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William Pickering II

July 1, 2016

Mr. Randy Goodson  
Mr. John Rilling  
Accretive Investments, Inc.  
12275 El Camino Real, Suite 110  
San Diego, CA 92130

Dear Messrs. Goodson and Rilling,

The Bonsall Unified School District ("*District*") understands that Accretive Investments, Inc. ("*Accretive*") is currently dual-processing land use entitlements, through the County of San Diego and separately through a Citizen's Initiative. It is our understanding that the plans for the Lilac Hills Ranch community under each scenario are essentially the same. The County application includes an Environmental Impact Report ("*EIR*"), General Plan Amendment ("*GPA*"), Specific Plan ("*Plan*"), Rezone, and Tentative Maps ("*Maps*") (collectively the "*Land Use Entitlements*"). The Citizen's Initiative ("*Initiative*"), if qualified as a ballot measure, will be presented for approval at the Board of Supervisors as early as July 19, 2016. The Initiative includes just the GPA, Plan and Rezone for essentially the same Lilac Hills Ranch project on 608 acres of property located in the County of San Diego ("*County*"). In summary, Lilac Hills Ranch, regardless of which process is successful, is a master-planned community consisting of 903 single family detached homes, 468 senior citizen homes and 375 attached units, 90,000 square feet of commercial and retail uses, 23.6 acres of parks and 104.1 acres of open space ("*Project*"). The jurisdictional boundaries of the District cover the northerly 201 acres of the Project, which includes approximately 1,000 homes.

This letter identifies the facilities and student mitigation measures that are currently anticipated to be necessary to fully mitigate for the new students expected to be generated by the development of Lilac Hills Ranch within the District. Accretive and the District intend to coordinate by providing these necessary School Mitigation Requirements ("*School Mitigation*") to serve the students generated by the Project ("*Project Students*"). Based upon the current estimate, both parties believe that at build out, the Project will generate students that will result in an impact on the District's facilities and infrastructure requiring:

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1. Delivery to the District of a school site for the construction of a school facility;
2. Construction and delivery of a turn-key K-8 school facility;
3. Delivery of a other facilities and amenities including furnishings, fixtures and equipment to accommodate Project Students as agreed upon by the parties on both an interim and permanent basis; and,
4. Provision of or payment to the District for interim facilities as determined by the District, that may include the construction of portable classroom facilities to house Project Students during construction of the initial or subsequent construction phases of a school to serve the Project Students.

The District is entitled to collect fees for development pursuant to Education Code Section 17620, *et seq.* and Government Code Section 65995, *et seq.* ("*Statutory School Fees*") in accordance with the current program for the funding of Educational Facilities by the State of California ("*State*") under the School Facility Program (Leroy F. Green School Facilities Act of 1998 enacted by Senate Bill 50 ("*SB50*") ("*School Fee Law*"). The Cost and/or fair value to the Project for the provision of the School Mitigation described herein and ultimately provided will be counted towards the Statutory School Fees obligation for the Project.

Accretive and District intend to enter into a Master Mitigation Agreement ("*Master Agreement*") that will provide for a complete mitigation of the Project's impacts on the District as allowed by the School Fee Law or any other applicable law concerning the payment of school impact fees. This future Master Agreement shall establish the basis for a collaborative effort by the District and Accretive to ensure that school facilities are available at the necessary time, concurrent with need to serve the Project Students. The Parties acknowledge that because of various factors including, but not limited to the long-term build-out of the Project, the operational considerations of the District and the availability of State Funding, the construction of any future school may be phased over time. In this regard, the Parties intend to work cooperatively to enhance the quality of life for the residents within the Project and Project Students by providing high quality temporary and permanent educational opportunities for all Project Students.

Implementation of the Master Agreement will occur once sufficient information is available to allow both parties to make mutually informed decisions that will lead to the preparation of an implementing plan ("*School Facilities Implementation Plan*") which may be augmented, supplemented or amended from time to time. The School Facilities Implementation Plan will set forth the location, phasing, design and specifications of K-8 school and provide and

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define the methodology for financing the school without relying on District funds, other than potential matching funds from other sources.

Both Accretive and District, by signing this letter below, agree to work cooperatively to implement the framework outlined above in order to prepare a complete mitigation of the Project's impacts.

Acknowledged:

Bonsall Unified School District

Justin Cunningham

Accretive Investments, Inc.

R. N. Goodson