

Background/History

As part of the High-Speed Rail Development Act of 1994, California was identified as one of the five corridors nationally for high-speed rail planning. The California Legislature formed the Intercity High-Speed Rail Commission and tasked it with determining the feasibility of a system in California. By 1996, the Commission determined that a High-Speed Rail system in California was feasible.

In 2008, the California voters approved Proposition 1A providing financing for a High-Speed Rail system. The Proposition mandated that a High-Speed Rail Station would be in Merced connecting Los Angeles to San Francisco through the Central Valley.

The original location for the Merced High-Speed Rail Station was W. 15th St/W. 16th St from G Street to Martin Luther King Jr Way. Environmental clearance (CEQA and NEPA) was approved in 2012. Subsequently, the City and High-Speed Rail Authority considered moving the Station site to W. 15th St/W. 16th St from O Street to R Street using a viaduct system to traverse through the City. City leaders and High-Speed Rail planners agreed that moving the Station would maintain the connectivity between Central and South Merced, reduce the need for over and under crossings, and preserve the revitalization progress made in the Downtown Core. The High-Speed Rail Authority approved the relocation and granted environmental clearance for the new location.

2025 Supplemental Project Update Report

On August 22, 2025, the High-Speed Rail Authority released the 2025 Supplemental Project Update Report. The Report suggests the Merced Downtown High-Speed Rail Station be re-sequenced favoring a more direct route from Madera to Gilroy. A date as to when the Merced Station would be constructed was not included in the Report. The justification to re-sequence the Merced Station focuses on increased ridership, revenues, and potential to attract investment in the form of Public Private Partnership (P3.) Another reason for re-sequencing the Merced Station is due to insufficient funding since the Feds took back the \$4 billion committed to the High-Speed Rail Project by the Biden Administration.

The City of Merced first learned about the re-sequencing option when a member of the press contacted the Mayor and Council members. The respective elected officials and staff were not aware that the option was included in the Report.

At the High-Speed Rail Board of Directors meeting of August 28, 2025, Deputy City Manager Frank Quintero addressed the Board expressing the City's disappointment that the High-Speed Rail Authority did not contact the City or its elected officials prior to the Releasing the Report. Similar comments were made by Dalia Costa, Merced County, and Staci Guzman, Merced County Association of Governments.

Former Board Chairman Tom Richards acknowledged the frustration voiced by the Merced representatives. He committed to improving communications between the High-Speed Rail Authority and Merced agencies, and stated that CEO Choudri, HSR staff, and Board members would initiate and hold meetings with Merced elected officials and staff to discuss the content of the Report.

At the City level, the Council Subcommittee on Transportation composed of Mayor Matt Serratto, Mayor Pro Tempore Sarah Boyle, Council Members Shane Smith, City Manager Scott McBride, and Deputy City Manager Frank Quintero collaborated with Merced County and the Merced County Association of Governments to firmly assert the community's position of being served by High-Speed Rail in Segment 1, Phase 1.

Key Legislation Mandates

Provisions in California legislation call for the construction of a Downtown Merced High-Speed Rail Station that has provided certainty that the Station would be included first phase of construction.

- Proposition 1A (2008): The ballot measure mandated a Merced-High-Speed Rail Station as part of the original plan to connect Los Angeles and San Francisco through the Central Valley.
- Senate Bill 198 (2022): The bill mandated the rail authority to prioritize the 171-mile Merced to Bakersfield segment for completion. Language in SB 198 specifically calls out a High-Speed Rail Station to be constructed in Downtown Merced as part of Phase I – Segment 1 that would also include rail service from the Altamont Corridor Express (ACE) and Amtrak – The San Joaquin train.
- Assembly Bill 377 (2025): This bill requires California High-Speed Rail Authority to provide a detailed funding plan for the Merced-Bakersfield segment by May 1, 2026, including a strategy to address the financial gap.

Cap & Trade/Invest (AB 1207 & SB 840)

In September 2025, the California Legislature reauthorized the Cap & Trade/Investment program to 2045. The approved legislation included providing the High-Speed Rail Authority with \$1 billion per year from 2025 to 2045.

EXCERPT from the LA Times

California's High-Speed Rail project is slated to receive \$1 billion a year in funding through the state's cap-and-trade program through 2045 — a relief to lawmakers who had urged the Legislature to approve the request as billions of dollars in federal funding remain in jeopardy.

State leaders called the move, which is pending a final vote from the Legislature, a necessary step to cementing investments from the private sector — an area of focus for project officials. And the project's chief executive, Ian Choudri, said the agreement is crucial to completing the current priority — a 171-mile portion from Merced to Bakersfield — by 2033.

"This funding agreement resolves all identified funding gaps for the Early Operating Segment in the Central Valley and opens the door for meaningful public-private engagement with the program," Choudri said in a statement. "And we must also work toward securing the long-term funding — beyond today's commitment — that can bring high-speed rail to California's population centers, where ridership and revenue growth will in turn support future expansions."

Ian Choudri, CEO – California High-Speed Rail, LA Times, September 12, 2025

Meetings with High-Speed Rail

Since the Board meeting of August 28, 2025, many meetings have been held with High-Speed Rail Board Members and High-Speed Rail staff. The Council Subcommittee on Transportation strategically conveyed the City's message of being a High Speed Rail community in the initial stage. Meetings were held on the following dates:

- Friday, September 5, 2025 (Mark Tollefson, Peter Whippy, Bassem Maullem, Daniel Teran, and Diana Gomez)
- Thursday, November 6, 2025 (Ian Choudri and Peter Whippy)
- Monday, December 8, 2025 (Mark Tollefson, Peter Whippy, Bassem Maullem, Daniel Teran, and Diana Gomez arranged by MCAG)
- Tuesday, December 9, 2025 (Board Member Henry Perea arranged by Merced County)
- Friday, December 19, 2025 (Board Member Anthony Williams via Zoom)
- Monday, January 5, 2026 (Mark Tollefson, Peter Whippy, and Diana Gomez)

- Thursday, January 8, 2026 (Mark Tollefson and Peter Whippy)
- Thursday, March 5, 2026 (Regional Partner Meeting)
- Wednesday, March 11, 2026 (HSR Lobby Day – Sacramento)
- Thursday, April 9, 2026 (Virtual Meeting – Utility & Cooperative Agreements)
- Tuesday, June 15, 2026 (Stakeholder Roundtable, Ian Choudri, & Allison Rodriguez)

New Location for the Merced HSR Station

On June 1, 2026, the High Speed Rail Authority unanimously adopted the 2026 Business Plan. The adopted Business Plan and Technical Supporting Document called for relocating the Downtown station to Southeast Merced (Mission Avenue at Highway 99 adjacent to the Union Pacific Railroad tracks.

Prior to adoption of the 2026 Business Plan, the common thread in all the discussion with HSR Board Members and staff is that they are seeking ways to reduce costs and be as expedient and efficient as possible with construction. For the Merced Station, the High-Speed Rail Authority suggests moving the Station from Downtown Merced to Southeast Merced in the vicinity of Highway 99/Mission Avenue/Campus Parkway.

According to High-Speed Rail staff members, relocation may improve the certainty of delivering the Station project as part of the first operating segment. A topic not receiving as much coverage and discussion includes uncertainty of when the Altamont Corridor Express will be extended to the Merced High-Speed Rail Station. The original plan called for High-Speed Rail, ACE, and Amtrak to be served from one location. The timing of the ACE construction is unknown, and the Amtrak connection was relocated to the Madera Station.

Relocating the Station from Downtown Merced also relieves the High-Speed Rail Authority from costs such as acquiring property/right of way, relocating businesses, building over Highway 99/E. 16th Street overcrossing, and elevating the tracks with a viaduct within the Central Business District. The Authority also noted that relocating the Station protects Downtown from major disruptions such as 5-years of construction and business and facility displacement.

The plan to construct the Merced Station in Downtown Merced calls for acquisition and relocation of City facilities such as the McCombs Youth Center (leased by the Boys & Girls Club of Merced County) and Merced Senior Community Center (occupied by Senior Inc. and other senior service providers.) Businesses such as In N Out Burger, Pazin & Myers, El Bajio Market, and others would not be acquired and relocated. Furthermore, plans to construct a Chick Fil A at the northeast corner of W. 15th Street

and Martin Luther King Jr. Way could potentially proceed.

A local business owner reached out to City staff noting that he and other business owners along the High Speed Rail plan line in Downtown Merced received letters from the High-Speed Rail Authority. In essence, the letters stated that the High Speed Rail Authority is rescinding the offer for relocation assistance due to changes in the rail plan line.

The potential new Station site is currently in the County and may require services from the City such as water, sewer, refuse, fire, and police. Infrastructure and facilities are not readily available to serve the suggested site, but lines could be pulled, and facilities constructed with assistance from High-Speed Rail.

Other factors to consider should the station relocate to Southeast Merced include the current comprehensive update of the General Plan that is underway, a new Station Area Plan (the Downtown Station Area Plan is on hold), evaluation of lost investment opportunities in Downtown Merced, and environmental clearance.

Reports of Interest

- CHSRA – 2026 Business Plan and Technical Supporting Documents (June 2026)
- CHSRA – 2025 Supplemental Project Update Report (August 2025)
- CHSRA – 2025 Project Update Report (March 2025)
- CHSRA – 2024 Business Plan (May 2024)

All reports are available online at www.hsr.ca.gov.

City of Merced Correspondence (Attached)

- February 2, 2026 – Conceptual Consideration of Station Relocation
- April 2, 2026 – Proposed Tax Increment Financing District
- April 13, 2026 – Proposed Tax Increment Financing District (CA Cities)
- April 21, 2026 – Letter of Comment – 2026 DRAFT Business Plan
- April 23, 2026 – 2026 Draft Business Plan Comments (CA Cities)



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City Administration

(209)-385-6834

www.cityofmerced.org

February 2, 2026

Mr. Thomas Richards
Board Chair
California High-Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Mr. Ian Choudri
Chief Executive Officer
California High-Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Re: City of Merced – Conceptual Consideration of Station Relocation

Dear Honorable Board Chair Richards and Mr. Choudri:

On behalf of the City of Merced, thank you for your continued engagement with our region as we work together to deliver a transformative statewide High-Speed Rail system. As a result of our mutual desired goal of ensuring the successful buildout of a High-Speed Rail system that includes in its first phase a station location in Merced, I am writing to express the City's support in a collaborative review of the concept of moving the Merced High-Speed Rail Station to southeast Merced. As you consider a potential shift to a site in southeast Merced, I look forward to continuing our dialogue and partnership that we have established over the past decade to ensure a comprehensive, thorough, transparent, and collaborative evaluation of this alternative, including its consideration for inclusion in the upcoming draft business plan.

We recognize station siting involves difficult tradeoffs among system performance, constructability, long-term operations, environmental considerations, community access, and regional economic impacts. A thorough review can help determine whether the changed location better advances your goals while delivering clear and measurable benefits to the Merced region. The southern Merced County site warrants analysis particularly given impacts including but not limited to infrastructure, utilities, and City services and potential advantages related to land availability, construction logistics, multimodal connectivity, and access for residents across the county and surrounding communities.

The City emphasizes that any station location should promote equitable access, support sustainable economic development, and integrate existing and planned transportation networks and local land-use priorities. We appreciate the Authority's ongoing communication and encourage continued coordination with Merced County, the City of Merced, and regional partners as this evaluation moves forward. The City stands ready

to work in partnership with the Authority to support a data-driven process and identify solutions that maximize regional benefits in a timely manner.

Thank you for your leadership and continued work to advance a high-speed rail system that will serve Californians for generations. We look forward to a continued relationship and dialogue to help assist you in completing this transformative high-speed rail project in a manner that maximizes the benefits and vision for the Merced region.

I am available at 209-385-6834 should you want to discuss this matter further.

Sincerely,



Scott McBride
City Manager
City of Merced

Cc: Adam Gray, U.S. Representative, CA 13th District
Anna Caballero, State Senator, District 14
Esmeralda Soria, State Assemblymember, District 27
Mark Tollefson, HSRA
Peter Whippy, HSRA
Diana Gomez, HTNB
Ben Lichty, HSRA
Craig Cornwell, City of Merced
Frank Quintero, City of Merced
Sharon Gonsalves, CPPG
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April 6, 2026

The Honorable Laura Richardson
Chair, Senate Subcommittee No. 5
Capitol Office, 1021 O Street, Room 7340
Sacramento, CA 95814

The Honorable Steve Bennett
Chair, Assembly Subcommittee No. 4
Capitol Office, 1021 O Street, Suite 4710
Sacramento, CA 95814

Re: Proposed Tax Increment Financing District

Dear Chairs,

On behalf of the undersigned mayors from cities throughout California, we write in the strongest possible terms to oppose the California High-Speed Rail Authority's proposal to establish state-controlled Tax Increment Financing (TIF) districts within a one-half-mile radius of proposed station areas for the purpose of capturing property and potentially sales tax growth to fund high-speed rail construction and related commercialization activities.

While we recognize the significant financial challenges facing the High-Speed Rail project and appreciate the Authority's efforts to identify innovative funding strategies, the proposed value-capture framework raises profound legal, fiscal, and policy concerns for local governments and the communities we serve.

At its core, the proposal is a direct attempt to divert locally controlled tax revenues, undermine voter-approved constitutional protections, and erode the fiscal stability of California's cities to backfill a project that continues to face severe financial uncertainty.

Constitutional and Legal Concerns

The proposal to divert local tax increment to a state entity appears inconsistent with multiple provisions of the California Constitution. Local sales tax revenues are expressly protected for local governmental purposes, and the Legislature is prohibited from reallocating or transferring those revenues. Similarly, Proposition 1A (2004) guarantees that cities, counties, and special districts retain their constitutionally protected share of property tax allocations. Mandatory diversion of property tax increment to a state authority that is not a constitutionally recognized taxing entity violates these protections and would almost certainly invite extensive litigation.



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The High-Speed Rail Authority is not a local taxing district, as such, it has no constitutional claim to local tax revenues. Any attempt to divert increment to a state entity would almost certainly trigger protracted litigation and create enormous fiscal uncertainty for local governments statewide.

An Assault on Local Control

Equally concerning is the proposal's suggestion that the Authority could exercise regulatory influence over land within station areas. Land use authority is constitutionally reserved to cities and counties. While the state may set standards, it cannot assume direct local planning powers.

This proposal crosses that line. It represents an unprecedented intrusion into local governance and sets a dangerous statewide precedent.

Threats to Local Fiscal Stability and Public Services

The proposed TIF model would divert future property tax growth—revenues that local governments rely upon to fund essential public services, including public health and safety, infrastructure maintenance, parks, housing programs, and local transportation improvements. Over the potential 45-year lifespan of a TIF district, these diversions would significantly constrain local fiscal capacity, particularly in communities already struggling with service demands and infrastructure backlogs.

Although school district property tax shares are typically excluded from existing TIF structures such as Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs), the broader fiscal ecosystem is interconnected. Reduced city, county, and special district revenue capacity can indirectly affect school support services, public safety coordination, and community investment.

At a time when local governments are already confronting escalating infrastructure costs, housing pressures, and public safety challenges, the Authority's proposal would impose a long-term structural fiscal penalty on the very communities being asked to accommodate this project.



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Departure from Established California TIF Frameworks

California's existing TIF tools—including EIFDs and CRIs—are locally initiated, voluntary, and governed by public financing authorities with local representation. Participation by taxing entities requires affirmative consent, and project priorities are determined through locally adopted financing plans.

By contrast, the High-Speed Rail proposal contemplates a state-directed value-capture model that would override local initiation, governance, and consent principles. This represents a fundamental departure from decades of established public finance policy in California.

Funding the Project Cannot Come at the Expense of Communities

California's cities support statewide infrastructure investment and our opposition to this proposal should not be interpreted as an indictment of the state's high-speed rail project. But the responsibility for funding a state megaproject lies with the state—not with local taxpayers whose revenues are constitutionally protected for local purposes.

If the state believes additional funding is necessary, as it did in adopting last year's budget that allocated \$20 billion from the state Greenhouse Gas Reduction Fund (GGRF) to the high-speed rail project, it must pursue transparent, lawful, statewide solutions—such as voter-approved bonds or dedicated state revenue sources—rather than attempting to divert local tax growth through a legally dubious scheme.

Conclusion

This proposal is fiscally reckless, legally vulnerable, and fundamentally unfair to the communities expected to host High-Speed Rail facilities. It would weaken local governments, destabilize public services, and undermine constitutional protections that California voters have repeatedly affirmed. Simply put: the state cannot solve a state funding problem by raiding local tax bases.

We respectfully urge the Legislative leaders to oppose this proposal and instead engage collaboratively with local governments to identify funding strategies that consider both statewide infrastructure goals and local fiscal integrity.



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Sincerely,

A handwritten signature in blue ink, appearing to read "Matthew Serratto".

Matthew Serratto
Mayor
City of Merced

Cc: The Honorable Gavin Newsom, Governor, State of California
Members, Board of Directors, California High-Speed Rail Authority
Mark Tollefson, Chief Deputy Director, California High-Speed Rail Authority
The Honorable Monique Limón, California Senate President pro Tempore
The Honorable Robert Rivas, California Assembly Speaker
The Honorable John Laird, Chair of the Senate Budget and Fiscal Review Committee
The Honorable Jesse Gabriel, Chair of the Assembly Budget Committee
The Honorable Dave Cortese, Chair of the Senate Transportation Committee
The Honorable Lori Wilson, Chair of the Assembly Transportation Committee



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April 21, 2026

Mr. Thomas Richards
Board Chair
California High-Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Mr. Ian Choudri
Chief Executive Officer
California High Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Re: Letter of Comment – 2026 DRAFT Business Plan
Via email – BusinessPlan2026@hsr.ca.gov

Dear Honorable Board Chair Richards and Mr. Choudri:

Thank you for the opportunity to comment on the 2026 California High-Speed Rail DRAFT Business Plan and the Capitol Cost Basis Estimate Report which provides background for the information presented in the Business Plan. While the DRAFT Business Plan offers little in terms of detail regarding a station in Merced, there are several key areas within the technical document where we seek clarification. While we appreciate the continued effort to refine project delivery and manage costs, several recent design changes raise concerns regarding long-term system performance, capacity, and regional equity.

Consideration of Station Relocation

While communication between the Authority and the City has increased, the substance and transparency of that communication remain insufficient. The City has been engaged in discussions with the Authority since the better part of last year regarding the potential relocation of the downtown station to southeast Merced yet has received very limited detail about the specific site under consideration. Although the DRAFT Business Plan does not explicitly identify a location, the technical document (p. 46, Table 17) appears to provide the first confirmation of a “new station at Mission Avenue.” It is concerning that such critical information is conveyed through publicly released documents rather than through direct engagement with the City. This approach undermines the assertion that the City will have a meaningful seat at the table in key decision-making processes, particularly when

those decisions appear to be made without prior consultation and a public comment letter becomes the first opportunity for input.

Downsized Station

We were pleased to read that the priority is to complete the Merced to Bakersfield (Central Valley) segment. However, it is our interpretation it appears that Merced would function as a transfer hub, not a true destination. On page 31 of the technical document there is a comparison table of infrastructure elements and service characteristics by segment, under trains per day it lists 8 for Merced-Bakersfield, but in the other scenarios (SF-Bakersfield, SF-Palmdale, and SF-LA/Anaheim) there is reference to “shuttles to Merced.”

Additionally, while most of the alignment is planned to be double-tracked, the extension to Merced is proposed as a single-track segment. This represents a significant operational constraint that could limit service reliability, reduce scheduling flexibility, and create long-term bottlenecks in the system. The absence of earlier discussion of the Merced station design in the main sections of the report further underscores the need for greater transparency regarding changes that materially affect system functionality.

Page 50 of the technical report outlines “key design and optimization updates” intended as cost-saving measures. These include substantial reductions in platform lengths, modifications to viaduct height and width, simplification of station canopies, and reductions in trackwork. While cost containment is important, these changes appear to prioritize short-term savings over long-term system performance, potentially resulting in higher lifecycle costs and reduced service quality.

Page 51 provides the most detailed description of the revised Merced station, indicating a new location and a significantly simplified design consisting of an at-grade station with a single side platform and a small support building. This represents a notable departure from prior expectations for a major system node and raises concerns about whether the station will be adequately designed to serve as a functional and attractive connection point within the statewide network.

Taken together, these changes suggest a shift away from a fully built, high-capacity system toward a more constrained initial operating segment. We encourage the Authority to clearly articulate how these design decisions align with long-term system goals, including scalability, operational efficiency, and regional connectivity. It is critical that cost-saving measures implemented today do not preclude or significantly increase the cost of future system upgrades.

Updates to SB 198

The DRAFT Business Plan identifies the need to modify Senate Bill (SB) 198. Currently under SB 198, a Downtown Merced High-Speed Station is guaranteed supported by rail service from the Altamont Corridor Express (ACE) and Amtrak/Gold Runner. Furthermore, SB 198 restricts that amount of funding that may be spent outside of Phase I/Segment 1. Relocating the station from Downtown Merced to Southeast Merced requires amending SB 198. The City of Merced previously submitted a letter to the High Speed Rail Authority noting that modifications to SB 198 should be decided by impacted stakeholders such the City of Merced, Merced County, and the Merced County Association of Governments.

Tax Increment Financing and Encroachment

The legislative proposals suggest by the Authority, particularly the use of Tax Increment Financing (TIF) mechanisms such as an Enhanced Infrastructure Financing District (EIFD), raise significant concerns for the City of Merced. While EIFDs have traditionally been tools used by local governments to fund locally driven infrastructure and economic development projects, the proposal outlined in the DRAFT Business Plan would repurpose this mechanism to support state-led high-speed rail construction and related commercialization activities.

This approach would effectively divert future growth in property tax revenues away from the City and other local agencies. These incremental revenues are a critical funding source that the City relies upon to support essential public services, including police and fire protection, public health programs, infrastructure maintenance, parks, housing initiatives, and local transportation improvements. Redirecting these funds to support the high-speed rail project would constrain the City's long-term fiscal capacity and limit its ability to meet the needs of a growing population.

Moreover, the proposal represents a shift in local control. EIFDs are typically established with significant input and governance by local jurisdictions to ensure alignment with community priorities. In this case, the Authority's use of TIF tools could override local planning objectives and financial strategies, placing additional strain on municipal resources without guaranteeing commensurate local benefits.

Separately, expanded encroachment authorities sought by the Authority may further impact the City by limiting its control over local streets, rights-of-way, and public spaces. Such authorities could reduce the City's ability to manage land use, coordinate infrastructure, and protect community interests during project development and construction.

Taken together, these legislative proposals pose both fiscal and governance risks to the City of Merced, potentially undermining its ability to provide essential services and exercise local control over development within its jurisdiction.

We respectfully request that the Authority provide additional analysis on the operational impacts of single-track segments, reduced platform capacity, and simplified station designs, as well as a clear plan for future expansion to meet projected demand. Without clarity there is significant concern that the City of Merced will be left with a partial line, modest ridership, slower than expected development and ongoing local costs.

Thank you for the opportunity to provide comments. We look forward to continued engagement on the development of a high-speed rail system that meets California's long-term transportation needs.

The City of Merced's High Speed Rail Council Sub-Committee, High Speed Rail Project Manager/Deputy City Manager Frank Quintero, and I are all available should your desire to discuss the content of this transmittal.

Respectfully Submitted,



Scott McBride
City Manager
City of Merced

Cc: Anna Caballero, State Senator, District 14
Esmeralda Soria, Assemblywoman, District 27
Marla Livengood, League of California Cities
Craig Cornwell, City Attorney, City of Merced
Frank Quintero, Deputy City Manager, City of Merced
Sharon Gonsalves, California Public Policy Group



April 13, 2026

The Honorable Laura Richardson
Chair, Senate Subcommittee No. 5
Capitol Office, 1021 O Street, Room 7340
Sacramento, CA 95814

The Honorable Steve Bennett
Chair, Assembly Subcommittee No. 4
Capitol Office, 1021 O Street, Suite 4710
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Re: Proposed Tax Increment Financing District

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While we recognize the significant financial challenges facing the High-Speed Rail project and appreciate the Authority's efforts to identify innovative funding strategies, the proposed value-capture framework raises profound legal, fiscal, and policy concerns for local governments and the communities we serve.

At its core, the proposal is a direct attempt to divert locally controlled tax revenues, undermine voter-approved constitutional protections, and erode the fiscal stability of California's cities to backfill a project that continues to face severe financial uncertainty.

Constitutional and Legal Concerns

The proposal to divert local tax increment to a state entity appears inconsistent with multiple provisions of the California Constitution. Local sales tax revenues are expressly protected for local governmental purposes, and the Legislature is prohibited from reallocating or transferring those revenues. Similarly, Proposition 1A (2004) guarantees that cities, counties, and special districts retain their constitutionally protected share of property tax allocations. Mandatory diversion of property tax increment to a state authority that is not a constitutionally recognized taxing entity violates these protections and would almost certainly invite extensive litigation.

The High-Speed Rail Authority is not a local taxing district, as such, it has no constitutional claim to local tax revenues. Any attempt to divert increment to a state

entity would almost certainly trigger protracted litigation and create enormous fiscal uncertainty for local governments statewide.

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Equally concerning is the proposal's suggestion that the Authority could exercise regulatory influence over land within station areas. Land use authority is constitutionally reserved to cities and counties. While the state may set standards, it cannot assume direct local planning powers.

This proposal crosses that line. It represents an unprecedented intrusion into local governance and sets a dangerous statewide precedent.

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The proposed TIF model would divert future property tax growth—revenues that local governments rely upon to fund essential public services, including public health and safety, infrastructure maintenance, parks, housing programs, and local transportation improvements. Over the potential 45-year lifespan of a TIF district, these diversions would significantly constrain local fiscal capacity, particularly in communities already struggling with service demands and infrastructure backlogs.

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At a time when local governments are already confronting escalating infrastructure costs, housing pressures, and public safety challenges, the Authority's proposal would impose a long-term structural fiscal penalty on the very communities being asked to accommodate this project.

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By contrast, the High-Speed Rail proposal contemplates a state-directed value-capture model that would override local initiation, governance, and consent principles. This represents a fundamental departure from decades of established public finance policy in California.

Funding the Project Cannot Come at the Expense of Communities

California's cities support statewide infrastructure investment and our opposition to this proposal should not be interpreted as an indictment of the state's high-speed rail project. But the responsibility for funding a state megaproject lies with the state—not with local taxpayers whose revenues are constitutionally protected for local purposes.

If the state believes additional funding is necessary, as it did in adopting last year's budget that allocated \$20 billion from the state Greenhouse Gas Reduction Fund (GGRF) to the high-speed rail project, it must pursue transparent, lawful, statewide solutions—such as voter-approved bonds or dedicated state revenue sources—rather than attempting to divert local tax growth through a legally dubious scheme.

Conclusion

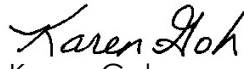
This proposal is fiscally reckless, legally vulnerable, and fundamentally unfair to the communities expected to host High-Speed Rail facilities. It would weaken local governments, destabilize public services, and undermine constitutional protections that California voters have repeatedly affirmed. Simply put: the state cannot solve a state funding problem by raiding local tax bases.

We respectfully urge the Legislative leaders to oppose this proposal and instead engage collaboratively with local governments to identify funding strategies that consider both statewide infrastructure goals and local fiscal integrity.

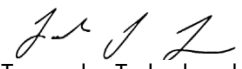
Sincerely,



Ashleigh Aitken
Mayor
City of Anaheim



Karen Goh
Mayor
City of Bakersfield



Tamala Takahashi
Mayor
City of Burbank



Jerry Dyer
Mayor
City of Fresno



Greg Bozzo
Mayor
City of Gilroy



Mark Kairis
Mayor
City of Hanford



R. Rex Parris
Mayor
City of Lancaster



Matthew Serratto
Mayor
City of Merced



Christina Fugazi
Mayor
City of Stockton

Cc: The Honorable Gavin Newsom, Governor, State of California
Members, Board of Directors, California High-Speed Rail Authority
Mark Tollefson, Chief Deputy Director, California High-Speed Rail Authority
The Honorable Monique Limón, California Senate President pro Tempore
The Honorable Robert Rivas, California Assembly Speaker
The Honorable John Laird, Chair of the Senate Budget and Fiscal Review
Committee
The Honorable Jesse Gabriel, Chair of the Assembly Budget Committee
The Honorable Dave Cortese, Chair of the Senate Transportation Committee
The Honorable Lori Wilson, Chair of the Assembly Transportation Committee



City of Arts & Innovation



April 23, 2026

Mr. Ian Choudri
Chief Executive Officer, California High-Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Re: 2026 Draft Business Plan Comments on Proposed Tax Increment Financing District Authority

Dear Mr. Choudri,

On behalf of the undersigned mayors from cities throughout California, we write in the strongest possible terms to oppose the California High-Speed Rail Authority's indication in the 2026 Draft Business Plan they are seeking authority to establish state-controlled Tax Increment Financing (TIF) districts within a one-half-mile radius of proposed station areas for the purpose of capturing property and potentially sales tax growth to fund high-speed rail construction and related commercialization activities.

While we recognize the significant financial challenges facing the High-Speed Rail project and appreciate the Authority's efforts to identify innovative funding strategies, the proposed value-capture framework raises profound legal, fiscal, and policy concerns for local governments and the communities we serve.

At its core, the proposal contained in the 2026 Draft Business Plan is a direct attempt to divert locally controlled tax revenues, undermine voter-approved constitutional protections, and erode the fiscal stability of California's cities to backfill a project that continues to face severe financial uncertainty.

Constitutional and Legal Concerns

As outlined on page 32 of the High-Speed Rail Authority's 2026 Draft Business Plan, the proposal to divert local tax increment to a state entity appears inconsistent with multiple provisions of the California Constitution. Local sales tax revenues are expressly protected for local governmental purposes, and the Legislature is prohibited from reallocating or transferring those revenues. Similarly, Proposition 1A (2004) guarantees that cities, counties, and special districts retain their constitutionally protected share of property tax allocations. Mandatory diversion of property tax increment to a state authority that is not a constitutionally recognized taxing entity violates these protections and would almost certainly invite extensive litigation.

The High-Speed Rail Authority is not a local taxing district, as such, it has no constitutional claim to local tax revenues. Any attempt to divert increment to a state entity would almost certainly trigger protracted litigation and create enormous fiscal uncertainty for local governments statewide.

An Assault on Local Control

Equally concerning is the 2026 Draft Business Plan's suggestion that the Authority could exercise regulatory influence over land within station areas. Land use authority is constitutionally reserved to cities and counties. While the state may set standards, it cannot assume direct local planning powers.

This proposal crosses that line. It represents an unprecedented intrusion into local governance and sets a dangerous statewide precedent.

Threats to Local Fiscal Stability and Public Services

The proposed TIF model would divert future property tax growth—revenues that local governments rely upon to fund essential public services, including public health and safety, infrastructure maintenance, parks, housing programs, and local transportation improvements. Over the potential 45-year lifespan of a TIF district, these diversions would significantly constrain local fiscal capacity, particularly in communities already struggling with service demands and infrastructure backlogs.

Although school district property tax shares are typically excluded from existing TIF structures such as Enhanced Infrastructure Financing Districts (EIFDs) and Community Revitalization and Investment Authorities (CRIAs), the broader fiscal ecosystem is interconnected. Reduced city, county, and special district revenue capacity can indirectly affect school support services, public safety coordination, and community investment.

At a time when local governments are already confronting escalating infrastructure costs, housing pressures, and public safety challenges, the Authority's proposal would impose a long-term structural fiscal penalty on the very communities being asked to accommodate this project.

Departure from Established California TIF Frameworks

California's existing TIF tools—including EIFDs and CRIAs—are locally initiated, voluntary, and governed by public financing authorities with local representation. Participation by taxing entities requires affirmative consent, and project priorities are determined through locally adopted financing plans.

By contrast, the High-Speed Rail 2026 Draft Business Plan contemplates a state-directed value-capture model that would override local initiation, governance, and consent principles. This represents a fundamental departure from decades of established public finance policy in California.

Funding the Project Cannot Come at the Expense of Communities

California's cities support statewide infrastructure investment and our opposition to this proposal should not be interpreted as an indictment of the state's high-speed rail

project. But the responsibility for funding a state megaproject lies with the state—not with local taxpayers whose revenues are constitutionally protected for local purposes.


If the state believes additional funding is necessary, as it did in adopting last year's budget that allocated \$20 billion from the state Greenhouse Gas Reduction Fund (GGRF) to the high-speed rail project, it must pursue transparent, lawful, statewide solutions—such as voter-approved bonds or dedicated state revenue sources—rather than attempting to divert local tax growth through a legally dubious scheme.

Conclusion


This proposal in the 2026 Draft Business Plan is fiscally reckless, legally vulnerable, and fundamentally unfair to the communities expected to host High-Speed Rail facilities. It would weaken local governments, destabilize public services, and undermine constitutional protections that California voters have repeatedly affirmed. Simply put: the state cannot solve a state funding problem by raiding local tax bases.


We respectfully urge the Legislative leaders to oppose this proposal and instead engage collaboratively with local governments to identify funding strategies that consider both statewide infrastructure goals and local fiscal integrity.

Sincerely,


Ashleigh Aitken
Mayor
City of Anaheim



Karen Goh
Mayor
City of Bakersfield



Tamala Takahas
Mayor
City of Burbank

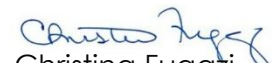

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City of Lancaster


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Mayor
City of Merced


Christina Fugazi
Mayor
City of Stockton


Patricia Lock Dawson
Mayor
City of Riverside

Cc: The Honorable Gavin Newsom, Governor, State of California
Members, Board of Directors, California High-Speed Rail Authority
The Honorable Monique Limón, California Senate President pro Tempore
The Honorable Robert Rivas, California Assembly Speaker
The Honorable John Laird, Chair of the Senate Budget and Fiscal Review
Committee
The Honorable Jesse Gabriel, Chair of the Assembly Budget Committee