that Thornburgh filed ‘a new application’ which is all that condition requires for compliance.] In this case, the land use process to be followed to review a new or amended FWMP is set out in CMP Condition 37 and is a review at a public hearing. As with any land use approval, the approval is limited to a review of what is requested and the land use criteria relevant to the request. This reading of Condition 1 is consistent with the code. DCC 18.113.080 specifically allows modification of a Conceptual Master Plan which in this case has been incorporated into the FMP. It provides: “Any substantial change, as determined by the Planning Director, proposed to an approved CMP shall be reviewed in the same manner as the original CMP. An insubstantial change may be approved by the Planning Director. Substantial change to an approved CMP, as used in DCC 18.113.080, means an alteration in the type, scale, location, phasing or other characteristic of the proposed development such that findings of fact on which the original approval was based would be materially affected. DCC 18.113.100 says that the new application required when an FWMP proposes a significant change from the CMP is an application to modify or amend the CMP – not to file a new CMP.*

*Further, the County has routinely permitted other destination resorts to modify their resort master plans utilizing the same process as applied to Thornburgh's same request. Exhibit 23, p. 5 (highlighting six other modification requests with the same housekeeping changes).[footnote omitted]*

*Importantly, this argument also relies on the idea that a condition can impose additional requirements that are not authorized or based in the law or relevant code. They cannot. ORS 215.416(4)(a) only permits "such conditions as are authorized by statute or county legislation." It does not authorize a Hearings Officer to adopt conditions separately. See also, ORS 215.416(8)(a); ORS 215.427(3)(a)(approval or denial must only be based upon the County's land use regulations). The most reasonable and logical interpretation is that FMP Condition 1 is a reference to the provisions of the County code that govern amendments of land use decisions and resort plans. This requires any changes be authorized during land use review but does not require an entirely new resort application be filed."*

The Hearings Officer agrees with Applicant that Condition 1 does not contain a "requirement that a new destination resort (or CMP or FMP) must be applied for." As noted in the finding above the Hearings Officer concluded only a modification application and not an entirely new ("start-over") CMP/FMP application was required in this case. Applicant also stated its interpretation of the Condition 1 requirement for a "new application" makes sense because Condition 1 "makes it clear" that any substantial change must be reviewed by a public land use process. The Hearings Officer finds Condition 1 does not say that a substantial change requires a land use process requiring public input regarding the proposed changes. The Applicant certainly may infer a land use process requiring public input but the Hearings Officer finds Condition 1 does not explicitly say that.

Applicant, in the comments quoted above, suggests CMP Condition 37 sets forth the land use process that applies in this case.<sup>8</sup> The Hearings Officer notes that CMP Condition 37 was "satisfied" through the approval process of the FMP (Hearings Officer FMP Decision, page 29). This Hearings Officer finds CMP 37 does not reference a modification of the CMP/FMP/FWMP but rather is only directed towards to initial approval of the wildlife mitigation plan. The Hearings Officer finds that even if Condition 37 language were to be considered relevant and/or instructive to Condition 1, the process in this case does in fact involve a public hearing with the same participatory rights allowed in the CMP approval hearing. Condition 37 is not helpful in interpreting Condition 1. Had the FMP hearings officer intended to incorporate CMP condition 37 into Condition 1, that hearings officer could have done so; however, she did not.

Applicant comments that DCC 18.113.080 specifically allows for the modification of the CMP. The Hearings Officer agrees. However, what is being considered here is the interpretation of language contained in a specific condition of approval. The Hearings Officer finds the Condition 1 "new application" language somehow must defer to the language of DCC 18.113.080 is not correct.

Applicant argues that the county has routinely permitted other destination resorts to modify FMP's using the same process proposed by Applicant in this case is true. However, the Hearings Officer notes that the cases reviewed by the Hearings Officer either (1) do not contain the exact language of the

<sup>8</sup> CMP Condition 37: Applicant shall demonstrate compliance with DCC 18.,113.070 (D) by submitting a wildlife mitigation plan to the County as part of its application for Final master plan approval. The County shall consider the wildlife mitigation plan at a public hearing with the same participatory rights as to allowed in the CMP approval hearing.

Thornburgh CMP/FMP Condition 1, or (2) those cases do not involve requests to make substantial changes (exception: Eagle Crest Long-Term Sewage Case, MC-02-3, MC-02-4, MC-02-5).

The Eagle Crest – Long Term Sewage Case was processed as a modification proposal and only addressed the modification relevant criteria but there is no reference in the decision to the Eagle Crest FMP containing the CMP/FMP Condition 1 “new application” language. The Hearings Officer finds that blindly deferring to DCC 18.113.080, when Condition 1 does in fact exist and is relevant and applicable, is not legally justified.

Finally, Applicant argues that somehow ORS 215.416(4)(a) applies to the Condition 1 analysis in this case. The Hearings Officer references Applicant’s oft-used “collateral attack” argument; it is improper to contest the validity of a final decision. The FMP is a final decision. Condition 1 is included in the FMP final decision. Applicant had the right to object to Condition 1 as being violative of ORS 215.416 and/or ORS 215.427. The Hearings Officer finds Applicant’s ORS 215.416 and/or ORS 215.427 argument was not sufficiently developed to allow the Hearings Officer to meaningfully review and decide that issue.

The Applicant also argued that the Hearings Officer should consider DCC 18.113.100 in the context of interpreting “new application” in Condition 1. DCC 18.113.100 (B) states:

*“If the Planning Director finds evidence in the FMP of a substantial change from the CMP, the Planning Director shall advise the applicant to submit an application for modification or amendment of the CMP.”*

The Hearings Officer finds Applicant’s DCC 18.113.100 (B) argument inapposite. This section only relates to the “process for approval of Final Master Plan.” The CMP and FMP are finalized and no longer subject to approval and/or appeal. DCC 18.113.100 was pertinent at one time but that time has passed.

In conclusion the Hearings Officer, in this case, was faced with a difficult issue – what does the DCC 18.113.080 language “reviewed in the same manner” and Condition 1 language “new application” mean? The Hearings Officer found the record to contain a dearth of legal support for any particular definition/interpretation of “reviewed in the same manner” and “new application.” In the end the Hearings Officer reviewed Deschutes County Code, prior modification land use decisions and the comments of Applicant, Staff and opponents. In the end the Hearings Officer found the DCC 18.113.080 language “reviewed in the same manner” and Condition 1 language “new application” means that Applicant was required to submit a “new modification application” and not a “new CMP/FMP application.”

**Substantive Issue # 16: Relevant Approval Criteria**

Staff, in response to a request by the Hearings Officer at the Hearing, provided an open-record memorandum (House, November 7, 2022). Staff addressed the issue of what criteria should be considered in this case as follows:

*“Staff agrees with the applicant that the review in these land use review proceedings for the application is such that, if the Hearings Officer determines the proposal will effect a ‘substantial change,’ the application may nonetheless be considered as against the applicable criteria per DCC 18.113.080, which requires review of a proposed modification of a CMP ‘in the same manner as the original CMP.’ The ‘same manner’ provision in DCC 18.113.080 means an evaluation of the entire*

*resort, as modified, against all of the approval criteria under 18.113.070, Approval Criteria, and all criteria under DCC 18.113.050, Requirements for Conditional Use Permit and Conceptual Master Plan Applications. The applicant appears to argue the question of ‘substantial change’ is not determinative and asserts that there will not be any procedural error, or resulting substantial prejudice, because the applicant has consented to a heightened process. This position is based in part on the applicant’s position that DCC 18.113.100 allows FMPs to vary from CMPs in ways that are not substantial, and the position that ‘reduction of water use and choice to not build an optional golf course is not a substantial change.’ Similarly, DCC 18.113.080 allows for Planning Director review of insubstantial changes to an approved CMP, but requires a full review of a proposed modification that results in ‘substantial change.’”*

The Hearings Officer incorporates the findings for **Substantive Issue #15: Process** as additional findings for this section. The Hearings Officer finds that DCC 22.36.040 (D) is applicable to this application. The Hearings Officer finds the relevant approval criteria for a DCC 22.36.040 modification of approval application are only those that relate to the discrete changes being requested. The Hearings Officer, in the context of DCC 22.36.040 (C), finds Staff’s recommendation that “all CMP” approval criteria must be considered is not correct.

**Substantive Issue # 17: DCC 18.113.070 (D) – “No Net Loss”**

**Overview:** The Hearings Officer finds DCC 18.113.070 (D) to be the most important criterion in this case. DCC 18.113.070 (D) is commonly referred to as the “No Net Loss” standard or test. No participant in this case indicated that DCC 18.113.070 (D) was irrelevant to the determination of whether Applicant’s proposed 2022 FWMP modification should be approved.

DCC 18.113.070 (D) states:

*“Any negative impact on fish and wildlife resources will be completely mitigated so that there is no net loss or net degradation of the resource.”*

The primary Thornburgh Resort document addressing DCC 18.113.070 (D) is the Thornburgh Fish and Wildlife Mitigation Plan. The existing Thornburgh Fish and Wildlife Mitigation Plan shall be referred to as the 2008 FWMP. The current proposal, for the purposes of this decision, shall be referred to as the 2022 FWMP. The version of Applicant’s 2022 FWMP considered by the Hearings Officer is identified by Applicant as the Fish and Wildlife Mitigation Plan – 2022 FWMP Relating To Potential Impacts of Thornburgh’s Reduced Ground Water Withdrawals on Fish Habitat, Cascade Geoengineering, LLC, August 16, 2022 Reorganized and Updated November 7, 2022. The Hearings Officer refers to this document in the findings for this section as the 2022 FWMP.

Even though a detailed history of the 2008 FWMP will not be given in this decision some history of the development and interpretation of the 2008 FWMP is appropriate. The wildlife mitigation topic was first considered as part of the CMP approval process. The BOCC, at the CMP stage (1<sup>st</sup> application/approval stage in Deschutes County for a Destination Resort), deferred a final decision related to adoption of a FWMP until the FMP stage (2<sup>nd</sup> application/approval stage for Destination Resort) *Central Land and Cattle Company, LLC. V Deschutes County & Gould*, LUBA No. 2015-107 @37 (2016). The 2008 FWMP was eventually approved as part of the FMP application/approval process. After extensive litigation the FMP and FWMP were finally approved. The 2008 FWMP was found to meet

the DCC 18.113.070 (D) “No Net Loss” standard *Gould v. Deschutes County*, LUBA No 2021-112 @ 11 (2022).

The hearings officer issuing the Hearings Officer FMP Decision (October 8, 2008 – Hearings Officer Corcoran-Briggs) provided insight into the evidence and arguments leading to approval of the 2008 FWMP. The Hearings Officer FMP Decision (Page 24)<sup>9</sup>, in part, made the following findings:

*“The applicant acknowledges that the proposal require[s] the development of wells on the property that will affect basin water flows. However, the applicant argues that it has addressed those Impacts by purchasing mitigation credits from COID, and by acquiring irrigation water rights that will return water to Deep Canyon Creek. They argue that both OWRD and ODFW have reviewed its proposal and have agreed that the proposal mitigates both water quantity and quality that will be removed from the aquifer due to the resort development. The applicant supplied a copy of an agreement between the owners of Deep Falls Ranch and the Daniels Group showing those owners have agreed to the removal of two dams that diverted flow from Deep Canyon Creek. [footnote omitted] In response to testimony from opponents that the proposed mitigation does not adequately address increases in water temperature in Whychus Creek, the applicant argues its proposal will have little or no impact on water temperatures on the creek. Even if water temperatures in Whychus Creek does increase incrementally, the applicant asserts that the increase can be addressed by requiring the applicant to fund a water conservation project sponsored by the Three Sisters Irrigation District to return 106 acre-feet of water to instream uses.*

*The OWRD mitigation requirement adequately addresses water quantity; it does not fully address water habitat quality. Its assumptions regarding the benefits of replacing more water during the irrigation season than is consumed on an average daily basis by the resort does not account for the higher water consumption that will likely occur during the summer months. Therefore, the hearings officer concludes that the additional mitigation offered through the Three Sisters Irrigation District restoration program is necessary to assure that water temperatures in Whychus Creek are not affected by the proposed development.”*

The hearings officer, in the FMP HO Decision, imposed conditions of approval in order to assure the 2008 FWMP fully met the “No Net Loss” mitigation obligations; the most relevant is FMP Condition 38. The Hearings Officer notes that in addition to the FMP HO Decision the BOCC, LUBA and Oregon appellate courts have all taken the opportunity to refine how the DCC 18.113.070 (D) “No Net Loss” standard should be interpreted. The Hearings Officer, in this decision, intends to follow the interpretive guidance set forth in relevant hearings officer, BOCC, LUBA and appellate court decisions related to approval of the FMP and 2008 FWMP.

The Hearings Officer does take note of a few of the LUBA and Oregon Court of Appeals holdings that are relevant to this decision.<sup>10</sup> First, to satisfy the “No Net Loss” standard the record must contain

<sup>9</sup> See also, FMP HO Decision, page 24 *“The meaning of the standard, and the sufficiency of the evidence to address it was the major focus of the parties in the FMP proceeding. The applicant provided a wildlife mitigation plan that had been reviewed by the BLM and ODFW, and both agencies endorse the applications identification of likely impacts on fish and wildlife, and conclude that the applicant’s plan addresses the impact of the development on those resources such that the ‘no net loss’ standard of DCC 18.113.070(D) is satisfied.”*

<sup>10</sup> The Hearings Officer does not represent that the cited BOCC, LUBA or Oregon Court of Appeals cases are the only cases addressing and/or resolving a particular issue. The citations are intended only to direct the reader to at least one relevant case and holding.

substantial evidence that the 2022 FWMP provides mitigation water – of both the quantity and quality required by the 2022 FWMP – before pumping water for uses allowed by the approved phase of development. *Gould v. Deschutes County & Thornburgh Resort Company, LLC*. 233 and *Gould & Central Oregon LandWatch v. Central Land and Cattle Company, LLC*, LUBA No. 2022-026 @ 13 (2022). The focus of the “No Net Loss” standard is the preservation of habitat *Gould v. Deschutes County & Thornburgh Resort Company, LLC*. 233 Or App 623 @ 634 (2022). The 2022 FWMP does not need to mitigate every potential impact on habitat rather impacts must be minimized or offset impacts. *Gould v. Deschutes County & Central Land and Cattle Company, LLC*. 2018-008 @ 26 (2018). The 2022 FWMP mitigation plan, to meet the “No Net Loss” Standard, must provide mitigation water that is likely and reasonably certain to succeed in mitigating any adverse impacts. *Gould v. Deschutes County & Central Land and Cattle Company, LLC*. 2018-008 @ 28 (2018).

### Technical Evidence Related to the “No Net Loss” Standard

Applicant, in its final argument (Katzaroff, November 21, 2022, pages 3 & 4) provided a listing of reports/memorandums/models submitted in support of the proposed 2022 FWMP satisfying the “No Net Loss” standard. The Hearings Officer includes Applicant’s list below:

- 1. Flow and Temperature Modeling of the Middle Deschutes River, Kellie Vache, Ph.D., and Joe Eilers, PH-WQ, Resource Specialists, Inc., dated October 2022. (RSI-1)*
- 2. Evaluation of the Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project, Pradeep Mugunthan, Ph.D., Four Peaks Environmental Consulting, dated 10/19/22. (GSFlow).*
- 3. Flow and Temperature Modeling of the Middle Deschutes River, Part II-Impacts of GSFlow-based Changes in Stream Discharge, Kellie Vache, Ph.D., and Joe Eilers, PHWQ, Resource Specialists, Inc., dated October 22, 2022. (RSI-2)*
- 4. Evaluation of the Fish Habitat Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project from RSI-1, Lucius Caldwell, Ph.D., Four Peaks Environmental, dated 10/21/22. (Fish 1)*
- 5. Evaluation of the Fish Habitat Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project to Include Modeled Changes in Surface Water Resulting from Changes in Groundwater Discharge, Lucius Caldwell, Ph.D., Four Peaks Environmental, dated 10/21/22. (Fish 2)*
- 6. Evaluation of Flow and Temperature Mass Balance Calculations for Crooked River. Lucius Caldwell, Ph.D., Four Peaks Environmental, dated 10/24/22. (Fish-Crooked River)*
- 7. Evaluation of Flow and Temperature Mass Balance Calculations for Little Deschutes River. Lucius Caldwell, Ph.D., Four Peaks Environmental, dated 10/24/22. (Fish-Little Deschutes)*
- 8. Supplemental Memorandum Regarding Reduction of Water Needs and Amendment of FWMP for Thornburgh Resort. Jim Newton, C.W.R.E., P.E., R.G., Cascade GeoEngineering, dated October 24, 2022. (CGE -2)*
- 9. Updated Fish Habitat Evaluations in the Crooked River, Whychus Creek, and the Deschutes River, Lucius Caldwell, Ph.D., Four Peaks Environmental, dated 11/14/22. (Fish-Spring Evaluations)*  
*Additional flow and thermal modeling work which was undertaken in response to questions and requests by staff at the Oregon Department of Fish and Wildlife. This work included:*
- 10. Flow Modeling by Four Peaks to determine impacts of Thornburgh pumping with and without additional flow from the transfer wells. Report to ODFW in email on November 2, 2022. See Exhibit 30.*
- 11. Flow Modeling by Four Peaks to determine the seasonality of impacts. Reported to ODFW in email on November 2, 2022. See Exhibit 30.*



**12.** *Flow Modeling by Four Peaks to determine the impacts of the ODFW requested “Spring” reaches in the Deschutes River, Whychus Creek, and the Crooked River. Reported to ODFW in email on November 14, 2022. See Exhibit 26.*

**13.** *Thermal and Flow analysis by RSI to determine thermal impacts in the ODFW Springs. Reported to ODFW in email on November 14, 2022. See Exhibit 26.*

*The technical work was completed by 4 individuals, 3 holding Ph.D.’s, 1 holding a master’s degree, all in relevant disciplines. Mr. James Newton, Cascade GeoEngineering, holds the professional designations of Certified Water Rights Examiner C.W.R.E., Professional Engineer, P.E., and Registered Geologist R.G. (See Resumes previously submitted) The extensive technical analysis these scientists performed provides detailed support for the original conclusions reached by Cascade GeoEngineering, that the 2022 FWMP complied with the NNL found in DCC 18.113.070(D).*

*In addition, Thornburgh’s experts provided rebuttal evidence, including:*

**14.** *Four Peaks – November 14: Comments on E-PUR Memorandum Regarding Groundwater Impacts. (Exhibit 29)*

**15.** *CGE – November 14: Responses to E-PUR Memorandum Dated November 4, 2022, and General Responses to ODFW Concerns. (Exhibit 33)*

**16.** *RSI – November 14: Response to Reviewer Comments Regarding QUAL2Kw Model Application. (Exhibit 34)”*

Applicant, in its Final Argument (Katzaroff, November 21, 2022, pages 4 & 5) also volunteered a brief summary of “technical” evidence provided by opponents. The Hearings Officer finds the Applicant’s comments quoted below are a fair summary of opponents’ opposition technical evidence but certainly do not represent a complete or comprehensive discussion of that evidence. Applicant’s summary follows:

*“The only technical evidentiary submittals in this record from another party are three technical memorandums submitted on behalf of Ms. Gould. All three memorandums are drafted by E-PUR LLC’s Mr. John Lambie:*

*\* E-PUR LLC Technical Memorandum dated September 9, 2022; Bragar OR, Attachment 16, pps. 294-303.*

*\* This memorandum comments only two transfers (T-14074 and T-14075) proposed by Thornburgh and does not comment on the 2022 FWMP.*

*\* E-PUR LLC Technical Memorandum dated November 4, 2022; Bragar OR, Attachment 38.*

*\* This memorandum appears to be the only memorandum that provides any sort of technical response to the 2022 FWMP. CGE, RSI, and Four Peaks each address it as outlined above.*

*\* E-PUR LLC Technical Memorandum dated November 14, 2022; Bragar Rebuttal, Attachment B.*

*\* This memorandum argues three things, summarized at Attachment B, p. 1-2:*

- o 1) that “water rights identified in Thornburgh’s FWMP demonstrates that it cannot provide sufficient water for fire safety protection”4;*
- o 2) that “water rights identified in Thornburgh’s FWMP demonstrates that it cannot handle wastewater load without revising the CMP”5; and*

- o 3) the “water rights identified in Thornburgh’s FWMP demonstrate that its plan for water supply does not have the resilience that is required by OWRD for a municipal water supply.

The Hearings Officer is tasked with weighing technical evidence in the record. The Hearings Officer finds that the technical evidence submitted by Applicant is extensive. The Hearings Officer finds Applicant’s technical evidence appears to utilize recognized modeling methods, and contain data/conclusions related addressing habitat impacts resulting from the proposed 2022 FWMP. The Hearings Officer finds Applicant’s technical evidence constitutes substantial evidence of the facts and conclusions stated in its submitted technical reports. The Hearings Officer acknowledges that the opposition technical evidence does challenge Applicant’s consultant’s modeling and data. The Hearings Officer finds that Applicant’s technical evidence was prepared by credentialed experts who provided an extreme level of analysis and detail. The Hearings Officer finds opponents expert evidence is not nearly as comprehensive as Applicant’s. The Hearings Officer finds opponents expert evidence is less focused on the specific water sources proposed by Applicant and their impacts on fish habitat. The Hearings Officer finds opponents technical evidence is less credible and persuasive than the technical evidence proved by Applicant.

**ODFW Input**

The Hearings Officer finds that the Hearings Officer FMP Decision appeared to rely heavily upon the Oregon Department of Fish and Wildlife’s (“ODFW”) conclusion that the proposed 2008 FWMP met the “No Net Loss” standard. In this case the ODFW strongly indicated, based upon the evidence it reviewed prior to making its final submission (November 7, 2022), that the proposed 2022 FWMP does not meet the DCC 18.113.070 (D) “No Net Loss” standard. ODFW concluded (Page 4 of 8) that:

*“Based on our current understanding of the 2022 Mitigation Proposal, it is yet unclear if the 2022 will result in outcomes that meet the County’s standard in DCC 18.113.070(D), including actions that fully mitigate the Habitat Category 2 impact through in-kind, in-proximity mitigation. The proposed 2022 Plan is lacking in detail to provide substantial evidence for stated claims, though some of the follow up correspondence and information submitted late to ODFW (and perhaps to the record) may include applicable evidence.”*

ODFW (November 7, 2022, pages 4 of 8) listed “specific concerns” leading up to the agency’s conclusion that the 2022 Mitigation Proposal did not meet the “No Net Loss” standard. While likely oversimplifying ODFW’s concerns in lay terms the Hearings Officer summarizes reasons ODFW appears to conclude that the 2022 FWMP does not meet the “No Net Loss” standard:

- Deep Canyon Creek mitigation water (per 2008 FWMP) provided **local/nearby habitat benefits in close proximity** to the Thornburgh Resort (where consumptive water would be sourced) and the proposed 2022 FWMP plan relies upon discontinuing use of groundwater sources “which allegedly provide benefits to the basin for over 100 miles. The claims for these distances are unsubstantiated and unlikely to be realized for this distance” (bolding added by the Hearings Officer); and
- “Discontinuation of groundwater use does not necessarily result in an equal amount of surface flow, nor does it discharge at the same period or at the same location;” and
- Modeling used by Applicant’s experts/consultants was limited; and
- Some water rights relied upon by Applicant in the 2022 FWMP “lack verified past use data;” and

- Offsetting Thornburgh Resort pumping with groundwater transfers “provides no assurances that groundwater discharge from ecologically important seeps and springs and surface water flows are protected in the future;” and
- “Additional water use” is proposed to be mitigated “solely through OWRD’s Groundwater Mitigation Program” which does not account for thermal impacts on fish habitat; and
- **Assurance of compliance with the FWMP 2022 water mitigation proposal is uncertain and/or ambiguous** (bolding added by the Hearings Officer); and
- The quantity of “excess water” mitigation is uncertain; and
- Protection of habitat during “shoulder months” (period of time prior to and immediately after irrigation season) is not assured; and
- **Condition 38 may not provide an objective** process to assure compliance with the proposed 2022 FWMP (bolding added by the Hearings Officer).

Applicant (DeLashmutt, November 14, 2022) provided a comprehensive bullet point by bullet point response to the ODFW November 7, 2022, concerns which are summarized above. The Hearings Officer also finds that the DeLashmutt November 14, 2022, record submission provides a comprehensive response to the ODFW concerns.

The Hearings Officer, despite the findings in the preceding paragraph, remains concerned about how to deal with the ODFW November 7, 2022, comments. Recall that the hearings officer issuing the Hearings Officer FMP Decision emphasized that the ODFW conclusion that the 2008 FWMP met the “No Net Loss” standard was an important factor. The Hearings Officer FMP Decision made it clear that ODFW’s support of the 2008 FWMP was relevant and perhaps critical to her decision to find the “No Net Loss” standard was met. While not required by the Deschutes County Code, or other law/rule, the Hearings Officer finds that ODFW’s input is a relevant **evidentiary consideration** in determining if the “No Net Loss” standard is met.<sup>11</sup>

ODFW requested prior to, at and after the Hearing (ODFW letters dated October 21, 2022, November 7, 2022 and Hearing public testimony) additional time to review, analyze and then coordinate with Applicant regarding the proposed 2022 FWMP. Applicant’s legal counsel, at the Hearing, declined the Hearings Officer’s invitation to provide additional time (beyond the open-record schedule set by the Hearings Officer) for ODFW to submit a comprehensive review and analysis of Applicant’s technical submissions.

Pursuant to Applicant’s listing of its technical studies<sup>12</sup> they were dated October 19, 2022 (item 2), October 21, 2022 (items 4 & 5), October 22, 2022 (item 3), October 24, 2022 (items 6, 7 & 8), November 2, 2022 (items 10 & 11), and November 14, 2022 (items 9, 12, 13, 14, 15 & 16). The Hearing occurred on October 24, 2022, the open-record period for new evidence ended November 7, 2022, and the open-record period for rebuttal evidence ended on November 14, 2022. As noted in the procedural issue findings above the Hearings Officer is fully aware of relevant state statutes and county code related to post hearing submissions.

<sup>11</sup> Cascade Geoengineering, November 7, 2022, page 1 – “The 2022 FWMP presented very detailed changes to the original 2008 FWMP that was **approved** by the Oregon Department of Fish and Wildlife (ODFW).” [emphasis added by the Hearings Officer]

<sup>12</sup> See Katzaroff, November 21, 2022, Final Argument; dates and item number references are extracted from technical expert listing found on pages 3 and 4.

The Hearings Officer is also fully aware of the quantity (number of pages) and complexity of the Applicant’s post hearing record submissions. Having reviewed, as best a lay person can do that, Applicant’s technical submissions it is easy for the Hearings Officer to say that expecting an authoritative response from ODFW, within the time allowed by the open-record schedule, was not likely. The Hearings Officer finds that Applicant, fully within its legal rights, denial of additional time for ODFW review of Applicant’s technical submissions, precluded the Hearings Officer from being able to consider a meaningful ODFW response.

**The 2022 FWMP – Is the 2022 FWMP likely and reasonably certain to succeed**

Moving on from the “technical evidence” aspect of the proposed 2022 FWMP the Hearings Officer next considers whether the 2022 FWMP is “likely and reasonably certain to succeed.” As noted by the Oregon Court of Appeals, in a case they reference as *Gould IV*, “a final adjudication of compliance requires a showing that compliance with DCC 18.113.070 (D) is ‘likely and reasonably certain to succeed.’” *Gould v. Deschutes County*, 233 Or App 623 (2010) citing 227 Or App at 610. In this decision the Hearings Officer interprets the “likely and reasonably certain to succeed” language in the context of the proposed 2022 FWMP plan logistics. Restated, this Hearings Officer inquiry asks if the 2022 FWMP, as drafted, provides the Applicant, interested persons, and future decision makers (including but not limited to the public, County Staff, hearings officers, BOCC, LUBA, Oregon Court of Appeals and Oregon Supreme Court) clear and enforceable standards that ensure the plan is likely and reasonably certain to succeed?

At this point the Hearings Officer steps back to recognize the reality facing the Applicant, opponents and Staff with respect to the Thornburgh Resort: The Thornburgh Resort is one of the most litigated development projects in the State of Oregon. It is not lost on this Hearings Officer (who has presided over and issued at least five Thornburgh land use decisions) that the 2008 FWMP mitigation obligations have been the focus of multiple disputes requiring, in many instances, BOCC, LUBA, Oregon Court of Appeals and Oregon Supreme Court intervention.

Even during this case issues have been raised as to whether or not the Applicant has strictly met the requirements of the 2008 FWMP. For example, the 2008 FWMP states (page 1) that “Thornburgh will use a total of 2,129 acre feet of water...” The source of **that** water remains controversial as of the date of this decision.

The Hearings Officer notes that the 2008 FWMP used phrases such as “most likely,” “if needed, can be secured from sources,” and “continue to pursue.” The Hearings Officer notes that Condition 10, which is closely related to the 2008 FWMP, uses terminology “updated documentation for the state water right permit and an accounting of the full amount of mitigation.” Condition 38 requires the Applicant to “abide by the April 2008 Mitigation Plan...and agreements with the BLM and ODFW for management of off-site mitigation efforts.” Hindsight is 20/20 and had the hearings officer and other decision makers involved with the FMP and FWMP approval process had been aware of the challenges the language contained in those decisions has caused she/they may have imposed more definitive and objective language in those documents.

The Hearings Officer, in this case, finds that the proposed 2022 FWMP is certainly longer (number of pages) and contains significantly more narrative description than the 2008 FWMP. The Hearings Officer is appreciative of Applicant’s November 7, 2022 “Executive Summary” and “Reorganized and Updated November 7, 2022 FWMP” documents.

The Hearings Officer believes that the actual “plan” which must be adhered to if the 2022 FWMP modification application is approved is described in Section H (starting on page 14). But this interpretation may be wrong. What is clear to the Hearings Officer is that the 2022 FWMP commits to reduce water use (needs from 2129 AF to 1,460 AF and consumptive use from 1,356 AF to 882 AF). Section H.A.1. (Limit Pumping to a Maximum of 1,460 AF Annually) includes the statement “*Thornburgh will submit as part of the annual Mitigation Report summaries of the resort’s annual water reports that are required to be provided to OWRD.*” This part of the proposed 2022 FWMP is clear and Applicant’s commitment may reasonably be considered likely and reasonably certain of success (page 4, and page 14 – Section H.A.1).

Sections D and H address directly the DCC 18.113.070 (D) “No Net Loss” standard. As best the Hearings Officer can ascertain Sections D and H are the “meat” of the 2022 FWMP. These sections appear to set forth Applicant’s mitigation obligations.

The Hearings Officer finds Sections D and H seem to be interrelated in some way but the two sections leave a great deal to the imagination.<sup>13</sup> The Hearings Officer attempted, on multiple occasions and for varying lengths of time, to outline Sections D and Section H; particularly the portions of Sections D and H that relate to the various water rights associated with use at the Thornburgh Resort and water rights intended for mitigation purposes. The Hearings Officer is certain that the Applicant, Applicant’s legal counsel and Applicant’s experts/consultants believe that what is presented in sections D and H of the 2022 FWMP are clear. However, the Hearings Officer finds interpreting Sections D and H is challenging because these sections overlap and supplement each other in ways that are not clear to the Hearings Officer.

The 2022 FWMP Section D appears to establish a series of options open to the Applicant to meet the “No Net Loss” standard. For example, Section D. states that the Applicant commits to “*discontinue pumping water in the location appurtenant to the right*” then states “*if any transfer is not approved, the water right could be cancelled in lieu of mitigation (both the groundwater and surface water rights) or transferred instream (just the surface water rights) for mitigation credits.*” The Hearings Officer finds the “if any transfer is not approved...” language is not mirrored or reflected in Section H. The Hearings Officer is unsure if the inclusion of the quoted language was not intended to be in Section H was intentional.

The Hearings Officer believes that the Applicant, public, Staff, BOCC and any appellate authority should be able, without resorting to an “expert” or “consultant” or “attorney,” to comprehend and apply the language used in the 2022 FWMP. Sections D and H of the proposed 2022 FWMP do not meet or satisfy that goal.

Section H.4 (remaining water use BFR...) provides an additional area of confusion and imprecision of the proposed 2022 FWMP. This paragraph begins by stating that “*the water rights described in 1. above will provide up to 1,217 AF of the resort’s total water needs of 1,460 AF leaving at least 243 AF of additional water needed.*” Footnote 20 follows the quoted statement and says that “*if there was some reduction in the amount Thornburgh is allowed to transfer under the LeBeau water right, like the 7% reduction*

<sup>13</sup> The Hearings Officer references section labels (i.e., Section D and Section H) as set forth in the 2022 FWMP. The Hearings Officer does, however, note that the Section labeling (Reorganized and Updated November 7, 2022) does not include not a “Section E.”

expected in the NUID transfer, the amount of additional water could be increased somewhat.” The Hearings Officer defies an attorney or professional planner, let alone a lay person, to objectively describe the meaning of that language. The Hearings Officer finds the language contained in Applicant’s proposed 2022 FWMP Section H. is imprecise.

The Hearings Officer in this case is fully aware that the primary reporting and enforcement mechanisms for matters related to the FWMP are FMP Conditions 38 and 39. Condition 38 states:

*“The applicant shall abide by the April 2008 Wildlife Mitigation Plan, the August 2008 Supplement, and agreements with the BLM and ODFW for management of off-site mitigation efforts. Consistent with the plan, the applicant shall submit an annual report to the county detailing mitigation activities that have occurred over the previous year. The mitigation measures include removal of existing wells on the subject property, and coordination with ODFW to model stream temperatures in Whychus Creek.”*

The Hearings Officer reviewed Applicant’s Burden of Proof and notes that it provided (page 3, paragraph 7) a clarification of what constitutes compliance under Condition 38.<sup>14</sup> The Hearings Officer could find no language remotely similar to the Burden of Proof Condition 38 language in the 2022 FWMP version 1 (August 16, 2022) or version 2 (November 7, 2022). Applicant, in its pre-hearing record submission (Kataroff, October 21, 2022, page 4), stated that:

*“Staff is concerned with the implementation of FMP Condition 38 and assurance of ongoing compliance. Condition 38 was adopted as part of the FMP approval. It requires that Thornburgh follow the FWMP and its mitigation measures and to report mitigation actions to the County. Thornburgh will follow the plan.”*

Applicant, in its pre-hearing record submission (Kataroff, October 21, 2022, page 4), also said that Condition 38 **“is imprecisely worded.”** (emphasis added by the Hearings Officer)

The Hearings Officer finds Applicant’s approach to Condition 38 in the context of the 2008 FWMP and, if approved, 2022 FWMP misses the mark. The Hearings Officer finds that as it now stands (per 2008 FWMP) and as proposed (2022 FWMP), Condition 38 must be viewed as the only practical method of

<sup>14</sup> Burden of Proof, Page 3, Item 7. “The purpose of this paragraph 7 is to clarify what constitutes compliance with FMP Condition 38, whether during the review of Resort land use applications, as reported as part of annual monitoring, or for any other purpose. Once the Resort’s water provider [footnote omitted] has purchased water rights to be used for pumping or mitigation and pumping at the point of diversion or appropriation of the certificate has been discontinued, compliance with Conditions 3, 4 and 6 shall be found to be met in the manner discussed in this paragraph 7. As noted below, compliance will occur differently for water appropriated from a surface water Point of Diversion versus a groundwater Point of Appropriations or for a mitigation credit that is acquired as follows:

- a. Point of Appropriation-Groundwater: Compliance occurs upon submittal to OWRD of any of the following: an assignment of the water right to Thornburgh, an application that seeks OWRD approval of a transfer to pump at the Resort property, or cancellation in-lieu of mitigation so long as any use of the particular water right by farmers discussed below, if any, has been discontinued.
- b. Point of Diversion-Surface Water: Compliance occurs upon submittal to OWRD, and OWRD approves any of the following: an application that transfers to pump at the Resort property, application that transfers the water to an in-stream lease, cancellation in-lieu of mitigation, or transfer to obtain mitigation credits, so long as any use of the particular water right by farmers discussed below, if any, has been discontinued.
- c. Mitigation Credit: In the event that Thornburgh acquires mitigation credits, compliance occurs when Thornburgh provides proof of ownership or proof of submittal to OWRD of an application to transfer water in-stream.”

assuring compliance with the FWMP.<sup>15</sup> It cannot be said that the 2008 FWMP or the proposed 2022 FWMP can be considered likely and reasonably certain to succeed without something akin to Condition 38.

The Hearings Officer finds, at a minimum, Condition 38 needs to be modified to reference the 2022 FWMP. Condition 38, as it currently exists, mandates that Applicant “shall abide” by “agreements with BLM and ODFW for the management of off-site mitigation efforts.” Applicant represented (Katzaroff, October 21, 2022, page 4) that no Applicant/ODFW agreement exists. While Condition 38 is not clear on timing, whether required to *have been done* or *must be done at some time in the future*, the Applicant has not provided any evidence of well removal on the Subject Property. The Hearings Officer also finds that Condition 38 requires coordination with ODFW to model stream temperatures. The Hearings Officer, based on the evidence in the record, is uncertain if that provision remains relevant. The Hearings Officer finds that Applicant’s statement that Condition 38 is “imprecisely worded” is an understatement.

The Hearings Officer’s above stated Condition 38 comments are amplified by ODFW. ODFW stated, in its November 7, 2022 record submission (page 6 of 8) the following:

*“ODFW is concerned with the lack of information regarding how compliance will be ensured over time. Compared to legally protected instream water rights, the monitoring, reporting, compliance, and enforcement of mitigation via groundwater transfer is complex and difficult to quantify. It is our understanding that compliance (or noncompliance) with the mitigation measures will be established by annual reporting required by FMP Condition 38, but it is unclear who reviews the reports, who has access to the reports, what repercussions are in place for non-compliance, and if/how ODFW would be engaged in habitat protection. OWRD administrative processes will only address part of the compliance necessary, and sole reliance on OWRD well and streamflow monitoring data is unlikely to be at the appropriate scale and locations to track compliance. Surface water quality and quantity must be replaced in perpetuity or for the life of the project as intended or continued pumping at the Resort would result in a net loss of the resource.”*

Applicant responded to the above-quoted ODFW comments (DeLashmutt, November 14, 2022, page 8) as follows:

*“Thornburgh will provide annual reporting of mitigation measures taken under both the terrestrial wildlife and FWMP plans. This reporting will include the water usage and the mitigation measures taken under this 2022 FWMP. Thornburgh agrees to provide copies of reporting to Deschutes County, ODFW and in case of that mitigation measures taken on the Terrestrial Wildlife plan, the BLM.”*

The Hearings Officer finds the Thornburgh quoted comments to simply repeat the Condition 10 and Condition 38 reporting requirements that currently exist and then to proceed to propose language to modify those conditions by adding recipients of the reports.<sup>16</sup> The Hearings Officer repeats that the proposed 2022 FWMP does not include any reporting requirements. As such the proposed 2022 FWMP is totally reliant upon Conditions 38 and 39 to assure compliance.

<sup>15</sup> Condition 39 relates to Three Rivers Irrigation District conservation project. Applicant did not propose to change its Condition 39 obligations.

<sup>16</sup> Condition 38 requires annual reporting to the county only. Condition 10 is silent who the required documentation must be sent to; presumably it is the county as the information must be provided “at the time of tentative plat/site plan review.

The Hearings Officer finds that unless clear, objective and enforceable compliance language contained in the 2022 FWMP, or a meaningful modification of the existing Condition 38, there can be no assurance that the 2022 FWMP is “likely or reasonably certain to succeed.” The Hearings Officer finds that Applicant did not propose modifying the language of Condition 38 and if it did the Hearings Officer could not find it in the proposed 2022 FWMP.

The Hearings Officer finds the application in this case does not provide clear, concise and objective compliance standards to assure that the 2022 FWMP will secure the water rights represented in the 2022 FWMP and that its proposed 2022 FWMP mitigation is likely and reasonably certain to assure that the DCC 18.113.070 (D) “No Net Loss” standard is met. The Hearings Officer finds Applicant failed to carry its burden of proof requirement that its proposed 2022 FWMP meets relevant approval criteria. The Hearings Officer finds, based upon the findings above, that Applicant’s proposed 2022 FWMP modification application must be denied.

**Summary & Conclusion – DCC 18.113.070 (D)**

The Hearings Officer finds Applicant’s technical data and conclusions related to the impacts of various water rights proposed to be used as OWRD and DCC 18.113.070(D) mitigation is generally credible in relation to the proposed 2022 FWMP *potentially* meeting the “No Net Loss” standard. The ODFW questioned Applicant’s technical data, modeling, approach and conclusions. Opponents questioned the credibility of Applicant’s technical data, modeling, approach and conclusions.

ODFW expressed reservations about the proposed 2022 FWMP meeting ODFW standards *and* the DCC 18.113.070 (D) “No Net Loss” standard. The Hearings Officer finds that Applicant (DeLashmutt, November 14, 2022) provided a thoughtful response to ODFW comments. The Hearings Officer also takes notice that ODFW did not have an opportunity to respond to Applicant’s (DeLashmutt’s) comments. The Hearings Officer finds that the hearings officer, in the Hearings Officer FMP Decision (who approved the 2008 FWMP), appeared to rely heavily upon ODFW’s concurrence/support of the data, modeling and approach taken by Applicant in the 2008 FWMP. As at least one other hearings officer dealing with the “No Net Loss” issue stated: “It is a close call” and ultimately concluded that Applicant’s 2008 FWMP met DCC 18.113.070 (D) requirements in part because of ODFW’s approval of the plan.

The Hearings Officer finds the proposed 2022 FWMP includes a number of very important sections that are subject to multiple interpretations and likely to lead to appeals seeking interpretive declarations. The Hearings Officer finds that the proposed 2022 FWMP does not provide objective reporting, compliance/enforcement provisions. The Hearings Officer finds that relying upon the current version of Condition 38 is not appropriate if the 2022 FWMP is approved as proposed. The Hearings Officer finds Condition 38, if the 2022 FWMP were approved, would need to be revised to reflect 2022 FWMP changes and ensure that the Applicant, public and future decision makers can reasonably be expected to understand the Applicant’s mitigation obligations and the consequences for failure to meet those obligations.

The Hearings Officer believes it is inappropriate for the Hearings Officer to revise the proposed 2022 FWMP to assure it contains clear and objective Applicant obligations. The Hearings Officer finds it is inappropriate to revise Condition 38 when it is clear that Applicant did not include any proposed revisions in its application for this case.



The Hearings Officer finds, based upon the record of this case, that Applicant has failed to satisfy the one criterion it argues is relevant: DCC 18.113.070 (D). The Hearings Officer denies Applicant's request to revise the 2008 FWMP with a proposed 2022 FWMP.

**IV. DECISION**

Applicant's proposal to modify the CMP/FMP by replacing the 2008 FWMP with a 2022 FWMP proposal is denied.

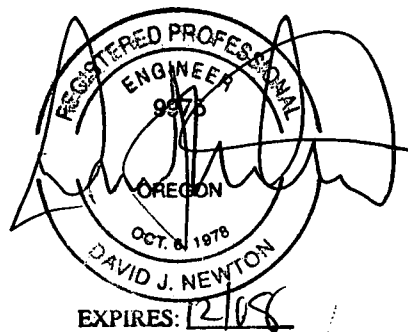
Dated this 19th day of December, 2022.



Gregory J. Frank  
Deschutes County Hearings Officer

**THORNBURGH RESORT  
FISH AND WILDLIFE MITIGATION PLAN  
ADDENDUM RELATING TO  
POTENTIAL IMPACTS OF GROUND WATER WITHDRAWALS  
ON FISH HABITAT**

**April 21, 2008**



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***Project No:***

**1007-101-07**

**THORNBURGH RESORT**  
**FISH AND WILDLIFE MITIGATION PLAN**  
**ADDENDUM RELATING TO**  
**POTENTIAL IMPACTS OF GROUND WATER WITHDRAWALS ON FISH**  
**HABITAT**

**I. Introduction**

This report was prepared on behalf of Thornburgh Resort Co., LLC, (“Thornburgh”) as an Addendum to the Thornburgh Resort Wildlife Mitigation Plan prepared by Tetra Tech EC, Inc. The Addendum was developed by Newton Consultants, Inc. (“NCI”) with assistance from Tetra Tech, and also reflects discussions with representatives of the Oregon Department of Fish and Wildlife (ODFW) regarding potential impacts on fish habitat and specific measures to mitigate for any negative impacts.

**II. Background**

The proposed Thornburgh Resort (“Resort”) will have no direct impact on natural surface waters; there are no such resources on the property and the proposed source of water for the Resort is ground water, to be appropriated under a water right approved by the Oregon Water Resources Department (“OWRD”). Use of ground water by the Resort is expected to indirectly impact flows in the Deschutes River as a result of a determination of hydraulic connection between surface and ground waters in the Deschutes Basin. This determination was made by OWRD in connection with its evaluation and approval of Thornburgh’s application for a water right authorizing the use of ground water for the Resort. A copy of the Final Order issued by OWRD approving the water right application is attached as Exhibit 1. As a result of the determination of hydraulic connection, the water right approval requires Thornburgh to provide mitigation to offset projected flow reductions in the “zone of impact” identified by OWRD. Additional information about the affected surface and ground water resources is contained in a Hydrology Report prepared by NCI and submitted as part of Thornburgh’s application for Conceptual Master Plan.

The mitigation to be provided in connection with the Thornburgh water right will serve as a major component of the mitigation measures for this Addendum. As described below, coupled with additional measures recommended by ODFW, the flow replacement plan developed by Thornburgh will address both flow and temperature concerns and is expected to fully mitigate for any negative impacts so that there is no net loss of habitat quantity or quality for fishery resources. The measures will also provide additional benefits to habitat resources.

**III. Resort Water Supply and OWRD Flow Mitigation**

**A. Resort Water Supply**

Ground water will be used by Thornburgh for a variety of purposes common to resorts, including domestic and commercial uses, golf course and landscape irrigation, reservoir/pond maintenance and fire protection. Collectively, these uses are described in the water right as “quasi-municipal” use. The amount and timing of water needs for the Resort are tied to a phased development plan. Water needs were estimated for the first phase (Phase A) and for total resort build-out, as shown below.

Phase A water development is estimated to require a maximum annual volume of 1,201 acre-feet (AF) during the first year, followed by 978 AF per year in subsequent years. The difference is due to increased irrigation requirements during the first year of golf course development. The maximum rate of withdrawal during Phase A is estimated at 4.04 cubic feet per second (cfs). Consumptive use for Phase A is estimated at 610 AF per year. The term “consumptive use” means the amount of ground water appropriation that will not otherwise return to surface water flows due to evaporation, transpiration or other factors. (See, OAR 690-505-0605(2).)

Maximum water use for the second phase of development (Phase B, or Full Build-out) is estimated at an additional 1,151 AF, with an additional withdrawal rate of 5.93 cfs, as authorized in the OWRD Final Order. At full build-out, the Final Order allows total use of up to 2129 AF per year with a maximum withdrawal rate of 9.97 cfs.

**1. Estimated Phase A Water Use**

<u>WATER USE</u>	<u>PEAK RATE</u>	<u>ANNUAL VOLUME</u>		<u>CONSUMPTIVE USE</u>
		<u>1<sup>ST</sup> YEAR</u>	<u>LATER YEARS</u>	
Golf Courses	1.94 cfs	360 AF	269 AF	242 AF
Irrigation	0.65 cfs	105 AF	105 AF	63 AF
Reservoir Maint	0.47 cfs	144 AF	144 AF	120 AF
Other Q/M	0.98 cfs	460 AF	460 AF	185 AF
<b>TOTALS</b>	<b>4.04 CFS</b>	<b>1069 AF</b>	<b>978 AF</b>	<b>610 AF</b>

**2. Estimated Full Resort Build-Out Water Use**

<u>WATER USE</u>	<u>PEAK RATE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	5.82 cfs	717 AF	645 AF
Irrigation	1.20 cfs	195 AF	117 AF
Reservoir Maint	0.80 cfs	246 AF	206 AF
Other Q/M	2.15 cfs	971 AF	388 AF

TOTALS      9.97 CFS                      2129 AF                      1356 AF

**B.      OWRD Mitigation Requirements**

Mitigation is required for new ground water permits in the Deschutes Basin under ORS 390.835 and related administrative rules in OAR 690-505-0500 *et seq.* The OWRD mitigation rules were adopted in response to a comprehensive study of ground water resources in the Deschutes Basin conducted by the United States Geological Survey (“USGS”) and OWRD. (*Ground Water Hydrology of the Upper Deschutes Basin, Oregon,*” USGS Water Resources Investigation Report 00-4162, 2001.) The study area is shown on Figure 1. The study demonstrates hydraulic connection between the regional ground water aquifer and surface water within the Deschutes Ground Water Study Area as shown on Figure 1.

Under the OWRD rules, all new ground water uses within the USGS study area are presumed to be in hydraulic connection with the Deschutes River system. The rules require mitigation to offset the impact of ground water pumping on surface water flows. In reviewing applications for new ground water rights, OWRD determines the total quantity of water to be diverted from ground water and the amount of “consumptive use” associated with the proposed new use. Consumptive use is defined under the rules as the amount of water that does not otherwise return to surface water flows in the basin due to transpiration, evaporation, or movement to another basin. The amount of mitigation required – or “mitigation obligation” – is equal to the amount of consumptive use on an annual basis. Mitigation must be in the form of legally protected water for instream use. In most cases, mitigation is obtained by acquiring existing water rights for irrigation use and converting them into instream water rights held by the state.

In addition to specifying the quantity of mitigation water required to offset consumptive use, OWRD identifies the “zone of impact”, or location within the surface water system in which the impact of a proposed ground water use is expected to occur. Mitigation must be provided in a location at or above the projected area of surface water impact within the designated zone of impact.

Before a water right application may be approved, the applicant must submit a mitigation plan to OWRD describing how the mitigation obligation will be met. Applicants proposing municipal or quasi-municipal use have the option of providing mitigation in incremental units tied to specified phases of development; however, the mitigation obligation for each phase of development must be provided in full before water use may begin for that phase.

**C.      Thornburgh Mitigation Obligation**

Mitigation for Thornburgh is required in the “General Zone of Impact” shown on Figure 2. The General Zone allows mitigation water to be obtained from any source in the Deschutes Basin above the Madras gage, which is located below Lake Billy Chinook. The broad geographic scope of the General Zone reflects findings in the USGS Study that

most ground water within the basin flows toward the confluence area of the Crooked and Deschutes Rivers and discharges into the river and tributaries in an area just above Lake Billy Chinook.

In reviewing the Thornburgh application, OWRD determined that the ground water flow in the area proposed for the Resort wells is towards the north and the area of major ground water discharge, which is about 6 miles from the Resort. OWRD indicated that there is evidence that the proposed ground water use could impact flows in the Deschutes River as shown in Exhibit 2 (Public Interest Review for Ground Water Applications). OWRD did not identify the potential for localized impacts in other portions of the Deschutes Basin based on its review of the proposed Thornburgh wells. The OWRD mitigation rules specifically provide that mitigation may be required in a target area such as the Metolius, Squaw Creek (now known as Whychus Creek), Little Deschutes or Crooked River sub-basins when OWRD determines a proposed use will have localized impact. However, OWRD did not make such a finding for Thornburgh.

Mitigation for the Resort will focus on the Middle Deschutes Zone shown on Figure 2, which is within the General Zone specified in the Thornburgh water right. The first phase of water development (Phase A) is estimated to require a maximum annual volume of 1,201 AF with a consumptive use estimate of 610 AF. The mitigation obligation for Phase A is 610 AF, equal to consumptive use. Maximum water use for Phase B is 2,129 AF per year (full build-out, including Phase A use). The estimated consumptive use and related mitigation obligation at full build-out is 1,356 AF.

Under the Final Order, and OWRD rules, mitigation must be provided in advance for the full amount of water to be pumped under each phase of development. The Final Order also includes conditions requiring Thornburgh to measure and report water use and authorizing OWRD to require additional mitigation beyond the amount specified in the mitigation obligation if OWRD determines that the average annual consumptive use is greater than the amount estimated and reflected in the original mitigation obligation.

**D. Thornburgh Mitigation Plan for OWRD Water Right**

Prior to approval of its water right application, Thornburgh submitted an “Incremental Mitigation Plan” to OWRD, describing the proposed timing and methods for meeting the mitigation obligation. (Exhibit 3). The Incremental Mitigation Plan, proposes two phases of water development and describes the general approach and feasibility of meeting the total mitigation obligation through a combination of sources including primarily irrigation water rights purchased within the Central Oregon Irrigation District (COID) and from Big Falls Ranch Inc.

**1. OWRD Mitigation for Phase A**

*COID Water Rights*

The Resort has already secured 85.24 acres of water rights located within the COID and in the General Zone of Impact. The water rights will be converted to mitigation water by completing permanent water right transfers to change the use from “irrigation” to “instream flow.” These transactions are projected to result in 153.43 AF of mitigation water per year. (OWRD typically allows 1.8 AF of mitigation water for each acre of irrigation water rights transferred to instream use. The quantity is based on the average consumptive use associated with irrigation in the Deschutes Basin.) The transfers will be accomplished in accordance with the COID Ground Water Patron Policy, a set of procedures under which landowners within the COID service boundaries may convert existing surface water rights held by the district into instream water rights, to offset new ground water development. Thornburgh is within the COID boundaries and is working cooperatively with COID under the Ground Water Patron Policy. Under a Development Irrigation Plan (“DIP”) filed with COID, Thornburgh will be entitled to acquire the remaining amount of mitigation needed to satisfy its water right mitigation obligation through COID water rights. (A copy of the DIP has previously been filed with the County.)

#### *Big Falls Ranch Water Rights*

The Resort also has entered into an agreement to purchase existing surface water rights from Big Falls Ranch located near Lower Bridge, within the General Zone of Impact. The 464.9 acres of irrigation water rights are expected to generate a total of 836.82 AF per year of mitigation water when transferred to instream water rights. Thornburgh is currently working with Big Falls Ranch on transfer applications for the first 175 acres of water rights to be acquired under the agreement and transferred to instream use. The instream water right would protect flow from a point near Lower Bridge downstream to Lake Billy Chinook. This initial transfer is expected to result in 315 AF of mitigation water.

The first 175 acres of Big Falls Ranch water rights that are proposed for transfer are located in Sections 8, 9 and 17, Township 14 South, Range 12 East, as shown on Figure 3, a map prepared for the water right transfer application. These water rights are designated as “FROM” acres on Figure 3. The source of water for these rights (and the total of 464.9 acres of irrigation) is Deep Canyon Creek. The authorized point of water diversion from the creek is shown on Figure 3.

Deep Canyon Creek is a tributary of the Deschutes River. The confluence between the creek and the Deschutes River is at about River Mile 131. Deep Canyon Creek flows are derived from springs in the canyon. The spring discharge point is shown on the USGS Cline Falls, Oregon. Quadrangle map (as shown on Figure 3) at a location about 0.56 miles upstream from the creek’s confluence with the Deschutes River.

Over time, erosional down-cutting has incised the Deep Canyon Creek channel into ground water bearing geologic strata, resulting in the ground water discharge that creates the creek flow. Although the USGS quadrangle map depicts a single spring, ground water discharge actually occurs at other points along the creek channel.

The point of diversion for the Big Falls water rights is located at the confluence of the creek and the Deschutes River as shown on Figure 3. When the initial 175 acres of irrigation water rights are transferred to instream flow for Phase A mitigation, up to 2.07 cubic feet per second of flow that would otherwise be diverted from the creek for irrigation will remain in the creek as an instream water right. This additional flow will be protected instream from the authorized diversion point on the creek to the Deschutes River near River Mile 132.8, and downstream in the Deschutes River to Lake Billy Chinook near River Mile 120, a distance of nearly 13 miles.

## **2. OWRD Mitigation for Phase B/Full Build-Out**

Mitigation water for Phase B will come first from the transfer of the remainder of the Big Falls Ranch water rights. The locations of the Big Falls Ranch water rights for Phase B mitigation are shown on Figure 4. The remaining mitigation water will come primarily from water rights acquired within the COID that will be converted into mitigation credit through permanent instream transfers. The COID currently serves a total of approximately 45,000 acres of land. A significant portion of this land is expected to become converted to urban land uses in the next three to five years. Under the Ground Water Patron Policy, COID Patrons are given preference for the acquisition of water rights associated with these lands, before such water rights could be transferred outside of the District. As a result, Thornburgh is in a position to gain priority access to water rights available within COID for mitigation purposes. When such rights are acquired and transferred instream, they will be protected as instream flow rights from the COID diversion on the Deschutes River at Bend, downstream to Lake Billy Chinook.

The Resort also has an agreement to purchase land with an additional 100.7 acres of water rights outside of the COID (McCabe Family Trust property.) Transfer of these rights to instream use would result in permanent protection under an instream flow right in the Deschutes River from the river River Mile 140 downstream to Lake Billy Chinook, a distance of about 20 miles. River Mile 140 is about 6.5 miles upstream from Lower Bridge. The location of the mitigation area is shown on Figure 5.

Thornburgh does not plan to provide any of its required mitigation for Phase A or B through canal lining or piping projects that save water through increased efficiency of water use. Although such conservation measures can be beneficial by reducing current diversions of surface waters, the practice has been questioned as a means of providing mitigation water to offset new ground water pumping. In recognition of these concerns, Thornburgh will not utilize this option.

### **E. Summary of OWRD Mitigation Plan**

Implementation of Thornburgh's water right mitigation plan would result in a total of 1,356 AF annual mitigation at full build-out. Approximately 836.82 AF, per year and 5.5 cfs of flow during the irrigation season would come from Deep Canyon Creek as a result of transferring the Big Falls Ranch water rights to instream flow rights. The remaining



519.18 AF per year is expected to come from upstream sources through the COID water rights that would be acquired and transferred instream, or in combination with the McCabe water rights. These mitigation measures, as required by OWRD, are specifically designed to offset impacts of ground water pumping.

The initial Big Falls transfer of 175 acres is projected to result in 315 AF per year of mitigation water. This water, originating from springs, will flow to the Deschutes River. Transfer of the remaining 289.9 acres under the Big Falls water rights, as mitigation for Phase B, will generate an additional 521.82 AF per year from Deep Canyon Creek flow that otherwise would be diverted for irrigation use. This water, along with that resulting from the transfer of 175 acres for Phase A mitigation, will be protected as instream flow from approximately River Mile 132.8 downstream to Lake Billy Chinook, near River Mile 120. The Big Falls mitigation water offers the additional temperature benefit of providing relatively cool waters from Deep Canyon Creek.

Mitigation transfers for remaining Resort needs (approximately 288.5 acres of water rights generating a total of at least 519.18 AF per year of mitigation water) will involve rights from the COID and the other sources under purchase options and agreements with the Resort. The instream flow created by these transfers is expected to be protected instream from the COID diversion at Bend, near River Mile 166.5, to Lake Billy Chinook near River Mile 120.

Figure 5 shows the distribution of mitigation flows between the COID diversion at Bend and Lake Billy Chinook.

#### **IV. Fish Habitat Potentially Affected by Ground Water Use**

During the consultation process, ODFW identified two specific concerns with respect to potential impacts of ground water pumping on fish habitat: First, the potential for flow reduction due to hydraulic connection that could impact flows necessary for fish and wildlife resources in the Deschutes River system; and second, the potential for an increase in water temperature as a result of flow reductions from ground water pumping. Six species of fish were identified that could potentially be impacted: Redband Trout, Bull Trout, Brown Trout, Mountain Whitefish, Summer Steelhead and Spring Chinook. The general distribution of these fish species is shown on Figure 6.

In its consultation with Thornburgh regarding these issues, ODFW recognized that the OWRD ground water mitigation program was specifically designed to identify and mitigate for the impacts of flow reduction as a result of new ground water pumping in the basin. Although the OWRD rules and USGS study on which the rules are based do not directly address temperature issues, ODFW also recognized that with the flow replacement required under OWRD rules the potential impact to temperature as a result of the Thornburgh project – or any similar individual project – is expected to be negligible... However, ODFW acknowledged a concern about the potential for cumulative impacts from on-going ground water development in the basin, over time.

In early correspondence on this issue, ODFW identified concerns about impacts on cold water springs and seeps in the Whychus Creek sub-basin as a result of Thornburgh ground water use, and indicated that the potentially affected resources would be classified as “Habitat Category 1” under the ODFW Fish and Wildlife Habitat Mitigation Policy (“ODFW Mitigation Policy”, OAR Chapter 635, Division 414.) (Letter from Glen Ardt to Thornburgh, dated January 31, 2008.) Under the ODFW Mitigation Policy, Habitat Category 1 means the affected habitat is irreplaceable. In response to the letter, Thornburgh provided additional information to ODFW documenting the OWRD findings regarding the location of impact from Thornburgh wells in the Main Stem Deschutes River. Additionally, ODFW met with staff from OWRD and the Department of Environmental Quality concerning the potential Thornburgh impacts. As a result of this process and further internal review, ODFW revised its preliminary determination regarding the type of habitat potentially affected by the Resort, concluding the habitat would be classified as Habitat Category 2, not Habitat Category 1. This conclusion was based on ODFW’s determination that temperature impacts to stream flow, if present, can be mitigated with appropriate actions.

As used in the ODFW Mitigation Policy, “Habitat Category 2” describes essential habitat for a fish or wildlife species. Mitigation goals for this category of habitat are no net loss of either habitat quantity or quality and to provide a net benefit of habitat quantity or quality. OAR 635-414-0025(2).

Based on input from ODFW during the consultation process, Thornburgh has identified the following mitigation and enhancement measures designed to ensure no net loss of habitat quantity or quality and to provide a net benefit for fish habitat. The measures reflect findings by OWRD that the Thornburgh project is expected to affect flow in the Main Stem Deschutes River. Given that finding, NCI determined the potential temperature impacts attributable to the project are expected to be slight and below levels that can be effectively measured.

**V. Mitigation and Enhancement Measures**

The proposed mitigation measures identified in consultation with ODFW are designed to ensure no net loss of habitat quantity or quality and net benefits to the resource: (A) compliance with OWRD mitigation requirements; (B) inclusion of the Big Falls Ranch water rights as part of the OWRD mitigation program to provide additional cold water benefits; (C) removal of an existing instream irrigation pond in connection with the transfer of Big Falls water rights; (D) elimination of existing ground water uses on the Resort property; and (E) a measure to provide \$10,000 in funding to complete an on-going thermal modeling project on Whychus Creek or a suitable alternative enhancement project. Collectively, these measures will address ODFW mitigation policy requirements and ensure compliance with the County land use standard.

**A. Compliance with OWRD Mitigation Requirements**

Thornburgh will at all times comply with the terms and conditions of the OWRD water right approval. As described above, the terms and conditions include providing flow mitigation for each phase of development prior to beginning water use, and monitoring and reporting water use to OWRD. In addition, Thornburgh will obtain all of its mitigation water through the conversion of existing irrigation water right into protected instream water rights and will not rely on canal lining, piping or similar conservation measures as part of its OWRD mitigation. Although conservation actions can be beneficial and reduce total surface water use, they have been questioned as viable measures for mitigating new ground water development. By providing mitigation water from the conversion of existing water rights, Thornburgh will eliminate approximately 7.5 to 10.4 cfs of existing surface water diversions during the irrigation season, restoring natural stream flow to the system at or above the area of impact from Thornburgh wells during the time period when stream flows are typically the lowest and temperatures are warmest.

**B. Specific Mitigation from Big Falls Ranch**

Thornburgh will fully exercise the option for purchasing 464.9 acres of water rights under its existing option agreement with Big Falls Ranch, Inc. in fulfilling its mitigation obligation under the OWRD water right. By making this commitment, Thornburgh ensures that nearly two-thirds of its total mitigation water (expected total 836.82 AF per year) will come from a source that contributes cold spring-fed water to the Deschutes River above the Thornburgh location of impact. By retiring an existing irrigation water right, this measure will also result in restoration of 5.5 cfs of cold surface water flow to the Deschutes River from Deep Canyon Creek during the irrigation season.

**C. Elimination of Existing Irrigation Pond**

In connection with the instream transfer of the Big Falls Ranch irrigation water right rights, Thornburgh will work with the landowner to eliminate the existing instream impoundment used as part of the irrigation system. This is expected to provide a temperature benefit by eliminating temperature increases due to ponding effects.

**D. Terminate Use of Existing “Exempt” Wells on Thornburgh Property**

Thornburgh will terminate domestic and livestock use and abandon three existing wells on the Resort property when the Resort water system is developed. The three wells were originally constructed for domestic use serving three homes on the property. All three wells were in use for domestic purposes until the property was acquired by Thornburgh; currently, two of the wells are used for such purposes. The approximate location of the three wells is shown on Figure 7.

Domestic water use for each of the three wells was estimated at 250 gallons per day (gpd). Of the three exempt wells, one is used to irrigate about one-half acre that is used to pasture goats. Until recently, another well was also used to irrigate about one-half acre and for livestock watering for up to about 20 horses at a time. The third well was used for

domestic/household uses with only incidental landscape irrigation. Irrigation uses were estimated at 30 inches per year of irrigation water applied over a 7-month irrigation season, resulting in a rate of 2260 gpd per well. Livestock watering for the horse operation was estimated at 200 gallons per day.

Although the amount of water to be saved as a result of this mitigation measure is relatively small, the action was recommended as a mitigation measure by ODFW and will provide ground water offset of approximately 3.65 AF in addition to the amount of mitigation water otherwise required by OWRD.

**E. Funding for Thermal Modeling**

As an enhancement measure, Thornburgh will provide \$10,000 to assist with completion of an on-going thermal modeling project on Whychus Creek. Thornburgh water use is not projected to impact Whychus Creek based on OWRD analysis; however, ODFW has identified the Whychus Creek sub-basin as an area of particular concern with respect to the potential for cumulative impacts from ground water development in the basin.

This measure is intended to support state efforts to gather additional information that may inform future policy and management decisions relative to natural and anthropogenic activities, including ground water use, on stream temperatures. In the course of investigating this issue, Thornburgh learned that the DEQ has begun development of a computer thermal model of Whychus Creek but has not completed the work in part because of a lack of available funding. Approximately \$10,000 is needed to complete the modeling work. When the modeling is done, the state agencies and other stakeholders in the Whychus Creek watershed will be able to identify sources of stream heating and in turn determine the most cost effective steps to take to improve the creek’s thermal environment. Accordingly, as part of the overall mitigation package for fish and wildlife impacts, Thornburgh will provide \$10,000 to complete the thermal modeling project. This funding will be provided by Thornburgh within 90 days after the close of Phase 1 lot sales for the project. If the modeling project has already been completed at that time, Thornburgh will work with ODFW to identify an alternative priority project for data collection, modeling, or habitat enhancement.

**VI. Mitigation Results**

Implementation of the OWRD approved mitigation plan is expected to result in replacement flow of 1356 AF per year of mitigation water at full build-out of the Resort, an amount equal to consumptive use. All required mitigation will be provided in advance of water use. The mitigation action will also result in restoration of approximately 7.5 to 10.4 cfs of surface water flow currently diverted for irrigation use based on elimination of irrigation diversions from Big Falls Ranch and COID .

Approximately 836.82 AF per year of the mitigation water will come from Deep Canyon Creek as a result of transferring the Big Falls Ranch water rights to instream flow rights. The elimination of the existing diversion of Deep Canyon Creek with water originating

from ground water springs, is expected to provide additional flow and temperature control benefits to the Deschutes River during the critical irrigation season. Removal of the Deep Canyon Creek impoundment will further benefit water temperatures in the Deschutes River by eliminating the pond where water temperatures would increase during warm periods.

The remaining 519.82 AF of mitigation water under the water right is expected to come from upstream sources through the COID water rights that would be acquired and transferred instream. This action will eliminate existing surface water diversions during the irrigation season, thereby restoring flow between Bend and Lake Billy Chinook.

The decommissioning of existing onsite wells and ground water uses will provide additional habitat benefits in excess of the OWRD approved mitigation plan. Funding to be provided for temperature modeling will further state efforts to quantify and assess cumulative impacts associated with ground water development.

**VII. CONCLUSION**

DCC 18.113.070.D requires that any negative impact on fish and wildlife resources be completely mitigated so that there is no net loss or net degradation of the resource. This Addendum to the Thornburgh Wildlife Mitigation Plan addresses potential impacts to fishery resources as a result of ground water pumping and identifies specific mitigation measures. The plan was developed in consultation with ODFW to address two specific areas of concern regarding the potential for negative impacts: the potential for a loss of habitat due to reduced surface water flows in the area of impact and the potential for loss of habitat due to increased temperature from reduced stream flow or loss of inflow from springs.

The potential for loss of habitat due to reduced surface water flows was quantified in connection with the OWRD review of Thornburgh’s application for a water right. Under OWRD rules, Thornburgh will fully mitigate for consumptive use associated with the Resort development. Consumptive use represents the amount of water not otherwise returned to the Deschutes River system after initial diversion. Although the OWRD program is necessarily based on estimates of impact and modeling, the program is specifically intended to replace stream flows lost due to ground water use. As an added measure, Thornburgh agrees that it will not rely on projects involving canal lining or piping to supply mitigation water and will provide all mitigation through the conversion of existing irrigation water rights to protected instream flow.

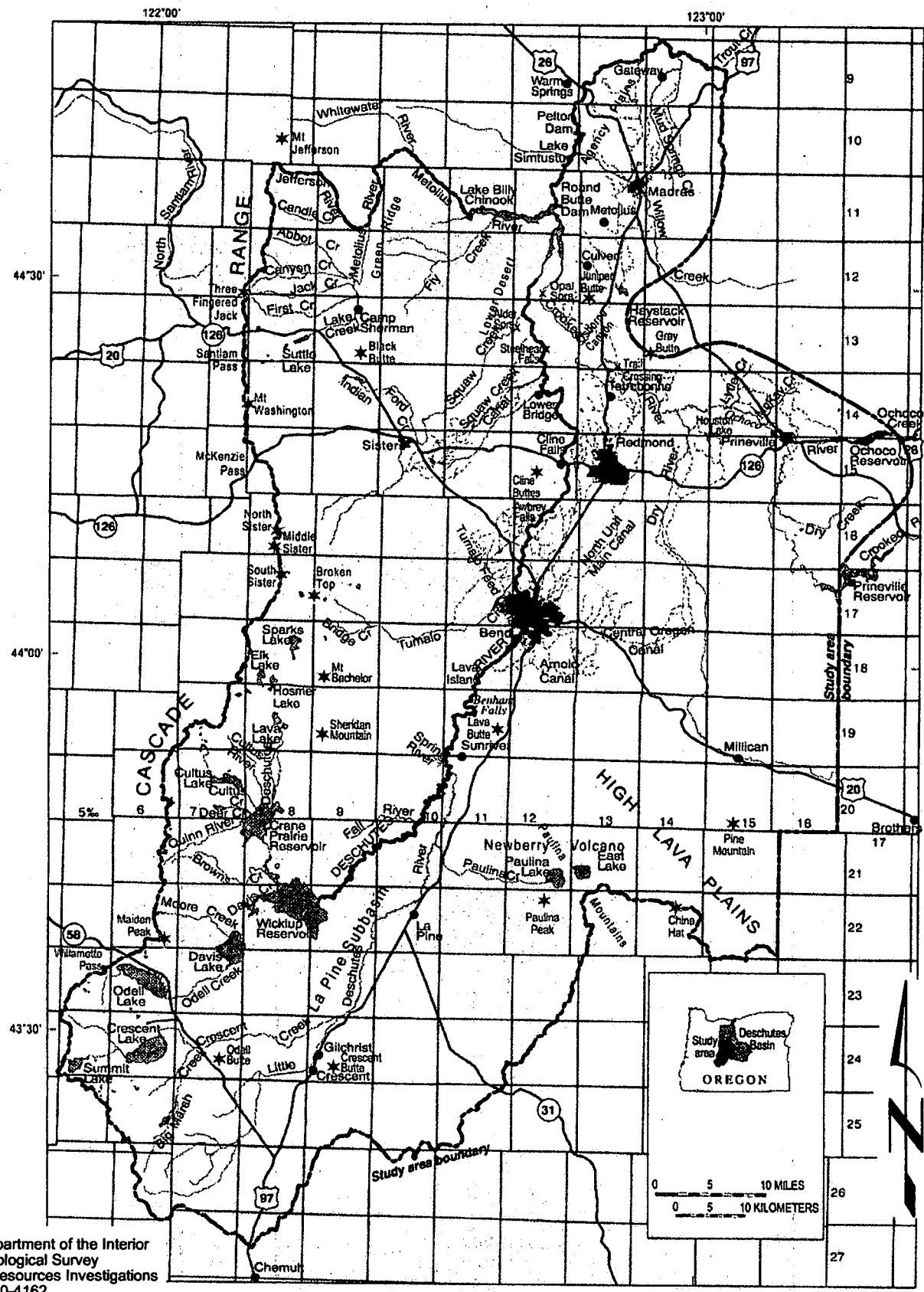
By committing to fully utilize the Big Falls Ranch water rights as part of its OWRD mitigation requirement, Thornburgh will provide additional benefits to stream flow and temperature by restoring cold water inflow from the Deep Canyon Spring area. This project will also include the elimination of an instream irrigation pond that currently contributes to temperature increases.

In addition to complying with the OWRD mitigation requirements, Thornburgh will abandon three existing domestic wells and terminate exempt ground water uses on the property. Although these uses represent a relatively small annual volume of water, they provide additional mitigation in the form of ground water offset, beyond the quantity required by OWRD. This action will result in restoration of about 3.65 acre-feet per of ground water per year that has historically been pumped from the Thornburgh location.

The potential for an increase in stream temperature resulting in a negative impact to fish and wildlife resources was also evaluated. In developing recommendations for this plan, it was clear that the slight potential for increased stream temperature attributable to Thornburgh's proposed ground water use was not significant enough to result in any quantifiable negative impact to fish habitat. However, the above-described measures will mitigate any negligible temperature impact that may be attributed to the Resort. In addition, in response to concerns about the potential cumulative impacts of ground water development in the Deschutes Basin, Thornburgh will provide funding to support thermal modeling or other enhancement measures recommended by ODFW to develop information that can inform future policy and management decisions regarding cumulative impacts of ground water pumping

Collectively, the mitigation and enhancement measures demonstrate that any potential negative impacts to fish habitat resources as a result of the Thornburgh resort will be completely mitigated so there is no net loss or net degradation of the resource as required by the County code.

**FIGURES**



From:  
 U.S. Department of the Interior  
 U.S. Geological Survey  
 Water-Resources Investigations  
 Report 00-4162

**NEWTON**  
**CONSULTANTS INC.**  
 Earth, Water and Rock Specialists  
 Ph: 503 742-1800 Fax: 503 742-1801

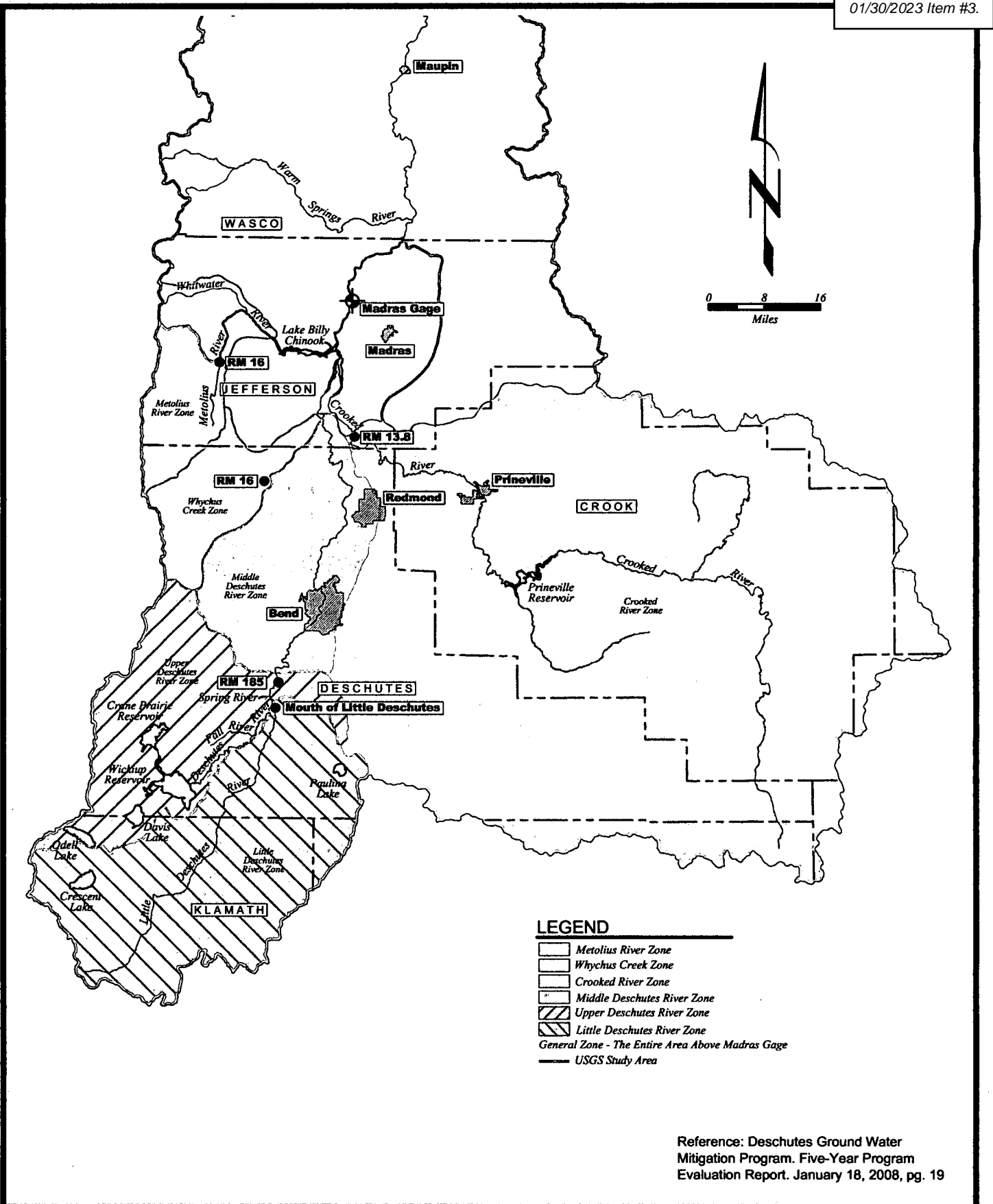
**Upper Deschutes Basin Study Area**

DESIGNED BY: <b>D. Newton</b>	DRAWN BY: <b>S. Schenck</b>	DATE: <b>April 2008</b>	PROJECT NO. <b>B00C1 Work Session Attachment 2</b>	<b>FIGURE</b>
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G:\1000\1007\101\07\Cad\Water\W1007101\_07\_F2\_Zones 17:20 04/10/2008 SS



Reference: Deschutes Ground Water Mitigation Program. Five-Year Program Evaluation Report. January 18, 2008, pg. 19

**NEWTON CONSULTANTS INC.**  
 Earth, Water and Rock Specialists  
 Ph: 503 742-1800 Fax: 503 742-1801

**Deschutes Ground Water Zones of Impact**

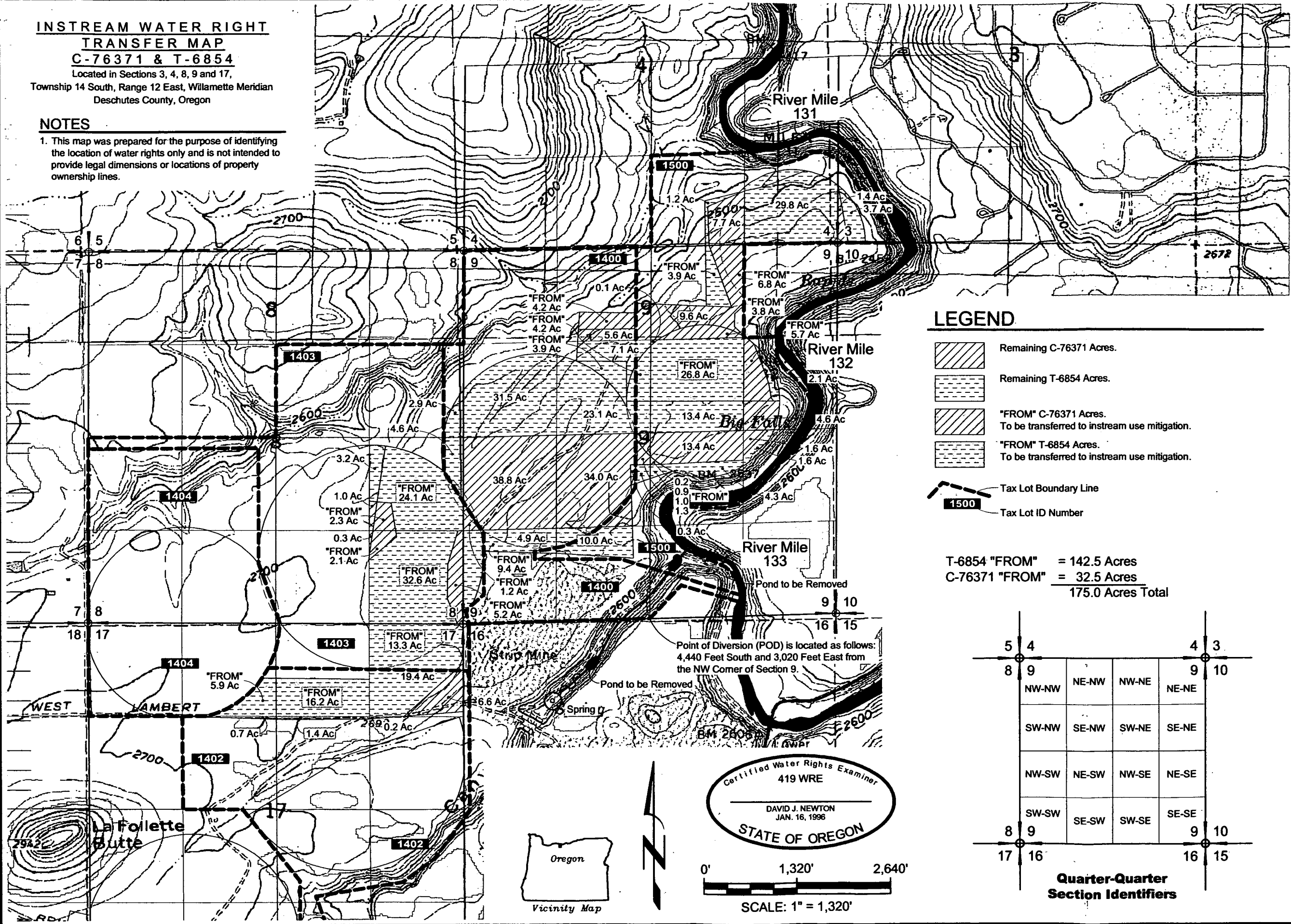
DESIGNED BY: <b>D. Newton</b>	DRAWN BY: <b>S. Schenck</b>	DATE: <b>April 2008</b>	PROJECT NO. <b>BOOK 1007 Work Session Attachment 2</b>
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**INSTREAM WATER RIGHT  
TRANSFER MAP  
C-76371 & T-6854**

Located in Sections 3, 4, 8, 9 and 17,  
Township 14 South, Range 12 East, Willamette Meridian  
Deschutes County, Oregon

**NOTES**

1. This map was prepared for the purpose of identifying the location of water rights only and is not intended to provide legal dimensions or locations of property ownership lines.



**LEGEND**

- Remaining C-76371 Acres.
- Remaining T-6854 Acres.
- "FROM" C-76371 Acres. To be transferred to instream use mitigation.
- "FROM" T-6854 Acres. To be transferred to instream use mitigation.
- Tax Lot Boundary Line
- Tax Lot ID Number

T-6854 "FROM" = 142.5 Acres  
C-76371 "FROM" = 32.5 Acres  
**175.0 Acres Total**

5	4		4	3		
8	9	NW-NW	NE-NW	NW-NE	NE-NE	
		SW-NW	SE-NW	SW-NE	SE-NE	
		NW-SW	NE-SW	NW-SE	NE-SE	
8	9	SE-SW	SW-SE	SE-SE		
17	16		9	10	16	15

**Quarter-Quarter  
Section Identifiers**

Certified Water Rights Examiner  
419 WRE  
DAVID J. NEWTON  
JAN. 16, 1996  
STATE OF OREGON

0' 1,320' 2,640'  
SCALE: 1" = 1,320'



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Proposed Water Right Mitigation Transfers - Phase A - Thornburgh  
Big Falls Ranch Co.  
Deschutes County, Oregon

**NEWTON  
CONSULTANTS INC.**  
Earth, Water and Rock Specialists  
Ph: 541 504-9960  
Fax: 541 504-9961

DESIGNED BY: D Newton  
DRAWN BY: S.Schenck  
DATE: April 2008  
PROJECT NO: 1007-101-07  
FIGURE 3

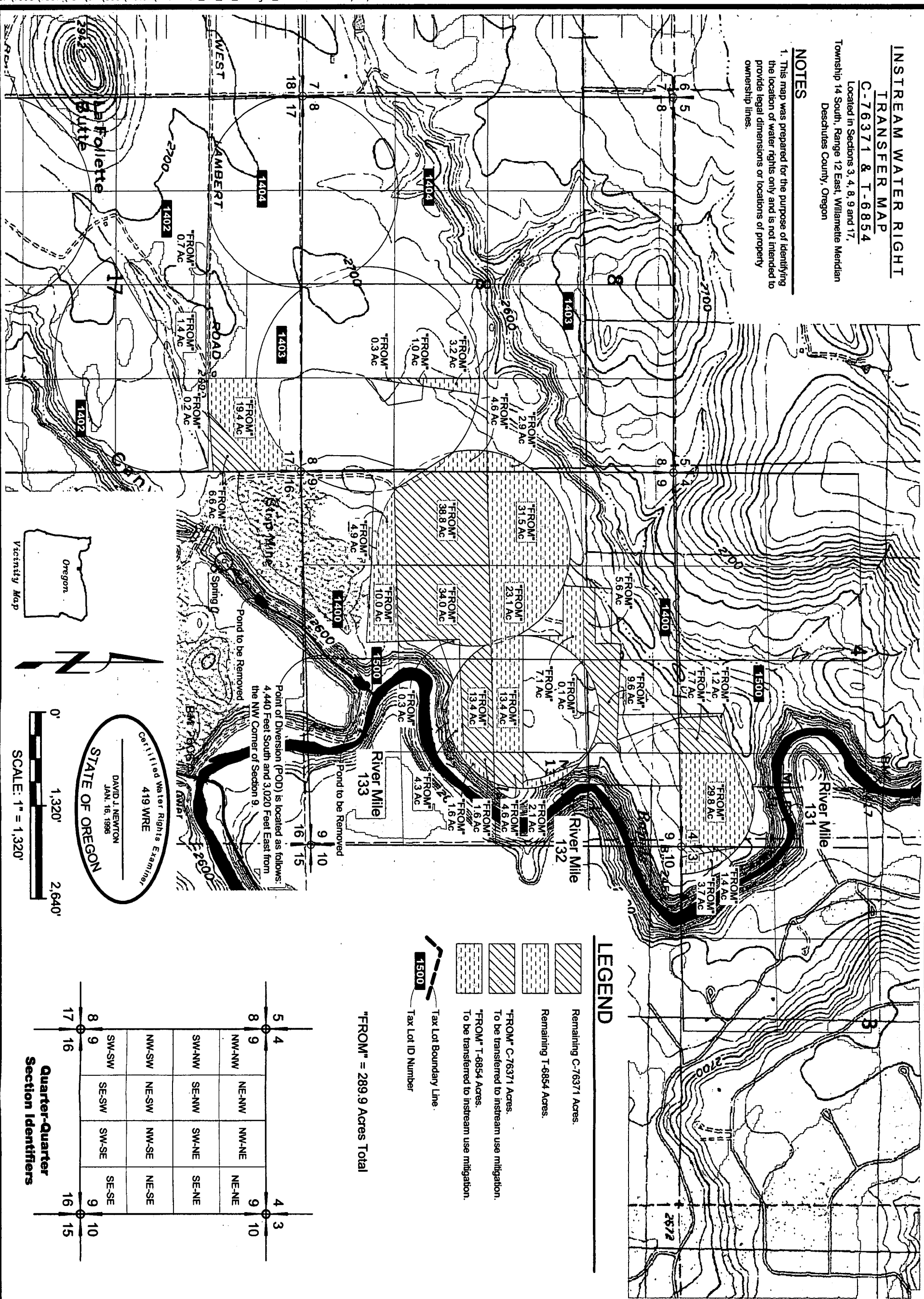
**INSTREAM WATER RIGHT**

**TRANSFER MAP**  
**C-76371 & T-6854**

Located in Sections 3, 4, 8, 9 and 17,  
 Township 14 South, Range 12 East, Willamette Meridian  
 Deschutes County, Oregon

**NOTES**

1. This map was prepared for the purpose of identifying the location of water rights only and is not intended to provide legal dimensions or locations of property ownership lines.



**LEGEND**

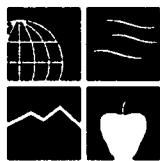
- Remaining C-76371 Acres.
- Remaining T-6854 Acres.
- "FROM" C-76371 Acres. To be transferred to instream use mitigation.
- "FROM" T-6854 Acres. To be transferred to instream use mitigation.
- Tax Lot Boundary Line.
- Tax Lot ID Number

"FROM" = 289.9 Acres Total

5		4		3	
8	9	8	9	9	10
17	16	17	16	16	15
SW-SW		SE-SW		SE-SE	
NW-SW		NE-SW		NE-SE	
SW-NW		SE-NW		SE-NE	
NW-NE		NE-NE			

**Quarter-Quarter Section Identifiers**

**NEWTON CONSULTANTS INC.**  
 Earth, Water and Rock Specialists  
 Ph: 541 504-9960 Fax: 541 504-9961



Proposed Water Right Mitigation Transfers - Phase B - Thornburgh  
 Big Falls Ranch Co.  
 Deschutes County, Oregon

DESIGNED BY: M.Perle

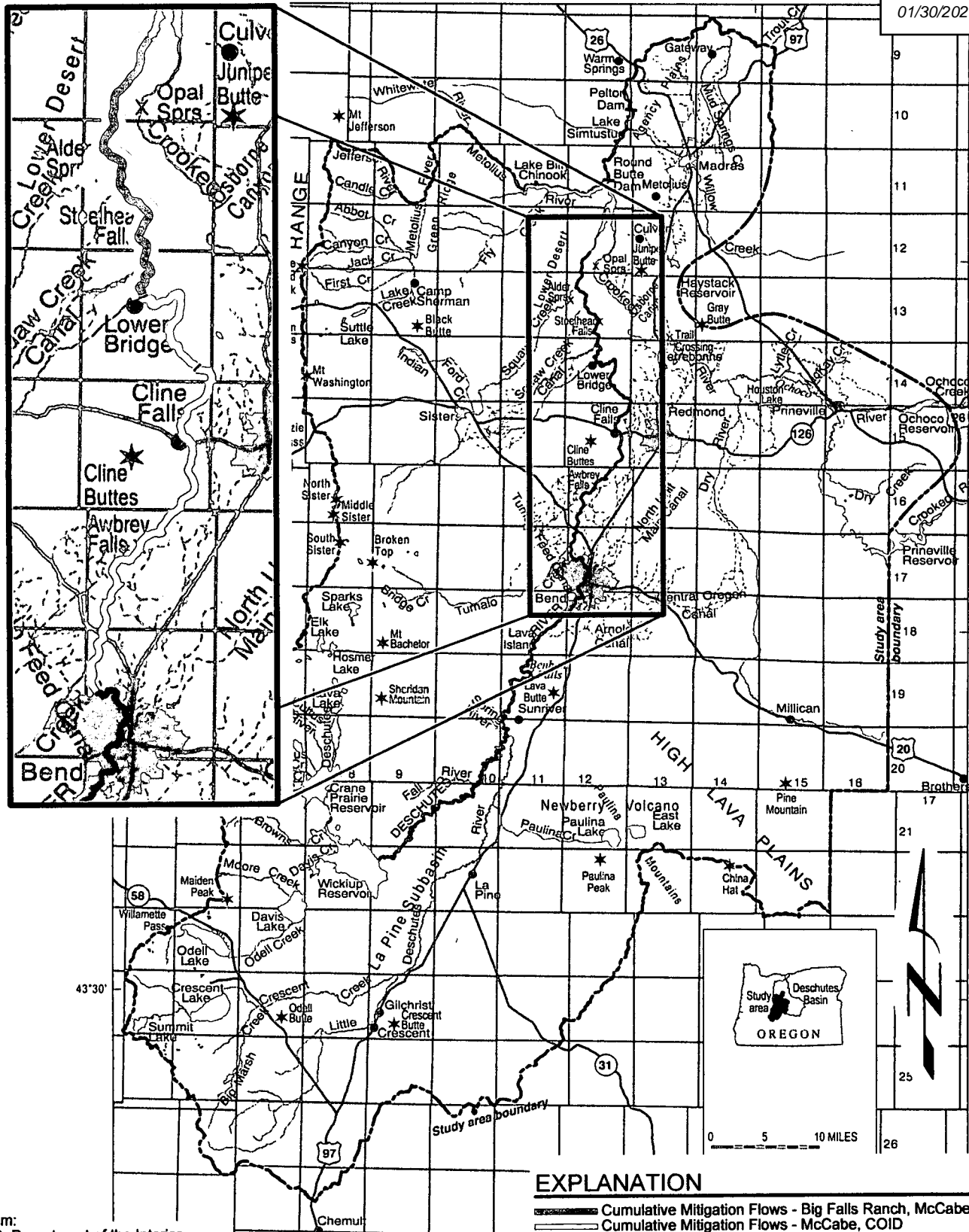
DRAWN BY: S.Schenck

DATE: April 2008

PROJECT NO. 1007-101-07

FIGURE 4

POCC Work Session Attachment



**EXPLANATION**

- Cumulative Mitigation Flows - Big Falls Ranch, McCabe, COID
- Cumulative Mitigation Flows - McCabe, COID
- Cumulative Mitigation Flows - COID
- Projected Impact Area

From:  
 U.S. Department of the Interior  
 U.S. Geological Survey  
 Water-Resources Investigations  
 Report 00-4162

**NEWTON CONSULTANTS INC.**  
 Earth, Water and Rock Specialists  
 Ph: 503 742-1800 Fax: 503 742-1801

**Projected Impact Area  
 Thornburgh Water Use and  
 Distribution of Mitigation Flow**

DESIGNED BY: <b>D. Newton</b>	DRAWN BY: <b>S. Schenck</b>	DATE: <b>April 2008</b>	PROJECT NO. <b>1007-101-07</b>	FIGURE <b>5</b>
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P:\GIS\_2008\_PROJECTS\Thornburgh\maps\Report\_11171\Thornburgh\_FishHabitat\_Fig6\_SpeciesDistribution\_11171\_041708.mxd

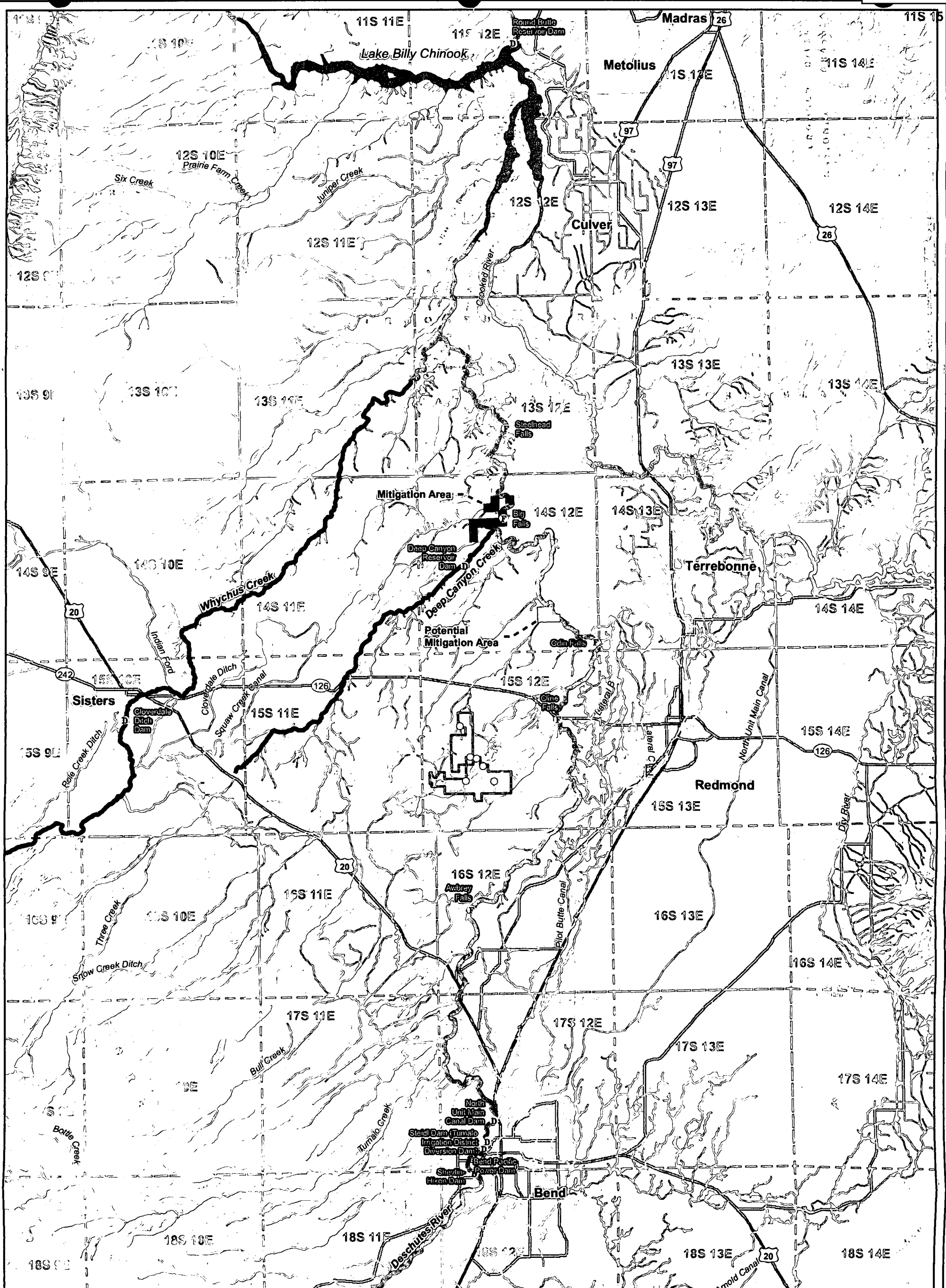
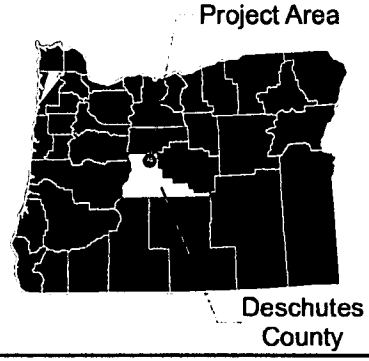


Figure 6 Fisheries Assessment Species Distribution



- Proposed Thornburgh Boundary
- Proposed Thornburgh Well
- Primary Rivers and Creeks
- Other Rivers and Creeks
- Bull Trout Critical Habitat
- ODFW Bull Trout Distribution
- Dam
- Falls
- Mitigation Area
- Potential Mitigation Area
- Highway
- Major Road
- City
- Township

0 1.5 3 6 Miles



Scale - 1:200,000

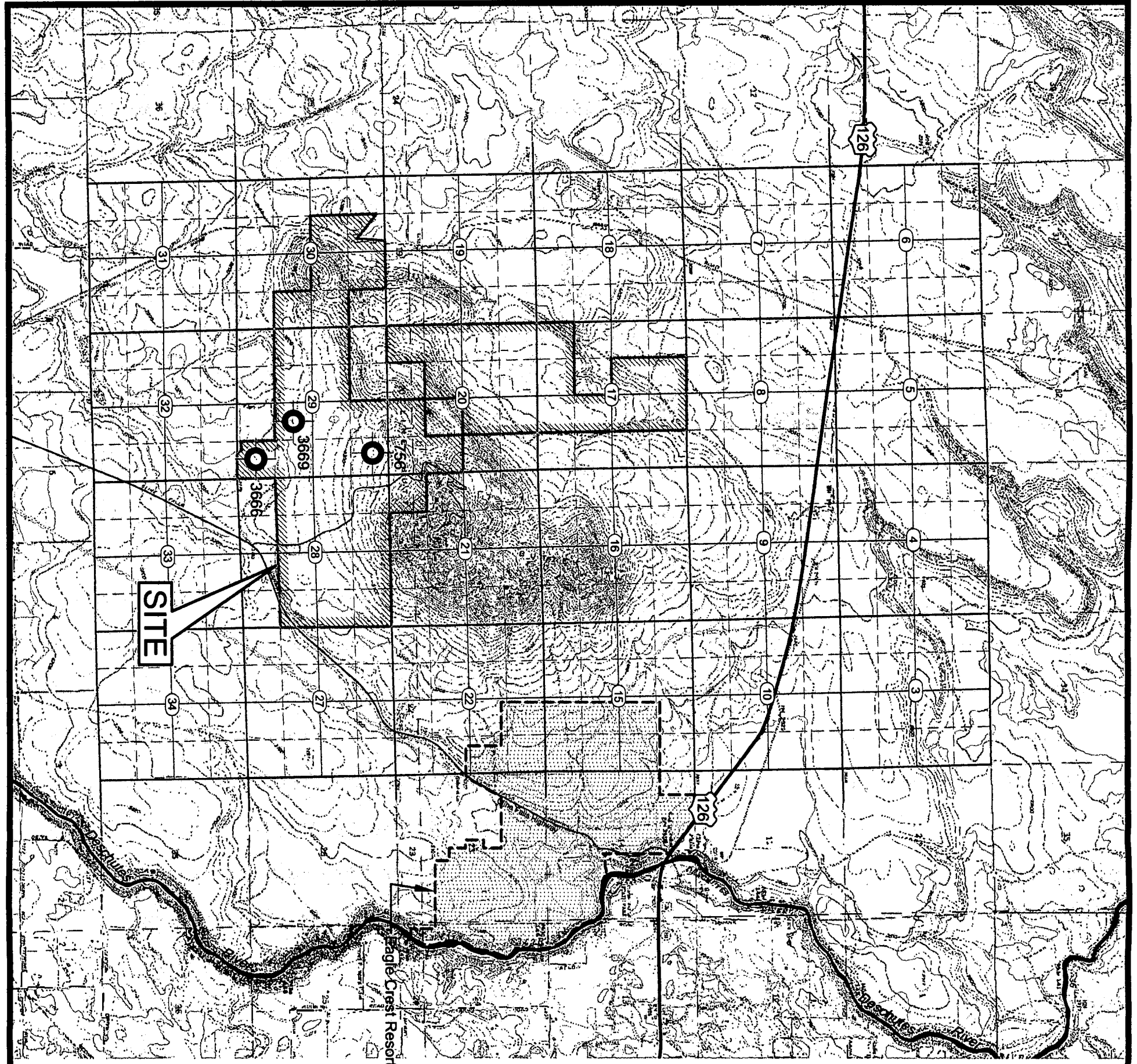
NAD83 UTM Zone 10

April 17, 2008






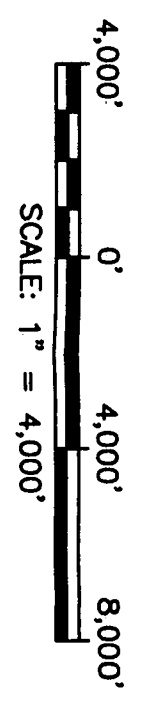


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**LEGEND**

-  Current Project Areas
-  756 - OWRD Well Log ID Number
-  Approximate location of wells used for analysis



Eagle Crest Resort Boundary

**SITE**



**NEWTON CONSULTANTS INC.**  
 Earth, Water and Rock Specialists  
 Ph: 503 742-1800 Fax: 503 742-1801

Locations of Exempt Wells to be Abandoned  
 Thornburgh Resort  
 Deschutes County, Oregon

DESIGNED BY: <b>D. Newton</b>	DRAWN BY: <b>S. Schenck</b>	DATE: <b>April 2008</b>	PROJECT NO. <b>1007-101-07</b>	FIGURE <b>7</b>
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**EXHIBIT 1**

Oregon Water Resources Department  
Water Rights Division

Water Rights Application  
Number G-16385

RECEIVED

Final Order Incorporating Settlement Agreement

MAR 26 2007

Hearing and Appeal Rights

Schwabe, Williamson & Wyatt

Under the provisions of ORS 537.170 and ORS 537.622, the applicant may request a contested case hearing by submitting information required for a protest under ORS 537.153(6) or ORS 537.621(7) to the Department within 14 days after the date of mailing of this order as shown below. If a contested case hearing is requested, the Department must schedule one. In the contested case hearing, however, only those issues based on the modifications to the proposed final order listed below may be addressed.

ORS 536.075 allows for additional appeal rights for other than contested case. This is a final order in other than a contested case. This order is subject to judicial review under ORS 183.484. Any petition for judicial review of this order must be filed within the 60 day time period specified by ORS 183.484(2).

This statement of judicial review rights does not create a right to judicial review of this order, if judicial review is otherwise precluded by law. Where no changes have been made to a Proposed Final Order on a water right application and no protests have been filed during the protest period, the final order is not subject to judicial review.

*Application History*

On February 9, 2005, THORNBURGH UTILITY GROUP, LLC. submitted an application to the Department for a water use permit. The Department issued a Proposed Final Order on July 25, 2006. The protest period closed September 8, 2006.

As required by OAR 690-505-06165, the applicant must submit proposed mitigation that meets the requirements of OAR 690-505-0610(2)-(5). Pursuant to OAR 690-505-0620, a permit shall not be issued until the applicant provides documentary evidence that mitigation water, in an amount satisfying the mitigation obligation, is legally protected instream.

The applicant submitted a mitigation proposal to provide 1197.0 acre feet of mitigation water in the General Zone of Impact on an incremental basis.

On September 8, 2006, WaterWatch of Oregon, Inc., ("WaterWatch") submitted a protest against the Proposed Final Order.

As of March 22, 2007, WaterWatch, the applicant, and OWRD entered



into a Settlement Agreement under which the issues raised in the protest were fully resolved with regard to this application. A copy of the Settlement Agreement is attached hereto and by this reference incorporated herein.

On March 22, 2007, the applicant, through its agent Martha O. Pagel, of Schwabe, Williamson and Wyatt, submitted a revised incremental mitigation plan reflecting the terms of the Settlement Agreement.

Pursuant to the terms of the Settlement Agreement, a water right permit may be issued for up to 2,129 acre-feet per year of water for quasi-municipal use, as follows:

**TABLE I**

**Estimated Full Build-out Water Needs for Preliminary Planning**

Water Use	Peak Flow		Mitigation Obligation
	Rate CFS	Annual Volume	
<b>Golf Courses (3)</b>	<b>5.82</b>	<b>717 af</b>	<b>645 af</b>
<b>Standard Irrigation</b>	<b>1.20</b>	<b>195 af</b>	<b>117 af</b>
<b>Reservoir Maintenance</b>	<b>0.80</b>	<b>246 af</b>	<b>206 af</b>
<b>Other Quasi-Municipal</b>	<b>2.15</b>	<b>971 af</b>	<b>388 af</b>
<b>TOTALS</b>	<b>9.97</b>	<b>2,129 af</b>	<b>1356 af</b>

Pursuant to the Settlement Agreement, consumptive use, and the related mitigation obligation for each component of the quasi-municipal use is calculated as follows:

**Golf Course Irrigation:** During the first year of irrigation for each of the three proposed golf courses, applicant may use up to 3.0 acre-feet per acre so long as the total volume of water applied in any given year does not exceed the maximum volume authorized under the permit or the applicable approved phase of development under an incremental development plan. After the first year of irrigation, the permanent annual duty for golf course irrigation shall be reduced to 2.24 acre-feet per acre. Consumptive use and the mitigation obligation shall be calculated at the rate of 90% of the maximum permanent duty.

**Standard Irrigation:** The duty for standard irrigation shall be 3.0 acre-feet per acre. The consumptive use and mitigation obligation shall be calculated at a rate of 60% of the maximum permanent duty.

**Reservoir Maintenance:** The consumptive use and mitigation obligation for reservoir maintenance shall be calculated at the rate of 100% of the annual evaporation rate which is established

at 2.66 acre-feet per year.

Other Quasi-Municipal: The consumptive use and mitigation obligation for all other quasi-municipal use under the permit shall be calculated at the rate of 40% of the maximum annual volume authorized under the permit.

At any time prior to issuance of the permit, applicant shall have the option to modify the total annual volume of water authorized for any component of the quasi-municipal use by submitting a revised Incremental Development Plan, provided that the modification does not increase the total annual volume of water authorized under the Final Order. If Applicant exercises this option, the water right permit and the mitigation obligation shall be revised to reflect the modified volumes of water, based on the consumptive use rates described above, as applicable.

The permit shall include a condition requiring measurement and reporting of water use, including a break-down for golf course irrigation, along with all other terms and conditions described in the Final Order.

The mitigation conditions, along with other conditions in the attached draft permit, shall be contained in the permit, when issued, for Application G-16385.

Mitigation Obligation: 1,356.0 acre-feet in the General Zone of Impact (Anywhere in Deschutes Basin above the Madras gage, which is located below Lake Billy Chinook.)

Mitigation Source: Mitigation Credits or a Mitigation Project, in accordance with the incremental development plan on file with the Department, meeting the requirements of OAR Chapter 690, Division 505 (Deschutes Ground Water Mitigation Rules).

Mitigation water must be legally protected instream for instream use within the General River Zone of Impact and committed for the life of the permit and subsequent certificate(s). Regulation of the use and/or cancellation of the permit, or subsequent certificate(s), will occur if the required mitigation is not maintained.

The permittee shall provide additional mitigation if the Department determines that average annual consumptive use of the subject appropriation has increased beyond the originally mitigated amount.

If mitigation is from a secondary right for stored water from a storage project not owned or operated by the permittee, the use of water under this right is subject to the terms and

conditions of a valid contract, or a satisfactory replacement, with the owner/operator of the storage project, a copy of which must be on file in the records of the Water Resources Department prior to use of water.

Failure to comply with these mitigation conditions shall result in the Department regulating the ground water permit, or subsequent certificate(s), proposing to deny any permit extension application for the ground water permit, and proposing to cancel the ground water permit, or subsequent certificate(s).

The following shall also apply to the irrigation component of of this application:

The amount of water used for irrigation under this right, together with the amount secured under any other right existing for the same lands, is limited to a diversion of ONE-EIGHTIETH of one cubic foot per second and 3.0 acre-feet for each acre irrigated during the irrigation season of each year. The permanent duty of water use for golf course irrigation under this right is further limited to a diversion of 2.24 acre-feet for each acre irrigated during the irrigation season of each year, as provided herein.

#### Order

Application G-16385 therefore is approved with the above modifications to the Proposed Final Order, and as conditioned, will ensure the preservation of the public welfare, safety and health.

A permit consistent with the attached draft permit shall be issued only upon submission of documentary evidence demonstrating that the appropriate amount of mitigation water (credits or mitigation project), or an alternate amount of mitigation in conjunction with a modified incremental mitigation development plan, meeting the requirements of OAR 690-505-0610(2)-(5), within the General Zone of Impact, has been obtained and satisfy the first stage of incremental development.

This final order is issued approving application G-16385 contingent upon the required first increment of mitigation being provided before a permit may be issued. This final order shall expire 5 years after issuance unless the required first increment of mitigation is provided. OAR 690-505-0620(2).

Application G-16385 is therefore approved as provided herein. Upon payment of outstanding fees in the amount of \$250.00, and upon submission of land use approval for the proposed use, a permit shall be issued authorizing the

proposed water use.

Failure to meet this requirement within 60 days from the date of this Final Order may result in the proposed rejection of the application.

If you need to request additional time, your written request should be received in the Salem office of the Department within 60 days of this Final Order. The Department will evaluate the request and determine whether or not the request may be approved.

DATED March 22, 2007



Dwight French, Administrator  
Water Rights and Adjudications Division  
for  
Phillip C. Ward, Director  
Oregon Water Resources Department

**BEFORE THE OREGON WATER RESOURCES DEPARTMENT**

In the Matter of Water Right Application G-16385 )  
in the name of Kameron Delashmutt on behalf of )  
Thornburgh Utility Group LLC, )  
Applicants, )  
)  
WaterWatch of Oregon, Inc., )  
Protestants )  
\_\_\_\_\_ )

**SETTLEMENT  
AGREEMENT**

The Oregon Water Resources Department ("OWRD"), Kameron Delashmutt on behalf of Thornburgh Utility Group LLC ("Applicant"), and WaterWatch of Oregon ("Protestant"), referred to collectively as "the Parties" and each individually a "Party," do hereby stipulate and agree in this "Settlement Agreement" as follows:

**Stipulations**

- I. On February 9, 2005, Kameron Delashmutt on behalf of Thornburgh Utility Group LLC, submitted an application to OWRD for a water use permit.
- II. OWRD issued a Proposed Final Order (PFO) on July 25, 2006. The protest period closed September 8, 2006.
- III. On September 8, 2006, WaterWatch of Oregon, Inc., submitted a protest against the PFO on application G-16385.
- IV. The Parties agree that all issues raised in Protestant's protest to the PFO on Application G-16385 are resolved solely on the following terms with regard to this application.

**General Terms of Agreement**

- 1. Regarding water right Application G-16385, Applicant and Protestant hereby expressly waive all right and opportunity to file a protest or request for contested case hearing, request for reconsideration, exceptions, or to seek judicial review of the Final Order or Permit, in addition to waiving any right and opportunity to challenge this Settlement Agreement, including the attached Draft Final Order and Draft Permit.
- 2. After Applicant and Protestant sign this Settlement Agreement, they will mail the signed original back to the Oregon Water Resources Department, ATTN: Mike Reynolds, 725 Summer St. NE, Suite A, Salem, OR 97301-1266.
- 3. Within 30 days after OWRD receives the original Settlement Agreement signed by all Parties, OWRD will issue a Final Order that is consistent with the Draft Final Order attached to this Settlement Agreement. The Final Order will incorporate this Settlement Agreement by reference and as an attachment.

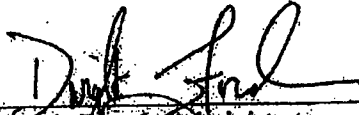
4. Each Party to this Settlement Agreement represents, warrants, and agrees that the person who executes this Agreement on its behalf has the full right and authority to enter into this Agreement on behalf of that Party and bind that Party to the terms of this Settlement Agreement.
5. Each Party to this Settlement Agreement certifies that it has had a reasonable opportunity to review and request changes to the Settlement Agreement, and that it has signed this Settlement Agreement of its own free will and accord. Each Party to this Settlement Agreement also certifies that it has read the entire Settlement Agreement which incorporates the attached Draft Final Order and Draft Permit, and understands and fully agrees with the contents thereof.
6. This Settlement Agreement may be signed in counterparts, each of which will be deemed an original, and all of which together shall constitute one and the same Settlement Agreement.

#### **Specific Terms of Agreement**

1. The total quantity of water (2,129 acre-feet) approved for quasi-municipal use shall be broken down into component quantities as follows: 717 acre-feet for golf-course irrigation (for a total of up to 320 acres with a permanent duty of 2.24 acre-feet per acre); 194 acre-feet for non-golf course ("standard") irrigation (up to 65 acres at a permanent duty of 3.0 acre-feet per acre); 246 acre-feet for reservoir maintenance; and 971 "other" quasi-municipal which shall include but not be limited to residential housing, overnight lodging, restaurants and other commercial facilities. The consumptive use and related mitigation obligation for each component shall be calculated separately, as set forth below.
2. **Golf Course Irrigation:** During the first year of irrigation for each of the three proposed golf courses, Applicant may use up to 3.0 acre-feet so long as the total volume of water applied in any given year does not exceed the maximum volume authorized under the permit or approved phase of permit development. After the first year of irrigation, the permanent annual duty for golf course irrigation shall be reduced to 2.24 acre-feet per acre. Consumptive use (and the related mitigation obligation) for golf course shall be calculated at the rate of 90% of the maximum permanent duty.
3. **Standard Irrigation:** The permanent duty for standard irrigation shall be 3.0 acre-feet per acre. Consumptive use (and the related mitigation obligation) for standard irrigation shall be calculated at the rate of 60% of the maximum permanent duty.
4. **Reservoir Maintenance:** Consumptive use (and the related mitigation obligation) for reservoir maintenance shall be calculated at the rate of 100% of the annual evaporation rate. For purposes of this Final Order and water right, the annual evaporation rate shall be 2.66 acre-feet per surface area acre of the reservoirs.

5. **“Other” Quasi-municipal Use: Consumptive use (and the related mitigation obligation) for all other quasi-municipal use shall be calculated at the rate of 40% of the maximum annual volume.**
6. **As provided by OWRD rules, Applicant shall have the option to provide for development and required mitigation in phases. In addition, at any time prior to issuance of the permit, applicant shall have the option to modify the total annual volume of water authorized for any component of the quasi-municipal use by submitting a revised Incremental Development Plan, provided that the modification does not increase the total annual volume of water authorized under the Final Order. If Applicant exercises this option, the water right permit and the mitigation obligation shall be revised to reflect the modified volumes of water, based on the consumptive use rates described above, as applicable.**
7. **The permit shall include a condition requiring measurement and reporting of water use, including a break-down for golf course irrigation, along with all other terms and conditions described in the Final Order.**
8. **In agreeing to this Settlement Agreement, Protestant intends to resolve only the specific issues associated with the water right protest and does not otherwise support or endorse the destination resort project proposed by Applicant.**

**SIGNATURE PAGE FOR SETTLEMENT  
ON WATER RIGHT APPLICATION G-16385**

  
\_\_\_\_\_  
Dwight Proach, Administrator,  
Water Rights and Adjudications Division  
for  
Phillip C. Ward, Director  
Oregon Water Resources Department  
725 Summer St. NE, Suite A  
Salem, OR 97301

March 22, 2007  
Date

  
\_\_\_\_\_  
Thornburgh Utility Group LLC, Applicant

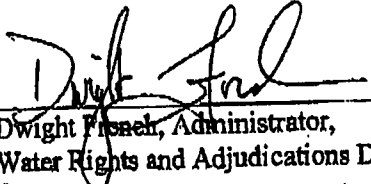
3/22/07  
Date

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John DeVoe, Director  
Water Watch of Oregon, Inc.

\_\_\_\_\_  
Date



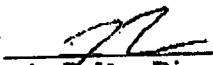
**SIGNATURE PAGE FOR SETTLEMENT  
ON WATER RIGHT APPLICATION G-16385**

  
\_\_\_\_\_  
Dwight French, Administrator,  
Water Rights and Adjudications Division  
for  
Phillip C. Ward, Director  
Oregon Water Resources Department  
725 Summer St. NE, Suite A  
Salem, OR 97301

March 22, 2007  
Date

\_\_\_\_\_  
Thomburgh Utility Group LLC, Applicant

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
John DeVoe, Director  
Water Watch of Oregon, Inc.

3/22/07  
Date

Oregon Water Resources Department  
Water Rights Division

Water Rights Application  
Number G-16385

**Final Order Incorporating Settlement Agreement**

Hearing and Appeal Rights

Under the provisions of ORS 537.170 and ORS 537.622, the applicant may request a contested case hearing by submitting information required for a protest under ORS 537.153(6) or ORS 537.621(7) to the Department within 14 days after the date of mailing of this order as shown below. If a contested case hearing is requested, the Department must schedule one. In the contested case hearing, however, only those issues based on the modifications to the proposed final order listed below may be addressed.

ORS 536.075 allows for additional appeal rights for other than contested case. This is a final order in other than a contested case. This order is subject to judicial review under ORS 183.484. Any petition for judicial review of this order must be filed within the 60 day time period specified by ORS 183.484(2).

This statement of judicial review rights does not create a right to judicial review of this order, if judicial review is otherwise precluded by law. Where no changes have been made to a Proposed Final Order on a water right application and no protests have been filed during the protest period, the final order is not subject to judicial review.

*Application History*

On February 9, 2005, THORNBURGH UTILITY GROUP, LLC. submitted an application to the Department for a water use permit. The Department issued a Proposed Final Order on July 25, 2006. The protest period closed September 8, 2006.

As required by OAR 690-505-06165, the applicant must submit proposed mitigation that meets the requirements of OAR 690-505-0610(2)-(5). Pursuant to OAR 690-505-0620, a permit shall not be issued until the applicant provides documentary evidence that mitigation water, in an amount satisfying the mitigation obligation, is legally protected instream.

The applicant submitted a mitigation proposal to provide 1197.0 acre feet of mitigation water in the General Zone of Impact on an incremental basis.

On September 8, 2006, WaterWatch of Oregon, Inc., ("WaterWatch") submitted a protest against the Proposed Final Order.

**WaterWatch**, the applicant, and OWRD entered into a

Settlement Agreement under which the issues raised in the protest were fully resolved with regard to this application. A copy of the Settlement Agreement is attached hereto and by this reference incorporated herein.

On March 22, 2007, the applicant, through its agent Martha O. Pagel, of Schwabe, Williamson and Wyatt, submitted a revised incremental mitigation plan reflecting the terms of the Settlement Agreement.

Pursuant to the terms of the Settlement Agreement, a water right permit may be issued for up to 2,129 acre-feet per year of water for quasi-municipal use, as follows:

TABLE I

Estimated Full Build-out Water Needs for Preliminary Planning

Water Use	Peak Flow		Mitigation Obligation
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Other Quasi-Municipal	2.15	971 af	388 af
<b>TOTALS</b>	<b>9.97</b>	<b>2,129 af</b>	<b>1356 af</b>

Pursuant to the Settlement Agreement, consumptive use, and the related mitigation obligation for each component of the quasi-municipal use is calculated as follows:

Golf Course Irrigation: During the first year of irrigation for each of the three proposed golf courses, applicant may use up to 3.0 acre-feet per acre so long as the total volume of water applied in any given year does not exceed the maximum volume authorized under the permit or the applicable approved phase of development under an incremental development plan. After the first year of irrigation, the permanent annual duty for golf course irrigation shall be reduced to 2.24 acre-feet per acre. Consumptive use and the mitigation obligation shall be calculated at the rate of 90% of the maximum permanent duty.

Standard Irrigation: The duty for standard irrigation shall be 3.0 acre-feet per acre. The consumptive use and mitigation obligation shall be calculated at a rate of 60% of the maximum permanent duty.

Reservoir Maintenance: The consumptive use and mitigation obligation for reservoir maintenance shall be calculated at the rate of 100% of the annual evaporation rate which is established

at 2.66 acre-feet per year.

Other Quasi-Municipal: The consumptive use and mitigation obligation for all other quasi-municipal use under the permit shall be calculated at the rate of 40% of the maximum annual volume authorized under the permit.

At any time prior to issuance of the permit, applicant shall have the option to modify the total annual volume of water authorized for any component of the quasi-municipal use by submitting a revised Incremental Development Plan, provided that the modification does not increase the total annual volume of water authorized under the Final Order. If Applicant exercises this option, the water right permit and the mitigation obligation shall be revised to reflect the modified volumes of water, based on the consumptive use rates described above, as applicable.

The permit shall include a condition requiring measurement and reporting of water use, including a break-down for golf course irrigation, along with all other terms and conditions described in the Final Order.

The mitigation conditions, along with other conditions in the attached draft permit, shall be contained in the permit, when issued, for Application G-16385.

Mitigation Obligation: 1,356.0 acre-feet in the General Zone of Impact (Anywhere in Deschutes Basin above the Madras gage, which is located below Lake Billy Chinook.)

Mitigation Source: Mitigation Credits or a Mitigation Project, in accordance with the incremental development plan on file with the Department, meeting the requirements of OAR Chapter 690, Division 505 (Deschutes Ground Water Mitigation Rules).

Mitigation water must be legally protected instream for instream use within the General River Zone of Impact and committed for the life of the permit and subsequent certificate(s). Regulation of the use and/or cancellation of the permit, or subsequent certificate(s), will occur if the required mitigation is not maintained.

The permittee shall provide additional mitigation if the Department determines that average annual consumptive use of the subject appropriation has increased beyond the originally mitigated amount.

If mitigation is from a secondary right for stored water from a storage project not owned or operated by the permittee, the use of water under this right is subject to the terms and

conditions of a valid contract, or a satisfactory replacement, with the owner/operator of the storage project, a copy of which must be on file in the records of the Water Resources Department prior to use of water.

Failure to comply with these mitigation conditions shall result in the Department regulating the ground water permit, or subsequent certificate(s), proposing to deny any permit extension application for the ground water permit, and proposing to cancel the ground water permit, or subsequent certificate(s).

The following shall also apply to the irrigation component of of this application:

The amount of water used for irrigation under this right, together with the amount secured under any other right existing for the same lands, is limited to a diversion of ONE-EIGHTIETH of one cubic foot per second and 3.0 acre-feet for each acre irrigated during the irrigation season of each year. The permanent duty of water use for golf course irrigation under this right is further limited to a diversion of 2.24 acre-feet for each acre irrigated during the irrigation season of each year, as provided herein.

#### Order

Application G-16385 therefore is approved with the above modifications to the Proposed Final Order, and as conditioned, will ensure the preservation of the public welfare, safety and health.

A permit consistent with the attached draft permit shall be issued only upon submission of documentary evidence demonstrating that the appropriate amount of mitigation water (credits or mitigation project), or an alternate amount of mitigation in conjunction with a modified incremental mitigation development plan, meeting the requirements of OAR 690-505-0610(2)-(5), within the General Zone of Impact, has been obtained and satisfy the first stage of incremental development.

This final order is issued approving application G-16385 contingent upon the required first increment of mitigation being provided before a permit may be issued. This final order shall expire 5 years after issuance unless the required first increment of mitigation is provided. OAR 690-505-0620(2).

Application G-16385 is therefore approved as provided herein. Upon payment of outstanding fees in the amount of \$250.00, and upon submission of land use approval for the proposed use, a permit shall be issued authorizing the

proposed water use.

Failure to meet this requirement within 60 days from the date of this Final Order may result in the proposed rejection of the application.

If you need to request additional time, your written request should be received in the Salem office of the Department within 60 days of this Final Order. The Department will evaluate the request and determine whether or not the request may be approved.

[REDACTED]

[REDACTED]

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Dwight French, Administrator  
Water Rights and Adjudications Division  
Phillip C. Ward, Director  
Oregon Water Resources Department



STATE OF OREGON

COUNTY OF DESCHUTES

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

THORNBURGH UTILITY GROUP, LLC  
2447 NW CANYON DR  
REDMOND, OR 97756

The specific limits and conditions of the use are listed below.

APPLICATION FILE NUMBER: G-16385

SOURCE OF WATER: SIX WELLS IN DESCHUTES RIVER BASIN

PURPOSE OR USE: QUASI-MUNICIPAL USES, INCLUDING BUT NOT LIMITED TO, IRRIGATION OF GOLF COURSES AND COMMERCIAL AREAS, AND MAINTENANCE OF RESERVOIRS.

MAXIMUM RATE AND VOLUME: 9.28 CUBIC FEET PER SECOND, LIMITED TO A MAXIMUM ANNUAL VOLUME OF 2,129.0 ACRE FEET (AF). THE RATE AND VOLUME ARE FURTHER LIMITED BY THE CORRESPONDING MITIGATION PROVIDED. THE MAXIMUM VOLUME FOR IRRIGATION OF 320.0 ACRES FOR GOLF COURSES SHALL NOT EXCEED 717.0 ACRE FEET.

PERIOD OF USE: YEAR ROUND

DATE OF PRIORITY: FEBRUARY 9, 2005

WELL LOCATIONS:

WELL 1: SE ¼ NW ¼, SECTION 28, T15S, R12E, W.M.; 1800 FEET SOUTH & 2335 FEET EAST FROM NW CORNER, SECTION 28

WELL 2: SE ¼ NW ¼, SECTION 29, T15S, R12E, W.M.; 1655 FEET SOUTH & 2750 FEET WEST FROM NE CORNER, SECTION 29

WELL 3: SW ¼ SW ¼, SECTION 21, T15S, R12E, W.M.; 1100 FEET NORTH & 400 FEET EAST FROM SW CORNER, SECTION 21

WELL 4: NE ¼ SE ¼, SECTION 20, T15S, R12E, W.M.; 2885 FEET SOUTH & 750 FEET WEST FROM NE CORNER, SECTION 20

WELL 5: SW ¼ NE ¼, SECTION 20, T15S, R12E, W.M.; 2590 FEET SOUTH & 1860 FEET WEST FROM NE CORNER, SECTION 20

WELL 6: SE ¼ NW ¼, SECTION 17, T15S, R12E, W.M.; 2375 FEET SOUTH & 3615 FEET WEST FROM NE CORNER, SECTION 17

Application G-16385 Water Resources Department PERMIT G-16167

THE PLACE OF USE IS LOCATED AS FOLLOWS:

WITHIN THE BOUNDARIES OF THE THORNBURGH RESORT, BEING WITHIN SECTIONS 17, 20, 21, 28, 29, AND 30; TOWNSHIP 15 SOUTH, RANGE 12 EAST, W.M.

The amount of water used for irrigation under this right, together with the amount secured under any other right existing for the same lands, is limited to a diversion of ONE-EIGHTIETH of one cubic foot per second and 3.0 acre-feet for each acre irrigated during the irrigation season of each year. The permanent duty of water use for golf course irrigation under this right is further limited to a diversion of 2.24 acre-feet for each acre irrigated during the irrigation season of each year, as provided in the Final Order.

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a totalizing flow meter at each point of appropriation. The totalizing flow meters must be installed and maintained in good working order consistent with those standards identified in OAR 690-507-645(1) through (3). The permittee shall keep a complete record of the amount of water used each month for all quasi-municipal use, including but not limited to the specific amount of water used for golf course irrigation, and shall submit a report which includes the recorded water use measurements to the Department annually or more frequently as may be required by the Director. Further, the Director may require the permittee to report general water use information, including the place and nature of use of water under the permit.
- B. The permittee shall allow the watermaster access to the meters; provided however, where the meters are located within a private structure, the watermaster shall request access upon reasonable notice.

Use of water under authority of this permit may be regulated if analysis of data available after the permit is issued discloses that the appropriation will measurably reduce the surface water flows necessary to maintain the free-flowing character of a scenic waterway in quantities necessary for recreation, fish and wildlife in effect as of the priority date of the right or as those quantities may be subsequently reduced. However, the use of ground water allowed under the terms of this permit will not be subject to regulation for Scenic Waterway flows so long as mitigation is maintained.



## GROUND WATER MITIGATION CONDITIONS

Mitigation Obligation: 1,356.0 acre-feet annually in the General Zone of Impact (anywhere in the Deschutes Basin above the Madras gage, located on the Deschutes River below Lake Billy Chinook.)

Mitigation Source: Mitigation Credits or a Mitigation Project, in accordance with the incremental development plan on file with the Department, meeting the requirements of OAR 690, Division 505 (Deschutes Ground Water Mitigation Rules).

The first stage of incremental development shall be met with [REDACTED] of mitigation water, being mitigation water resulting from a permanent instream transfer; credits from a chartered mitigation bank; or suitable mitigation water that meets the requirements of OAR 690-505-0610(2)-(5), with the General Zone of Impact.

Mitigation water must be legally protected instream for instream use within the General Zone of Impact and committed for life of the permit and subsequent certificate(s). Regulation of the use and/or cancellation of the permit, or subsequent certificate(s) will occur if the required mitigation is not maintained.

If mitigation is from a secondary right for stored water from a storage project not owned or operated by the permittee, the use of water under this right is subject to the terms and conditions of a valid contract, or a satisfactory replacement, with the owner/operator of the storage project, a copy of which must be on file in the records of the Water Resources Department prior to use of water.

The permittee shall provide additional mitigation if the Department determines that average annual consumptive use of the subject appropriation has increased beyond the originally mitigated amount.

The permittee shall provide mitigation prior to each stage of development under the permit and in accordance with the standards under 690-505-0610(2)-(5).

The permittee shall not increase the rate or amount of water diversion before increasing the corresponding mitigation.

The permittee shall seek and receive Department approval prior to changing the incremental permit development plan and related incremental mitigation.

The permittee shall report to the Department the progress of implementing the incremental permit development plan and related mitigation by not later than April 1 of each year.

Within five years of permit issuance, the permittee shall submit a new or updated Water Management and Conservation Plan pursuant to OAR Chapter 690, Division 86.

Failure to comply with these mitigation conditions shall result in the Department regulating the ground water permit, or subsequent certificate(s), proposing to deny any permit extension application for the ground water permit, and proposing to cancel the ground water permit, or subsequent certificate(s).

#### STANDARD CONDITIONS

If the number, location, source, or construction of any well deviates from that proposed in the permit application or required by permit conditions, this permit may not be valid, unless the Department authorizes the change in writing.

If substantial interference with a senior water right occurs due to withdrawal of water from any well listed on this permit, then use of water from the well(s) shall be discontinued or reduced and/or the schedule of withdrawal shall be regulated until or unless the Department approves or implements an alternative administrative action to mitigate the interference. The Department encourages junior and senior appropriators to jointly develop plans to mitigate interferences.

The wells shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevation in the well at all times.

Where two or more water users agree among themselves as to the manner of rotation in the use of water and such agreement is placed in writing and filed by such water users with the watermaster, and such rotation system does not infringe upon such prior rights of any water user not a party to such rotation plan, the watermaster shall distribute the water according to such agreement.

Prior to receiving a certificate of water right, the permit holder shall submit the results of a pump test meeting the department's standards, to the Water Resources Department. The Director may require water level or pump test results every ten years thereafter.

Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for the beneficial use of water without waste. The water user is advised that new regulations may require the use of best practical technologies or conservation practices to achieve this end.

By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water shall be limited when it interferes with any prior surface or ground water rights.

Completion of construction and complete application of the water to the use shall be made on or before October 1, 2011. If the water is not completely applied before this date, and the permittee wishes to continue development under the permit, the permittee must submit an application for extension of time, which may be approved based upon the merit of the application.

Within one year after complete application of water to the proposed use, the permittee shall submit a claim of beneficial use, which includes a map and report, prepared by a Certified Water Rights Examiner (CWRE).

[REDACTED]

[REDACTED]

Dwight French, Administrator  
Water Rights and Adjudications Division  
Phillip C. Ward, Director  
Oregon Water Resources Department

# **EXHIBIT 2**



**B. GROUND WATER AVAILABILITY CONSIDERATIONS, OAR 690-310-130, 400-010, 410-0070**

B1. Based upon available data, I have determined that ground water\* for the proposed use:

- a.  is over appropriated,  is not over appropriated, or  cannot be determined to be over appropriated during any period of the proposed use. \* This finding is limited to the ground water portion of the over-appropriation determination as prescribed in OAR 690-310-130;
- b.  will not or  will likely be available in the amounts requested without injury to prior water rights. \* This finding is limited to the ground water portion of the injury determination as prescribed in OAR 690-310-130;
- c.  will not or  will likely to be available within the capacity of the ground water resource; or
- d.  will, if properly conditioned, avoid injury to existing ground water rights or to the ground water resource:
  - i.  The permit should contain condition #(s) 7B;
  - ii.  The permit should be conditioned as indicated in item 2 below.
  - iii.  The permit should contain special condition(s) as indicated in item 3 below;

- B2. a.  Condition to allow ground water production from no deeper than \_\_\_\_\_ ft. below land surface;
- b.  Condition to allow ground water production from no shallower than \_\_\_\_\_ ft. below land surface;
- c.  Condition to allow ground water production only from the \_\_\_\_\_ ground water reservoir between approximately \_\_\_\_\_ ft. and \_\_\_\_\_ ft. below land surface;
- d.  Well reconstruction is necessary to accomplish one or more of the above conditions. The problems that are likely to occur with this use and without reconstructing are cited below. Without reconstruction, I recommend withholding issuance of the permit until evidence of well reconstruction is filed with the Department and approved by the Ground Water Section.

Describe injury –as related to water availability– that is likely to occur without well reconstruction (interference w/ senior water rights, not within the capacity of the resource, etc): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**B3. Ground water availability remarks: THE NEAREST STATE OBSERVATION WELL IS OBS WELL 1317 (DESC 3581), ABOUT 2.5 TO 3.2 MILES TO THE NORTHEAST (WELLS 1-5) AND EAST-SOUTHEAST (WELL 6). IT HAS BEEN MONITORED PERIODICALLY SINCE 1993. STATE OBSERVATION WELL 1317 SHOWS A RELATIVELY SHARP DECLINE BETWEEN 1994 AND 1996, A SHALLOWER DECLINE SLOPE BETWEEN 1997 AND 1999, AND A STEEPENING SLOPE FROM 2000 TO PRESENT. THIS TREND IS COINCIDENT WITH CLIMATE CYCLES. SINCE 1994, THE WATER LEVEL HAS DROPPED ABOUT 7 FEET, MOSTLY AS A RESULT OF DECREASED RECHARGE.**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**C. GROUND WATER/SURFACE WATER CONSIDERATIONS, OAR 690-09-040**

C1. 690-09-040 (1): Evaluation of aquifer confinement:

Well #	Aquifer or Proposed Aquifer	Confined	Unconfined
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

Basis for aquifer confinement evaluation: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

C2. 690-09-040 (2) (3): Evaluation of distance to, and hydraulic connection with, surface water sources. All wells located a horizontal distance less than ¼ mile from a surface water source that produce water from an unconfined aquifer shall be assumed to be hydraulically connected to the surface water source. Include in this table any streams located beyond one mile that are evaluated for PSI.

Well	SW #	Surface Water Name	GW Elev ft msl	SW Elev ft msl	Distance (ft)	Hydraulically Connected?			Potential for Subst. Interfer. Assumed?	
						YES	NO	ASSUMED	YES	NO
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Basis for aquifer hydraulic connection evaluation: \_\_\_\_\_  
 \_\_\_\_\_

Water Availability Basin the well(s) are located within: \_\_\_\_\_

C3a. 690-09-040 (4): Evaluation of stream impacts for each well that has been determined or assumed to be hydraulically connected and less than 1 mile from a surface water source. Limit evaluation to instream rights and minimum stream flows that are pertinent to that surface water source, and not lower SW sources to which the stream under evaluation is tributary. Compare the requested rate against the 1% of 80% natural flow for the pertinent Water Availability Basin (WAB). If Q is not distributed by well, use full rate for each well. Any checked  box indicates the well is assumed to have the potential to cause PSI.

Well	SW #	Well < ¼ mile?	Qw > 5 cfs?	Instream Water Right ID	Instream Water Right Q (cfs)	Qw > 1% ISWR?	80% Natural Flow (cfs)	Qw > 1% of 80% Natural Flow?	Interference @ 30 days (%)	Potential for Subst. Interfer. Assumed?
		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>

Application G- 16385 continued

Date 3/21/2005

C3b. 690-09-040 (4): Evaluation of stream impacts by total appropriation for all wells determined or assumed to be hydraulically connected and less than 1 mile from a surface water source. Complete only if Q is distributed among wells. Otherwise same evaluation and limitations apply as in C3a above.

	SW #	Qw > 5 cfs?	Instream Water Right ID	Instream Water Right Q (cfs)	Qw > 1% ISWR?	80% Natural Flow (cfs)	Qw > 1% of 80% Natural Flow?	Interference @ 30 days (%)	Potential for Subst. Interfer. Assumed?
		<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>			<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

C4a. 690-09-040 (5): Estimated impacts on hydraulically connected surface water sources greater than one mile as a percentage of the proposed pumping rate. Limit evaluation to the effects that will occur up to one year after pumping begins. This table encompasses the considerations required by 09-040 (5)(a), (b), (c) and (d), which are not included on this form. Use additional sheets if calculated flows from more than one WAB are required.

Non-Distributed Wells													
Well	SW#	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		%	%	%	%	%	%	%	%	%	%	%	%
Well Q as CFS													
Interference CFS													
Distributed Wells													
Well	SW#	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		%	%	%	%	%	%	%	%	%	%	%	%
Well Q as CFS													
Interference CFS													
		%	%	%	%	%	%	%	%	%	%	%	%
Well Q as CFS													
Interference CFS													
		%	%	%	%	%	%	%	%	%	%	%	%
Well Q as CFS													
Interference CFS													
		%	%	%	%	%	%	%	%	%	%	%	%
Well Q as CFS													
Interference CFS													
		%	%	%	%	%	%	%	%	%	%	%	%
Well Q as CFS													
Interference CFS													
(A) = Total Interf.													
(B) = 80 % Nat. Q													
(C) = 1 % Nat. Q													
(D) = (A) > (C)													
(E) = (A / B) x 100		%	%	%	%	%	%	%	%	%	%	%	%

Version: 08/15/2003



Application G- 16385 continued

Date 3/21/2005

(A) = total interference as CFS; (B) = WAB calculated natural flow at 80% exceed. as CFS; (C) = 1% of calculated natural flow at 80% exceed. as CFS; (D) = highlight the checkmark for each month where (A) is greater than (C); (E) = total interference divided by 80% flow as percentage.

Basis for impact evaluation: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

C4b. 690-09-040 (5) (b) The potential to impair or detrimentally affect the public interest is to be determined by the Water Rights Section.

- C5.  If properly conditioned, the surface water source(s) can be adequately protected from interference, and/or ground water use under this permit can be regulated if it is found to substantially interfere with surface water:
  - i.  The permit should contain condition #(s) \_\_\_\_\_;
  - ii.  The permit should contain special condition(s) as indicated in "Remarks" below;

C6. SW / GW Remarks and Conditions \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_

References Used: USGS WRIR 00-4162; WRIR 02-4015; CONSULTANT REPORT (2005); OWRD STATE OBSERVATION WELL DATA (OBS WELL 1317); APPL. FILE G-16385; WELL REPORTS DESC 756 AND DESC 52656; TUMALO AND CLINE FALLS QUADRANGLE MAPS.

**D. WELL CONSTRUCTION, OAR 690-200**

D1. Well #: \_\_\_\_\_ Logid: \_\_\_\_\_

D2. **THE WELL does not meet current well construction standards based upon:**

- a.  review of the well log;
- b.  field inspection by \_\_\_\_\_;
- c.  report of CWRE \_\_\_\_\_;
- d.  other: (specify) \_\_\_\_\_

D3. **THE WELL construction deficiency:**

- a.  constitutes a health threat under Division 200 rules;
- b.  commingles water from more than one ground water reservoir;
- c.  permits the loss of artesian head;
- d.  permits the de-watering of one or more ground water reservoirs;
- e.  other: (specify) \_\_\_\_\_

D4. **THE WELL construction deficiency is described as follows:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- D5. **THE WELL**
- a.  was, or  was not constructed according to the standards in effect at the time of original construction or most recent modification.
  - b.  I don't know if it met standards at the time of construction.

D6.  **Route to the Enforcement Section.** I recommend withholding issuance of the permit until evidence of well reconstruction is filed with the Department and approved by the Enforcement Section and the Ground Water Section.

**THIS SECTION TO BE COMPLETED BY ENFORCEMENT PERSONNEL**

D7.  Well construction deficiency has been corrected by the following actions: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_, 200\_\_\_\_\_  
(Enforcement Section Signature)

D8.  **Route to Water Rights Section (attach well reconstruction logs to this page).**

\_\_\_\_\_

Oregon Water Resources Department

MEMO

March 21, 2005

TO Application G- 16385

FROM GW: K. Life  
(Reviewer's Name)

SUBJECT Scenic Waterway Interference & General/Local Surface Water Impact Evaluation for Deschutes Ground Water Study Area

The source of appropriation is within or above the Deschutes Scenic Waterway

Use the Scenic Waterway condition (Condition 7J).

PREPONDERANCE OF EVIDENCE FINDING UNDER ORS 390.835:

The Department has found that there is a preponderance of evidence that the proposed use of ground water will measurably reduce the surface water flows necessary to maintain the free-flowing character of the Deschutes Scenic Waterway in quantities necessary for recreation, fish and wildlife.

LOCALIZED IMPACT FINDING

The proposed use of ground water will have a localized impact to surface water in the

\_\_\_\_\_ River/Creek Subbasin

If the localized impact box above is checked, then the water use under any right issued pursuant to this application is presumed to have a localized impact on surface water within the identified subbasin. Mitigation of the impact, originating from within the Local Zone of Impact identified by the Department, will be required before a permit may be issued for the proposed use.

If the localized impact box above is not checked, then the water use under any right issued pursuant to this application is presumed to have a general (regional) impact on surface water. Mitigation of the impact, originating anywhere within the Deschutes Basin above the Madras gage, will be required before a permit may be issued for the proposed use.

**EXHIBIT 3**

**RESPONSE TO NOTICE OF MITIGATION OBLIGATION  
MUNICIPAL OR QUASI-MUNICIPAL INCREMENTAL DEVELOPMENT PLAN**  
*Municipal or Quasi-Municipal ground water permit applicants may satisfy a mitigation obligation by incrementally obtaining and providing mitigation to coincide with the incremental development of the permit, provided mitigation is provided prior to each stage of development of the permit, in accordance with the standards under OAR 690-505-0610(2)-(5).*

Applicant: Thornburgh Utility Group

Applicant's Agent: Martha Pagel

Application number: G-16385

Proposed Use: Quasi-Municipal

Rate of water requested: cubic feet per second (CFS) 9.97

Volume of water requested: acre-feet (AF) 2129 AF

Mitigation obligation: acre-feet (AF) 1356.0 AF

Zone of Impact: General

**Please read and initial the following statements:**

I (we) intend to provide incremental mitigation MJP.

I (we) understand that mitigation must be provided prior to each stage of development of the permit and that the mitigation meet the requirements of OAR 690-505-0610 (2)-(5) MJP.

I (we) understand that the first increment of mitigation must be obtained, submitted to the Department and legally protected instream prior to a permit being issued MJP.

I (we) understand that after receiving the water right permit, I (we) may not increase water use without providing the corresponding required mitigation MJP.

I (we) understand that I (we) will be required to submit a new or update Water Management and Conservation Plan under OAR Chapter 690, Division 86 within 2 years of the Department issuing my permit MJP.

I (we) understand that only with prior Department approval may I (we) modify the incremental development plan and related mitigation obligation. MJP.

**OVER**

9/20/06

**Please estimate the time schedule for development of the water right permit and the proposed source of mitigation that may be obtained and used prior to each stage of development: (This proposed development schedule must describe 100% of the requested volume).**

For the first increment of permit development I (we) will need approximately 1069 acre-feet of the 2129 acre-feet requested in the water right permit application. The first increment of mitigation will be required by September 2007.

The proposed mitigation source for this increment of use will be: (please check )

mitigation credits     a mitigation project

Please describe the source of mitigation credits (if applicable), and/or the type of project e.g., transfer etc. and any associated water right certificate, if known:

See Attachment 1

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By 2009 (approximate year), for the second increment of permit development, I (we) will need approximately 1060 additional acre-feet of the 2129 total acre-feet requested in the water right permit application.

The proposed mitigation source for this increment of use will be: (please check)

mitigation credits     a mitigation project

Please describe the source of mitigation credits (if applicable) and/or the type of project e.g., transfer etc. and any associated water right certificate, if known:

See Attachment 1

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**Please complete a section for each subsequent stage of Incremental Development beyond the first two incremental stages. Additional pages attached. (N/A)**

Applicant \_\_\_\_\_ or

Applicant's Representative Martha Pugh

Date 3/22/07

## Attachment 1 – Revised Response to Notice of Mitigation Obligation

### Revised Incremental Mitigation Plan for Thornburgh Utility Group (Thornburgh Resort)

This Revised Incremental Mitigation Plan is submitted in connection with Application G-16385, in the name of Thornburgh Utility Group (“Thornburgh”).

Thornburgh proposes incremental mitigation in two phases.

The amount of mitigation to be provided under this revised plan reflects settlement negotiations and an agreement reached with WaterWatch of Oregon (WaterWatch), resolving a protest filed by WaterWatch against the application. Under this revised plan, Thornburgh proposes to provide more mitigation than was originally identified by the Oregon Water Resources Department (OWRD) in its Notice of Mitigation Obligation, and as described in the Proposed Final Order.

Under this revised plan, Thornburgh will use a total of 2129 acre feet of water and will require a total of 1069 acre-feet of mitigation at full build-out. During the first phase of development (Phase A) Thornburgh proposes to use approximately 1201 acre feet of water, with a diversion rate of 4.04 cfs. The mitigation requirement for this Phase will be 610 acre-feet, based on the settlement agreement. Thornburgh plans to use the remainder of the water at an additional diversion rate of 5.93 cfs, during the second phase of development (Phase B.) The mitigation requirement for Phase B will be an additional 746 acre-feet, also based on the settlement agreement.

#### A. Phase A Mitigation (610 acre-feet)

Mitigation for Phase A development will be from a combination of the following sources:

1. Thornburgh has entered into option or purchase agreements for a total of 71.74 acres of water rights within the Central Oregon Irrigation District (COID) that will be transferred to permanent mitigation credits, pursuant to the COID Ground Water Patron Policy. These contracts are expected to yield 129.13 mitigation credits, based on consumptive use of 1.8 acre-feet per acre.
2. Thornburgh also has entered into an option agreement to purchase existing surface water rights from Big Falls Ranch for up to 464.9 acres of irrigation within the General Zone of Impact. These water rights would be converted to mitigation credits through permanent instream transfers, and are expected to result in a total of up to 836.82 mitigation credits, based on consumptive use of 1.8 acre-feet per acre. Acquisition under this option agreement would occur in phases from 2006 through 2008; however, Thornburgh would have the option to secure all the water rights at any point during the contract term. For Phase A, Thornburgh is most likely to exercise an option for 150 acres, resulting in approximately 270 mitigation credits.

3. Thornburgh will also continue to pursue acquisition of water rights within COID that can be converted to permanent mitigation credits. In accordance with the Ground Water Patron Policy, Thornburgh has submitted and received preliminary approval of a "Development Irrigation Plan" (DIP) authorizing acquisition of up to a total of 942 acre-feet of water rights/mitigation credits from irrigated lands within the district. Final approval of the DIP by COID will constitute pre-authorization to Thornburgh for the conversion of existing surface water irrigation rights, based on purchase and sale agreements negotiated between Thornburgh and willing landowners. COID currently serves a total of approximately 45,000 acres of land. Much of this land is expected to become urbanized within the next three to five years. Under the Ground Water Patron Policy, COID patrons are given preference for the acquisition of water rights associated with these lands, before such water rights could be transferred outside of the District. In addition, Patrons with approved Development Irrigation Plans are given preference over other potential water users within the District. Under these policies, Thornburgh is in a position to gain priority access to the mitigation credits available within COID.

4. Thornburgh also has an option to purchase land with an additional 100.7 acres of water rights outside of COID district (the "McCabe Property). At a consumptive use rate 1.8 acre-feet per acre, these rights can generate 310.4 mitigation credits.

5. Thornburgh may also elect to acquire a portion of the mitigation required for Phase A under through short-term contracts with the DRC Mitigation Bank. This would allow for a transition to permanent credits, as established by the above-described instream transfers.

**B. Project Completion – Phase B and Possible Subsequent Phases (746 acre-feet)**

1. Mitigation water for Phase B will come primarily from the transfer of the Big Falls Ranch water rights (described in #2 above) and implementation, as needed, of the COID DIP (described in #3 above).

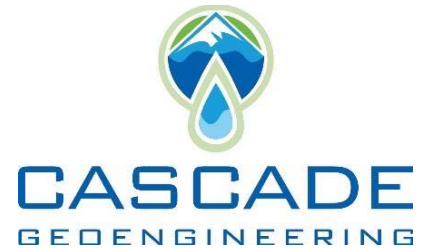
2. Additional mitigation, if needed, can be secured from sources outside of COID. Private brokers have advised Thornburgh of the availability of mitigation credits, and the DRC has confirmed an expectation that permanent or temporary credits will be available in excess of projected demand for the foreseeable future.

**C. Conclusion**

Thornburgh will fully satisfy the mitigation obligation for this project through an incremental development plan. Thornburgh has already taken steps to secure options or agreements that can provide the full amount of mitigation required over the course of the project. Phase A development of 1069 acre-feet of water will require 610 mitigation credits which will be provided as described in Section B, above. The remainder of mitigation is expected to be needed by 2009, or earlier, for Phase B mitigation; however this Phase may be broken down into smaller increments. As indicated in the attached Response to Notice of Mitigation Obligation form, Thornburgh understands that mitigation must be obtained and legally protected before water may be used. A final determination by Thornburgh as to the combination of options/alternatives to be used for each Phase of development will be provided at the appropriate stage of the OWRD water right process and in accordance with final land use approval.



# Summary Letter



21145 Scottsdale DR, Bend, Oregon 97701  
360-907-4162 newtonjim@hotmail.com

November 7, 2022

**TO:**

Kameron Delashmutt  
Central Land and Cattle Company, LLC  
67525 SW Cline Falls Hwy  
Redmond, Oregon 97756

**FROM:**

Jim Newton, P.E., R.G., C.W.R.E.

**RE: 2022 THORNBURGH RESORT FISH AND WILDLIFE MITIGATION PLAN,**

Dear Kameron:

This summary letter has been prepared by Jim Newton, PE, RG, CWRE, Principal of Cascade Geoengineering ("CGE") on behalf of Central Land and Cattle Company, LLC, owner, and developer of the Thornburgh Resort ("Thornburgh") to provide a simplified summary of the 2022 *"Thornburgh Resort Fish and Wildlife Mitigation Plan, Addendum #2 (2022 FWMP) Relating to Potential Impacts of Thornburgh's Reduced Ground Water Withdrawals on Fish Habitat"* dated August 16, 2022. The 2022 FWMP presented very detailed changes to the original 2008 FWMP that was approved by the Oregon Department of Fish and Wildlife (ODFW). Both the 2008 and 2022 FWMP provided mitigation to offset any potential impacts on fisheries and aquatic habitat and the specific measures to mitigate for any negative impacts.

Thornburgh estimated in 2008 the Resort’s water needs at full build out were up to 2,129 AF per year, having consumptive use of 1,356 AF, and a maximum withdrawal rate of 9.28 cubic feet per second (cfs). The Thornburgh Resort revised water needs at full build out by reducing some water intensive amenities and reducing irrigated landscaping for resort facilities and individual homes. The Resort will also implement the use of improvements in the type and method of fixtures used in Resort buildings to reduce consumption. As a result of this Thornburgh is reducing its total water needs from 2,129 AF to 1,460 AF. A summary table of the 2008 estimated water demand and the 2022 revised water demand are shown below:

**2008**

**Original Water Use Full Resort Build-Out**

<u>WATER USE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	717 AF	645 AF
Irrigation	195 AF	117 AF
Reservoir Maintenance	246 AF	206 AF
Other Q/M	971 AF	388 AF
<b>TOTALS</b>	<b>9.28 CFS      2,129 AF</b>	<b>1,356 AF</b>

**2022**

**Reduced/Revised Water Use at Full Resort Build-Out**

<u>WATER USE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	501 AF	451 AF
Irrigation	111 AF	66 AF
Reservoir Maintenance	51 AF	43 AF
Other Q/M	797 AF	319 AF
<b>TOTALS</b>	<b>1,460 AF</b>	<b>882 AF</b>

The above reductions in estimated annual water usage reflect roughly a one-third in water savings at full buildout of the Resort. Further, the water used for mitigation of the new Resort water usage relies more on groundwater, groundwater that is intended to offset groundwater pumping that could reduce discharges of seeps and springs that contribute cool water to surface flows in the Deschutes River and Whychus Creek at gaining reaches of the River and Creek, respectively. A list of the water rights to be used for mitigation of the Resort water uses are shown below by the referenced name, volume and the water right certificate, transfer or otherwise a cancellation:

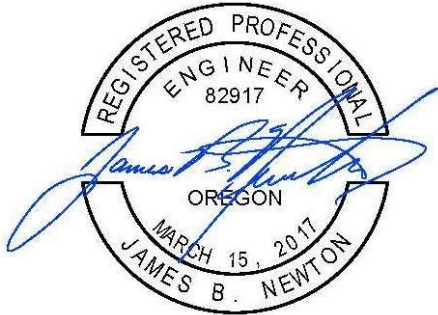
**Water Rights: Certificated, Transfers, and Cancellations.**

1. LeBeau (200 AF) – Surface Water POD: Certificate 95746 and transfer T-13857.
2. Big Falls Ranch (614.4 AF) – Surface Water: Certificate 96192 & 96190 and transfer T-12651 to a groundwater Point of Appropriation.
3. Big Falls Ranch (25.6 AF) – Groundwater POA: Certificate 87558.
4. Tree Farm (327.5 AF) – Groundwater POA: Certificate 94948 and Transfer T-13703.
5. Dutch Pacific (49.5 F) – Groundwater POA: Certificate 89259.
6. DRC Temporary Mitigation Credits – 6 AF of mitigation.
7. Three Sisters Irrigation District (1.51 cfs minimum 106 AF) – Surface water. Final order signed for instream transfer. This TSID water will only be used for quality mitigation, not as part of any OWRD mitigation or transfer program.

These above mitigative water rights, upon approval by the Oregon Water Resources Department, will provide mitigation for 1,217 AF of the 1,460 AF required for fully mitigation the estimated Resort water uses. The remaining approximately 243 AF of mitigation will be completed in the future, prior to the OWRD authorizing the full annual water use of 1,460 AF. If the additional 243 AF of mitigation is not necessary, or unavailable, the Resort will be limited to 1,217 AF annually.

Based on the detailed surface and groundwater modelling prepared by Four Peaks Environmental Consulting, and Resource Strategies, Inc., and the analysis of the impacts on Fish Habitat provided by Four Peaks (all submitted into the county written record as of the date of this letter), the mitigation of the Thornburgh Resort groundwater usage achieves compliance with DCC 18.113.070(D), Deschutes County's "No Net Loss/Degradation" standard as it pertains to fishery resources. Considering the reduced Thornburgh Resort water usage and superior mitigation of future Resort water uses provided by the 2022 FWMP and the ample technical support for the plan, the County should approve the Thornburgh 2022 FWMP.

**THORNBURGH RESORT  
2022 FISH AND WILDLIFE MITIGATION PLAN (2022 FWMP)  
RELATING TO POTENTIAL IMPACTS OF THORNBURGH'S  
REDUCED GROUND WATER WITHDRAWALS ON FISH HABITAT**



Renews: 1/1/2023



Renews: 5/1/2023

*Prepared for:*

Central Land and Cattle Company, LLC  
67525 SW Cline Falls Hwy  
Redmond, Oregon 97756

*Prepared by:*

Cascade Geoengineering, LLC  
21145 Scottsdale Drive  
Bend, Oregon 97701

August 16, 2022  
Reorganized and Updated November 7, 2022

*Project:* Thornburgh Resort

## I. Introduction

This report was prepared by Jim Newton, PE, RG, CWRE, Principal of Cascade Geoengineering ("CGE") on behalf of Central Land and Cattle Company, LLC, owner, and developer of the Thornburgh Resort ("Thornburgh" or the "Resort") as an Addendum to the Thornburgh Resort and Wildlife Mitigation Plan regarding potential impacts on fisheries and aquatic habitat and the specific measures to mitigate for any negative impacts. It incorporates elements of and replaces the "Addendum Relating to Potential Impacts of Ground Water Withdrawals on Fish Habitat" dated April 21, 2008 (the "FWMP") developed by Newton Consultants, Inc. ("NCI") and supplements thereto.

## II. Background

The Thornburgh Resort will have no direct impact on natural surface waters; there are no such resources on the property and the proposed source of water for the Resort is ground water pumped from wells on the Resort property, to be appropriated under a series of water rights approved by the Oregon Water Resources Department ("OWRD"). Use of ground water by the Resort is expected to indirectly impact flows in the Deschutes River because of a determination of hydraulic connection between surface and ground waters in the Deschutes Basin. This connection has been noted by the USGS and a determination confirming such was made by OWRD in connection with its evaluation and approval of one of Thornburgh's original water rights authorizing the appropriation of 2,129 acre-feet of ground water for the Resort.

As a result of the determination of hydraulic connection, Thornburgh was required to provide mitigation to offset impacts equal to the consumptive use in the "zone of impact" identified by OWRD, in this case the "General Zone" of impact. In addition to the OWRD requirements, Thornburgh voluntarily agreed it would address both flow and temperature concerns with measures set out in Section V: Mitigation and Enhancement Measures of the 2008 FWMP. Temperature concerns were addressed by using cooler water for a part of the Resort's OWRD mitigation. The cooler water was to be obtained by purchasing Big Falls Ranch ("BFR") water rights that entitled BFR to pump surface water from Deep Canyon Creek. This water, with a temperature of approximately 13 degrees C would be acquired over time as needed from Big Falls Ranch. Once acquired BFR would cease pumping the rights acquired by Thornburgh and thereby improve flows and cool the river. The remaining mitigation water would also be surface water, from COID and other sources, with an estimated temperature of 26 degrees C. The 2008 FWMP and other measures added to it during the review of the Final Master Plan (FMP) were determined to fully mitigate for any negative impacts on fish habitat and to achieve compliance with DCC 18.113.070(D), Deschutes County's "No Net Loss/Degradation" standard as it pertained to fishery resources.<sup>1</sup>

This cooler water, roughly 62% of the total mitigation promised by the 2008 FWMP, was found sufficient to fully mitigate for 100% of the thermal impacts to the Deschutes River (and to Whychus Creek as well according to ODFW) attributable to Thornburgh's pumping. Further, the

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<sup>1</sup> This is a Deschutes County standard only.

1.87 cfs<sup>2</sup> of impacts to seeps and springs in the 2008 FWMP was mitigated for by leaving 1.97 cfs (equal to 105% of the impacts) of the Deep Canyon water in the river upstream of areas identified as critical fish habitat. Additionally, this mitigation was determined by the Oregon Department of Fish and Wildlife (“ODFW”) to result in a net benefit to fisheries. Project opponents objected to the 2008 FWMP, claiming that no mitigation was provided to address a slight reduction in groundwater recharge to Lower Whychus Creek. Although Thornburgh and ODFW disagreed mitigation was needed in this location, Thornburgh volunteered to provide additional mitigation specifically for Whychus Creek by funding a part of a Three Sisters Irrigation District project. The County’s hearing officer accepted this offer. The Whychus Creek mitigation was opposed by a project opponent but following an extensive, and protracted legal battle was proven to meet the No Net Loss standard, and provide additional benefits to habitat resources in Whychus Creek by increasing the flow of the creek many miles upstream of the cool water fish habitat found in Lower Whychus Creek, which is now completed.

### III. Resort Water Supply and OWRD Mitigation

#### A. Resort Water Needs and Supply

Thornburgh’s water supply is groundwater pumped from the Deschutes Aquifer from numerous wells located within the resort boundaries. That has not changed since the Resort was first approved in 2006. The Deschutes Aquifer is vast covering about 4,500 square miles with a thickness or depth of as much as 2,000 feet at points. The aquifer holds an immense water volume with very substantial flows through it. Annual recharge of the aquifer is about 3,800 cfs or more than 2,750,000 AF per year while annual usage is roughly 750,000 AF, the bulk of which is irrigation. Water generally travels north and east until it reaches Lake Billy Chinook.

The Resort’s original plan anticipated 6 groundwater wells would be used. Presently, there are 8 potential groundwater wells. However, changes to Resort infrastructure may require additional well locations to be added or moved<sup>3</sup>. Any well within the Resort property will pump from the same regional aquifer to supply Thornburgh water for a variety of purposes, common among municipal and resort style communities in Central Oregon. As was noted from a David Newton in a memo dated August 24, 2021, the number or specific location of wells within the Resort property has no bearing on the mitigation plan or the efficacy of mitigation to offset pumped groundwater from the Resort’s property. This conclusion has been verified by comprehensive groundwater modeling that was completed by Four Peaks Environmental Consulting (“Four Peaks”). Four Peaks determined that changing well locations at the Thornburgh property would have no change on the impacts felt from Thornburgh’s pumping. See Four Peaks: Evaluation of the Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project dated October 19, 2022, (Four Peaks GSFlow)

<sup>2</sup> The 1.87 cfs of impact was the total amount of impact to all seeps and springs in any location (Deschutes, Whychus, etc.) from Thornburgh pumping 2,129 AF of groundwater.

<sup>3</sup> The CMP began with 6 well locations that were changed in the approved FMP. The A-1 Tentative Plan approved another well location.

Thornburgh uses to be served by its wells include domestic and commercial uses, golf course, park and landscape irrigation, reservoir/pond maintenance and fire protection. Collectively, these uses are defined by the OWRD as “quasi-municipal” uses. In 2008, the Resort’s water needs at full build out were estimated at 2,129 AF per year, having consumptive use of 1,356 AF, and a maximum withdrawal rate of 9.28 cfs as shown below. As defined by OAR 690-505-0605(2), “Consumptive use” means the Department’s determination of the amount of a ground water appropriation that does not return to surface water flows in the Deschutes Basin due to transpiration, evaporation or movement to another basin.”

**1. Original Water Use Full Resort Build-Out**

<u>WATER USE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	717 AF	645 AF
Irrigation	195 AF	117 AF
Reservoir Maint	246 AF	206 AF
Other Q/M	971 AF	388 AF
<b>TOTALS</b>	<b>9.28 CFS.</b>	<b>2,129 AF</b>
		<b>1,356 AF</b>

Since the approval of the 2008 FWMP, issues regarding the use and conservation of water have become increasingly important to the region. As a result of this growing regional water awareness, Thornburgh has taken focused steps to reduce the Resort’s water usage by roughly **one third**. This reduction of water use will be achieved by Thornburgh foregoing its right to develop some water intensive amenities and reducing irrigated landscaping for resort facilities and individual homes. The Resort will also implement the use of improvements in the type and method of fixtures used in Resort buildings. As a result of this Thornburgh is reducing its total water needs from 2,129 AF to 1,460 AF and its consumptive use from 1,356 to 882 AF, as shown in table 2 below.

**2. Reduced Water Use at Full Resort Build-Out**

<u>WATER USE</u>	<u>ANNUAL VOLUME</u>	<u>CONSUMPTIVE USE</u>
Golf Courses	501 AF	451 AF
Irrigation	111 AF	66 AF
Pond Maint.	51 AF	43 AF
Other Q/M	797 AF	319 AF
<b>TOTALS</b>	<b>1,460 AF</b>	<b>882 AF</b>

Thornburgh owns or controls numerous applications, permits and other certificated water rights for use as part of the Resort’s water plans that may be used for consumptive water or mitigation water purposes. These include certificated water rights, transfers, and cancellations (See Section B below) and ground water applications and permits (See Section C). For further details see Attachment 1.



**B. Water Rights: Certificated, Transfers, and Cancellations.**

1. LeBeau (200 AF) – Surface Water POD: Certificate 95746 and transfer T-13857.
2. Big Falls Ranch (614.4 AF) – Surface Water: Certificate 96192 & 96190 and transfer T-12651 to a groundwater Point of Appropriation.
3. Big Falls Ranch (25.6 AF) – Groundwater POA: Certificate 87558.
4. Tree Farm (327.5 AF) – Groundwater POA: Certificate 94948 and Transfer T-13703.
5. Dutch Pacific (49.5 F) – Groundwater POA: Certificate 89259.
6. DRC Temporary Mitigation Credits – 6 AF of mitigation.
7. Three Sisters Irrigation District (1.51 cfs minimum 106 AF) – Surface water. Final order signed for instream transfer. This Whychus Creek TSID water will only be used for quality mitigation, not as part of any OWRD mitigation or transfer program (m).

**C. Ground Water Rights: Permits and Applications.**

8. GW Permit G-17036: Permit for 9.28 cfs (2,129 AF) of groundwater. Currently pending a contested case regarding extension of the permit.
9. GW Permit Application G-19139 (pending). Alternate permit for 9.28 cfs (2,129 AF) to replace G-17036 if needed.
10. Limited License Application LL-1879 (pending). Alternate permit for 4.5 cfs of groundwater for interim use during actions on #8-9 above.
11. Limited License Application LL 1917 (pending). A second alternate limited license for .453 cfs of groundwater (same amount and alternate to T-13703<sup>4</sup>).

For any of the permits or applications in “C” above, OWRD requires mitigation under ORS 390.835 and related administrative rules in OAR 690-505-0500 *et seq.* This does not apply to the transfer of certificated water rights that have been fully developed. The functional effects of a transfer and a new fully mitigated pumping are essentially the same. Both result in the termination of the right to pump water in one location and both authorize pumping in the new location. The OWRD mitigation rules were adopted in response to a comprehensive study of ground water resources in the Deschutes Basin conducted by the United States Geological Survey (“USGS”) and OWRD. (*Ground Water Hydrology of the Upper Deschutes Basin, Oregon,*” USGS Water Resources Investigation Report 00-4162, 2001). The study demonstrates hydraulic connection between the regional groundwater aquifer and surface water within the Deschutes Ground Water Study Area as shown on Figure 1. As a result, the rules require mitigation to offset the impact of ground water pumping on surface water flows.

In reviewing applications for new ground water rights, OWRD determines the total quantity of water to be diverted from groundwater and the amount of “consumptive use” associated with the proposed new use. The amount of mitigation required – or “mitigation obligation” – is equal to the annual amount of consumptive use. In addition to specifying the quantity of mitigation water required to offset consumptive use, OWRD identifies the “zone of impact” or location

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<sup>4</sup> Now that the Tree Farm transfer has been approved this LL may not be required.



within the surface water system in which the impact of a proposed ground water use is expected to occur. Mitigation for any new groundwater permit used by Thornburgh is required in the "General Zone of Impact" which allows mitigation water to be obtained from any source in the Deschutes Basin above the Madras gage, located below Lake Billy Chinook. The broad geographic scope of the General Zone reflects findings in the USGS Study that most ground water within the basin flows toward the confluence area of the Crooked and Deschutes Rivers and discharges into the river and tributaries in an area just above Lake Billy Chinook.

Initially, OWRD determined the consumptive use, and mitigation obligation of permit G-17036 to be 851.6 AF (40%, of 2,129 AF). WaterWatch of Oregon protested that determination and Thornburgh voluntarily agreed to increase the consumptive use of individual elements of the permit which raised the overall mitigation requirement to 1,356 AF which in essence provides an additional 505 AF (over 50% extra) of mitigation. The application for the replacement permit G-19139 uses the same consumptive use rates applied by OWRD under the settlement. Under OWRD rules, mitigation for new groundwater permits must be provided in advance for the full amount of water to be pumped under the new permit for each phase of development.

**D. Thornburgh 2022 Mitigation Plan (includes OWRD Mitigation ("M") and No Net Loss Quality Mitigation ("m")).**

To achieve compliance with DCC 18.113.070(D), Thornburgh commits to reduce its water usage to a maximum of 1,460 AF, having a consumptive usage of no more than 882 AF. Further, Thornburgh commits to purchase the certificated water rights #1-5 in Section B above (all are both OWRD (M) and Quality (m) mitigation) and discontinue pumping water in the location appurtenant to the right. Thornburgh committed to and has acquired the TSID-Whychus Creek quality mitigation (m) water listed in #7 above. Thornburgh has transferred or will be seeking approvals to transfer the water rights in #1-4 to the Thornburgh wells. The transfers will change the place of appropriation, the place of use, and in the case of irrigation rights, the character of use from irrigation to quasi-municipal uses. Transferring a certificated water right does not require OWRD mitigation, as it eliminates the use of this transferred water right in its former location and allows it to be used, instead, on the Resort's property. Thornburgh's transfers, if approved, will total 1,167.5 AF. The first of which the Tree Farm, temporary transfer T-13703, was approved transferring 327.5 AF of quasi-municipal water from a well in west Bend to the Thornburgh wells. Transfer for the LeBeau and Big Falls Ranch water have been applied for and are pending. If any transfer is not approved, the water right could be cancelled in lieu of mitigation (both the groundwater and surface water rights) or transferred instream (just the surface water rights) for mitigation credits. Water Right #5 above, Certificate 89259, Dutch Pacific, for 49.5 AF groundwater is presently being cancelled in lieu of mitigation. When all the transfers and cancellations are complete, Thornburgh will be able to pump 1,217 AF<sup>5</sup>. To pump over 1,217 AF Thornburgh will transfer additional water rights to transfer to its property or provide additional mitigation (243 AF +/-).

Until Thornburgh's transfer applications are fully adjudicated it is unclear how much water will be pumped from G-17036, G19039, or any alternate "NEW" groundwater or limited license

<sup>5</sup> 1,223 AF including the 6 AF listed in #6 above that can be used as M mitigation.

permit.<sup>6</sup> What is clear, however, is that the Resort has agreed to reduce its water use from 2,129 AF to a maximum pumping of 1,460 AF and maximum consumptive use of 882<sup>7</sup> AF. For any portion of its water Thornburgh pumps under a new groundwater permit it will be required to provide mitigation for that new use prior to pumping. OWRD will require that these water rights are also in the general zone of impact.

The mitigation benefits provided under this plan occur at different times depending on whether the permit is appropriated from a groundwater source, i.e., Dutch, and Tree Farm permits or surface water permits that are diverted from the stream, i.e., the LeBeau permit. For permits appropriated from the ground, the mitigation event occurs when Thornburgh acquires the water right and files an assignment of water right with OWRD and does not pump water under the authority of the permit in advance of OWRD approval of a transfer or other mitigation measure. While the approval of a transfer (or an alternate described herein) is needed to allow groundwater pumping on the Resort property, it is not needed to achieve compliance with the 2022 FWMP for a permit appropriated from groundwater, or to meet the County's no net loss standard. In that case, the ownership, assignment, and a commitment to nonuse of the water rights under that permit until it is transferred or used for mitigation may be relied on to demonstrate compliance with the FWMP during a third stage development permit review.

Doing the measures outlined in this Section D will meet or exceed the No Net Loss standard as provided for in DCC 18.113.070(D) as for the reasons discussed in detail in the Sections below.

#### **F. Groundwater Withdrawals and Quality Mitigation**

In other resort approvals, OWRD mitigation was accepted as providing the entire mitigation needed to meet this standard for fish habitat. In the case of Thornburgh Resort, this standard has been redefined to require "water quality" mitigation. This was required even though all groundwater pumping in the Deschutes Basin affects groundwater discharges which impact stream flows. OWRD mitigation, by design, increases streamflow by either increasing groundwater discharge into the stream (cold groundwater mitigation directly via seeps and springs) or by leaving water in the stream (surface water mitigation), which typically has the benefit of reducing river and creek temperatures associated with the increase in water flow.

Further, in the Deschutes Basin, surface water generally originates as groundwater released by seeps and springs due to the hydrological connection. Snowpack melts in the mountains and seeps into the highly permeable and porous ground. Water then flows down-gradient in the aquifer to be discharged into streams as springs or seeps. In this basin a minimal amount of surface water is the result of run-off. Surface water that begins as ground water is often diverted or pumped from our streams to feed the basin's substantial irrigation system. Irrigation water that is not consumed, seeps back into the porous soil and down into the aquifer

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<sup>6</sup> Any new water right or authorization won't impact the mitigation measures required as the source would remain the same regional aquifer.

<sup>7</sup> Applying OWRD standard practice of 40% to QM permits would result in consumptive use of 584 AF. This plan provides mitigation far more than that amount.

as return flows back to groundwater. Once returned to the aquifer, groundwater flows to the north and northeast until it is discharged back into streams and ultimately the Deschutes River as surface water.

Regardless of the type (surface or groundwater) or place of mitigation, streamflow in the basin has been shown to increase when surface water irrigation or groundwater use is discontinued. Increasing streamflow was the main purpose of the OWRD mitigation program and also a primary purpose of many of the basin's environmental actions and restoration programs. NCI noted this in the 2015-2017 remand of the FMP relating to TSID mitigation for Whychus Creek. Flow volumes in the upper Deschutes River are an important component of the current Habitat Conservation Plan for the Oregon Spotted Frog. Flow volume guarantees set to protect the frog have created substantial impacts on the operation of the basin's irrigation districts and a tremendous burden on some of farmers within the basin, including North Unit Irrigation District.

Opponents of Thornburgh have typically focused on groundwater as it relates to its ability to affect streamflow, particularly the thermal conditions or "quality" of the remaining flow resulting from groundwater pumping. More specifically, the areas below Lower Bridge on the Deschutes River and lower Whychus Creek where the discharge of significant amounts of cold groundwater, can dramatically lower stream temperatures result in improved water quality.

#### **Quality Mitigation - 2008 FWMP:**

In the 2008 FWMP, the reduction in groundwater discharge resulting from pumping was mitigated by providing surface water in the Deschutes River and its Deep Canyon Creek and Whychus Creek tributaries. In both cases, surface water mitigation was justified because it was cool. Water left in Deep Canyon Creek, is spring fed with a temperature of roughly 13 degrees C as it flows into the Deschutes River<sup>8</sup>. Adding the average mitigation flow of 1.97 cfs from the cool Deep Canyon Creek water rights more than replaced the average reduction of 1.87 cfs in seep and spring discharge claimed by the 2008 Yinger report commissioned by a project opponent. At the same time, Tetra Tech's Mass Balance Analysis estimated the temperature impact of these claimed reductions in streamflow, with mitigation as a minor temperature **increase** of 0.1 degrees C in the Deschutes River at Steelhead Falls and below the mouth of Whychus Creek, along with increased flows in the river from north Bend downriver. For the area around Lower Bridge Tetra Tech noted a zero-degree change which was rounded down from a minor impact. Even though there was up to a 0.1 degree C **increase** in temperature in two areas of critical fish habitat the mitigation plan was found to meet the no net loss standard because it replaced the loss of seeps and springs (1.97 vs. 1.87 cfs) and the temperature change was found to be of no impact to fish habitat in the Deschutes River.

Mitigation was required for Whychus Creek, despite the extremely minor impacts projected there by Mr. Yinger, because the 2008 hearings officer was concerned the Resort's "peak" summertime use of water might have greater impacts than modeled. The water in Whychus

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<sup>8</sup> This was the temperature Tetra Tech, a key consultant for Thornburgh Resort, utilized to calculate thermal impacts during the 2008 FMP proceedings.

Creek at the TSID diversion has an average temp of about 13 degrees C<sup>9</sup>. The applicant's expert hydrogeologist David Newton, PE, CWRE, established that by scientific analysis that leaving more of that cool water in the creek from that point downstream increased the thermal mass of the creek causing it to heat less as it flows downstream. The NCI memo from October 2017 shows the maximum thermal impacts to lower Whychus Creek **without** mitigation, during the peak summertime temperatures and the creek at its lowest flow, to be 0.0042 degrees C. This is far less than what can be measured using technology available today. With the TSID surface water mitigation, the temperature was **lowered** in Whychus Creek (lowered by approximately 0.001, again in an amount too small to be measured)<sup>10</sup>. The TSID water also provided thermal benefits to the middle and upper parts of the creek as noted in the NCI memo, although those benefits were not considered to meet the standard due to the limited scope of the review on remand which focused on temperatures in Lower Whychus Creek only. The TSID mitigation in Whychus Creek was shown to meet the no net loss/degradation standard.

In the Crooked River, Yinger's 2008 study (Yinger 2008) noted roughly 13% of the impacts of flow reduction would be felt in the Crooked River, but neither Yinger nor ODFW voiced concerns about thermal impacts there. This may be because of the large groundwater discharges in the area and the fact that the temperatures of the groundwater discharging into the Crooked River at Opal Springs and Osborne are warmer (between 11.6 and 13.7 degrees C<sup>11</sup>) than the discharges noted into the Deschutes or Whychus (around 11 degrees C). **See Exhibit 6, OWRD Spring Temp.** Of note is the 2008 FWMP had no Crooked River mitigation. All 2008 mitigation was Deschutes River and Whychus Creek surface water mitigation. To better understand the impacts to the groundwater in the Crooked River from Thornburgh pumping, Four Peaks modeled the changes in discharge resulting from both the 2008 and 2022 FWMP while Newton provided mass balance analysis of both mitigation plans<sup>12</sup>.

#### Quality Mitigation- 2022 FWMP:

A key improvement of the 2022 FWMP over the 2008 version is the increase in the percent of cold-water mitigation that is used to provide quality mitigation. As noted above the 2008 plan had 100% surface water comprised of the Deep Canyon water (roughly 62%) and other sources (roughly 38%) such as COID, etc. The Deep Canyon water was 13 degrees C entering the Deschutes River while the other surface water was 26 degrees C. This resulted in average temperature of the mitigation water of 18 degrees C where the mitigation enters the waterways. In comparison the 2022 plan used 85% cold groundwater at 11 degrees C and 15% surface water at 20.4 degrees C for an average of 12.5 degrees C where the mitigation enters the rivers and streams.

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<sup>9</sup> 13 degrees C was the temperature used by Newton in the 2015-2017 remand cases on Whychus Creek to show compliance with the no net loss standard. Current data shows mean temperature of 9.3 degrees C. The lower the temperature the greater the benefits provided.

<sup>10</sup> Since the amounts cannot be measured, they cannot be verified and are simply theoretical. As such, whether positive or negative they are considered as no change.

<sup>11</sup> As recorded by OWRD staff and noted in Exhibit 6.

<sup>12</sup> Lucius Caldwell PhD., Four Peaks Fish Biologist analyzed the impacts.

While transferring water right certificates require no OWRD mitigation, changes in groundwater discharge could occur when moving from one location to the other that could affect compliance with DCC 18.113.070(D). In the CGE Memo dated August 12, 2022, the results of Yinger 2008 and the USGS report of 2004 provided the base from which we estimated the impacts from Thornburgh's pumping and the benefits resulting from stopping pumping at the transfer wells. The results were incorporated into the original version of this 2022 FWMP. We subsequently retained Resource Strategies, Inc. (RSI) to provide more specific information on thermal impacts based on flow data estimated in the CGE Memo 1. RSI used the QUAL2Kw, developed by the Department of Environmental Quality to assess impacts of the pumping and all mitigation on the Deschutes River from Wickiup Reservoir to Lake Billy Chinook, and in Whychus Creek from Sisters to the Mouth. RSI reported those results in the memo Flow and Temperature Modeling of the Deschutes River, dated October 2022 (RSI-1).

As mitigation (both M & m) in the 2022 FWMP is largely groundwater sources, Thornburgh retained Four Peaks Environmental Consulting to evaluate the impact of both the Thornburgh pumping and the cessation of pumping from the transfer well locations using the 2017 USGS GSFlow Model. The 2017 USGS GSFlow modeling program was developed by the USGS in conjunction with OWRD. It provides the most sophisticated and reliable means of determining the impacts of changes in groundwater discharge on stream flows in the Deschutes Basin. Additional details of the USGS model are included in the Four Peaks GSFlow Memo. ODFW subsequently requested additional information on specific impacts and benefits of the groundwater pumping and transfers. This information was provided to ODFW by Four Peaks. This data showed the transfers alone (w/o the surface water mitigation) resulted in net increases to flow in the Deschutes River from Crane Prairie to Lake Billy Chinook, a very minor decrease in flows on the Little Deschutes (excluding the 200 AF of LeBeau water) and Crooked Rivers, and an increase in flows in Whychus Creek from Sisters to its confluence with the Deschutes River, including increases in flows to the springs between Alders Springs and the mouth. The Whychus Creek increased discharge was due to the cancellation of the Dutch Pacific water right alone, excluding the benefits of the TSID water which has already been determined to achieve compliance with the no net loss/degradation standard. This information was provided to ODFW.

With new groundwater flow data from Four Peaks, RSI completed additional modeling to determine overall stream flows including flows from surface water mitigation and the resultant changes to temperature. The results of RSI's additional modeling were reported in Part II-Impacts of GSFlow-Based Changes in Stream Discharge, Dated October 22, 2022 (RSI-2). RSI-2 shows the addition of the LeBeau water south of LaPine, on average results in, increased flows to the river from there to Lake Billy Chinook, while the TSID water also provides additional cool water mitigation from Sisters, Oregon to the mouth. With all the "mitigation" included in the 2022 FWMP, the RSI-2 thermal and flow modeling shows an increase of flow and a decrease of temperature in all stretches of the Deschutes measured, including at Benham Falls, below Bend, near Lower Bridge, and near Culver. See RSI-2, Table 2, pg. 9. The benefits shown are accomplished with mitigation of 1,217 AF versus pumping of 1,460 AF.



Further, of the 937 AF of water already owned by Thornburgh and available for use, 200 AF is surface water not being pumped from the river south of LaPine<sup>13</sup>, while 737 AF is groundwater that remains in the aquifer to flow to the streams, including the Deschutes River, Whychus Creek, and the Crooked River to increase flows and provide thermal benefits, long before the resort creates any impacts on the stream. This “advance” or “excess mitigation” achieved by not pumping the 937 AF of water rights accumulates benefits for decades<sup>14</sup> until the impacts from pumping are fully felt in the stream. As is discussed in more detail below this excess mitigation (benefits) accumulate to a substantial amount providing benefits to the streams and fisheries resources for years in advance of full pumping occurring at the Thornburgh Resort. This “excess mitigation” benefit is not relied on by the scientific modeling efforts that demonstrated compliance with the no net loss/degradation standard. All modeling assessed the impacts only after the full effects of the Thornburgh’s maximum pumping have been achieved.

Because of the efficacy of the present plan, the 1,217 AF already mitigates for 119% (w/out the TSID or 198% with it) of the impacts to springs and seeps<sup>15</sup>. Also, any remaining mitigation or transfer water will come from within the General Zone of Impact and will not create an adverse impact on the fisheries habitat or the benefits shown herein.

#### **G. Fish Habitat Potentially Affected by Ground Water Use**

During the consultation process in 2008, ODFW identified two specific concerns with respect to potential impacts of ground water pumping on fish habitat: First, the potential for flow reduction due to hydraulic connection that could impact flows necessary for fish and wildlife resources in the Deschutes River system; and second, the potential for an increase in water temperature as a result of flow reductions from ground water pumping. In preparation for this 2022 FWMP Thornburgh discussed the changes with ODFW to understand what areas would currently be of concern. While the area from Lower Bridge to Lake Billy Chinook on the Deschutes is still important, other areas were also of concern. This included flow limitations on the Deschutes River from Bend to Lower Bridge, on Whychus Creek from Camp Polk Road upstream to Sisters, and in Indian Ford Creek, that empties into Whychus Creek. It also included 6 areas shown to have spring discharge, or cold water refugia, two each on Whychus Creek, the Deschutes and Crooked Rivers. This plan takes all those areas into account.

In the 2008 process, ODFW identified six species of fish that could potentially be impacted: Redband Trout, Bull Trout, Brown Trout, Mountain Whitefish, Summer Steelhead and Spring Chinook. While relevant to consider, more important is the habitat itself. In *Gould v. Deschutes County*, 233 Or App 623, 227 P3d 758 (2010) the Oregon Court of Appeals found that the no net loss standard refers to habitat, stating:

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<sup>13</sup> Thornburgh may allow farmers affected by the Habitat Conservation Plan and/or drought conditions to use some portion of water it doesn’t currently need to authorize pumping on a temporary basis. When providing water for farm drought relief, that portion of Thornburgh’s water will not be instream. Only the LeBeau water will be used for this program.

<sup>14</sup> Earlier CGE Memo dated August 12, 2022, noted this could take up to 95 years but assumed 50 years conservatively.

<sup>15</sup> This is regardless of how the water is used, whether transfer, cancellations, or transfer instream.

“Thus, the context of DCC 18.113.070(D) strongly suggests that “fish and wildlife resources” refers not to species of fish and wildlife, but to the habitat that supports fish and wildlife. In light of that context, we conclude that DCC 18.113.070(D) allows a focus on fish and wildlife habitat to establish that “[a]ny negative impact on fish and wildlife resources will be completely mitigated so that there is no net loss or net degradation of the resource.” That standard may be satisfied by a plan that will completely mitigate any negative impact on the habitat that supports fish and wildlife, without showing that each individual species will be maintained or replaced on a one-to-one basis.”

In its consultation with Thornburgh regarding these issues, ODFW recognized that the OWRD groundwater mitigation program was specifically designed to identify and mitigate for the impacts of flow reduction because of new groundwater pumping in the basin. Although the OWRD rules and USGS study on which the rules are based do not directly address temperature issues, ODFW also recognized that with the flow replacement required under OWRD rules the potential impact to temperature because of the Thornburgh project – or any similar individual project – is expected to be negligible. However, ODFW expressed a concern about the potential for cumulative impacts from on-going groundwater development in the basin, over time. Although cumulative impacts may be a concern, Thornburgh does not need to mitigate for the impacts of others in order to achieve compliance with the no net loss standard. That standard is based solely on impacts created by Thornburgh’s groundwater pumping which were acknowledged to be negligible in 2008.

ODFW reviewed the 2008 FWMP and determined that it would, without placing TSID mitigation water in Whychus Creek, offer a net benefit for fish habitat. Nonetheless, TSID mitigation water was required by the County’s hearings officer. On appeal of the FMP and 2008 FWMP opponents claimed without success, that the TSID mitigation water was “hot water” that would harm fish habitat in lower Whychus Creek, and that temperature impacts (of 0.1 degree C) to the Deschutes River violated the no net loss standard. As a result of the challenges, NCI undertook extensive mass balance analysis in 2015-2017 of the impacts *without* mitigation that showed maximum thermal impacts of 0.004 degrees C in Whychus Creek under the peak summertime temperatures and the lowest summertime flows. NCI also provided an analysis of the TSID mitigation that showed keeping water instream in upper Whychus Creek offsets the thermal impact of groundwater pumping by the resort and slightly reduces the temperature of water in lower Whychus Creek, more than 15 miles downstream<sup>16</sup>. The NCI studies resulted in affirmance of the FWMP because it demonstrated compliance with the no net loss standard.

The principle illustrated by the results of the 2015-2017 studies – that increasing the flow of rivers and streams upstream by not diverting for irrigation use both increases volume and lowers temperatures downstream – is also a principle adopted in this 2022 FWMP<sup>17</sup>. From the

<sup>16</sup> The TSID mitigation reduced temperatures slightly throughout Whychus Creek starting from the TSID diversion where the water was left in stream.

<sup>17</sup> In addition to the TSID water this plan also will leave 200 AF of water in the Little Deschutes River south of LaPine.

point that surface water withdrawals cease and aren't being pumped from surface water, stream flows are increased reducing thermal impact, and decreasing how much or how fast stream temperatures rise, in turn lowering stream temperatures downstream.

Thornburgh also retained Four Peaks to evaluate the impacts of the 2022 FWMP on the fisheries resources. Lucius Caldwell, Ph.D., prepared 4 different reports that analyzed the impact to fisheries habitat as follows:

- a. Evaluation of the Fish habitat Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project (Four Peaks Fish 1), that was based on the flow and thermal impacts of the results of RSI-1,
- b. Updated Evaluation of the Fish Habitat Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project, to include Modeled Changes in Surface Water Resulting from Changes in Groundwater Discharge, dated October 24, 2022 (Four Peaks Fish 2). This report analyzed the impacts following completion of the RSI-2 report that was based on the Four Peaks GSFlow report.
- c. Evaluation of Flow and Temperature Mass Balance Calculations of the Little Deschutes River dated October 24, 2022 (Four Peaks Fish Little Deschutes). This analyzed impacts to the Little Deschutes River based on GSFlow data prepared by Four Peaks and the thermal mass balance analysis completed by Cascade Geoengineering, and:
- d. Evaluation of Flow and Temperature Mass Balance Calculations of the Crooked River dated October 24, 2022 (Four Peaks Fish Crooked River). This analyzed impacts to the Crooked River below Osborne Canyon and at Opal Springs based on GSFlow data prepared by Four Peaks and the thermal mass balance analysis completed by Cascade Geoengineering.

In total, Four Peaks concluding the following:

- Little Deschutes River-below LaPine: May include a slight flow increase (0.2-0.8 cfs) that improves habitat quantity slightly and a slight decrease in habitat quality,
- Deschutes River-Benham Falls: A slight increase in habitat quantity and improvement in habitat quality,
- Deschutes River-below Bend: Zero to a very slight increase in habitat quantity and zero to a very slight improvement in habitat quality,
- Deschutes River-near Lower Bridge: A very slight increase in habitat quantity and habitat quality will be unaffected to a slight improvement due to reduction in temperature,
- Deschutes River-near Culver: A very slight increase in habitat quantity and improvement in habitat quality,
- Whychus Creek: A slight increase in habitat quantity and improvement in habitat quality,
- Crooked River-Osborne Canyon: Flows will be reduced an average of 0.07%, while temperature will be reduced an average of 0.001%, amounts not likely to cause a reduction in habitat quality or quantity, and:
- Crooked River-Opal Springs: Flows will be reduced an average of 0.02%, while temperature will be reduced an average of 0.003%, amounts not likely to cause a



reduction in habitat quality or quantity. In all cases the values listed above are too small to measure. See Four Peaks Fish reports.

In recent discussions ODFW voiced concerns about specific impacts to discharges at 6 spring and seep locations ODFW felt would provide cold water refugia, 2 each on the Deschutes River, 2 on Crooked River, and 2 on Whychus Creek, the latter they were interested in receiving further temperature analysis on. Four Peaks and RSI provided further materials that, as expected, showed increased flows in each of the spring site at Whychus Creek and the Deschutes River along with very slight reductions in the Crooked River. For example, the average reduction to groundwater in any one cell measured by the GSFlow model was -0.008 cfs at Osborne Canyon and -0.011 cfs at Opal Springs, amounts that are immeasurable and not scientifically meaningful<sup>18</sup>. In sum, the expert reports show a slight benefit in net habitat quantity and quantity.

**H. Thornburgh Mitigation: DCC 18.113.070(D) - The No Net Loss Standard.**

The proposed mitigation measures are designed to ensure no net loss of habitat quantity or quality and net benefits to the resource and are comprised of three categories including:

- A) elements that reduce demand on water resources and thus reduce impacts on the fisheries habitat (Item 1 below):
  - 1. limit groundwater pumping to a maximum of 1,460 AF annually, which is more than a 30% reduction in originally approved water usage.
- B) elements that ensure compliance with the no net loss standard of DCC 18.113.070 (D) (Items 2-5 below):
  - 2. Use 1,217 AF of water rights described herein to authorize pumping of groundwater from wells on the Thornburgh property by transfer, cancellation or other permanent mitigation (e.g., mitigation credits).
  - 3. Comply with requirements for Water Right Permits, Certificates, or Transfers of water rights described herein, or others hereinafter acquired. Provide mitigation when needed in advance of pumping as required by OWRD mitigation rules.
  - 4. For additional supply or mitigation over the water rights specifically identified in this plan, use mitigation credits, BFR surface water, BFR ground water, or any other water source in the Deschutes General Zone of Impact that will discharge water into (or leave it in) the Deschutes or Crooked Rivers or their tributaries, to supply or mitigate for any unmet needs the resort will have. The amount of water needed is the 1,460 AF of total pumping less the amount of water transferred, cancelled, or converted to mitigation credits, and:
  - 5. Provide 106 AF of mitigation in Whychus Creek from the TSID diversion downstream by funding the completed TSID piping project called for by the 2008 FWMP that completely mitigates all impacts to Whychus Creek.
- C) Elements that provide advance or excess mitigation not needed to meet DCC 18.113.070(D) (Items 6-7 below).

<sup>18</sup> Tetra Tech in their 2017 report, page 8, cited the EPA 2003 report which noted that temperature changes less than 0.25 degrees C were of no consequence to fish.

6. Let unused water rights remain in the groundwater or stream to increase flows and reduce temperatures of the streams in advance of creating impacts except as provided to others for drought relief at Thornburgh's sole discretion.
7. Thin up to 5,000 acres of Juniper forests onsite and on BLM Lands.

**Section A:**

**1. Limit Pumping to a Maximum of 1,460 AF Annually:**

Ensure all pumping for the resort does not exceed a maximum combined volume of 1,460 AF. This is more than a 30% reduction in the amount of water Thornburgh is currently approved to use. This will dramatically reduce the level of potential impacts, creating less demand and strain on the region's water resources. To ensure compliance, Thornburgh will submit as part of the annual Mitigation Report summaries of the resort's annual water reports that are required to be provided to OWRD. These summaries will detail the resort's annual water use for any permit supplying water to the Thornburgh Resort.

Section A Anticipated Results: A reduction of more than 31% of the pumping volume and nearly 35% reduction in the consumptive use of the Thornburgh Resort. This reduction reduces every impact that Thornburgh's water usage could possibly create and is the driving principle behind this amended 2022 FWMP.

**Section B:**

**2. Use OWRD Water Rights Certificates and Permits for Pumping or Mitigation:**

Thornburgh will use the OWRD water rights certificates, permits, and approvals described in Section B above and on Attachment 1 to allow it to pump groundwater to serve Resort uses. As the water rights listed Thornburgh currently owns 937 AF with another 280 AF under contract for a total of 1,217 AF<sup>19</sup> as follows:

- a. GW Certificate 94948, Transfer T-13703. Tree Farm, 327.5 AF.
- b. SW Certificate 96192 & 96190. Big Falls Ranch (BFR), 614.4 AF, 360 AF owned, 254.4 AF under contract. This is Deep Canyon Creek surface water with a groundwater POA.
- c. SW Certificate 95746, Transfer application T-13857. LeBeau, 200 AF.
- d. GW Certificate 87558. BFR, 25.6 AF of groundwater is under contract.
- e. GW Certificate 89259. This is a groundwater right for 49.5 AF Thornburgh owns.

All these water rights are Certificated and do not require further OWRD mitigation. Thornburgh will either transfer these certificated rights to be used directly to pump groundwater from Thornburgh wells or it will use them indirectly as mitigation for groundwater pumping at Thornburgh either under permit G-17036, permit application

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<sup>19</sup> Thornburgh has another 6 AF in temporary credits leased from the DRC which may be terminated at some point in the future.

G-19039, or an alternate replacement permit for a lower volume of pumping. A list of possible permits and applications is provided above in Section C and on Attachment 1.

**3. Comply w/OWRD Mitigation Rules: Provide Mitigation Before Pumping:**

Any mitigation required for any groundwater permit, whether permanent or as a Limited License that appropriates water from wells at the Thornburgh property, will be provided prior to pumping water under that permit, as required by OWRD rules. Mitigation, when or if needed, will be provided by either cancellation of water rights in lieu of mitigation, or transferring the existing surface water rights to instream rights. By providing mitigation water from the conversion or transfer of existing water rights, Thornburgh will be restoring natural stream or groundwater flows to the system at or above an area of impact from Thornburgh wells, much of which will occur during the time period when stream flows are typically the lowest and temperatures are warmest.

**4. For Remaining Water Use BFR, COID, or Other Water Benefitting Deschutes or Crooked Rivers:**

The water rights described in **1.** above will provide up to 1,217 AF of the resort's total water needs of 1,460 AF leaving at least 243 AF of additional water needed.<sup>20</sup> For any additional water needed over and above the 1,217 AF, Thornburgh will use some combination of: i) BFR surface water (Deep Canyon or Makenzie Canyon); ii) BFR ground water; iii) COID mitigation water or credits; or iv) other ground or surface water or credits that both discharge water into either the Crooked River or Deschutes River or its tributaries and meet the requirements of the OWRD mitigation program. Analysis by Cascade Geoengineering, LLC shows: i) using additional BFR water with groundwater points of appropriation will comply with the no net loss standard and have no impact to fish habitat; and ii) the transfer of other groundwater rights that discharge cool groundwater into area streams and rivers will provide thermal benefits to the rivers and streams; and iii) other surface water placed instream above areas of concern will provide thermal mass that will serve to cause cooling during the critical summertime period when stream temperatures are highest and flows the lowest. Regardless of where the remaining 243+/- AF (1,460-1,217)<sup>21</sup> of water rights or mitigation comes from this plan has already mitigated for the full impacts to seeps and springs.<sup>22</sup>

**5. Provide 106 AF of Additional Whychus Creek Mitigation (TSID):**

<sup>20</sup> If there was some reduction in the amount Thornburgh is allowed to transfer under the LeBeau water right, like the 7% reduction expected in the NUID transfer, the amount of additional water required could be increased somewhat.

<sup>21</sup> The numbers contained in this, and the following section account only for the 1,217 AF of water described above, and do not include additional water or mitigation flows of at least 243 AF, which will further increase stream flows, irrespective of the source or location of that mitigation.

<sup>22</sup> If all 243 AF of additional water was from a surface water source the resulting % of total mitigation comprised of groundwater would be 69.7%, still greater than the 0% of groundwater and 61.7% of cool Deep Canyon water in the 2008 FWMP.

Thornburgh has already provided 106 AF of Three Sisters Irrigation District water for additional mitigation in Whychus Creek as was required by Condition #39 of the FMP approval. Thornburgh has made the required payment arrangements, TSID has completed the project, and OWRD has executed the final order transferring the water instream.

Section B Anticipated Results: Collectively, the measures in this Section B demonstrate Thornburgh Resort's continual compliance with Deschutes County's no net loss/degradation standard in DCC 18.113.070(D), specifically as it pertains to impacts to fisheries and aquatic habitat in the following ways:

- a. Provide a net increase in the discharge of cold ground water via seeps and springs stream flow in the Deschutes River from Crane Prairie reservoir downstream to Culver, including at two spring locations of concern to ODFW above and below the mouth of Whychus Creek,
- b. Provide a net increase in the discharge of cold ground water via seeps and springs in Whychus Creek from Sisters to the mouth, including at important "ODFW" spring locations at Alder Springs and the mouth,
- c. Add cold groundwater discharge versus the 2008 FWMP to the Crooked River, including in important "ODFW" spring areas near Osborne Canyon and Opal Springs,
- d. Increase net flows in the Little Deschutes River from south of LaPine into the Deschutes River,
- e. Increase net flows of the Deschutes River from the confluence with the Little Deschutes onto Lake Billy Chinook,
- f. Reduce net stream temperatures throughout the Deschutes River as noted in "e" above,
- g. Increase net flows of Whychus Creek from Sisters to the mouth,
- h. Reduce net stream temperatures of Whychus Creek as noted in "g" above,
- i. Reduce the thermal impacts in the Crooked River as compared to the 2008 FWMP to levels immeasurable, including in spring areas noted by ODFW,
- j. Increase habitat quantity in the Little Deschutes River,
- k. Increase habitat quantity and improve habitat quality in virtually all areas of Whychus Creek and the Deschutes River, and:
- l. Reduce the impacts in the Crooked River over the 2008 FWMP to levels so small as to be immeasurable, and not likely to cause a change in the quality or quantity of fish habitat.

Further details are found in CGE Memos 1 and 2, Four Peaks GSFlow, RSI Memo's 1 and 2, and Four Peaks Fish Memo's 1 and 2, and Four Peaks - Little Deschutes and Crooked River Fish Memo's. These elements a through l above are based on steady state conditions, the point in the future when 100% of the impacts from Thornburgh pumping have been realized in the form of streamflow reductions. As noted here and in previous memos this event may not occur for decades into the future after Thornburgh's pumping begins. Measure C-6 below discusses the excess or advance mitigation being provided to the fisheries resource. net benefits to the fisheries resources.

**Section C:**

**6. Leave Water Rights Instream or In the Aquifer Until Needed for Resort Uses:**

Thornburgh intends to pump water only as needed. When not needed, it will allow mitigation water flow underground and in the area's streams and rivers, providing advance benefits for impacts to occur at some point in the future. Advance or excess mitigation accumulates from providing mitigation prior to pumping but also during the transient period before impacts are fully realized in the stream.

Anticipated Results: The net results described in Section B above assume steady state conditions, the point in time when full pumping is occurring and the reductions in groundwater discharge into the streams are fully realized. As noted above and in the CGE memo, steady state conditions will not occur for as long as 95 years or more<sup>23</sup>. Until then, Thornburgh will provide substantial amounts of excess mitigation, likely resulting in un-required benefits during this timeframe. Assuming it will only take 50 years for steady state conditions to occur, Cascade has calculated that Thornburgh will discharge 71,771 AF of water into the system while creating impacts/withdrawals on the system of 47,117 AF, and excess benefit/discharges of 24,654 AF additional water over impacts in that transient than required. In sum the benefits provided by this are over 52% greater than the impacts created in the first 50 years of this 2022 FWMP, and equal nearly 17 years of full pumping of 1,460 AF.

Increasing stream flow 52% more than the impacts will translate into further temperature reductions in each of the streams affected. This situation will be most pronounced (nearly 100% excess) in the early years and gradually narrow as the difference between benefits and impacts narrows until steady state conditions are attained.

During periods of severe water shortage, Thornburgh may work with OWRD as to request usage of excess mitigation water that may be used to benefit farmers in significantly impacted irrigation districts, including the North Unit Irrigation District that supports up to 58,000 acres of farmed land in Jefferson County. As discussed above, Thornburgh has applied to temporarily transfer 200 AF of water to the North Unit Irrigation District. Under this exception, until the water rights are pumped by Thornburgh or used as mitigation, Thornburgh would like to be allowed to offer free use of its LeBeau irrigation water to farmers severely impacted by drought. Thornburgh does not intend this as a business, rather it is envisioned as an act of goodwill and a benefit to actual farm uses in the area. Further, any water excesses provided by Thornburgh is purely excess mitigation water that is not needed to mitigate for Thornburgh pumping. As such it will not have a negative impact on fisheries habitat although it could have a very positive impact on farmers. This temporary usage by others may be accomplished by temporary transfers on an annual basis when excess mitigation may be available.

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<sup>23</sup> The 2004 USGS model estimated impacts of 100% were reached in year 80 after full pumping is begun. It will take at least 15 years, and perhaps 20-25 years until Thornburgh is fully occupied and pumping at those levels.



## 7. Thin Juniper Forests Onsite and On BLM Lands.

Thornburgh, as part of its development and wildlife mitigation plans, will thin up to 5,000 acres of Juniper forests, returning the land to the condition of the historic old growth forest that was prevalent in the 1930's. This measure is required and detailed as part of the approved Wildlife Mitigation Plan that addresses impacts to terrestrial wildlife habitat. While discussed here it is not separately required by the 2022 FWMP nor is it needed to achieve compliance with the no net loss/degradation standard for aquatic wildlife, including fish. Juniper is a native species that, has increase substantially throughout Oregon because of increased human settlement within Oregon. Juniper is now often seen as invasive by means of a likely 10-fold increase in prevalence that has been shown to reduce water capture, retention, and recharge to the area surrounding these increased stands of Juniper. Studies show a strong correlation between Juniper removal and increased spring discharges with estimates that may be upwards of 1 acre-foot of increased discharge resulting from the removal 4-5 acres of Juniper forests. Deschutes and Crook Counties are both looking at Juniper removal as a method to benefit water.

Anticipated Results: Experts, such as Tim DeBoodt, Crook County Natural Resource Policy Coordinator, report that the reduction of between 4-5 acres of Juniper trees can save, or return 1 AF of water, ideally in the form of increased ground seepage that may result in increases in spring flow. While it is hard to quantify the exact water savings that will occur, with studies showing the possibility to save up to 1 AF for every 4-5 acres of Juniper reduction, thinning thousands of acres could provide a significant benefit to nearby stream flows.

## VII. CONCLUSION

DCC 18.113.070.D requires that any negative impact on fish and wildlife resources be completely mitigated so that there is no net loss or net degradation of the resource. This Addendum to the Thornburgh Wildlife Mitigation Plan, referred to as the 2022 FWMP, amends the 2008 FWMP (as it was updated) and addresses potential impacts to fishery resources because of ground water pumping and identifies specific mitigation measures. The potential for loss of habitat due to reduced surface water flows was quantified in connection with the OWRD review of Thornburgh's application for a water right permit. Under OWRD rules, Thornburgh is required to fully mitigate for consumptive use associated with Resort development. Consumptive use represents the amount of water not otherwise returned to the Deschutes River system after initial appropriation or diversion. The OWRD mitigation program is based on estimates of impact and modeling, the program is specifically intended to replace stream flows lost due to groundwater use.

The 2008 FWMP was developed in consultation with ODFW to address two specific areas of concern regarding the potential for negative impacts: the potential for a loss of habitat due to reduced surface water flows in the impacted areas, and the potential for loss of habitat due to increased temperature from reduced stream flow or loss of inflow from springs. As part of the development of this plan, discussions with ODFW took place to understand the current priorities

to ODFW to protect species and related habitat. While the area of the Deschutes River from Lower Bridge to Lake Billy Chinook remained important to ODFW, other issues presented concerns to the agency. ODFW expressed concern with limited flows of the Deschutes River between Bend and the Lower Bridge area, and of Whychus Creek between Sisters and Camp Polk Road and in Indian Ford Creek. Also important to ODFW was the distance in the stream the mitigation change will improve, as longer stream reaches are better.

As described above this 2022 FWMP has numerous sources providing benefits and mitigation, several that provide benefits over a significant distance, including areas of concern to ODFW. For example: 1) the LeBeau water increases flow in the Deschutes River for 137.7 miles; 2) The Tree Farm water is cold groundwater discharges that increase flows in the Deschutes River from Bend downstream through the stretch of concern to ODFW and onto the lake; 3) The Dutch Pacific water is benefitting Indian Ford Creek and Whychus Creek around Sisters to the mouth; 4) TSID water adds cool surface water above Sisters to the mouth of Whychus Creek at the Deschutes River. All of these sources increase flows that add to the thermal mass which in turn reduces temperatures in their respective stream and river reaches, ultimately providing benefits down to Lake Billy Chinook.

The potential for an increase in stream temperature resulting in a negative impact to fish and wildlife resources was also evaluated. Regarding Whychus Creek, the TSID water was shown to fully mitigate any potential peak temperature impact and lower the stream temperatures in not only Lower Whychus Creek, but throughout Whychus Creek to the mouth, which includes the area of concern to ODFW. Increasing the groundwater discharges from the Dutch Pacific water will further increase the reduction in temperature and the thermal benefits being provided to Whychus Creek.

Regarding the Deschutes River, the 2008 FWMP increased flows between Bend and Lake Billy Chinook by adding warmer surface water in Bend and cooler surface water from Lower Bridge to Lake Billy Chinook. These additions resulted in temperature change of 0 degrees C above Lower Bridge down towards Steelhead Falls, and an increase in the temperature of 0.1 degrees C at Steelhead Falls to below Whychus Creek. Even with those slight increases in temperature providing cool water mitigation equal to 105% of the impacts to seeps and springs fully mitigated for any reduction in groundwater. Increasing the percentage of benefits to seeps and springs coming from cool water sources (includes groundwater, Deep Canyon Water, TSID water) to 195% presently from 155% in the 2008 FWMP naturally provides far greater benefits than previously approved.

In developing recommendations for this plan, it was clear any potential change in stream temperature attributable to Thornburgh's proposed ground water use under steady state conditions, whether positive or negative, would be at levels not measurable with available equipment and technology. Although the changes being discussed will, in almost all cases, result in an increase in stream flows and a reduction in stream temperatures, they are not significant enough to result in any quantifiable negative impact to fish habitat at any time. However, the massive influx of excess flows provided during the transient period will further increase stream flows and further lower temperatures in all the affected reaches for decades

into the future as the actual impacts to stream flows gradually increase from Thornburgh's groundwater pumping until steady state conditions are attained.

By committing to fully utilize the water sources as described herein, and to comply with the conditions of this 2022 FWMP, any potential negative impacts to fish habitat resources because of the Thornburgh Resort development will be completely mitigated such that there is no net loss or degradation of habitat quantity or quality. In fact, it will likely provide a slight net benefit when steady state conditions are achieved many decades from now. During the transient period, Thornburgh will provide significant additional benefits to the quantity and quality of fish and aquatic habitat. As such this 2022 FWMP will exceed the no net loss/degradation standard set by DCC 18.113.070(D).



**ATTACHMENT 1  
THORNBURGH WATER RIGHTS INVENTORY**

**Certificated Water Rights, Transfers & Cancellations.**

**1. Surface Water Certificate 95746 (4/30/1902) and Transfer application T-13857 (LeBeau)** –This certificate authorizes the use of 4 acre-feet per acre of irrigated land of surface water from the Little Deschutes River, a tributary of the Deschutes River, to irrigate 50 acres of land, for a total authorized use of 200 AF of water. Transfer application T-13857 has requested the POD of this right currently at River Mile 56 on the Little Deschutes arm of the Deschutes River be moved to a POA on wells located at the Thornburgh Resort, located generally west of RM 143, roughly 105<sup>24</sup> river miles from the point on the Deschutes River closest to the Thornburgh Resort. Further, the transfer seeks to change in the character of use from irrigation to Quasi-Municipal. These proposed changes to the certificated water right do not require OWRD mitigation. This water is currently in the river and is being allowed to flow from its point of diversion all the way to Lake Billy Chinook, about 137.7 river miles. See Map 2. The added flow will provide thermal benefits that cool the Little Deschutes arm of the Deschutes River and the Deschutes River throughout those reaches.

**2. Surface Water Certificates 96192 and 96190 (4/13/1967) and Transfer T-12651 to Groundwater POA** – Big Falls Ranch (“BFR”) (Deep Canyon Creek Groundwater POA). These certificates authorize the use of 4 acre-feet of surface water per acre of irrigated lands from Deep Canyon Creek onto of 153.6 acres of land, for a total volume of 614.4 AF of water. This is certificated water that requires no OWRD mitigation. The POAs of this water are wells located at Big Falls Ranch. 90 acres of this irrigated land has been assigned to Pinnacle Utilities, LLC as of the date of this 2022 FWMP and is currently left in the ground. An application to transfer all 153.6 acres of water to wells at the Thornburgh Resort along with a change to the character of use from irrigation to Quasi-Municipal is pending.

Transferring this water will leave it in the ground at Big Falls Ranch that because of the hydraulic connection to the streams will increase flows of 11 degree C groundwater into the Deschutes River, Whychus Creek, and the Crooked River. See Four Peaks GSFlow Report. This cool groundwater will provide thermal benefits cooling the rivers and creeks and providing greater benefits than provided by the 2008 FWMP. In the alternative, if not approved for transfer, this water right could be cancelled in lieu of mitigation for any groundwater permit or Limited License application to serve the Resort. Cancelling a groundwater certificate leaves the water in the aquifer so it can return to streams and rivers. Lastly, the POA could be returned to a POD in Deep

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<sup>24</sup> The Little Deschutes arm, merges into the Deschutes River at RM 192.5 on the Deschutes River. LeBeau POD is at RM 56 on the Little Deschutes arm, which is roughly at the equivalent of Deschutes RM 246.5. The Thornburgh POA is west of Deschutes RM 143. Round Butte Dam is roughly 137.7 miles from the LeBeau POD.

Canyon Creek from where it could be transferred to an instream right with mitigation credits issued for groundwater or limited license applications<sup>25</sup>.

**3. Ground Water Certificate 87558 (BFR)** – This certificate authorizes the use of 4 acre-feet per acre of irrigated land from groundwater wells located at Big Falls Ranch. The certificate allows the ranch to use a total of 25.6 AF of water to irrigate 6.4 acres. This certificated water requires no OWRD mitigation. Thornburgh intends to transfer all 6.4 acres of irrigated lands to wells at the Thornburgh Resort and to change the type of use from irrigation to Quasi-Municipal. Leaving this 11 degree C groundwater in the ground at Big Falls Ranch will increase flows in the same manner as the BFR water in #2 above. See Map 2. As noted above it cannot be converted to an instream right the same way surface water rights can but it could be cancelled in lieu of mitigation if needed.

**4. Ground Water Certificate 94948 (1/30/1995), Transfer T-13703 (Tree Farm)** – This certificate authorizes the appropriation of 0.453 cfs Year-Round for Quasi-Municipal uses for a total of 327.5 AF of water use. This certificated water right does not require mitigation. Transfer T-13703 was approved by OWRD which changed the POA of this water right from wells located in the Tree Farm subdivision west of Mt. Washington Drive in Bend to wells on the Thornburgh property. It also changed the Point of Use (POU) from the Tree Farm subdivision to Thornburgh wells. The transfer will result in cessation of pumping at the present POA which increases the flow of cold 11 degrees C groundwater into the Deschutes River by .453 cfs. At present it can be used per the transfer order, or in the alternative it could be cancelled in lieu of mitigation for groundwater permit or Limited License applications. An application for a permanent transfer will soon be filed as well.

**5. Ground Water Certificate 89259 (3/18/1998)** – Dutch Pacific – 16.5 acres or 49.5 acre-feet of irrigation water (ground) that was pumped from a well in Sisters. This is a certificated water right that doesn't require mitigation. The place of impact from pumping at this location is in Whychus Creek and Indian Ford Creek that flows into Whychus Creek near Sisters. See Four Peaks GSFlow. For approximately 3 years Thornburgh has allowed all 16.5 acres of this water to remain instream and is presently cancelling it in-lieu of mitigation. This effectively moves the point of appropriation and place of use which will provide added flow of cold 11 degrees C groundwater into Indian Ford Creek and Whychus Creek from above Sisters down Indian Ford and Whychus Creek to the mouth and on into the Deschutes River towards Lake Billy Chinook. This 16.5 acres of irrigation (49.5 AF) of cool water will provide thermal benefits to the

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<sup>25</sup> While our analysis does not rely on the flows provided by Deep Canyon Creek to achieve compliance with the no net loss/degradation test, changing the mitigation source from 13-degree surface water flows in the creek to 11 degrees C groundwater flows into area waterways is clearly beneficial. Also not accounted for is the fact that pumping from Deep Canyon Creek has completely ceased, allowing Deep Canyon Creek to flow to the Deschutes River.

stream that will cool the creek and mitigate for all the impacts to Whychus Creek from Thornburgh pumping. Leaving this water in the stream will add flow and cool Whychus Creek from above Sisters all the way to the Lake.

**6. Three Sisters Irrigation District Mitigation Water:** 106 acre-feet (1.51 cfs) of Whychus Creek irrigation water (surface). This is surface water diverted at the TSID diversion near the town of Sisters. See Map 2, pp., 5. It is being left in the creek at that point and will provide flow and thermal benefits of the cool 13 degrees C surface water to Whychus Creek all the way to the Deschutes River and then downward into Lake Billy Chinook. The TSID mitigation is 1.51 cfs of flow that is left in the creek for a portion of the irrigation season. In low flow years that may only be 90 days. In heavy flow years that may be 150 days or so. Depending on the flow in Whychus Creek, the actual volume of mitigation water from the rights being purchased by Thornburgh could be as high as 200-250 AF, instead of the 106 AF required to mitigate as determined by Yinger 2008. As noted above, the 106 AF need was determined by Yinger who modeled stream impacts using 2,355 AF of water at 100% consumptive use whereas Thornburgh's current plan reduces pumping to 1,460 AF and consumptive use to 882 AF. The TSID water was shown to mitigate for the full impact of 106 AF of stream reduction at Whychus Creek. The TSID mitigation secured by Thornburgh, is presently in the creek.

**7. Temporary Mitigation Credits (DRC)** – 6 acre-feet of temporary credits from the Deschutes Resource Conservancy have been in place since 2013. For nearly 10 years these credits have increased flow to the Deschutes River in advance of pumping any groundwater under the OWRD permit. Excess mitigation has been accumulating since then. Thornburgh intends to cancel the use of these temporary credits at some point in the future. They are not considered in the efficacy of this 2022 FWMP rather are excess or advance mitigation.

#### **Groundwater Permits, GW, and LL Applications:**

**8. Ground Water Permit G-17036** – This permit authorizes up to 9.2 cfs and 2,129 AF for Quasi-Municipal uses including irrigation of golf courses, homes and commercial areas, and maintenance of reservoirs. Period of use is Year-Round except for the seasonal limits placed on irrigation use by the permit. The rate and volume are further limited by the corresponding mitigation provided. The maximum volume for irrigation of 320 acres of golf courses shall not exceed 717 AF annually. The amount of golf course irrigation specifically under this right is limited to a diversion of 2.24 AF for each acre irrigated during the irrigation season of each year. The amount of water allowed to be used for reservoirs under this permit is 246 AF. The fully developed Mitigation Obligation for this right is 1,356 AF annually, to be provided within the General Zone of Impact. Mitigation is to be provided prior to each stage of development under the permit.

In 2013, Thornburgh posted 3.6 acre-feet of mitigation credits (6 AF of water) as the initial mitigation and the permit was issued. Due to unforeseen delays, Thornburgh was required to apply for an extension of the permit, which was granted in 2018 with OWRD

issuing a Proposed Final Order and Final Order granting approval. When a suit was filed against OWRD at the Oregon Court of Appeals OWRD withdrew its final order and sent the approval (as noted in the Proposed Final Order (PFO)) to a contested case hearing. On July 26, 2022, OWRD issued a superseding proposed final order proposing denial of the extension, but the permit remains non-cancelled (valid) as of the date of this 2022 FWMP. Thornburgh filed a protest to this PFO seeking a contested case hearing which is pending.

Permit G-17036 is the first permit Thornburgh acquired. Due to litigation opposing the permit and the lengthy delays involved at OWRD, Thornburgh developed alternatives to pump groundwater from the Resort's wells with little reliance on this or other OWRD groundwater and limited license permits, or applications as described below.

**9. Ground Water Permit Application G-19139 (pending)** – This permit application was for the use of 9.28 cfs of year-round Quasi-Municipal water having the same limitations and mitigation requirements as permit G-17036. It was filed at the suggestion of OWRD staff as a potential replacement to permit G-17036 pending the contested case. The POA of this application is 8 wells located on the Thornburgh property. The application is pending. If not approved, Thornburgh will file a petition for judicial review.

**10. Limited License Application LL-1879** -- This limited license application was for the use of 4.5 cfs of year-round water. The application was filed to provide preliminary use of some of the water permitted by G-17036 pending the resolution of the contested case on the extension. OWRD denied the application, and Pinnacle has filed a petition for judicial review in Deschutes County Circuit Court. If the limited license is approved, this will require mitigation for the life of the limited license, which can be done more informally than is required for permanent permits or certificates.

**11. Limited License Application LL-1917 (pending)** – This limited license application was for the use of 0.453 cfs of year-round water. The amount requested is the same amount of water as will be transferred under the authority of T-13703. It was filed as an alternative to the use of the water in T-13703, as a challenge to the transfer is reviewed by the court system. The application is pending. If approved, this will require mitigation for the life of the limited license, which can be done more informally than required for permanent permits or certificates.

**From:** [FAUCERA Danette L \\* ODFW](#)  
**To:** [Caroline House](#)  
**Cc:** [FERRARI Chandra A \\* ODFW](#); [HEATH Corey \\* ODFW](#); [GEORGE Gerald J \\* ODFW](#); [WALCH Andrew J \\* ODFW](#); [SAWASKE Spencer R \\* ODFW](#); [Kameron DeLashmutt](#); [jim newton](#); [Joseph Eilers](#)  
**Subject:** ODFW Comments, File Number 247-22-000678-MC  
**Date:** Monday, November 7, 2022 3:49:56 PM  
**Attachments:** [ODFW comments to Deschutes County File 247-22-000678-MC 11-7-22.pdf](#)  
[ODFW Letter Final 6-13-08 Final.pdf](#)

[EXTERNAL EMAIL]

Good afternoon Caroline,

Please see attached ODFW comments and referenced attachment regarding File Number 247-22-000678-MC. ODFW continued to meet with the applicant after the Hearing on October 24<sup>th</sup> but either did not receive sufficient information or have not been provided the time to adequately review the submitted materials in order to provide concurrence that the 2022 Plan results in no net loss or net degradation to the resource. We plan to remain engaged with the applicant and the County, as applicable, moving forward.

Please let us know if you have any questions.

*Danette*

**\*\*note new phone number\*\***

**Danette Faucera**  
**Water Policy Coordinator**  
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\*\*\*\*\*

# Oregon

Kate Brown, Governor



## Department of Fish and Wildlife

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November 7, 2022

Via Email: [Caroline.House@deschutes.org](mailto:Caroline.House@deschutes.org)

Caroline House | Senior Planner  
Deschutes County Community Development  
117 NW Lafayette Ave | Bend, Oregon 97703

**RE: ODFW's Comments Regarding the Thornburgh Resort Fish and Wildlife Mitigation Plan Addendum #2 (2022 FWMP), File Number 247-22-000678-MC**

Dear Ms. House,

The Oregon Department of Fish and Wildlife (ODFW) appreciates the opportunity to provide additional comments to Deschutes County (County) regarding File Number 247-22-000678-MC, the 2022 Thornburgh Resort Fish and Wildlife Mitigation Plan Addendum #2 (2022 Plan). ODFW previously submitted testimony for the record on October 21, 2022. After the Hearing on October 24, 2022, ODFW continued to meet with the applicant to seek more information and provide advice on ways to substantiate the claims of meeting the no net loss/net degradation standard per DCC 18.113.070(D). The applicant first reached out to ODFW in late July 2022, but only very recently has data and modeling that is intended to support their proposal in the 2022 Plan been shared. ODFW was not provided a critical memorandum entitled "Evaluation of the Impacts of Proposed Groundwater Pumping at Thornburgh Resort Project" until the afternoon of November 2<sup>nd</sup>. This memorandum, dated October 19<sup>th</sup>, provides documentation and results of groundwater-surface water modeling (GSFLOW) that were used as inputs for other modeling efforts (RSI and CGE reports) and assessments of flow-habitat relationships (Four Peaks) completed by the applicants' consultant team. ODFW was still receiving information as of this past Friday (November 4th). Therefore, as of the date of this letter, we either did not receive sufficient information or have not been provided the time to adequately review the submitted materials to provide concurrence that the 2022 Plan results in no net loss to the resource.

While we appreciate the applicant's efforts in using some of the best available tools (2017 USGS GSFLOW and QUAL2Kw) to understand the impacts of Resort pumping, the benefits of non-use through water transfers, and to address ODFW's questions, the overall process was not completed in a logical manner. Instead of first modeling the impacts of resort groundwater pumping and applying specific mitigation measures to address the adversely affected areas, the project proponent and consultants have attempted to tailor a collection of water rights available for transfer into a mitigation package. Modeling data displays and export summaries have focused on stream gaging locations and not the areas of greatest impacts or the areas



that ODFW has identified as important springs and cold-water habitat, making the interpretation of the sufficiency of mitigation questionable. In addition, more recent modeling (2017 GSFLOW) of the lower Crooked River shows greater impacts that have not been the focus of any specific mitigation to date.

As stated in our October 21 correspondence, the concepts presented do have merit, but this is a complex proposal to review in a truncated period of time. While the 2022 Plan may provide for “more” and “better” mitigation than the 2008 plan (as claimed by the applicant), ODFW’s mission is to protect and enhance Oregon’s fish and wildlife and their habitats for use and enjoyment by present and future generations; a plan with no legal protections or monitoring to ensure success into the future does not align with our mission nor the County’s no net loss standard. In addition, Thornburgh’s water right transfers and mitigation plan do not meet ODFW’s standard mitigation criteria. ODFW recommends water rights used as mitigation to have been used consistently and recently at or near full water right duties. Due to the complexity of this proposal, the substantial changes being proposed, and lack of specificity in the supporting documentation, ODFW cannot concur that the 2022 Plan will result in reliable, legally protected wet water that results in no net loss or no net degradation of the resource. Therefore, ODFW is recommending the proposed amendment not be approved at this time. ODFW is interested in continuing to work with the applicant and the County on a more reasonable timeline in proposing an amended mitigation plan that results in in-kind, in proximity mitigation and meets the County’s no net loss/net degradation standard.

### **ODFW’s Interest in the Deschutes Basin**

As the technical experts on fish and wildlife habitat needs in Oregon, ODFW plays a critical role in determining impacts to fish and wildlife resources and recommending means to offset the impacts of land and water development actions, if applicable, in accordance with the County Comprehensive Plan and implementing ordinances. ODFW is charged with representing the public interest and implementing Oregon’s Food Fish Management Policy (ORS 506.109) and the Wildlife Policy (ORS 496.012) that state fish and wildlife shall be managed to prevent serious depletion of any indigenous species and to provide the optimum recreational and aesthetic benefits for present and future generations of the citizens of Oregon.

The proposed development is in an area with a close hydraulic connection between the regional groundwater aquifer and surface water discharge into the Deschutes and Crooked rivers and Whychus Creek. The Deschutes River, located approximately two miles from applicant’s proposed wells, is a designated state scenic waterway (ORS 390.826), meaning that the free-flowing character of these waters shall be maintained in quantities necessary for recreation, fish, and wildlife uses, and there are strict provisions in place for activities affecting water resources. In addition, two of the directly impacted waterways include segments designated as Wild and Scenic Under the National Wild and Scenic Rivers Act (P.L. 100-557); Deschutes River from Odin Falls to Lake Billy Chinook and Crooked River from the National Grassland boundary to River Mile 8 south of Opal Springs.

The native trout, salmon and whitefish in the Deschutes basin require consistent sources of cold, clear water to complete their life histories, and zones of groundwater discharge provide critically important habitat. ESA-listed Bull Trout, an experimental population of ESA-listed summer steelhead, Spring-run Chinook Salmon, Redband Trout, and Mountain Whitefish are currently present in the lower Crooked River, Deschutes River from Lake Billy Chinook upstream to Big Falls, and in Whychus Creek. The upper Deschutes Basin historically supported Bull Trout; however, the range of the species has contracted due to variety of factors, including increased surface water temperatures. Extant populations in the mid-basin are dependent on cold (<12°C) groundwater-influenced stream reaches for migration and spawning (July-October) and year-round juvenile rearing. In working with the applicant, ODFW has identified critical springs and groundwater-influenced reaches in the adversely affected area that provide thermal refugia to these salmonids including, but not limited to, Whychus Creek RM 1.5-1.2 (Alder Springs), Whychus Creek RM 0.5-0.0, Crooked River below Osborn Canyon (RM 13.5-10.9), Crooked River RM 9.0-8.4, Crooked River at Opal Springs (RM 7.0-6.8), Deschutes River RM 132-127.6, and Deschutes River RM 124-125 (just

above Whychus Creek confluence). The effect of groundwater pumping is expected to have its greatest impact on spring discharges and stream flows and temperatures in the Crooked River between Osborn Canyon and Lake Billy Chinook, the Deschutes River between Lower Bridge and downstream of Whychus Creek, and lower Whychus Creek. These cold-water springs and spring-fed creeks provide cold-water inputs, and ODFW is concerned that over time, increased groundwater withdrawal for agricultural, residential, and municipal needs will have a cumulative negative effect on springs that further degrades habitat quantity and quality for these and other species. ODFW requested modeling and impact analysis specific to these areas of conservation concern and received the GSFLOW discharge results on November 4<sup>th</sup>, but no modeled temperature information was provided.

### **ODFW's Recommendation to Deschutes County**

Due to the complexity of this proposal, the substantial changes being proposed, and lack of specificity in the supporting documentation, ODFW cannot concur that the evidence in the record supports a determination that the 2022 Plan will result in reliable, legally protected wet water that results in no net loss or no net degradation of the resource.

The proposed 2022 Plan, with its mix of ground and surface water transfers spread over a large geography, is unconventional. Unfortunately, for ODFW to support such a plan, it takes time and a series of information exchanges for us to be confident that mitigation is protective in the locations of impact and over a range of expected hydrologic and environmental conditions. The increase in geography and scope associated with the proposed water right transfers as mitigation is further complicated by limitations associated with seasonal water on some certificates, differing hydrology, and limiting factors above and below diversions, as well as different species assemblages to consider (e.g., Oregon Spotted Frog). Upon reviewing the evidence in the record and the additional information ODFW requested from the applicant in the time provided, ODFW's opinion is that there is not substantial evidence that the Plan meets the County no net loss standard in DCC 18.113.070(D) and cannot currently support the Plan as proposed. Therefore, ODFW recommends the County not approve the amendment at this time.

Specifically, ODFW is providing comments regarding the following standards:

### **DCC 18.113.070(D)**

ODFW recognizes Deschutes County's authority to evaluate this application consistent with County Code provisions. DCC 18.113.070(D) states that "*[a]ny negative impact on fish and wildlife resources will be completely mitigated so that there is no net loss or net degradation of the resource.*" Similarly, to further Oregon's Wildlife Policy and Food Fish Management Policy, ODFW reviews mitigation proposals utilizing our Fish and Wildlife Habitat Mitigation Policy (OAR 635-415), which is the basis of standards in place for evaluating the reliability and adequacy of mitigation proposals for protecting instream and fish-habitat needs (both surface and groundwater quantity and quality).

Previous assessments (i.e., the 2008 Addendum) of the Resort's impacts to fish and wildlife habitat resulted in a Habitat Category 2 designation under ODFW's Fish and Wildlife Habitat Mitigation Policy (ODFW Mitigation Policy), meaning the impacted habitat is essential and limited for a fish or wildlife species, population, or unique assemblage of species. Under the ODFW Mitigation Policy, the mitigation goal for Habitat Category 2 is no net loss of either habitat quantity or quality and to provide a net benefit of habitat quantity or quality, which is similar to the County's no net loss or net degradation of the resource standard. For the purposes of this comment letter, ODFW has reviewed the 2022 Plan for consistency with meeting the DCC 18.113.070(D) standard, as well as providing mitigation recommendations as directed in the ODFW Mitigation Policy.



The applicant has been meeting with ODFW over the past few months in an attempt to ensure the 2022 Plan is supported by ODFW and results in no net loss or net degradation of the resource. Although the applicant has been meeting with ODFW since July to discuss concepts of the new Plan, no substantial information was provided until mid-October. ODFW requested additional information on September 28<sup>th</sup> (see “2022-10-21 K. Katzaroff - Response to Initial ODFW Concerns and Questions.pdf” in the record) that would aide our assessment of whether the 2022 Plan satisfies the no net loss standard. The applicant responded that many of the ODFW requests were unreasonable and did not provide additional information at the time. Some information was provided on November 2, 2022, after further discussion and narrowing down the scope of our data request, but there was limited time to fully review this information prior to submitting these comments.

Based on our current understanding of the 2022 Mitigation Proposal, it is yet unclear if the 2022 Plan will result in outcomes that meet the County’s standard in DCC 18.113.070(D), including actions that fully mitigate the Habitat Category 2 impact through in-kind, in-proximity mitigation. The proposed 2022 Plan is lacking the detail to provide substantial evidence for stated claims, though some of the follow up correspondence and information submitted late to ODFW (and perhaps to the record) may include applicable evidence.

The following specific concerns address several reasons why DCC 18.113.070(D) is not met:

- Since 2002, most new appropriations of regional groundwater use provided surface water mitigation through the Deschutes Groundwater Mitigation Program (DGMP). The DGMP has been successful in maintaining and improving flows in the middle and lower Deschutes River during the irrigation season but continues to show declines during the winter months. ODFW has consistently voiced concerns about the Deschutes Groundwater Mitigation Program, specifically water accounting, temporary transfers, the impacts to springs, decreases in streamflow during the non-irrigation season, and the looming expansion of the groundwater allocation cap, allowing for more groundwater use and extraction. Mitigation via the proposed transfer of water rights and associated discontinued use and modeling of non-use may only be effective if there is no increase in overall use and an effective mitigation program is in place. The DGMP currently has a sunset of 2029, leaving the future of groundwater protection and mitigation in the Deschutes basin uncertain.
- Seeps and springs that contribute cold water to the Deschutes basin are vital to salmonid survival in the basin. Studies have shown that the Resort’s impacts are concentrated in areas of the basin known to discharge cold water. The 2008 Addendum provided the unique possibility to replace and legally protect the impacted habitat with a comparable source of cold water (e.g., Deep Canyon Creek) in close proximity to the proposed development, but similar claimed benefits of the new proposed 2022 Plan are not substantiated. As the 2022 Plan no longer utilizes the Deep Canyon Creek water rights as mitigation (and instead transfers the rights to the Resort), there is insufficient evidence in the record to determine if the localized impacts are being offset by similar sources of cold water that would result in no net loss of the resource. Modeling outputs recently provided to ODFW may include the information necessary to show the impacts are offset with groundwater discharge, but we would need additional time to fully review the information to support that conclusion.
- The 2022 Plan outlines benefits to the basin through discontinuing use of groundwater and surface water at numerous locations upstream of the Resort, some of which allegedly provide benefits to the basin for over 100 miles. The benefits claimed for this distance are unsubstantiated and unlikely to be realized for this distance.
- Discontinuation of groundwater use does not necessarily result in an equal amount of surface flow, nor does it discharge during the same period or at same location. Information was recently provided to ODFW regarding discharge of groundwater near the Point of Appropriation of the transferred rights, but it remains unclear if discontinuation of use of the groundwater rights proposed for transfer (acre feet of pumped water) translates to a particular quantity (cubic feet per second) of surface water instream or how much and for what distance it may lower stream temperature. The Plan must result in documented

improvements in habitat quality and quantity (the claimed outcome of the transfers), not just rely on the transfer process and cessation of use identified, to result in no net loss to the resource. Based on ODFW's review at this time, the alleged benefits and supporting data are insufficient to support the conclusion that there will be actual improvements from discontinuation of groundwater use.

- The applicant has provided ODFW some initial modeled data that alleges to support the 2022 Plan benefits. However, this model incorporated only one year (2016) of data, which was stated to be an average water year. To fully assess changes resulting from the 2022 Plan, additional modeling was necessary. To ensure it is protective, mitigation must be evaluated over a range of anticipated hydrologic to conditions including wet and dry water years. ODFW requested additional information on October 14<sup>th</sup>, but only received relevant information on November 4<sup>th</sup>.
- Past proceedings have resulted in the County not requiring "wet water" (e.g., actual use) to meet the no net loss standard. "Paper water" (e.g., the maximum rate and duty specified in the permit/certificate) as mitigation will not likely be realized as demonstrated instream flow that benefits both temperature and water quantity as intended and may result in a net loss to the resource. For example, the Deep Canyon Creek water rights identified in the 2008 Addendum were to be transferred instream to provide actual measurable water quantity and quality benefits. Some of the water rights identified in the new 2022 Plan currently lack verified past use data, so it is unclear if they provide these same clear benefits. Relying on OWRD's administrative processes will not adequately offset water quality and quantity impacts to fish habitat, as the water right transfer process alone may not completely lead to the intended/necessary outcome.
- ODFW requested to have two dams on Deep Canyon Creek removed as part of the 2008 Addendum, June 13, 2008. The applicant agreed to this request in an August 11<sup>th</sup>, 2008, filing with the County. However, the 2022 Plan no longer includes plans to remove the dams (Note: one of the dams was partially removed, but beavers have re-established the barrier.). Without the opportunity for a free-flowing stream, the cold-water benefits of this spring fed system are reduced.
- Water rights proposed for mitigation or are alleged to provide benefits must represent valid and reliable replacement sources of water. Basin-specific hydrologic conditions, any history of regulation, and past use determine the reliability of a water right. ODFW requested information regarding the reliability of the rights included in the 2022 Plan on September 28<sup>th</sup> and received limited information in response. In an October 24, 2022, letter to Hearings Officer Gregory Frank, the applicant responded to ODFW's request for information on the reliability of use of transferred water rights modeled at 100% use for mitigation credit stating "ODFW's request for additional, detailed information is unreasonable and usurps OWRD's role in managing and determining the validity of water rights. A water right approved for transfer of its full amount has been found by OWRD to be a valid right." Modeling scenarios have assumed that the transferred water rights were historically used at 100 percent rate/duty, but limited evidence has been submitted to support this use. If consistent and full use cannot be demonstrated, model results may be overestimating the mitigation value of transfer water rights. ODFW mitigation/transfer standards require consistent and recent use at or near full rate/duty for water rights to be appropriate for mitigation/transfer. This standard differs from OWRD's transfer requirement of use once in the last five years. Without documentation or analysis, ODFW recommends that the same standard used by OWRD in its water right transfer review process (demonstrated use in once in the last five years) be considered by the County in their assessment of no net loss. Based off Table 1 in the applicants October 28<sup>th</sup> response to ODFW's request for information, applying full use of each transferred groundwater permit in 1 out of five years, or 20%, results in different impacts to streamflow from GSFlow modeling using the information provided. When one in five years of use is applied, there is a net degradation to the resource as streamflow is negatively impacted at most gaging sites, and in particular, those downstream of the resort's pumps in the lower Crooked and Deschutes rivers and lower Whychus Creek (Table 1). Under this scenario, streamflows in Crooked River at Opal Springs are reduced by more than one cfs. Therefore, it cannot be determined if the Plan includes measures that yield no net loss to the resource.

Table 1. GSFLOW modeling results comparing the predicted net change in streamflow (cfs) assuming 100 percent use of transferred groundwater rights with use demonstrated in one of five years, or 20% use.

Gage Site	2022 Impact NO MIT	2022 100% GW MIT	2022 20% GW MIT	2022 Impact w/100% GW Mit	2022 Impact w/20% GW Mit
Little Deschutes	-0.003	0.002	0.0004	-0.001	-0.0026
Crane Prairie	0.006	0.019	0.0038	0.025	0.0098
Below Wickiup	0.02	0.011	0.0022	0.031	0.0222
Benham Falls	0.038	-0.009	-0.0018	0.029	0.0362
Below Bend	0.035	-0.004	-0.0008	0.031	0.0342
Near Culver	-0.416	0.536	0.1072	0.120	-0.3088
Indian Ford Creek	-0.13	0.205	0.041	0.075	-0.089
Whychus nr Sisters	-0.007	0.008	0.0016	0.001	-0.0054
Whychus blw Indian Frd	-0.147	0.223	0.0446	0.076	-0.1024
Whychus Camp Polk	-0.165	0.236	0.0472	0.071	-0.1178
Whychus nr Mouth	-0.184	0.225	0.045	0.041	-0.139
Crooked-Osborne Cnyn	-0.622	0.42	0.084	-0.202	-0.538
Crooked-Opal Springs	-1.383	1.038	0.2076	-0.345	-1.1754

- The 2008 Mitigation Plan included legal protection of mitigation water through the transfer to instream water rights (particularly the Deep Canyon Creek rights), a requirement that ODFW has continued to support. Discontinuing use and/or cancellation of a water right with the intent of leaving “cool water in the stream” or “in the ground,” as proposed in the 2022 Plan, provides no legal protection for the mitigation water. Offsetting Resort pumping with groundwater transfers provides no assurances that groundwater discharge from ecologically important seeps and springs and surface water flows are protected in the future. If not regulated, the water may be withdrawn by other water users, resulting in a potential net loss of the resource.
- The 2022 Proposal states “OWRD mitigation must be in the form of legally protected water for instream use which can be accomplished in different ways acceptable to OWRD, including: i) transferring existing surface water rights for irrigation use into protected instream use; and ii) voluntary cancellation of either surface or groundwater permits in lieu of mitigation. Each method results in the full amount of pumped water allowed under the certificate to be protected permanently instream.” ODFW contends that voluntary cancellations, commitment of non-use, submittal of a transfer application to OWRD, and other such actions in lieu of mitigation do not legally and permanently protect water instream. As a positive outcome of any application is not guaranteed, a net loss to the resource would occur if pumping at the Resort commences prior to approval of all applicable Final Orders from OWRD.
- “Additional water use” is proposed to be mitigated solely through OWRD’s Groundwater Mitigation Program, which does not account for all impacts to the resource (e.g., water quality impairment is not directly addressed). All potential impacts (e.g., both water quality and quantity) must be adequately mitigated to yield no net loss to the resource.
- ODFW is concerned with the lack of information regarding how compliance will be ensured over time. Compared to legally protected instream water rights, the monitoring, reporting, compliance, and enforcement of mitigation via groundwater transfer is complex and difficult to quantify. It is our understanding that compliance (or noncompliance) with the mitigation measures will be established by annual reporting required by FMP Condition 38, but it is unclear who reviews the reports, who has access to the reports, what repercussions are in place for non-compliance, and if/how ODFW would be engaged in habitat protection. OWRD administrative processes will only address part of the compliance necessary, and sole reliance on OWRD well and streamflow monitoring data is unlikely to be at the

appropriate scale and locations to track compliance. Surface water quality and quantity must be replaced in perpetuity or for the life of the project as intended or continued pumping at the Resort would result in a net loss of the resource.

- Although identified as “excess mitigation,” it is unclear how the applicant is claiming the 1.51 cfs of water being left instream at the Three Sisters Irrigation District (TSID) diversion and how the portion of the season left instream will be determined. The reliability of the water is also unknown. The Final Orders associated with this amount currently allow only 1.2 cfs to be transferred to an instream water right as a result of an Allocation of Conserved Water piping project. The remaining 0.31 cfs, barring any unknown agreements between the applicant and TSID, can still be utilized to irrigate new lands.
- ODFW remains concerned with year-round impacts not being offset with year-round benefits/mitigation. The 2022 Plan provides most of the mitigation during the irrigation season, and some of it only during a partial season. Weighting the benefits to summer months, when Resort water use and impacts are presumably higher, still allows for a net loss of habitat for part of the year. Although summer water quality and quantity remain a primary limiting factor for salmonid distribution, productivity, and abundance, critical fish life history components occur outside of the irrigation season, particularly during “shoulder months” at the beginning and end of the irrigation season (March/April and October/November). In addition, freshwater spring habitats in the upper Deschutes Basin have been identified as critical to overwinter survival of salmonids and the ESA-listed Oregon Spotted Frog. Without a 1:1, year-round offset of project impacts, groundwater extraction at the Resort will result in a net loss of the resource.

### **FMP Condition 38 and ODFW Agreements with Thornburgh**

During the Hearing on October 24, 2022, Hearings Officer Frank asked ODFW if we were aware of any agreements between ODFW and Thornburgh representatives. ODFW has found that, to our knowledge, we do not have an official, signed agreement (e.g., a Memorandum of Understanding) regarding mitigation for fish and wildlife habitat impairment. That said, ODFW has spent considerable time advising and negotiating with the applicant and County over the past decade to ensure the mitigation offsets the impacts of Resort development and yields no net loss to fish and wildlife resources. It is ODFW’s understanding that these negotiations and resulting changes to fish and wildlife mitigation have resulted in ODFW being in agreement that the combination of the Wildlife Mitigation Plan for Thornburgh Resort (April 15, 2008), Off-site Habitat Mitigation and Monitoring Plan for the Thornburgh Destination Resort Project (August 2008) and Thornburgh Resort Fish and Wildlife Mitigation Plan Addendum Relating to Potential Impacts of Ground Water Withdrawals on Fish Habitat (April 21, 2008) did meet the no net loss standard. (It is important to note here, though, that we have not yet come to the same conclusion for the 2022 Addendum #2.)

The word “agreement” is loosely used in many past correspondences, findings, and proceedings. In fact, the Final Master Plan Condition 38 states: “The applicant shall abide by the April 2008 Wildlife Mitigation Plan, the August 2008 Supplement, and agreements with the BLM and ODFW for management of off-site mitigation efforts.” In addition, the Off-Site Habitat Mitigation and Monitoring Plan states “TRC is required to submit to the Planning Division a wildlife habitat mitigation plan and written documentation from the Oregon Department of Fish and Wildlife (“ODFW”) that the Plan satisfies the “no net loss or degradation” standard in Deschutes County Code (“DCC”) Section 18.113.070(D).” Therefore, our written support of the 2008 mitigation (see attached ODFW letter dated June 13, 2008) could be construed as an agreement.

### **Substantial Change under FMP Condition 1 and DCC 18.113.080**

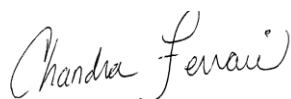
Condition 1 of the FMP states that “Approval is based upon the submitted plan. Any substantial change to the approved plan will require a new application.” ODFW’s interest is in ensuring impacts to fish and wildlife habitats are adequately addressed for any development action, and ODFW notes that the 2022 Plan is substantially different than the 2008 Plan (which is one part of the original submitted and approved plan) in the method of providing water to and mitigating impacts of the Resort’s groundwater extraction. A new

mitigation plan, especially one that involves a broader geographic scope, both in terms of impacts (e.g., Crooked River), and the geography of mitigation sources (e.g., Little Deschutes River), requires a fresh analysis. Since the original FWMP mitigation plan was developed over 14 years ago, the region has experienced an advancement in the science and understanding of regional groundwater processes, a boom in growth and water consumption, and a social awakening demanding sustainable development and careful conservation of resources. In that time there have also been many investigations into understanding surface and groundwater resources and their interactions and tools developed to model various case scenarios. There has also been a concerted effort by irrigation district to conserve water through canal lining and piping projects.

ODFW has spent considerable time reviewing the 2022 Plan and further assessment may yet be necessary. Our review of the 2022 Plan was conducted considering this being a new mitigation proposal for a revised proposed use (i.e., Thornburgh is reducing its total water needs from 2,129 AF to 1,460 AF). The 2008 Fish and Wildlife Mitigation Plan Addendum was based on offsetting water quality and quantity impacts from the Resort utilizing mitigation from mostly surface water rights, some of which were to be legally converted to instream water rights to protect cold water sources (e.g., Deep Canyon Creek). The proposed 2022 Plan is focused not necessarily on “mitigation”, but rather mostly transferring existing groundwater rights to the Resort property, which does not require mitigation from OWRD, and does not include any legal protection of cold, instream flow. Therefore, the means of claiming no net loss to the resource, which is an essential component of development approval, have substantially changed.

We appreciate the County’s continued coordination in protection of Oregon’s fish, wildlife, and habitats. Given the individual and cumulative impacts to water quality and quantity in Deschutes County over time, ODFW remains concerned about water availability and increased drought in central Oregon given current trends and forecasts in regional population growth, groundwater use/demand, precipitation, and climate. We also appreciate the applicant’s proposed reduction in water use and efforts made in addressing our concerns. Should the amendment not be approved, we will continue working with the applicant towards a means to clearly satisfy the no net loss standard. We are happy to answer any questions regarding our recommendation and look forward to continued conversations.

Sincerely,



Chandra Ferrari  
Habitat Division Deputy Administrator & Water Program Manager  
503-910-4586  
[Chandra.a.ferrari@odfw.oregon.gov](mailto:Chandra.a.ferrari@odfw.oregon.gov)

Cc: Jerry George, Corey Heath, and Andrew Walch, ODFW Deschutes Watershed District (via email)  
Danette Faucera, ODFW Water Policy Coordinator (via email)  
Kameron DeLashmutt, applicant (via email)  
Joe Eilers and Jim Newton, applicant’s consultants (via email)



# Oregon

Theodore R. Kulongoski, Governor

## Department of Fish and Wildlife

### High Desert Region

61374 Parrell Road

Bend, OR 97702

(541) 388-6363

FAX (541) 388-6281

June 13, 2008

Deschutes County  
Community Development Department  
Planning Division  
117 NW Lafayette Ave  
Bend, OR 97701

ATTN: Ruth Wahl  
RE: Thornburgh Resort Company – Final Master Plan Approval

Oregon Department of Fish and Wildlife (ODFW) has reviewed the Thornburgh Resort Company's (Resort) application for a Final Master Plan approval relative to meeting Deschutes County Code 18.113.070(D): "*Any negative impact on fish and wildlife resources will be completely mitigated so that there is no net loss or net degradation of the resource*" (DCC). Since November 2004, ODFW has invested hundreds of hours providing recommendations to the Resort and Deschutes County regarding assessing projected Resort impacts on fish and wildlife resources and measures the Resort could implement to mitigate those projected impacts.

ODFW follows the direction provided in ODFW's Fish and Wildlife Habitat Mitigation Policy – Oregon Administrative Rules (OARs) 635-415-0000 to 0025, [http://www.dfw.state.or.us/lands/mitigation\\_policy.asp](http://www.dfw.state.or.us/lands/mitigation_policy.asp) when working with others on land management actions. The purpose of these rules is to further the Wildlife Policy (ORS 496.012) and the Food Fish Management Policy (ORS 506.109) of the State of Oregon through the application of consistent goals and standards to mitigate impacts to fish and wildlife habitat caused by land and water development actions.

### **Wildlife Habitat Impact Assessment**

The wildlife habitat impact assessment (WHIA) submitted by the Resort in their Final Master Plan is the most complete WHIA conducted for the siting of a destination resort in central Oregon. ODFW recommended the Resort use a modified Habitat Evaluation Procedures (HEP) methodology to assess projected impacts on the wildlife resource. ODFW has recommended the use of a modified HEP to all proposed destination resort sitings in central Oregon since 1994. As described in the Resort's wildlife mitigation plan and Appendix E, the modified HEP has its limitations. All of the wildlife habitat values and projected impacts were subjective, based on the Resort consultant and ODFW staff professional judgment, rather than on scientifically measurable field factors. ODFW believes the modified HEP outputs, based on resource value input from both the consultant and ODFW, results in a fair approximation of what a very expensive and time consuming field measurable HEP would produce. However, if a field measurable HEP was developed, subjective inputs would also be needed to build new or modify existing HEP models. To build a field measurable HEP, a separate assessment model would need to be developed for each of the seven selected wildlife evaluation species in central Oregon. Model factors and factor weights within each model would be based on subjective professional judgment garnered from literature reviews.

For some potential impacts, such as wildlife impacts associated with increased traffic along Cline Falls Highway, there is not a good methodology to assess those projected impacts. This leaves the developer's consultant and ODFW relying more extensively on professional judgment rather than a methodology that could provide a more quantifiable finding that could be more quantifiably mitigated.

### **Wildlife Mitigation Plan**

The Resort's wildlife mitigation plan (WMP) described both onsite and offsite mitigation measures that will need to be implemented to meet DCC. Many of the measures are tied to Resort construction phases and access to proximate Bureau of Land Management (BLM) land, rendering the measures conceptual until implemented. To improve the feasibility that the mitigation measures will be implemented as described, there are provisions within the WMP to help Deschutes County, the regulatory agency, ODFW, and BLM track implementation. The following statement summarizes those provisions (page 14 WMP):



*“TRC [Thornburgh Resort Company] shall prepare an annual report for Deschutes County, BLM, and ODFW by December 31, which describes the mitigation tasks completed and associated expenditures. TRC, Deschutes County, ODFW, and BLM will meet annually to review and confirm that mitigation is being implemented as designed until mitigation is fully completed and a funding source is in place to assure long-term maintenance is established. Any of these entities may perform an annual inspection upon request.”*

**Potential Impacts of Ground Water Withdrawals on Fish Habitat and Mitigation Measures**

The Thornburgh Resort development plans to use up to 9.97 cfs (2,129 acre feet) of groundwater to provide water for the resort and will do so in two phases. The company applied for a groundwater permit within the Deschutes Groundwater Study Area. When obtaining a groundwater permit in the Deschutes Groundwater Study Area a proposed water use generates a “Mitigation Obligation” which must be offset by “Mitigation Credits” for the volume of consumptive use of the groundwater permit application. The Oregon Water Resources Department, (OWRD) determined the mitigation requirement to be 1,356 acre feet. As required by the Deschutes Basin Groundwater Mitigation Rules (OAR 690-505-0600 to 0630) Thornburgh Resort LLC obtained these “Mitigation Credits” to offset their new use of groundwater. The OWRD determined the zone of impact to be the “General Zone of Impact”. To meet their mitigation obligation the resort development company proposes transferring water in-stream from a combination of Central Oregon Irrigation District (COID) and Big Falls Ranch water rights.

Under state law the Thornburgh Resort LLC has fully met its mitigation requirements for offsetting its groundwater use in the Deschutes Groundwater Study Area. However, the Deschutes County Code (“DCC”) 18.113.070 (D), has a different standard that applies. The county code states, “Any negative impact on fish and wildlife resources will be completely mitigated so that there is no net loss or net degradation of the resource.” The OWRD groundwater use mitigation requirements do not cover all impacts of pumping groundwater in the Deschutes Groundwater Study Area. The Oregon Water Resource Department and United States Geological Service’s groundwater model indicates that groundwater in the Deschutes Groundwater Study Area is hydro-geologically connected to the surface water within the basin; therefore, any groundwater pumping within the study area will have an effect on local springs.

Springs and seeps are important groundwater dependent ecosystems in the Deschutes Groundwater Study Area providing unique habitat for a number of plant and animal species including fish. Springs provide a natural relative constancy of water temperature. Spring and seep flows especially in the summer and fall, are typically cooler than the water flowing in the main stream. This cooler water provides thermal refuge for salmonid which thrive in cooler water.

The unique habitat that springs provide typically warrants them being classified as Category 1 habitat under ODFW’s mitigation criteria because they are considered irreplaceable. However, in this particular case a component of the mitigation proposed by the resort developer is to acquire water rights that would open up a spring source currently being used for irrigation. As directed in ODFW’s mitigation policy, habitat that can be mitigated is in categories 2 through 6. In this particular case the potential impact to springs and seeps will likely be mitigated by transferring springs flows used for irrigation directly back into Deep Canyon Creek and the Deschutes River. These springs should provide similar habitat and help with water temperatures in the Deschutes River.

The resort developer has proposed, at full build out of the resort, providing 519.18 af of water from COID and 836.82 af from Big Falls Ranch for a total of 1,354 af. These water rights are both irrigation rights with a season of use of April 1<sup>st</sup> to November 1<sup>st</sup> (214 days). The 1,354 af will be a consumptive use spread out over the entire year or an average daily impacted of 3.715 af/day which equates to 1.87 cfs. As shown in Table 1, during the irrigation season the resort is proposing to provide water instream above their average daily impacted both in total and as spring water from the Deep Canyon Creek water right.

ODFW Comments  
Thornburgh Destination Resort - Final Master Plan  
Fish and Wildlife Assessment and Mitigation Measures  
Page 3 of 3

Table 1

Phase	COID			Big Falls Ranch		
Phase 1	153.43 af	.717 af/day	.36 cfs	315.0 af	1.472 af/day	.74 cfs
Phase 2	365.75 af	1.709	.86 cfs	527.82 af	2.467 af/day	1.24 cfs
Total	519.18 af	2.426 af/day	1.22 cfs	836.82 af	3.910 af/day	1.97 cfs

During the irrigation season when ODFW is most concerned about impacts to springs and flows in the Deschutes River; the mitigation water from the springs in Deep Canyon Creek exceeds the flows needed to mitigate for potential spring and seep impacts from the development (1.97 cfs vs 1.87 cfs). Flows from COID during the irrigation season provide a net benefit in instream flows for the Deschutes River.

There will be a potential net deficit of 1.87 cfs to springs and seeps from the resort between November 1<sup>st</sup> and March 31<sup>st</sup> because the mitigation water is being provide during the irrigation season. However, because flows are higher and stream temperatures lower during this time period ODFW does not believe there will be an adverse impact to the fish and wildlife habitat during this time period.

To facilitate necessary habitat functions, the dam associated with the transferred Deep Canyon Creek water right should be removed prior to the beginning construction of phase 1. Ultimately prior to the beginning of phase 2, other dams upstream of the Deep Canyon Creek point of diversion should be removed to provide for unimpeded spring flow. The water to be used for mitigation of resort groundwater should be acquired and transferred instream, with existing priority date prior too the implementation of each phase of development.

The resort developer has also proposed to abandon domestic wells located on the development property and have proposed to provide funds to help complete an on-going thermal modeling project on Whychus Creek which ODFW considers contributing to the net benefit requirements of the Mitigation Policy.

ODFW has determined that providing the proposed mitigation outlined above should mitigate for potential impacts on springs and seeps and provide a net benefit to the resource.

ODFW appreciates the opportunity to work with Deschutes County and the Resort to assess potential impacts to fish and wildlife resources and to propose measures that should mitigation those impacts as directed by DCC 18.113.070(D). Mitigation will be conceptual until measures are implemented, some of which will need to be maintained in perpetuity.

Sincerely,

Amy Stuart  
Deschutes District Watershed Manager







**APPEAL APPLICATION – BOARD OF COUNTY COMMISSIONERS**

FEE:   \$3,344  

**EVERY NOTICE OF APPEAL SHALL INCLUDE:**

1. A statement describing the specific reasons for the appeal.
2. If the Board of County Commissioners is the Hearings Body, a request for review by the Board stating the reasons the Board should review the lower decision.
3. If the Board of County Commissioners is the Hearings Body and *de novo* review is desired, a request for *de novo* review by the Board, stating the reasons the Board should provide the *de novo* review as provided in Section 22.32.027 of Title 22.
4. If color exhibits are submitted, black and white copies with captions or shading delineating the color areas shall also be provided.

**It is the responsibility of the appellant to complete a Notice of Appeal as set forth in Chapter 22.32 of the County Code. The Notice of Appeal on the reverse side of this form must include the items listed above. Failure to complete all of the above may render an appeal invalid. Any additional comments should be included on the Notice of Appeal.**

**Staff cannot advise a potential appellant as to whether the appellant is eligible to file an appeal (DCC Section 22.32.010) or whether an appeal is valid. Appellants should seek their own legal advice concerning those issues.**

Central Land & Cattle Company, LLC, Kameron DeLashmutt, and Pinnacle Utilities, LLC

Appellant's Name (print): \_\_\_\_\_ Phone:   (541) 350-8479    
 Mailing Address:   2477 NW Canyon Drive   City/State/Zip:   Redmond, OR 97756    
 Email Address:   Kameron1959@gmail.com  

Land Use Application Being Appealed: \_\_\_\_\_ File No.   247-22-000678-MC  

Property Description: Township   15   Range   12   Section   00   Tax Lot   See below  

Appellant's Signature:   *[Handwritten Signature]*   Date:   12/30/2022  

**By signing this application and paying the appeal deposit, the appellant understands and agrees that Deschutes County is collecting a deposit for hearing services, including "whether to hear" proceedings. The appellant will be responsible for the actual costs of these services. The amount of any refund or additional payment will depend upon the actual costs incurred by the county in reviewing the appeal.**

**Except as provided in section 22.32.024, appellant shall provide a complete transcript of any hearing appealed, from recordings provided by the Planning Division upon request (there is a \$5.00 fee for each recording copy). Appellant shall submit the transcript to the planning division no later than the close of**





December 30, 2022

**Kenneth Katzaroff**

Admitted in Washington and Oregon

T: 206-405-1985

C: 206-755-2011

KKatzaroff@SCHWABE.com

Board of County Commissioners  
PO Box 6005  
Attn: BOCC  
Bend, OR 97708-6005

Board of County Commissioners  
c/o Caroline House, Senior Planner  
PO Box 6005  
Attn: Community Development Department  
Bend, OR 97708-6005

RE: Notice of Appeal - File No. 247-22-000678-MC  
Our File No.: 135849-262760

Chair Adair, Commissioners DeBone and Chang:

Our office represents Central Land & Cattle Company, LLC, Kameron DeLashmutt, and Pinnacle Utilities, LLC (collectively "Applicant") in File No. 247-22-000-678-MC (the "Application"). This Notice of Appeal letter is being filed with a completed Planning Division notice of appeal form and filing fee in the amount of \$3,344<sup>1</sup> to perfect an appeal of the hearings officer's decision denying approval of the Application. The Application seeks to modify a discrete aspect of the Thornburgh Destination Resort's ("Thornburgh" or the "Resort") final master plan ("FMP"), the 2008 Fish and Wildlife Mitigation Plan ("2008 FWMP"), to accomplish two things:

1. Reduce authorized water use by roughly one third by reducing certain water intensive amenities and agreeing not to build an optional golf course, and
2. Modify the 2008 FWMP to an updated and revised 2022 Fish and Wildlife Mitigation Plan ("2022 FWMP") that provides better and more systemic benefits to Central Oregon rivers and creeks while also meeting the County's DCC 18.113.070.D "no net loss or degradation" standard ("NNL Standard").

For the reasons described below, the Applicant requests that this Board accept this appeal of the hearings officer decision. Applicant also requests that the Board conduct the hearing on the record, as opposed to a *de novo* review process.

<sup>1</sup> The filing fee amount was calculated and provided by email from Senior Planner Caroline House on December 27, 2022.

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The hearing below was more than four hours in length. Therefore, Applicant also requests that the Board waive the transcript requirement consistent with DCC 22.32.024.D.

**I. REASONS TO CONSIDER APPEAL ON THE RECORD**

Applicant requests that the Board review this appeal on the record and not *de novo*. This request is made for several reasons.

First, this Board has heard a number of Thornburgh matters in recent years. Most recently, the Board heard an appeal in 2020 regarding a site plan approval for Thornburgh’s required golf course, which the Board approved. That case was affirmed by LUBA and the Court of Appeals and the Supreme Court denied review.

Second, this Board conducted an on the record review of a Thornburgh appeal in 2019 that was comprehensive and efficient. Since that time, the County has issued six additional land use decisions related to Thornburgh that addressed water and mitigation issues. Each of those six land use decisions was affirmed by LUBA and the Court of Appeals. As of the date of this appeal letter, three decisions were also challenged on Petitions for Review to the Supreme Court, which denied review.<sup>2</sup> The land use process to this point has been extensive. Opponents, primarily Ms. Gould, continue to raise issues that are rejected by LUBA, the Court of Appeals, and the Supreme Court. The opposition is ideological, not legally meritorious. An on the record appeal is warranted given these previous obstructionist appeals.

Third, the record established in this case—so far—is voluminous. For instance, perennial opponent Nunzie Gould and her lawyer Jennifer Bragar made a single record submittal during the post-hearing comment period that was over three thousand pages in length. That submittal included expert testimony and addressed all aspects of the Application. Thornburgh’s response was also robust. The Hearings Officer found:

“The Hearings Officer finds that the Applicant’s technical evidence was prepared by credentialed experts who provided an *extreme* level of analysis and detail. The Hearings Officer finds opponents [*sic*] expert evidence is not nearly as comprehensive as Applicant’s. The Hearings Officer finds opponents [*sic*] expert evidence is less focused on the specific water sources proposed by Applicant and their impacts on fish habitat. The Hearings Officer finds opponents [*sic*] technical

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<sup>2</sup> These decisions include the golf course site plan, overnight lodging unit site plan, modification of overnight lodging unit ratios and bonding requirements, phase A-1 tentative plan, welcome center site plan, and phase A-2 tentative plan. Each of these decisions has been affirmed through the Court of Appeals. The golf course site plan, overnight lodging unit site plan, and modification of overnight lodging unit ratios decisions were denied review by the Supreme Court.

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Page 3

evidence is less credible and persuasive than the technical evidence proved by Applicant.” Emphasis added. Hearings Officer decision, p. 36.

Besides Thornburgh, Applicant’s counsel has litigated multiple cases against Ms. Bragar. In each of those separate cases, Ms. Bragar attempts to “bury the opposing side” with paper. This tactic also results in burying the decision maker in paper, creating a lack of clarity regarding relevant issues, and creating additional administrative burden.<sup>3</sup> Given that the record has already been so robustly established, there is no need to submit additional evidence and this Board should hear the appeal on the record as opposed to subjecting itself to wading through an additional 3,000+ page of new submittals.

Fourth, as is outlined in issues for appeal below, the “meat” of the appeal relates primarily to interpretive issues of the County’s procedural code. Although the Hearings Officer ultimately ruled in Thornburgh’s favor, these interpretive issues could create other problems down the line for the County’s other existing destination resorts. As they represent interpretative issues of the County’s procedures ordinance, no new evidence is necessary and legal briefing is sufficient.

Lastly, the amount of attention garnered by each Thornburgh application and process is significant. The Hearings Officer noted that several hundred persons weighed in at or before the hearing, and more than 100 filed additional comments during the open record period. The hearing below was also more than four hours in length. The public has had its say. If it wishes to participate again, it may do so in writing as described in DCC 22.32.030.A.

**II. REASONS TO ACCEPT THE APPEAL**

Thornburgh is grateful to the Hearings Officer for his consideration of the thousands of pages of documents already in this record. However, the Hearings Officer made a few key errors that led to the denial of the Application. Thornburgh requests that the Board correct those errors.

**A. Interpreting the Procedures Ordinance – DCC 18.113.080, DCC 22.36.040, and Thornburgh FMP Condition 1**

The Hearings Officer was tasked with the difficult task of interpreting DCC 18.113.080, DCC 22.36.040, and Thornburgh’s FMP Condition 1.<sup>4</sup> While we agree with the outcome of the Hearings Officer’s interpretation, we believe that the interpretation may be inconsistent and is

<sup>3</sup> It’s worth noting that this can create a significant burden for the County staff in preparing the LUBA record. Historically, Ms. Bragar has routinely objected to the record at LUBA as a delay tactic focusing on form over substance without making an honest effort to resolve record issues without filing an objection. In at least one Deschutes County case this has led to LUBA completely dismissing Ms. Bragar’s record objections.

<sup>4</sup> DCC 18.113.100 is also relevant when determining the procedure to be followed when proposing a modification of a destination resort FWMP and should be considered by this Board.

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likely to lead to additional problems in the future – for other destination resorts and not just for Thornburgh.

The Hearings Officer’s finding that “[s]ite plan or preliminary plan approval documents may well be dependent upon the CMP and/or FMP” is inconsistent with DCC 18.113.040(C). DCC 18.113.040(C) requires conformance with the FMP. The Hearings Officer’s finding is also inconsistent with the Board’s holding in DC Document No. 2014-431 (BOCC Loyal Land/Gould decision) that “[t]he FMP \*\*\* incorporates all the requirements of the CMP and becomes the guiding approval document for the project pursuant to DCC 18.113.040.B.” These inconsistencies should be addressed and resolved by the Board to eliminate confusion over whether the code or the hearings officer’s decision dictate the scope of review for Resort site plan, subdivision, and FMP modification applications.

Additionally, on page 20, the Hearings Officer found that while DCC 18.113.080 provided a way to modify a conceptual master plan (“CMP”) approval, it does not contain a process to modify a FMP. This finding is inconsistent with numerous County decisions that have viewed DCC 18.113.080 as a relevant approval criterion for modifications of Resort FMPs.<sup>5</sup> This finding may also create confusion. DCC 22.36.040 provides a modification process for *all land use approvals* unless a more specific provision in the zoning ordinance provides a different process. It has been routinely applied by the County in its review of FMP modification applications. We ask the Board to clearly state that DCC 22.36.040 allows the approval of modifications to FMPs.

Further, although we agree with the Hearings Officer that the applicable law allows Thornburgh to modify the FWMP, we disagree with the required process. At page 20, the Hearings Officer determines that “any decision to change the FMP by changing the FWMP necessarily implicates the CMP.” We disagree. The CMP is only implicated when an element or elements of the CMP are changed that alter the “type, scale, location, phasing or other characteristic of the proposed [Resort] development such that the findings of fact on which the original approval [CMP decision] was based would be materially affected.” In this instance, the CMP *deferred* findings related to creation of a FWMP until the FMP stage. As a result, no findings in the CMP decision are affected by a revised FWMP. The CMP findings require a public hearing prior to approval of the FWMP – a requirement has been met for both the 2008 and 2022 FWMP. The FWMP, also, mitigates for Resort development – it is not a “characteristic” of the Resort development so it cannot be considered a “substantial modification” of the CMP. “Characteristics” are typically defined as “a feature or quality” [of Resort development] and not the mitigation for impacts of such features.

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<sup>5</sup> This includes at least one decision that was issued while this case was pending before the Hearings Officer. Therefore, the County has issued conflicting decisions regarding the same procedural code just within the last few months. This creates a ripe constitutional issue under *Village of Willowbrook v. Olech*, 528 US 562 (2000) (Equal Protection Clause protects individuals from disparate treatment by local government).

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Thornburgh also agrees with the Hearings Officer's outcome related to DCC 22.36.040 and FMP Condition 1. However, in an attempt to harmonize DCC 18.113.080, DCC 22.36.040, and FMP Condition 1, the findings made by the Hearings Officer are confusing and hard to follow. We believe the findings can be simplified while still leading to the same outcome and providing better defensive posture for interpretation before LUBA.

Lastly, staff highlighted (as did the Applicant) that the County's destination resort procedure and modification ordinance has been applied unevenly and inconsistently. As such, it is reasonable to request the Board to reconcile and fully and finally interpret these provisions.

### **B. The NNL Standard**

Despite finding that the Application "*potentially*" met the NNL Standard, the Hearings Officer denied Thornburgh's request to reduce water use and provide better mitigation – mitigation that will increase stream flow while reducing stream temperatures. This appears to be because, primarily, the Hearings Officer did not understand two key facts. First, Thornburgh owns the majority of the "mitigation" water needed. Second, Thornburgh is already providing the majority of the benefits proposed by owning and not pumping mitigation/transfer water, far in advance of Resort water use that may impact area rivers and creeks. This appears to have caused confusion over the clear and objective reporting and compliance measures proposed by Thornburgh. The Hearings Officer, at page 40, also raised concerns that existing FMP Condition 38 will be difficult to enforce. This concern may be resolved by simple revisions to clarify the 2022 FWMP enforcement mechanisms or by adding a condition of approval to the FMP to specifically address the issue of compliance with the 2022 FWMP. We believe this can be done in a closed record review by the Board.

The Hearings Officer also correctly found that an agreement with ODFW regarding the proposed mitigation measures was not necessary but failed to make a decision on the merits of ODFW's concerns based on the comprehensive response provided to all ODFW concerns by Thornburgh's experts. This is puzzling given that the Hearings Officer found that Thornburgh "provided a thoughtful response to ODFW comments." Hearings Officer Decision, p. 42. Ultimately, the Hearings Officer faults the applicant for not agreeing to toll the 150-day clock by more than three weeks to provide additional time for ODFW to respond to Thornburgh's expert evidence and finds ODFW "did not have an opportunity to respond to Applicant's \*\*\* comments." In fact, all but two of the issues ODFW raised in its November 7 letter were previously raised in its September 28 and October 21 letters and responded to by Applicant in its October 13 response to ODFW and the 15 technical documents providing ODFW extensive detailed analysis. Furthermore, ODFW had an equal opportunity to file its own comments regarding the same issues during the rebuttal period if it had continuing concerns but did not do so. As ODFW stated in its November 7, 2022 letter, Thornburgh began consulting with ODFW in July of 2022, which was before the Application was even submitted. Additional information was provided to ODFW up and until the open record period below was closed. ODFW stated that the proposal had "merit" but failed to provide any additional comments or questions to Thornburgh, presumably because – as the Hearings Officer noted – Thornburgh provided a "thoughtful response." The



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Hearings Officer should have made a decision based upon the substantial evidence before him – evidence that he noted provided an “extreme” level of detail.

As noted by the Hearings Officer ODFW approval of the FWMP is not necessary. The NNL Standard is a County standard only. The issues raised by ODFW should have been resolved based on the evidence in the record. Thornburgh provided more than 15 technical reports that the Hearings Officer found to provide an “extreme” level of detail and a “comprehensive response” to ODFW issues. The Hearings Officer determined it was a “close call” – one that is not close when Thornburgh’s expert evidence is properly considered. Thornburgh, therefore, requests that the Board hear this appeal on the record and determine that Thornburgh has met the NNL Standard.

**C. Published Notice**

At page 10, the Hearings Officer found that notice of the land use hearing was not timely published based on misinterpretation of DCC 22.24.030 and DCC 22.08.070 to require a 21-day notice period rather than the 20-day notice period set by DCC 22.24.030. This interpretation should be corrected to provide clear direction to County staff that 20 days is the correct notice period for published notice of land use hearings.

**III. CONCLUSION**

For all of the foregoing reasons, we request that the Board accept Thornburgh’s appeal and hold and on the record hearing. This would require legal briefing of issues in the record only, thereby substantially simplifying the Board’ review process and administrative burden.

Very truly yours,

SCHWABE, WILLIAMSON & WYATT, P.C.



Kenneth Katzaroff

Enclosures

PDX\135849\262760\JKKA\35533075.1



RECEIVED

01/30/2023 Item #3.

JAN 03 2023

Deschutes County CDD  
COMMUNITY DEVELOPMENT

247-23-00003-A

### APPEAL APPLICATION – BOARD OF COUNTY COMMISSIONERS

FEE: \$3,344.00

**EVERY NOTICE OF APPEAL SHALL INCLUDE:**

1. A statement describing the specific reasons for the appeal.
2. If the Board of County Commissioners is the Hearings Body, a request for review by the Board stating the reasons the Board should review the lower decision.
3. If the Board of County Commissioners is the Hearings Body and *de novo* review is desired, a request for *de novo* review by the Board, stating the reasons the Board should provide the *de novo* review as provided in Section 22.32.027 of Title 22.
4. If color exhibits are submitted, black and white copies with captions or shading delineating the color areas shall also be provided.

**It is the responsibility of the appellant to complete a Notice of Appeal as set forth in Chapter 22.32 of the County Code. The Notice of Appeal on the reverse side of this form must include the items listed above. Failure to complete all of the above may render an appeal invalid. Any additional comments should be included on the Notice of Appeal.**

**Staff cannot advise a potential appellant as to whether the appellant is eligible to file an appeal (DCC Section 22.32.010) or whether an appeal is valid. Appellants should seek their own legal advice concerning those issues.**

Appellant's Name (print): Annunziata Gould Phone: (541) 420-3325  
 Mailing Address: 19845 J W Brown Road City/State/Zip: Bend, OR 97703  
 Email Address: Nunzie@pacifier.com jbragar@tomasilegal.com  
 Land Use Application Being Appealed: 247-22-000678-MC  
 Property Description: Township 15 Range 12 Section 00 Tax Lot See List on Following Page  
 Appellant's Signature: Annunziata O Gould Date: Jan 3, 2023

**By signing this application and paying the appeal deposit, the appellant understands and agrees that Deschutes County is collecting a deposit for hearing services, including "whether to hear" proceedings. The appellant will be responsible for the actual costs of these services. The amount of any refund or additional payment will depend upon the actual costs incurred by the county in reviewing the appeal.**

**Except as provided in section 22.32.024, appellant shall provide a complete transcript of any hearing appealed, from recordings provided by the Planning Division upon request (there is a \$5.00 fee for each recording copy). Appellant shall submit the transcript to the planning division no later than the close of**



JAN 03 2023

Deschutes County CDD



**Jennifer M. Bragar**  
Attorney  
Admitted in Oregon, Washington,  
and California  
jbragar@tomasilegal.com

121 SW Morrison Street, Suite 1850  
Portland, Oregon 97204  
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Fax 971-544-7236  
www.tomasilegal.com

January 3, 2023

**BY HAND DELIVERY**

Deschutes County Board of County Commissioners  
c/o Caroline House  
Deschutes County Community Development Department  
117 NW Lafayette Avenue  
Bend, OR 97708-6005

Re: Appeal of Hearings Officer's Decision on File Number:  
247-22-000678-MC

Dear Chair Adair and Commissioners:

This office represents Annunziata Gould ("Appellant") who lives at 19845 J W Brown Road, Bend, Oregon 97703. This letter is submitted in support of Ms. Gould's appeal application for the above-referenced file and the Hearings Officer Decision dated December 19, 2022 ("Decision"), with mailed notice sent by the County on December 20, 2022. The application submitted by Central Land & Cattle Company, LLC, Kameron DeLashmutt, and Pinnacle Utilities, LLC (collectively, the "Applicant") referenced as County File No. 247-22-00678-MC, and involves the property located at Assessor's Tax Map 15-12-00, Tax Lots 5000, 5001, 5002, 7700, 7701, 7800, a portion of 7801, 7900, and a portion of 8000 ("subject property"). Please include this appeal in the record for the above referenced file.

While the Appellant agrees with the outcome reached by the Hearings Officer that the Applicant cannot meet the no net loss/degradation of fish and wildlife resources under DCC 18.113.070(D), there are additional grounds for denial. The County should clarify that much more work needs to be done in order for the Applicant to obtain approval, if such approval is even possible considering the status of the resort approvals and steps necessary to consider this application to modify the Thornburgh Destination Resort Conceptual Master Plan ("CMP"), Final Master Plan ("FMP"), and the Fish and Wildlife Mitigation Plan ("FWMP") (collectively, the "application").

Appellant requests de novo review by the Board under DCC 22.32.027 because the Hearings Officer's findings about the applicable criteria are inconsistent, inadequate, are not supported by substantial evidence, fail to adequately support a choice among conflicting evidence or where conflicting evidence was weighed, such weight was unreasonable in light of the

TOMASI BRAGAR DUBAY

January 3, 2023

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competing evidence, and/or involve an incorrect interpretation of the law. The de novo review will allow Appellant an opportunity to confront the mitigation plan, rather than suffer through a piecemeal incomplete submittal. Had the Applicant submitted its full and complete 2022 FWMP with all supporting technical documents in August 2022, the Appellant's course of actions would have been different. But, that failure by the Applicant should not be rewarded with a limited hearing before the Board of County Commissioners. The appeal should be granted to prepare an Order denying the application on these additional grounds:

- A new CMP application is required because the original CMP has not been initiated. The Hearings Officer's findings on this issue are conclusory and unsupported, and misconstrue *Central Land and Cattle Co. v. Deschutes County*, 74 Or LUBA 236 (2016). Appellant correctly analyzed LUBA's holding, and provided her accurate discussion of these matters in the Appellant's November 7, 2022 Open Record Letter. As argued to the Hearings Officer below, all of Appellant's other appeal grounds are in the alternative (i.e. assuming *arguendo*, the CMP has been initiated).
- The Hearings Officer erred in allowing the Applicant to narrowly define and take a piecemeal approach to review of the application by ignoring substantial evidence that the FWMP symbolized, implied, and its approval would otherwise involve significant changes to the approved CMP and FMP.
- A new CMP and a new FMP are required because the application materially affects findings of fact on which the original approvals were based, as summarized in pages 18-28 of the Appellant's November 7, 2022 Open Record Letter,<sup>1</sup> explaining the applicability of DCC 18.113.080, DCC 22.36.040, LUBA's holding in the OLU Modification case, and Condition 1 of the CMP and FMP. Condition 1 in the CMP can only contextually be referencing a new CMP application as it is a standalone condition of the CMP and no other generic application. Similarly, Condition 1 of the FMP can only contextually be referencing a new FMP application as it is a standalone condition of the FMP. Both the CMP in its Condition 37, and the FMP in Condition 38 independently address the FWMP approval process, which is not implicated in Condition 1. Relatedly, staff was correct that all CMP approval criteria must be considered, and the Hearings Officer was incorrect in concluding otherwise.
- The Hearings Officer erred in ruling that no participant identified original findings that would be materially affected. Appellant identified the following such findings:
  - The Applicant possesses no water right to meet DCC 18.113.070(K) and the FWMP cannot be modified without water being available for the resort's consumption.
  - The economic analysis and findings for compliance with DCC 18.113.070(C) would be materially affected. The Hearings Officer also erred in failing to make

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<sup>1</sup> Appellant is represented by this office, Jeffrey Kleinman, and Karl Anuta. References to Appellant's letters herein are to this office's submittals unless otherwise indicated.

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findings regarding Appellant's arguments about the shortfalls of the economic analysis that would result from the application.

- The Water System Mater Plan and Sewer System Master Plan approved in the CMP and FMP would need to change before water usage impacts could be assessed for a modification of the FWMP. The Hearings Officer erred in failing to make findings analyzing Appellant's substantial evidence, instead relying on whether the Applicant literally proposed changes to its sewage disposal obligations, which the Applicant did not, as part of its piecemeal strategy. Once again Applicant commits its own error in undertaking this backward approach.
- The OWRD process for an approved water right to make water available for resort consumption (or any mitigation) has not been completed and no replacement of the CMP-identified water source has been submitted or approved.
- The Hearings Officer erred in interpreting away the phrase "substantial change" by "harmonizing" the code provisions with the conditions of approval in a way to limit the changes he would consider under the test. The Hearings Officer ignored substantial evidence in the record by narrowly construing the Applicant's ask as simply lowering the amount of annual water use at the resort, and changing the source of FWMP mitigation water. But, it is impossible to change the source of FWMP mitigation water without first knowing where the resort will permanently source its water consumption supply through a completed OWRD review process. That critical question can only be examined through a new CMP that satisfies DCC 18.113.070(K). Characterizing Applicant's 2022 FWMP as a "change in the source of FWMP mitigation water" is an oversimplification of what is really a veiled selection of a new water source. The Applicant seeks to achieve a *fait accompli* to have County approval for a new water consumption supply source through this piecemeal approach. By ignoring this ruse, the Hearings Officer would allow a false mitigation plan to be used later to justify any change in water consumption source without water being available now, and without a full examination of the habitat impacts of use of such new water source.
- In addition, even if the decision were characterized as only amending the FMP, which would be error, the changes proposed here require amendments to the CMP that have not been submitted. See discussion of DCC 18.113.100 in the Appellant's November 7, 2022 Open Record Letter.
- For similar reasons stated in the previous bullet points and all Appellant's other arguments that describe this application as a new proposal, the Hearings Officer erred in concluding that the application is not a substantially new proposal requiring a new application and as such, is prohibited from being processed as a modification under DCC 22.36.040(B). In addition, as set forth herein, the significant additional impacts on surrounding properties also disqualify this application from being processed as a modification under DCC 22.36.040(B). As a result, under DCC 22.36.040(C), the application should be treated as a new proposal and the Hearings Officer erred in reaching a contrary conclusion.

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Page 4

- All of the Hearings Officer's analysis to limit or not consider DCC 22.36.040(C) review based only on the Applicant's characterization of the application "ask" is flawed for all the reasons discussed previously and in Appellant's submittals regarding the failure to analyze the implications of the approval requested without a permanent authorized water supply including, but not limited to understanding where and how wastewater will be handled, and impacts to surrounding property. The Hearings Officer has improperly shifted the burden to Appellant and the public, but even so, Appellant successfully shifted the burden back to show that there is substantial evidence that a new application should be required, and that the new separate applications needed are for a CMP, an FMP, and then an FWMP.
- The Hearings Officer erred in not requiring the proposed FWMP to comply with FMP Condition of Approval 38 that expressly requires removal of certain wells that are now proposed to be used for the resort water system; and in not fully analyzing the impact of additional wells required for use of the proposed but not available water from the water rights summarized in the 2022 FWMP. Further, there is no substantial evidence of the location and use of the wells in connection with the 2022 FWMP, and there is no current Water System Master Plan. Relatedly, the Applicant's proposal would put it out of compliance with CMP Condition of Approval 11.
  - The Applicant's inability to obtain a permanent water supply that includes identification, analysis, and examination of well impacts means that the no net loss standard cannot be fully analyzed, nor can the impact of those wells on surrounding property owners' wells.
- The Applicant's proposed actions in the 2022 FWMP directly conflict with the current FWMP, agreed to by the Oregon Department of Fish and Wildlife ("ODFW"), by making one of the mitigation sources unavailable. The 2022 FWMP is a farce because the Applicant proposes to use the Deep Canyon Creek water directly by way of transfer to the resort for consumption and still pretend that they will mitigate for their groundwater permit consistent with the no net loss/degradation standard. The current FWMP required this very same Deep Canyon Creek water as the source of mitigation for resort's groundwater extraction under its CMP and FMP that rely solely on the groundwater in G-17036. Applicant continues to rely upon Water Rights Permit G-17036 but does not demonstrably provide mitigation water for this approved water source in the CMP and FMP. The Applicant cannot consume the same water at the resort and use it for mitigation for the resort's consumption at the same time. This is yet another reason that a new CMP application, followed by a new FMP application, and a new FWMP application are required.
- The Hearings Officer erred in not requiring the Applicant to reach agreement with the ODFW before submittal of the 2022 FWMP or even during the review process. Notably, the Applicant completely refused to allow extra time that ODFW requested for its continued review of Applicant's materials. Condition 38 expressly requires the Applicant to reach agreement with ODFW regarding mitigation of impacts of its water consumption on anadromous fish habitat and other wildlife. Under Condition 38, Applicant had the

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burden to unequivocally establish agreement with ODFW—and the only logical way to do so would be by giving ODFW the full amount of time to review all technical material in advance of the submittal. But, Applicant's approach is to inch forward with piecemeal approvals based on half-baked technical reports submitted during the County's public review process to prevent any party, including ODFW, from fully participating because of Applicant's self-imposed timeline. As a result, the Applicant did not comply with Condition 38 to reach agreement with ODFW.

- The Hearings Officer erred in not requiring the Applicant to obtain BLM's agreement with the 2022 FWMP, a direct conflict with FMP Condition of Approval 38.
- The Hearings Officer erred in too narrowly defining surrounding property under DCC 22.36.040. As Mr. Anuta and multiple people testified on this record, many nearby but nonadjacent property owners have had to deepen wells on their property for drinking and farm uses. In any event, it is impossible to assess impacts to surrounding property because the Applicant failed to submit all its materials in the record or to undertake the necessary assessments to analyze such impacts on any surrounding properties without regard to the scale (missing materials are summarized throughout Appellant's submittals in the record by her counsel and E-PUR).
- Appellant's expert testimony from Mr. John Lambie, PE, Mr. Anuta, and others so undermines the Applicant's expert that no reasonable person could rely on the Applicant's expert testimony to reach the conclusions that the Hearings Officer reached regarding:
  - The record evidence shows it is incontrovertible that there is no water available as required by DCC 18.113.070(K). As extensively discussed by myself, Mr. Anuta, and Mr. Lambie, and as Oregon Water Resources Department ("OWRD") has unequivocally stated, the ground water right identified in the CMP and in the current FWMP is not a viable source of water because it has expired and OWRD has proposed to deny an extension of time to perfect the right.<sup>2</sup> Absent an extension, even the Applicant admits it cannot pump water under the right.
  - The Hearings Officer erred in concluding the Applicant's commitment to make annual reports to limit pumping of water under the 2022 FWMP is supported, when the Applicant unequivocally made the entire FWMP optional in its application submittal. An optional plan does nothing to ensure the no net loss/degradation standard will be met, let alone that the 2022 FWMP could be deemed reasonably certain of success.
  - The Applicant repeatedly claims that its only source of water is the Deschutes Formation Aquifer, but this is incorrect. Applicant's own materials show that the their water right transfer application under T-14074 would transfer Deep Canyon Creek surface water, rather than groundwater. In addition, the Applicant's proposed

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<sup>2</sup> See OWRD's May 4, 2022 letter included in Appellant's November 7, 2022 Open Record Letter, Attachment 16, pp. 16, and other denials described by Mr. Anuta in Attachment 16.



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LeBeau transfer T-13857 would utilize a surface water source, the Little Deschutes River. Moreover, neither of these transfer applications has been (or is likely to be) approved. In reality, none of this water is available to the resort.

- The Applicant claims that the resort could pump winter water from the Dutch Pacific water right (Cert. 89259). However, a transfer of that water right to the resort was already summarily denied.<sup>3</sup> Even if a new transfer application were to be filed, and thereafter approved (which is highly unlikely given the prior denial), winter pumping would not be allowed. This water is also unavailable to the resort.
- The Applicant must be required to revise the CMP's Sewer System Master Plan as its piecemeal planning is no longer consistent with the CMP. Specifically, the CMP's Sewer System Master Plan's Tables 1, 2 and 7 for the southern basin where Phase A is located must be brought up to date and this can only occur through a decision by Deschutes County. The County is the only jurisdiction that has authority to comprehensively plan for overall sewage capacity under DCC 18.113.070(L). The Applicant's projected sewage flows in Tables 1 and 2 must be revised to account for the Applicant's increased density of development by equivalent dwelling unit ("EDU"). Table 7 does not account for the Applicant's lost area for sewage dispersal due to elimination of a golf course, and the Applicant does not demonstrate a revised dispersal area with capacity to discharge the projected sewage flow for either Phase A or full development. Based upon the areas for sewage dispersal identified in this record, the Applicant has not committed sufficient area for sewage dispersal consistent with Table 7 and thus the Sewer System Master Plan must be revised. Further, the mode of dispersal needs to be revised. Based on the evidence in this record, the resort does not have enough room in Phase A for a larger sewer treatment area. Current statements by the Applicant indicate that it intends to only use water for drip irrigation and not treatment in lakes, and this must be reflected in the Sewer System Master Plan. Further, the Sewer System Master Plan does not reflect dispersal by irrigation to match the seasonality of such irrigation, and the prohibition to irrigate in winter months. The Sewer System Master Plan must address capacity to handle wastewater in winter months. Nothing submitted so far seeks to amend this portion of the CMP to ensure compliance with DCC 18.113.070(L). The Applicant has not provided any technical evidence of inaccuracies in Mr. Lambie's analysis of the inconsistency of the 2022 FWMP with the CMP's Sewer System Master Plan. Notably, minimally treated effluent cannot be applied as general above-ground irrigation water despite the assertion of the Applicant in its rebuttal and final written argument. Moreover, the burden cannot be shifted to Appellant and the public to disprove the operability of the sewer system and impacts to surrounding properties until the Applicant submits a complete application with a revised Sewer System Master Plan.

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<sup>3</sup> See Attachment D to Attachment 38 to Appellant's November 7, 2022 Open Record Letter, and Attachment 38's discussion of this water right.

## TOMASI BRAGAR DUBAY

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- The Water System Master Plan has to be updated from the 2008 FMP since a reduction in water use is what the Hearings Officer expects to occur. The Applicant's math does not make any sense when it argues that the resort's water use for three golf courses would change from 717 AF to 501 AF for only two golf courses; the Applicant has increased the projected consumption of water per golf course in the application.
- The water supply requires resiliency, which means that the resort (like any municipality) has a water supply with water available for a minimum of 10 years. This is documented through a Water Management Conservation Plan ("WMCP"). The Applicant's 2022 WMCP admits that the groundwater right (G-17036) that it actually holds is expired and an extension would need to be granted by OWRD for that permit to be used.<sup>4</sup> The 2022 WMCP also admits that the Applicant has only "applied for" other water rights.<sup>5</sup> Moreover, Appellant filed a Petition for Reconsideration of the resort 2022 WMCP (the "2022 WMCP under reconsideration"). Notwithstanding this status, the amendment to the FWMP is also inconsistent with the 2022 WMCP under reconsideration. At best the Applicant has pending applications for temporary water transfers that could (perhaps) allow for a *temporary* 5-year water supply with no automatic or available extensions without a new application. This is inadequate to meet the water availability criteria for the CMP, let alone, stand as a basis for the amendment of the FWMP. The Applicant must have a permanent water supply solution. The Hearings Officer erred in failing to make findings as to the Appellant's arguments regarding the water supply resiliency requirements or the FWMP's inconsistency with the 2022 WMCP (or any other WMCP) in the record.
- Appellant's and the Applicant's experts both agree that almost all of the water rights identified in the 2022 FWMP are going to impact flows in the Crooked River. OWRD has indicated repeatedly in its ground water reviews that such impacts are unacceptable and no new water rights are available in the Crooked River basin. The resort has not established that water is available to serve the resort under DCC 18.113.070(K).
- The Applicant concedes that it does not have enough acquired water certificates for the proposed consumption in the FWMP, but even the partial amount it has obtained cannot be considered a feasible supply because OWRD recommends denial of so many of the Applicant's proposed transfers of water rights.
- The Hearings Officer erred in failing to make findings regarding Appellant's arguments under DCC 22.20.015.

<sup>4</sup> See Appellant's November 7, 2022 Open Record Letter, Attachment 16, pp. 9, and 29-61, particularly p. 40 (i.e. Anuta 11-4-22 Exhibit #3, 2022 WMCP p. 16, § 5.02 attached thereto).

<sup>5</sup> See Appellant's November 7, 2022 Open Record Letter, Attachment 16, p. 9 and 29-61, particularly 45 (i.e. Anuta 11-4-22 Exhibit #3, 2022 WMCP p. 21, § 5.04 attached thereto).

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- The Hearings Officer erred in finding that the Applicant is not filing the application in lieu of an appeal. These matters were well briefed and explained in Appellant's November 7, 2022 Open Record Letter, pp. 9-13. While the Oregon Supreme Court has denied review in two of these cases in the site plan for 80 OLU's (322 Or.App. 11, *rev den* S069882) and the modification of the OLU ratio case (322 Or.App. 383, *rev den* S069813), several other cases remain pending Supreme Court Review.
- The Appellant was substantially prejudiced by the Applicant's submittal process and decision to have the application deemed complete without providing all technical support for its proposal until the open record period. The Hearings Officer did not resolve the prejudice by extending the statutory open record period by 14 days, as the County staff did not have the opportunity to review, or to provide a professional opinion about the information submitted to the Hearings Officer (who deemed himself a layperson, and stated he was confused by the Applicant's submittals).
  - One element of the County's Goal 1 Citizen Involvement Plan is stated as follows:
 

"Technical Information – Assure technical information is available in an understandable form.

    - Clearly written staff reports assure all information is available and comprehensible."

As evident from the Hearings Officer's decision, the application was not provided in a complete manner to assure that technical information was available in an understandable form or allowed staff to prepare a written staff report that assured all information was available and comprehensible. Further, as evidenced in the Appellant's submittals in this record, the County did not comply with Goal 1 of its Comprehensive Plan, including implementation of Policy 1.2.3, because of staff's delay in posting the application materials by 17 days (and what would have been longer if Appellant's counsel had not inquired with County staff).

- The proposed use, operating characteristic, intensity, scale, site layout and other matters criticized by Appellant could not be fully explored, set forth, or summarized since the Applicant did not submit the technical reports associated with the application until the hearing date on October 24, 2022, and beyond. Moreover, Applicant submitted integral correspondence with ODFW during the rebuttal period. thereby improperly foreclosing a public response.
- The Appellant and public continue to be substantially prejudiced by the County's inaccurate Notice of Hearings Officer's Decision and its description of the Applicant's request. The Notice of Hearings Officer's Decision states:

"Amend the Final Master Plan (FMP) for the Thornburgh Destination Resort by amending the Fish and Wildlife Management Plan (FWMP), and imposing

limitations on the scope of development and water use allowed by the Thornburgh Destination Resort."

However, the application materials are clear that the Applicant sought to "Amend Thornburgh Resort CMP/FMP/FWMP." The County's limited notice of decision as only amendment of the FMP and FWMP is a mischaracterization of the application.

Should the Board decide to hear the appeal on the record, then the foregoing appeal grounds should be included in the scope of the review.

Appellant requests a waiver of the transcript requirement, under DCC 22.32.024(D), for efficiency purposes because the entire hearing was recorded. If, however, the parties wish to direct the Board to portions of the hearing, or to transcribe select portions of the hearing related to this application, such direction and/or partial transcripts can be provided as attachments to written argument submitted to this Board. Appellant reserves the right to file further written argument under DCC 22.32.027. Please provide a response as soon as possible regarding the requested waiver of the transcript requirement because, if it is necessary, the Appellant needs enough time to prepare it prior to the Board's hearing.

Finally, Appellant requests a courtesy e-mail to her counsel (jbragar@tomasilegal.com) setting forth the date that the Board of County Commissioners intends to hold a work session on this appeal request.

Enclosed, please find the appeal fee of \$3,334.00 and appeal form. If no appeal is granted to any party, Appellant requests a refund of the appeal fee. Thank you.

Sincerely,



Jennifer M. Bragar

Enclosures

cc: (by e-mail)  
client  
Carol Macbeth



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: January 30, 2023

SUBJECT: Update from City of Bend on its Multiple Unit Property Tax Exemption Program

RECOMMENDED MOTION: NA/no action needed at this time

BACKGROUND AND POLICY IMPLICATIONS:

In August 2022, the Bend City Council adopted a local Multiple Unit Property Tax Exemption (MUPTE) program to support development and redevelopment goals in Bend’s core and transit-oriented areas. The program is available for multi-story residential projects in certain areas of Bend that provide three or more units and provide at least three public benefits such as a certain percentage of units dedicated at middle income or affordable rental levels, providing energy efficient buildings, public open space, and more. In order for projects to qualify for the tax exemption to apply to the full tax dollar, each individual project will need to be approved by board resolution of 51% of the combined levy of taxing districts.

Allison Platt, Core Area Project Manager for the City of Bend, will give an overview of the program and provide options for the Board’s future evaluation of MUPTE applications.

More information is available online at:

[Multiple Unit Property Tax Exemption Program | City of Bend \(bendoregon.gov\)](https://www.bendoregon.gov/multiple-unit-property-tax-exemption-program)

BUDGET IMPACTS:

Budget impacts will vary according to the specific project. Multi-unit residential projects of three or more units can apply to receive a ten-year property tax exemption on structural residential improvements. Commercial improvements and parking may also be exempt if required by applicable design standards.

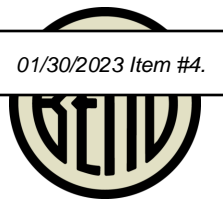
ATTENDANCE:

Nick Lelack, County Administrator  
Allison Platt, Core Area Project Manager for City of Bend



# MULTIPLE UNIT PROPERTY TAX EXEMPTION PROGRAM (MUPTTE)

Codified in August 2022



- Overview of program & program questions
- Recommendations for County's review process
- Provide input on County's preferred review process for MUPTE applications that work within 180-day review period (required statutorily)



# MULTI-UNIT PROPERTY TAX EXEMPTION (MUPTTE)

## Program Overview

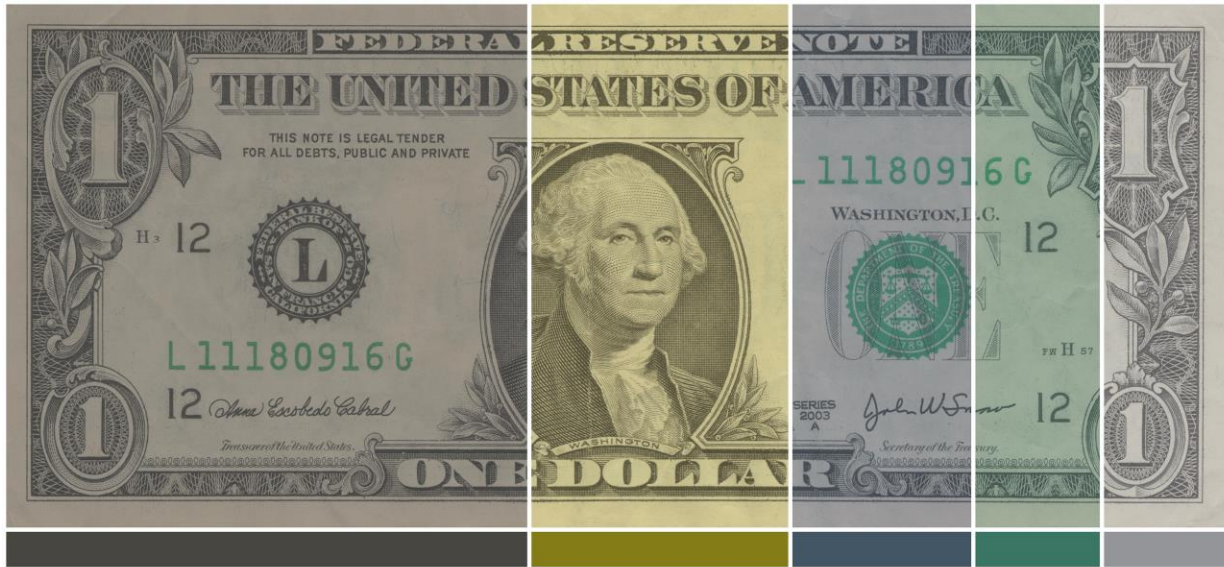
Improvements exempt (not land) for up to 10 years

Program adopted by Ordinance

Each project must be approved by Resolution by Council and taxing district(s)

Exemptions can include associated parking and/or ground floor commercial space if required as part of development (commercial requirements in Mixed Employment, Commercial Limited, and Central Business District)

If 51% of combined levy Taxing Districts agree by Board resolution to participate, all districts are included



**42.6%**  
Bend-La Pine  
Schools

**21.2%**  
City of  
Bend

**14.8%**  
Deschutes  
County

**10.3%**  
Park  
& Rec

**11.1%**  
Other\*

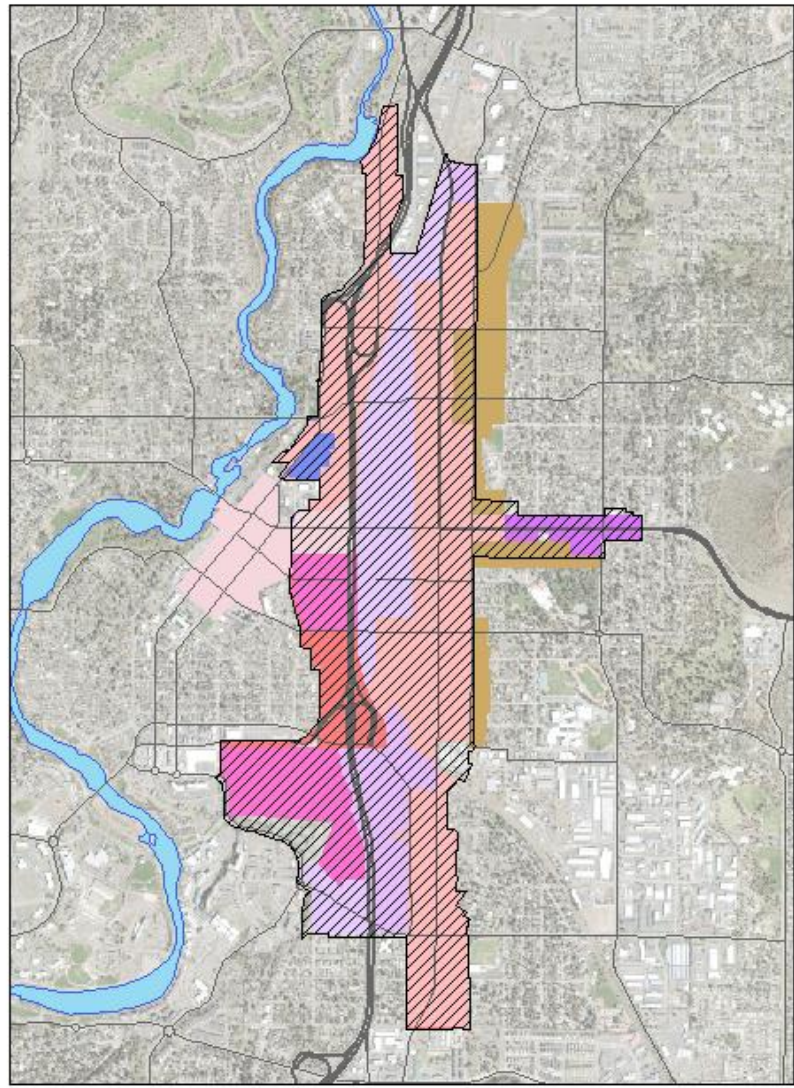
\*COCC 4.7%, Library 3.5%,  
911 2.3%, High Desert ESD 0.6%



# ZONES/AREAS ELIGIBLE FOR MUPTTE PROGRAM

- Legend**
- Deschutes River
  - Core Area TIF Boundary

- Zones**
- CB
  - CG
  - CL
  - IL
  - ME
  - MN
  - MU
  - PF
  - RH



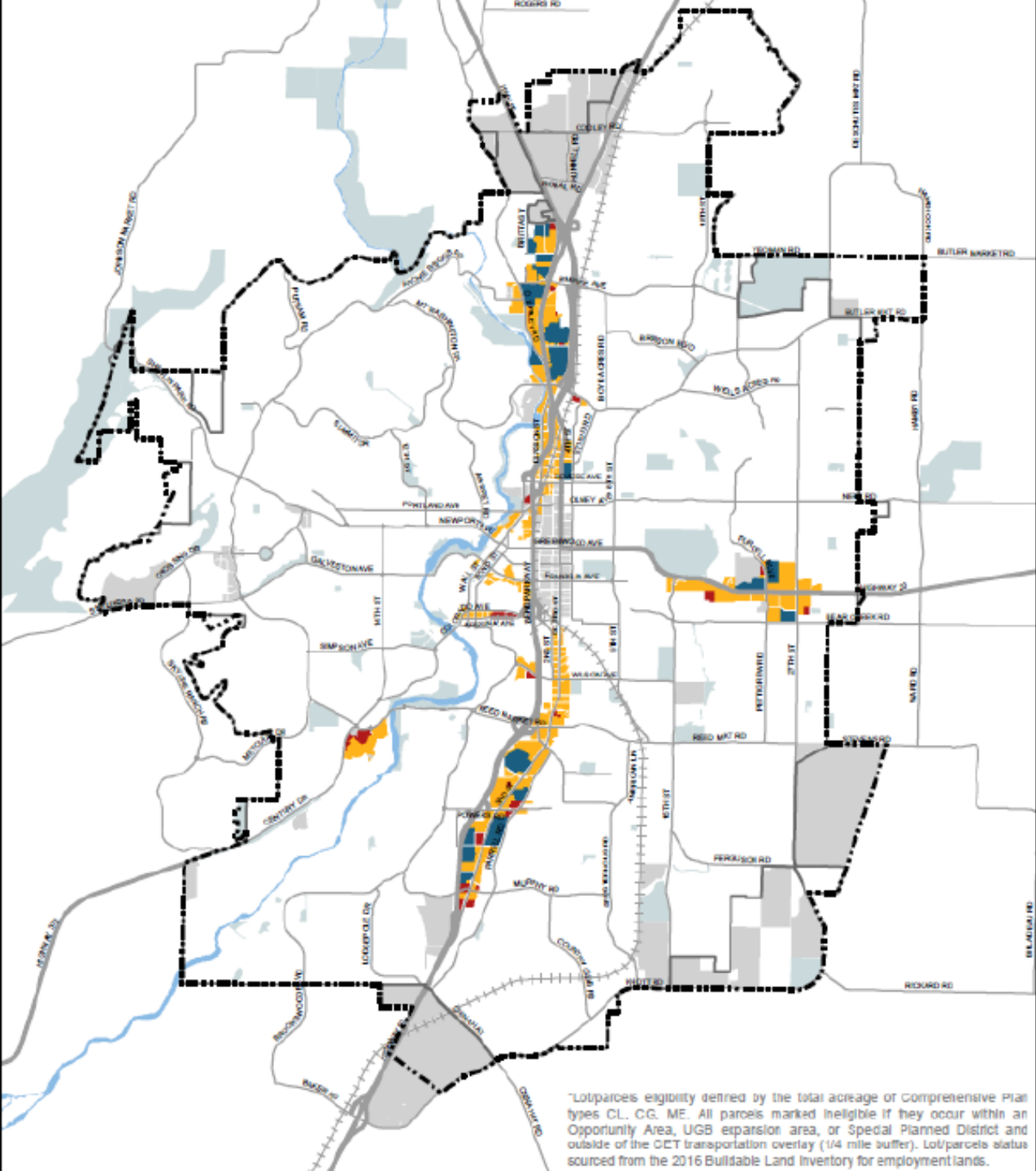
- Entire Core Area TIF district, except MR zoning
- Central Business District (CB) - Downtown
- High Density Residential (HR)
  - Limited to RH zone adjacent to Core Area TIF district (along 4th Street, Irving Ave)
- Urban Dwelling Sites (HB3450) projects
  - Allows up to 40 acres commercially zoned land within a ¼ mile of a transit route to be developed as standalone residential

# URBAN DWELLING SITE (HB 3450) PROPERTIES

01/30/2023 Item #4.



Allows up to 40 acres of commercially zoned land within a ¼ mile of a transit route to be developed as standalone residential under the Urban Dwelling Sites code.



## HOUSE BILL 3450

### LOT/PARCELS ELIGIBILITY & STATUS

- |                           |                                      |
|---------------------------|--------------------------------------|
| — Major Roads             | ■ Lots/Parcels Eligibility & Status* |
| +++ Railroad              | ■ Eligible (Vacant)                  |
| ■ Parks                   | ■ Eligible (Developed/No Status)     |
| --- Urban Growth Boundary | ■ Eligible (>5 Acres)                |
| □ City Limits             | ■ Ineligible (Due to Location)       |



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Map prepared by T. Scrivens, City of Bend  
Print Date: May 14, 2023  
Sources: City of Bend, Deschutes County



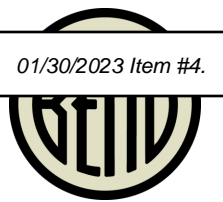
CITY OF BEND

This map is for reference purposes only. Care was taken in the creation of the map, but it is provided "AS IS." Please contact the City of Bend to verify map information or to report any errors.

\*Lot/parcels eligibility defined by the total acreage or Comprehensive Plan types CL, C.G., ME. All parcels marked ineligible if they occur within an Opportunity Area, UGB expansion area, or Special Planned District and outside of the CET transportation overlay (1/4 mile buffer). Lot/parcels status sourced from the 2016 Buildable Land Inventory for employment lands.

# ELIGIBILITY & APPLICATION REQUIREMENTS

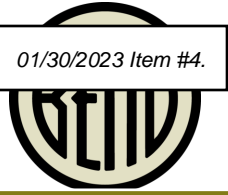
01/30/2023 Item #4.



- 3 or more residential units
- Hotels, motels, and short-term vacation units prohibited
- Multi-story requirements
  - 3-story minimum requirement for projects on lots >10,000 s.f. in size
  - 2-story minimum requirement for smaller lots ( $\leq$ 10,000 s.f.)
- Provide justification for elimination of any existing housing or businesses on project site and measures taken to mitigate impacts of displacement
- Meet public benefit requirements (see next slide)
- Submit proforma that must demonstrate that project would not be viable but for the tax exemption
  - City to hire 3rd party independent financial consultant to conduct proforma reviews

Developments would need to provide **a minimum of 3** benefits from the following lists:

# PUBLIC BENEFIT REQUIREMENTS

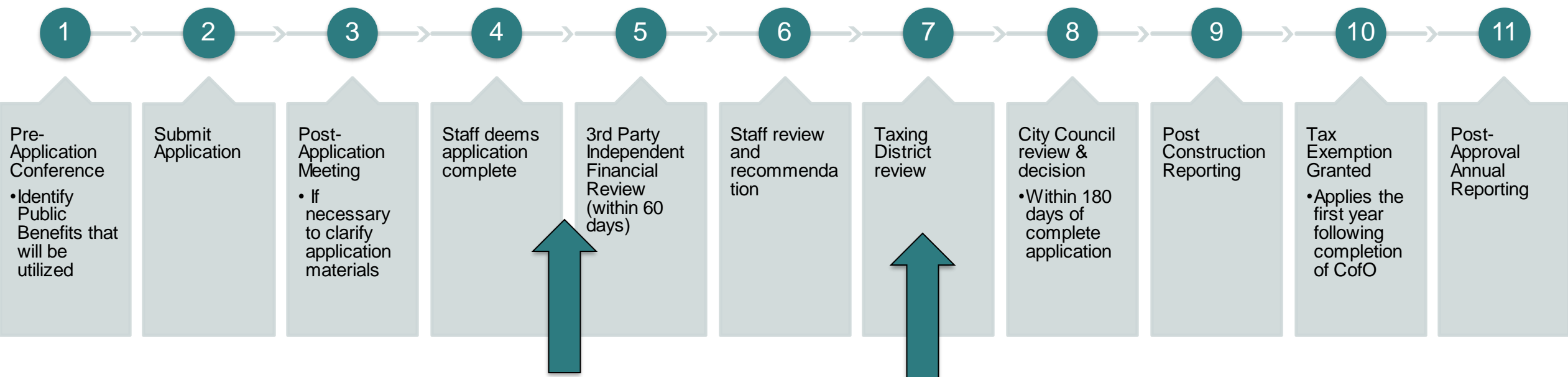


Priority Public Benefits (must meet at least 1)	Additional public benefits	
<ul style="list-style-type: none"> <li>• At least 10% of units Affordable Housing               <ul style="list-style-type: none"> <li>• ≤60% AMI for rent; ≤80% AMI for sale*</li> </ul> </li> <li>• At least 30% of units are Middle-Income               <ul style="list-style-type: none"> <li>• ≤120% AMI*</li> </ul> </li> <li>• Childcare facilities*               <ul style="list-style-type: none"> <li>• Commercial and in-home (licensed facilities)</li> </ul> </li> <li>• Open space dedication or publicly accessible park/plaza space               <ul style="list-style-type: none"> <li>• More than 10% of site</li> <li>• Usable amenities</li> <li>• Consultation with BPRD</li> </ul> </li> <li>• Energy efficiency/Green Building               <ul style="list-style-type: none"> <li>• Path to net-zero (Energy Trust); or</li> <li>• LEED or Earth Advantage Platinum or higher</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Transit supportive amenities</li> <li>• Mobility supportive amenities</li> <li>• Ground floor commercial (≥35%)</li> <li>• Energy efficiency/Green Building               <ul style="list-style-type: none"> <li>• 5% more efficient than code (Energy Trust Whole Building Program)</li> <li>• Energy Trust Multifamily Market Solutions (Best)</li> <li>• Earth Advantage Silver, or</li> <li>• LEED Silver</li> </ul> </li> <li>• Stormwater: site developed to treat more than a 25-year storm event</li> </ul>	<ul style="list-style-type: none"> <li>• Complete environmental remediation of site</li> <li>• Provide parking within a wrapped-structure (if applicable)</li> <li>• Public Facilities (recreation, art, senior/youth, or common meeting rooms)</li> <li>• Native, pollinator-friendly, and water-wise landscaping</li> <li>• Provide electric car charging infrastructure               <ul style="list-style-type: none"> <li>• 10% above code minimum (if no minimum then 10% of spaces must have EV infrastructure)</li> </ul> </li> </ul>

\* Units required to be deed-restricted for the length of the exemption (10 years)

# APPLICATION PROCESS

## Application review & decision (max 180 days)



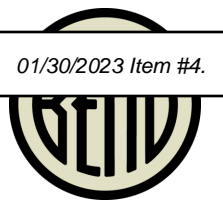
**Recommendation:**  
Staff notify taxing districts of received application

**Recommendation:**  
45-day review period of application



# TAXING DISTRICT REVIEW RECOMMENDATIONS

01/30/2023 Item #4.



- Notifications to all districts when complete application is received
- 45-day comment period on all applications
- 51% approval options:
  - Within Core TIF Area:
    - BLPD (or all other districts) to approve resolution that provides approval for any application City Council approves within the Core TIF Area.
  - Outside Core TIF Area:
    - BLPD (or all other districts) to approve resolution that provides approval for applications approved by City Council up to a total amount of estimated exemptions (ie. \$15 Million cap, estimated to support 300-500 units)
    - Opportunity for presentations to Deschutes County before School District review of applications

## PROJECT EXAMPLE



**Estimated building value: \$15M**

40 units, 100% residential



Description	Tax Revenues
Annual tax revenue <b>before project (2025)</b>	\$ 2,299
Annual tax revenue <b>after exemption (2037)</b>	\$ 217,785
10-year tax collection <b>without MUPTE</b>	\$ 1,857,751
10-year tax collection <b>with MUPTE</b>	\$ 60,196
<b>Total 10-year impact (all districts)</b>	<b>\$1,797,554</b>

Taxing District	%	Total Impact
Bend La Pine School District	42.6%	\$765,758
<i>Actual Impact for Bend LaPine (3%)</i>	1.28%	\$ 22,973
City of Bend	21.2%	\$381,082
Deschutes County	14.8%	\$266,038
Bend Park and Recreation District	10.3%	\$185,148
Other Districts (COCC, Library, 911, etc)	11.1%	\$199,529
<b>Deschutes County &amp; 911</b>	<b>15.4%</b>	<b>\$276,823</b>



# \$15 MILLION CAP

01/30/2023 Item #4.



Taxing District	%	10-year max exemption
Bend La Pine School District	42.6%	\$6,390,000
<i>Actual Impact for Bend LaPine (3% of above)</i>	1.28%	\$ 192,000
City of Bend	21.2%	\$3,180,000
<b>Deschutes County</b>	<b>14.8%</b>	<b>\$2,220,000</b>
Bend Park and Recreation District	10.3%	\$1,545,000
COCC	4.7%	\$705,000
Library	3.5%	\$525,000
<b>911</b>	<b>2.3%</b>	<b>\$345,000</b>
High Desert ESD ( <i>actual impact is less</i> )	0.6%	\$90,000
<b>Total Deschutes County (911&amp; County)</b>	<b>15.4%</b>	<b>\$2,565,000</b>





BOARD OF  
COMMISSIONERS

**AGENDA REQUEST & STAFF REPORT**

**MEETING DATE:** January 30, 2023

**SUBJECT:** Draft FY 2024 Goals and Objectives for Approval

**RECOMMENDED MOTION:**  
Move approval of 2024 Goals and Objectives

**BACKGROUND AND POLICY IMPLICATIONS:**  
The draft FY 2024 Goals and Objectives (attached) reflect the initial conversation of the Board during the Retreat held on January 20, 2023.

**BUDGET IMPACTS:**  
None

**ATTENDANCE:**  
Whitney Hale, Deputy County Administrator

## FY 2024 Goals and Objectives

**Mission Statement:** Enhancing the lives of citizens by delivering quality services in a cost-effective manner.

**Safe Communities: Protect the community through planning, preparedness, and delivery of coordinated services.**

- Provide safe and secure communities through coordinated public safety and crisis management services.
- Reduce crime and recidivism and support victim restoration and well-being through equitable engagement, prevention, reparation of harm, intervention, supervision and enforcement.
- Collaborate with partners to prepare for and respond to emergencies, natural hazards and disasters.

**Healthy People: Enhance and protect the health and well-being of communities and their residents.**

- Support and advance the health and safety of all Deschutes County's residents.
- Promote well-being through behavioral health and community support programs.
- Help to sustain natural resources and air and water quality in balance with other community needs.
- Continue to support pandemic response and community recovery, examining lessons learned to ensure we are prepared for future events.

**A Resilient County: Promote policies and actions that sustain and stimulate economic resilience and a strong regional workforce.**

- Update County land use plans and policies to promote livability, economic opportunity, disaster preparedness, and a healthy environment.
- Maintain a safe, efficient and economically sustainable transportation system.
- Manage County assets and enhance partnerships that grow and sustain businesses, tourism, and recreation.

**Housing Stability and Supply: Support actions to increase housing production and achieve stability**

- Expand opportunities for residential development on appropriate County-owned properties.
- Support actions to increase housing supply.
- Collaborate with partner organizations to provide an adequate supply of short-term and permanent housing and services to address housing insecurity.

**Service Delivery: Provide solution-oriented service that is cost-effective and efficient.**

- Ensure quality service delivery through the use of innovative technology and systems.
- Support and promote Deschutes County Customer Service "Every Time" standards.
- Continue to enhance community participation and proactively welcome residents to engage with County programs, services and policy deliberations.
- Preserve, expand and enhance capital assets, to ensure sufficient space for operational needs.
- Maintain strong fiscal practices to support short and long-term county needs.
- Provide collaborative internal support for County operations with a focus on recruitment and retention initiatives.