

EXHIBIT A

Alephnull Investments
3080 South State Street
Ukiah, Ca. 95482

June 26, 2006

Mr. Frank Lynch
Principal Planner
501 Low Gap Road, Room 1440
Ukiah, Ca. 95482

Dear Mr. Lynch,

Subject: Gardens Gate Project Density Bonus Proposal,
3000 South State Street, Ukiah, California.

This letter demonstrates that the revised Gardens Gate project qualifies for a density bonus and the other entitlements described below pursuant to the State Density Bonus Law (Government Code Section 65915). We propose that the County and the developer of Gardens Gate enter into a Development Agreement implementing these principles.

Background

On December 2, 2005, the Gardens Gate application was submitted (the fees were adjusted and paid in full on December 14, 2005) requesting the County approve a major subdivision (with exceptions), a general plan and zoning text amendment, and a Planned Development plan to allow the construction of 201 single family dwellings, including detached and attached dwellings on lots less than 6,000 square feet, within the S-R (Suburban Residential) zoning district. The 30.8 acre site would be developed according to a master plan featuring a network of pedestrian-oriented streets, courtyards and parks shared by the residents. Gardens Gate project would be managed by a homeowners association as a common-interest-development in accordance with adopted by-laws (CC&Rs) to finance operation and maintenance of common improvements and to enforce design standards.

Revised Master Plan

Since the project application was deemed incomplete by the County on December 21, 2005, by a letter received on January 18, 2006, the Gardens Gate master plan concept has been refined and improved in response to the County's comments. Most significantly, total number of dwelling units proposed has been reduced to 199 and the project area has been enlarged to 45.9 acres. The zoning map (Figure 1) shows the project has been expanded to include the hillside to the west and to establish street frontage and secondary

road access on Oak Knoll Road. The zoning table (Table 1) shows that the project site now includes 13.7 acres within the R-R:L-5 (Rural Residential, 5-acre limited lot size) and the 32.2 acres in the S-R (Suburban Residential) zoning district. The portion of the project within the R-R:L-5 zoning district will be developed with two single family lots and open space. The size of these lots is less than the 5-acre minimum to allow a substantial portion of the hillside to be set aside as open space. The area within the S-R zoning district (32.2 acres), where the density bonus is sought, would be developed with 197 residential lots (29.4 acres, net) and two public parks (2.3 acres).

The overall Gardens Gate concept of smaller residential lots surrounded by extensive common areas, generous streetscape and park improvements has not changed as originally proposed except that the project has added another 7.1 acres for hillside open space. The project continues to include a variety of lot and building types including 37 "Hillside" and "Vineyard" lots for detached single family dwellings along the north and west side, 72 Garden Court lots with detached single family dwellings at the center (some of the adjoining detached garages share a property line wall), and 88 Townhouse lots with attached single family dwellings along the south and east side. While the Hillside and Vineyard lots generally conform to S-R lot standards, the smaller Garden Court and Townhouse lots continue to be arranged around common courtyards and shared driveways to increase land use efficiency. The street system has been expanded to include two more street connections to the south as well as the secondary access to Oak Knoll Road.

In addition to the S-R zoning, development intensity within the site is further restricted by the AZ (Airport) and FP (Flood Plain) combining districts. The attached zoning map shows that the site lies within three of the AZ (Airport) combining district sub areas or zones and that the eastern half of the site (16.9 acres) lies within the "Common Traffic Pattern" Zone, AZ(C). Residential development in this zone is restricted to a maximum residential density of 15 dwelling units per net acre (Airport Land Use Commission, Airport Comprehensive Land Use Plan, Table 2A). This limitation would therefore not allow multiple family units to be developed in the S-R zoning district at densities up to 29 units per acre as would otherwise be allowed. The "Extended Approach/Departure" Zone (AZ(B2)), where residential development is further restricted, covers the very eastern edge of the site (0.45 acres) where no residential development proposed. The eastern half of the site (28.3 acres) lies within the "Other Airport Environs" Zone (AZ(D)) which does not impose any additional limit on residential development. Finally, the zoning map shows that 1.1 acres along Spanish Canyon Creek in the northwest corner of the site is designated FP (Flood Plain) Combining District. New development within this district must be placed 20-feet from the creek bank and located above the 100-year flood elevation to avoid potential flood hazards. In this case, however, the hydrologic analysis prepared for the project found existing creek channel has capacity to accommodate a 100-year rain storm event and that the land outside the existing channel is not subject to flooding.

Density Bonus Proposal

The State Density Bonus law provides developers an opportunity to build additional dwelling units above the density allowed under the current general plan and zoning, as well as grant them regulatory concessions and incentives when they provide affordable housing (California Government Code Section, hereinafter "GC", 65915(b)(1)). In exchange for providing 21 percent affordable housing, this law will allow the County to approve a major subdivision for the Gardens Gate project, with a 16 percent density bonus (GC 65915(g)(4) and two concessions/incentives (GC 65915(d)(2)(B)). The State's law declares that no general plan and zoning amendment is required to allow a qualifying project to exceed current general plan and zoning density or to vary from zoning development standards (GC 65915(g)(5) & 65915(k)). A revised project application would be submitted without a general plan and zoning text amendment. No planned development is proposed with the revised application.

It should be noted that this proposal is also consistent with the County's Density Bonus Regulation. Although this regulation has been superseded by and must be revised to comply with the State's law (GC 65915(a)), it contains many of the same elements as the State law. In general, the intent of the County's regulation and the State's law is to encourage voluntary affordable housing development (Inland Zoning Ordinance Section, hereinafter "ZO", 20.152.030.A.7). The County's regulation grants the same type of incentives as the State law when 25 percent or more of the dwellings are for affordable households (ZO 20.152.030.A.5).

Proposed Affordable Housing

Thirty-six (36) of the 199 dwelling units in the Gardens Gate Project would be sold at an affordable price to qualifying moderate income households, as defined by the State Housing and Community Development Commission (Cal. Health and Safety Code, 50052.5 and 50093). An affordable housing agreement between the developer and the County would be prepared for approval by the Board of Supervisors prior to the recordation of the final map. The purpose of the agreement is to ensure the Gardens Gate project will include the required affordable housing unit and establish a process to specify the number and location of affordable housing units within the project. It is the intent of the developer to work with the County to sell the affordable units to qualifying households that are working in Mendocino County. The affordable dwellings would be constructed on the townhouse lots and would be built with the same exterior finish as the comparable market-rate dwellings. We will prepare an agreement to require the construction of the units at the same time as the market rate units and a deed of trust to ensure that the units are sold initially to qualifying moderate income households. In addition, an agreement will be established, as required by State law, to ensure that if a

affordable unit is converted to a market -rate unit the County will receive a share of the appreciated value which it can use to fund affordable housing projects.

Proposed Density Bonus

The density bonus is sought for the area within the Gardens Gate that is designated S-R by the General Plan and is based on density allowed by the current general plan and zoning. The Gardens Gate project would include 36 moderate income units, which is 21 percent of the 171 single family dwellings ("base density") that may be allowed by the current

S-R General Plan designation and zoning. The calculation of base density is described below. Under the State law, this percentage of affordable housing allows for a bonus density of 16 percent, which allows the total number of units within the Gardens Gate to add 27 more single family dwellings above the base density, bringing the total allowed number of single family dwellings within the S-R land use designation to 198. In this case, however, the developer proposes to build 197 units in the S-R, one less than the maximum allowed. As a result, the State law would allow average density within the S-R zoning district to increase from 7.3 dwellings units per acre (Base Density) to 8.4 units per acre (Bonus Density).

The attached density bonus worksheet (Table 2) shows how base density and bonus density is based on gross buildable area (29.4 acres). Gross buildable area was derived by taking the two parks (2.3 acres) and within Gobelet Road (0.45 acres) out of the total S-R area (32.2 acres). This approach is consistent with the General Plan which calls parkland dedication at a rate of 4-6 acres for every 500 households. The net buildable area, which excludes roads and easements, was assumed to be 80% of the gross buildable area, or 23.54 acres. The net buildable area was then divided by the existing S-R density limit (1 SFD per 6000 square foot lot), which equates to a base density of 171 single family dwellings, or 7.3 dwellings per acre. Since the proposed 36 moderate income units equates to 21 percent of the base density, the State law allows a 16 percent increase (i.e., 27 units) above base density (i.e., 171 units). Thereby, the Density Bonus Law would allow a total of 198 single family dwelling lots within the S-R portion of the Gardens Gate, including 172 market rate units and 36 affordable moderate income .

Proposed Concessions and Incentives

The Gardens Gate project is entitled to the two regulatory concessions or incentives because it includes at least 20 percent moderate income dwelling units (GC 659159(d) (2)). As described below, the proposed concessions or incentives – reduced development standards and expedited processing - will result in *"identifiable, financially sufficient, and actual cost reductions"* (GC 65915(d) (1) & (3)).

1. Reduced Development Standards for Single Family Residential Lots

The first concession sought is the reduction of Development Standards (ZO 20.152.030(5)(i)), to the 6,000 square foot minimum lot size, as expressed by the S-R General Plan land use designation, to allow single family dwelling lots less than 6,000 square feet. About 23.5 acres (net) of the site that lies within the S-R zoning district would be subdivided into 197 residential lots. The Garden Court and Townhouse lots will occupy 2/3rds of this area. The proposed Vineyard and Hillside lots would occupy the remaining 1/3rd and, with a few exceptions, are configured to comply with the lot configuration standards and will establish building envelopes to allow buildings to be located in compliance with the S-R development standards. These lots will be developed and sold at market prices. The smaller Garden Court and Townhouse lots, however, are sized and configured to bring the down the average land purchase and improvement costs (\$30 per net square foot) so that they can be developed and sold at or below HCD's affordable house price. Therefore, the reduced lot size is necessary to make it financially feasible to build and sell the house to moderate income families.

2. Expedited Permit Processing

A significant cost associated with the project is debt accrual during the time entitlements are being sought from the County to subdivide and develop the lots. The expedited permit processing (ZO 20.152.030(5)(j)), proposed below allows more time to complete the major subdivision and use permit (Planned Development) than allowed by the County's published timeline and it is based on the State Permit Streamlining Act (GC 65920-65963.1). This incentive is necessary because expedited permit processing will sufficiently reduce the cost of debt service which will in turn reduce the total cost of getting entitlements for the affordable units.

As stated by the resolution for consideration by the County Board of Supervisors, the application shall be granted a second concession of following an expedited project review schedule to bring the project to a public hearing in 210 calendar days after the date of this resolution as follows:

- i. Staff will complete application review within two (2) weeks of receipt of a complete Application;
- ii. Staff will complete contract negotiations with Leonard Charles & Associates within two (2) weeks of receipt of a complete Application;
- iii. The Board of Supervisors will act upon, and execute, the CEQA contract within twenty-one (21) days of completed negotiations;
- iv. The contract with the CEQA consultant must require a public agency scoping meeting within two weeks following execution of the contract;
- v. The contract with the CEQA consultant must require that the consultant accept the

Applicant's special studies within four (4) weeks following execution of the contract unless both the consultant and County Staff determine the special studies do not adequately describe the project's potentially significant impacts in accordance with CEQA;

- vi. The contract with the CEQA consultant must require that the consultant complete the administrative draft of the environmental document within eight (8) weeks of the execution of the contract;
- vii. The County Staff must review and make necessary revisions within four (4) weeks following the completion of the Administrative Draft environmental document;
- viii. The County Staff must complete public review and noticing of the environmental documents and bring the Application to hearing before the Planning Commission within twelve (12) weeks following completion of the final environmental document.

Furthermore, the applicant will be required to enter into an agreement with the Department of Planning and Building by which the Applicant will pay for enhanced and prioritized processing by Department Staff.

Requested Waivers and Reductions

The requested density bonus also includes waivers or reductions from other development standards (e.g., setback, lot coverage, reduced roadway width, etc), as allowed by the State Density Bonus Law (GC 65915(e)). This provision of the Density Bonus Law ensures that the enforcement of other development standards will not preclude the construction of the project at the allowed bonus density nor deprive the developer from utilizing the granted concessions or incentives. The exception to this provision is when the County makes formal findings that a specific regulation or standard is necessary to avert a specific, adverse impact upon health and safety (as defined by Health and Safety Code, 65589.5(d) (2)) or the physical environment, and for which there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact.

In this case, the project cannot be built at the bonus density unless the following standards and regulations are waived or reduced.

Division of Land Regulations

Double lot frontage, Section 17-52 (J)
Flag lot access strip, Section 17-52 (L)
Access easement width, Section 17-53(B)

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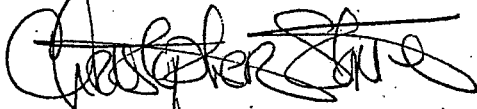
Inland Zoning Ordinance – Suburban Residential Zoning District

Minimum Lot Size, Section 20.044.025
Minimum Front and Rear Yards, Section 20.044.035
Minimum Side Yards, Section 20.044.040

Careful review of the submitted application including the Accompanying Subdivision Statement, the Illustrative Plan, Design Guidelines and the CEQA Initial Study will show that the project including the requested waivers will not create any health or safety impacts and that it will avert or mitigate any potentially significant impacts to the physical environment. This review will also show that the project is designed to provide needed housing that fits the local land use setting and integrates with existing public streets and utilities. In doing so, the Gardens Gate project will accomplish a significant goal of the General Plan and the draft Ukiah Valley Area Plan by promoting appropriate and affordable residential development within an existing urban service area.

Thank you for considering this proposal. I am available to meet with you to answer any questions that you may have about the revised Gardens Gate plan and the requested density bonus.

Sincerely,



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Attachments

Figure 1 - Gardens Gate Zoning Map

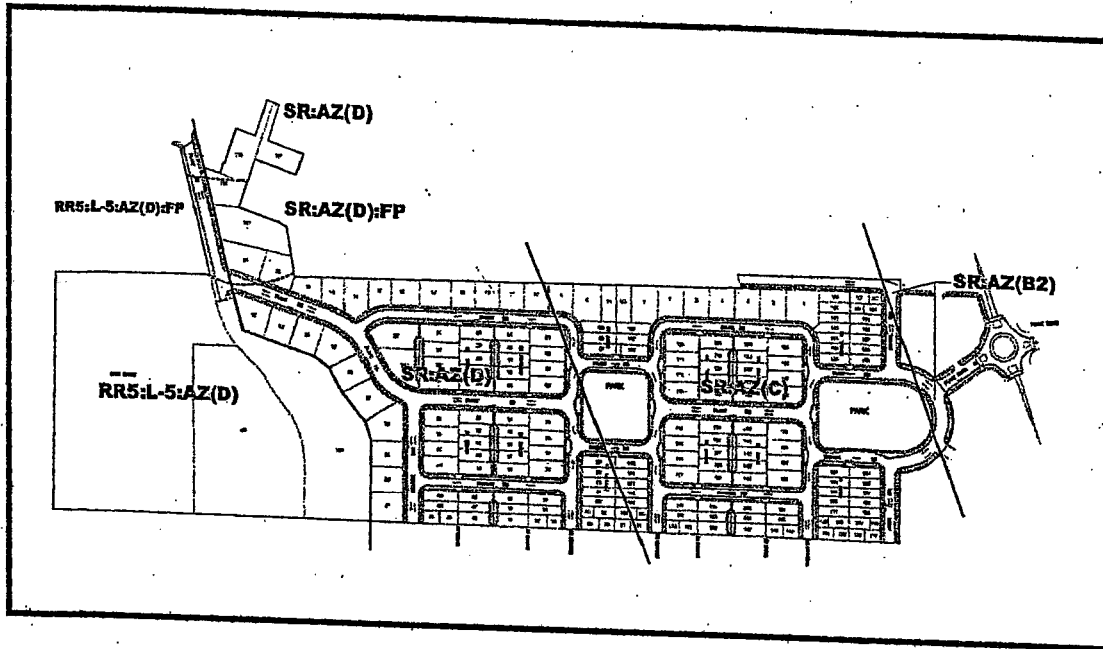


Table 1 - Gardens Gate Zoning Areas

Zoning	Area Square Feet	Acres	Gardens Gate Use
S-R:AZ(B2)	19,385	0.45	Main Entry, Park.
S-R:AZ(C)	733,894	16.85	Residential and Park.
S-R:AZ(D)	599,709	13.77	Residential
S-R:AZ(D):FP	49,156	1.13	Residential and Drainage Easement
S-R subtotal	1,402,144	32.19	
RR5:L-5:AZ(D)	580,556	13.33	Residential and Open Space
RR5:L-5:AZ(D):FP	17,638	0.40	Secondary Entry
RR5:L-5 subtotal	598,194	13.73	

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Table 2 – Gardens Gate Bonus Density Worksheet

S-R Gross Area	1,402,144	sf	Zoning District within Project Boundary
	32.19	ac	
Gobelet Road	0.45	ac	Existing Road excluded
Park Area	2.31	ac	Required Parks excluded
S-R Gross Adjusted	29.42	ac	Gross Buildable Area within S-R
% Buildable Area (Net)	80%		Assume 20% for roads and easements
S-R Net Buildable Area	1,025,286	sf	
	23.54	ac	
Minimum Lot Size	6,000	sf	Maximum SFD Lot Density Allowed
S-R Base Density	171	SFD in S-R	
Moderate Inc SFD	21%		
	36	SFD in S-R	
Bonus Density	16%		
	27	SFD in S-R	
Total Density Allowed	198	SFD in S-R	
# Market Rate	162	du	
# Affordable	36	du	
Net Density	8.4	du/ac	
Gross Density	6.2	du/ac	
Total Density proposed	197	SFD in S-R	
# Market Rate	161	du	
# Affordable	36	du	
Net Density	8.4	du/ac	
Gross Density	6.1	du/ac	