Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Juan Carrillo, Chair
SB 545 (Cortese) – As Amended June 27, 2025

SENATE VOTE: 27-9

SUBJECT: High-speed rail: economic opportunities.

SUMMARY: Requires the Governor's Office of Business and Economic Development (GO-Biz) to commission a study related to the California high-speed rail project, and requires an infrastructure district that finances the construction of the high-speed rail project to dedicate at least a majority of its revenue to projects within the jurisdiction of the local agencies that establish the district. Specifically, **this bill**:

1) Defines the following terms:

   a) "California high-speed rail project" to mean Phase 1 of the high-speed train project described in existing law.

   b) "Infrastructure district" to mean any of the following:

      i) An enhanced infrastructure financing district (EIFD).

      ii) A community revitalization and investment authority (CRIA).

      iii) A community facilities district (CFD).

      iv) Any other district, joint powers authority, or other agency established by a local agency for the primary purpose of financing infrastructure projects, including those with a state agency member, such as the High-Speed Rail Authority (HSRA).

2) Requires, on or before January 1, 2027, the GO-Biz to commission a study on economic opportunities along the corridor of the California high-speed rail project and other high-speed rail projects in California that are planned to directly connect to the California high-speed rail project, and submit a progress report to the chairpersons of the Senate Committee on Transportation and the Assembly Committee on Transportation for input.

3) Specifies that, on or before January 1, 2028, the study described in 2), above, shall be completed and a report on the study's findings and recommendations shall be submitted to the appropriate policy and fiscal committees of the Legislature.

4) Requires the study to be submitted pursuant to 3), above, to be submitted in compliance with existing law.

5) Requires the study to do all of the following:

   a) Assess funding potential across a variety of funding mechanisms that can support the high-speed rail capital program or discrete system elements.

b) Explore potential development opportunities associated with expanded authorities within specific areas that accelerate development and maximize associated value.

c) Explore methods that will result in a direct community benefit to parcels adjacent to stations and parcels in communities along the corridor of the California high-speed rail project, including, but not limited to, creation of joint powers agreements, density bonuses, permitting and environmental efficiencies, and exemptions that help expedite development and increase property values.

d) Identify incentives for public-private partnerships.

e) Identify opportunities to secure federal funds, including federal loans.

f) Establish a specific radius or radii of contiguity within any portion of the corridor of the California high-speed rail project within which all properties would be eligible for participation in any identified infrastructure district that will maximize value and development potential.

g) Identify publicly owned parcels within the corridor of the California high-speed rail project, including surplus real property, that can be combined to increase their feasibility for development and opportunity for value capture.

h) Determine the feasibility of establishing an unlimited timeframe for the operation of any infrastructure district established along the corridor of the California high-speed rail project.

i) Identify available air rights around stations and other high-speed rail system structures for potential development and value capture opportunities.

j) Explore all of the following strategies to support development and maximize public benefit along the corridor of the California high-speed rail project:

   i) Identify methods to finance infrastructure and development near stations and throughout the corridor of the California high-speed rail project by forming infrastructure districts using existing tools, including, but not limited to, EIFDs and neighborhood infill finance and transit improvement areas (NIFTIs).

   ii) Evaluate opportunities for revenue-generating land uses in and around station areas and throughout the corridor of the California high-speed rail project that enhance public benefits and access to amenities on publicly owned land or infrastructure, including opportunities to support housing, commercial activity, transportation services, community facilities, and sustainable infrastructure.

   iii) Assess opportunities for goods movement along the corridor of the California high-speed rail project, including, but not limited to, linked parcel-carrying train cars or other cargo delivery arrangements.

k) Survey local cities and counties along the corridor of the California high-speed rail project to identify what economic incentives would motivate them to participate in a state-local partnership.

l) Quantify increases to the cost of housing, if any, and cost reductions that at least offset those cost increases, as determined by a survey of home builders and land developers who are members of the California Building Industry Association.

6) Specifies that the study shall consider both of the following:

a) Land value, development incentives, value creation, infrastructure districts, governance models, and methods that provide new revenue and produce the outcomes necessary for the completion of the high-speed rail project while more effectively connecting communities to existing modes of transportation and providing a direct benefit to local communities.

b) The integration of adjacent rail services and the development opportunities that can help advance the construction of the high-speed rail system.

7) Requires the study to also analyze the corridor of the California high-speed rail project against several boundaries to evaluate the effectiveness of a range of opportunities for value creations and value capture activities.

8) Specifies that an infrastructure district that uses its revenue to finance the construction of the high-speed rail project shall dedicate at least a majority of its revenue to infrastructure projects within the jurisdiction of the local agencies that establish the infrastructure district.

FISCAL EFFECT: According to the Senate Appropriations Committee in regards to a prior version of this bill:

The Governor’s Office of Land Use and Climate Innovation (LCI) estimates costs of in the range of $550,000 in 2026-27 and $209,000 in 2027-28, including $300,000 - $350,000 in one-time contract costs and 1.0 PY of staff time for two years.

COMMENTS:

1) **Bill Summary.** This bill requires, on or before January 1, 2027, GO-Biz to commission a study on economic opportunities along the corridor of the California high-speed rail project and other high-speed rail projects in California. GO-Biz must also submit a progress report to the chairpersons of the Senate Committee on Transportation and the Assembly Committee on Transportation for input. The study must be completed on or before January 1, 2028, and a report on the study’s findings and recommendations must be submitted to the appropriate policy and fiscal committees of the Legislature. Additionally, this bill requires an infrastructure district that finances the construction of the high-speed rail project to dedicate at least a majority of its revenue to projects within the jurisdiction of the local agencies that establish the infrastructure district. This bill is sponsored by the California Council of Laborers and the California-Nevada Conference of Operating Engineers.

2) **Author's Statement.** According to the author, "California is building the nation's first 220 mph, fully electrified high-speed rail system powered by 100% renewable energy. There will be massive development potential along the nearly 500-mile corridor. This transformative project has already created over 15,372 high-quality jobs, engaged 908 small businesses, and will prevent 142.6 million metric tons of carbon emissions through 2079.

   "This study will help guide the state to examine opportunities for major residential and commercial development in the High Speed Rail corridor, synergy that can help boost local communities' economy and pay for the infrastructure itself."

3) **California High-Speed Rail.** Development of high-speed rail in California began more than 20 years ago. SB 1420 (Kopp), Chapter 796, Statutes of 1996, created the High Speed Rail Authority (HSRA) to direct development and implementation of intercity high-speed rail service that would be fully coordinated with other public transportation services. The Authority is part of the California State Transportation Agency (CalSTA) and is governed by an eleven-member Board of Directors. The Governor appoints five members of the board, the Senate Rules Committee appoints two, and the Assembly Speaker appoints two. Additionally, the board includes two ex-officio, non-voting members, one member of the Assembly and one member of the Senate.

   In 2008, voters approved Proposition 1A, the Safe, Reliable, High-Speed Passenger Train Bond Act, a $9.95 billion general obligation bond to fund the proposed California high-speed rail project and related improvements. As envisioned at the time of the ballot measure, the project was to consist of an 800-mile dedicated high-speed passenger rail system capable of speeds up to 220 miles per hour, initially serving the major metropolitan market of San Francisco through the Central Valley into Los Angeles and Anaheim (Phase I), with service eventually extending to Sacramento, the Inland Empire, and San Diego (Phase II).

   When voters approved the bonds in 2008, costs for the entire project were estimated to be $45 billion, to be paid by a mix of state bonds, federal grants, and private investments. Since then, estimated costs for the project have risen markedly. The 2024 Business Plan estimates are a range between $106 billion to $127 billion.

4) **Local Infrastructure Financing.** Funding and financing local government infrastructure is a core responsibility for local governments. The ways in which local governments have addressed these responsibilities has changed over time. Until voters passed Proposition 13 in 1978, cities, counties, and special districts could generally set property tax rates on property within its jurisdiction without an aggregate cap. Local governments received property tax revenue resulting from the appropriate property tax rate fixed by the local governments, and could use that revenue to build infrastructure projects and meet other needs. If a local government wanted to pay to build infrastructure in an area it planned to develop, it could increase its property tax rates to pay for those projects. Local governments could also enact taxes by ordinance. Proposition 13 both limited the maximum amount of any ad valorem tax on real property at 1% of full cash value, and imposed voter approval requirements for local taxes. Despite the notable benefits to property owners, these changes hampered local governments' ability to address infrastructure needs related to new development.

5) **Redevelopment.** Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of redevelopment agencies (RDAs) to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment). Generally, property tax increment financing involves a local government forming a tax increment financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues that are generated when projects financed by the bonds increase assessed property values within the project area.

   To calculate the increased property tax revenues captured by the district, the amount of property tax revenues received by any local government participating in the district is "frozen" at the amount it received from property within a project area prior to the project area's formation. In future years, as the project area's assessed valuation grows above the frozen base, the resulting additional property tax revenues — the so-called property tax "increment" revenues — flow to the tax increment financing district instead of other local governments. After the bonds have been fully repaid using the incremental property tax revenues, the district is dissolved, ending the diversion of tax increment revenues from participating local governments.

   Prior to Proposition 13, very few RDAs existed; however, after its passage, RDAs became a source of funding for a variety of local infrastructure activities. Eventually, RDAs were required to set aside 20% of funding generated in a project area to increase the supply of low and moderate income housing in the project areas. At the time RDAs were dissolved, the Controller estimated that statewide, RDAs were obligated to spend $1 billion on affordable housing. At the time of dissolution, over 400 RDAs statewide were diverting 12% of property taxes, over $5.6 billion yearly.

   In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA) and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

6) **Attempts to Replace RDAs**. After the Supreme Court's 2011 Matosantos decision dissolved all RDAs, legislators enacted several measures creating new tax increment financing tools to pay for local economic development. The Legislature authorized the creation of EIFDs [SB 628 (Beall), Chapter 785, Statutes of 2014] quickly followed by CRIAs [AB 2 (Alejo), Chapter 319, Statutes of 2015]. Similar to EIFDs, CRIAs use tax increment financing to fund infrastructure projects. CRIAs may currently only be formed in economically depressed areas.

The Legislature has also authorized the formation of affordable housing authorities (AHAs), which may use tax increment financing exclusively for rehabilitating and constructing affordable housing and also do not require voter approval to issue bonds [AB 1598 (Mullin), Chapter 764, Statutes of 2017]. SB 961 (Allen), Chapter 559, Statutes of 2018, removed the vote requirement for a subset of EIFDs to issue bonds and required these EIFDs to instead solicit public input, and AB 116 (Ting), Chapter 656, Statutes of 2019, removed the voter requirement for any EIFD to issues bonds in favor of a formal protest process. SB 852 (Dodd), Chapter 266, Statutes of 2022, created climate resilience districts (CRDs), which can also utilize tax-increment financing. CRDs were also given the authority to issue general obligation bonds and impose special taxes. While these entities share fundamental similarities with RDAs in terms of using various forms of tax-increment financing, they differ in two significant aspects, 1) not having access to the school's share of property tax increment, and 2) not automatically including the tax increment of other taxing entities.

7) **Mello-Roos.** The Mello-Roos Community Facilities Act allows counties, cities, special districts, and school districts to levy special taxes (parcel taxes), with 2/3rds voter approval, to finance a wide variety of public works, including parks, recreation centers, schools, libraries, child care facilities, and utility infrastructure. A CFD issues bonds against these special taxes to finance the public works projects.

   In addition to financing public capital facilities, CFD special taxes can fund a limited list of public services: police services, fire protection, recreation programs, library services, museum operations, park maintenance, flood protection, hazardous waste cleanup, street and road maintenance, lighting of parks, parkways, streets, roads, and open space, plowing and removal of snow, and graffiti management and removal.

8) **Arguments in Support.** According to one of the sponsors, the California State Council of Laborers, "The high-speed rail project has already created thousands of jobs and will continue to drive economic growth through construction, operation, and increased business activity along the rail corridor. It's an investment in California's workforce and long-term economic prosperity and positons California as a global leader in innovative, forward-thinking transportation and technology. Transportation is California's largest source of greenhouse gas emissions, and the High-Speed Rail project is the backbone of California's GHG emission reduction plan. HSR offers a clean, electric-powered alternative to cars and planes, reducing carbon emissions, improving air quality, and helping California meet its ambitious climate targets.

   "By connecting urban centers like San Francisco and Los Angeles with growing regions like the Central Valley, High-Speed Rail eases pressure on urban housing markets. It opens affordable living options by linking residents to middle class job opportunities, fostering equitable growth. SB 545 sets the foundation for leveraging commercial and residential development along the high-speed rail corridor to create jobs, attract businesses, and generate revenue streams that will help fund construction, operations, and long-term maintenance. By requiring the Governor's Office of Business and Economic Development to, on or before January 1, 2027, examine strategies such as land value capture, development incentives, and public-private partnerships along the High-Speed Rail corridor, SB 545 will ensure California maximizes the economic potential of this transformative infrastructure investment."

9) **Arguments in Opposition.** Six individuals have written in opposition regarding the high-speed rail project in general.

10) **Double-Referral.** This bill is double-referred to the Assembly Transportation Committee, where it passed on 10-3 vote on July 7, 2025.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Council of Laborers [SPONSOR]
International Union of Operating Engineers, Cal-Nevada Conference [SPONSOR]
American Council of Engineering Companies
Associated General Contractors of California
California Alliance for Jobs
California Construction & Industrial Materials Association
California State Association of Electrical Workers
California State Pipe Trades Council
City of Fresno Mayor, Jerry P. Dyer
Climate Action California
Engineering & Utility Contractors Association (United Contractors)
Fresno Chamber of Commerce
Fresno County Economic Development Corporation
Green Policy Initiative
Housing Action Coalition
International Union of Operating Engineers
Move LA
Rebuild SoCal Partnership
San Joaquin Valley Manufacturing Alliance
Southern California Contractors Association
State Building & Construction Trades Council
Streets for All
Transportation California
U.S. High Speed Rail Association
Western States Council of Sheet Metal Workers

Opposition

6 Individuals

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958