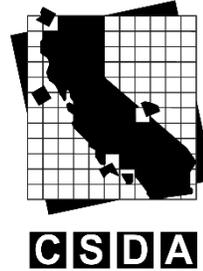




LEAGUE OF
CALIFORNIA
CITIES



March 2, 2026

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

Re: Proposed Tax Increment Financing District

Dear Mr. Choudri:

On behalf of California's statewide organizations representing local agencies, the League of California Cities, California State Association of Counties, California Special Districts Association, Rural County Representatives of California, and Urban Counties of California, we write to express our opposition to the California High-Speed Rail Authority's proposal to establish 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.

Constitutional and Legal Concerns

As outlined in recent policy analyses, 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.

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. Any attempt to do so would represent a significant encroachment on local governance.

Threats to Local Fiscal Stability

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.

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 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.

Risk of Overlapping Districts and Financial Conflicts

Many proposed station areas already fall within existing EIFDs, redevelopment successor areas, or other financing districts with pledged increment streams. Creating overlapping state-directed TIF districts could create significant legal conflicts, impair existing bond obligations, and undermine local economic development planning efforts.

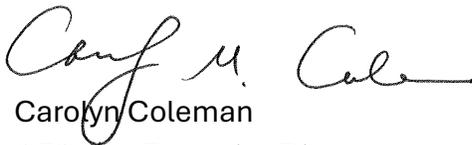
Conclusion

California's local agencies support the vision of a modern, statewide, high-speed rail system. However, funding that system must not come at the expense of constitutionally protected local revenues, local land-use authority, or the fiscal stability of our communities. We cannot lift up communities with a project that is built upon their backs.

If additional state funding is necessary to advance this project, it should be pursued through constitutionally sound statewide mechanisms—such as voter-approved bonds or dedicated state revenue sources—rather than by diverting local tax increment or weakening local governance.

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

Sincerely,



Carolyn Coleman
CEO and Executive Director
League of California Cities



Graham Knaus
Chief Executive Officer
California State Association of Counties



Jean Kinney Hurst
Legislative Advocate
Urban Counties



Neil McCormick
Chief Executive Officer
California Special Districts Association



Mary-Ann Warmerdam
Senior Vice President
Rural County Representatives of California

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