



127385

DATE: January 29, 2026
TO: Redevelopment Dissolution Countywide Oversight Board of Santa Clara County
FROM: James R. Williams, County Executive
SUBJECT: Resolution to Authorize Execution and Implementation of Compensation Agreement

RECOMMENDED ACTION

Adopt Resolution authorizing the Successor Agency to the Redevelopment Agency of the City of Sunnyvale to execute and implement the Compensation Agreement relating to the disposition of the real properties known as the Sunnyvale Town Center public parking garage parcels (Assessor's Parcel Nos. 209-34-021, 209-34-025, and 209-35-014).

FISCAL IMPLICATIONS

Approval and full execution of the compensation agreement will reduce the future liability of the affected taxing entities and allow the Successor Agency to the Redevelopment Agency of the City of Sunnyvale to dissolve, reducing associated administrative costs and thereby freeing up additional property tax revenue to flow to the taxing entities.

REASONS FOR RECOMMENDATION AND BACKGROUND

Pursuant to Health and Safety Code section 34181(a)(1), the Successor Agency to the Redevelopment Agency of the City of Sunnyvale ("Successor Agency") is required to dispose of all assets of the former redevelopment agency. The last remaining properties the Successor Agency to the Redevelopment Agency of the City of Sunnyvale ("Successor Agency") has in its possession are three parcels from the former Redevelopment Agency that are all currently being utilized as public parking garages within the mixed-use development formerly known as the Sunnyvale Town Center.

After multi-year discussions between County and City of Sunnyvale ("City") staff, it was agreed that a transfer of the properties from the Successor Agency to the City would serve the public interest by enabling the Successor Agency to initiate the dissolution process in accordance with Health and Safety Code section 34187, which requires that all of the Successor Agency's debts are paid, its real property is disposed of, and any litigation is

resolved. Dissolving the Successor Agency would benefit all taxing entities¹ within the former Sunnyvale redevelopment area, including school districts, the County, and special districts, by ending the need to redirect former tax increment revenue to the Redevelopment Property Tax Trust Fund (RPTTF) and related costs, and by eliminating other staff time and resources associated with the existence of the Successor Agency, including administrative resources for the annual preparation, review, and adjudication of the Recognized Obligation Payment Schedule (ROPS).

Transferring the properties from the Successor Agency to the City requires a compensation agreement to be approved by all parties, including the City, Successor Agency, and all local taxing entities. On October 28, 2025, the City and Successor Agency adopted resolutions to approve the compensation agreement to allow the transfer of the three properties from the Successor Agency to the City. And, on January 13, 2026 (Item No. 33), the Board of Supervisors approved the compensation agreement, which must also be approved by the Oversight Board, the other taxing entities, and the DOF before taking effect and facilitating the Successor Agency's full dissolution.

County and City staff worked cooperatively on the compensation agreement to ensure it would benefit all parties' interests. The compensation agreement involves no payment or future revenue sharing with the affected taxing entities in exchange for releasing the taxing entities from future liability associated with underground perchloroethylene (PCE) contamination on the Murphy Avenue property, traced to a former dry-cleaning business. Upon transfer of the properties, the City will assume all liability for the property associated with the PCE contamination, and the taxing entities will be released from liability. Moreover, once the properties transfer and the Successor Agency dissolves, the Successor Agency's share of annual PCE monitoring costs—which have ranged from roughly \$8,000 to \$15,000 per year in recent years and are currently reimbursed by the ROPS—would be paid by the City outside of the ROPS process.

The PCE contamination under the Murphy Avenue garage was discovered in 2007 and underwent remediation efforts for several years. Currently, the PCE levels are low enough that the Regional Water Quality Control Board only requires monitoring. The Regional Water Quality Control Board has not, however, issued a “no further action” letter because the PCE levels are still higher than threshold levels. PCE exposure has been associated with various health problems, including kidney, liver, and bladder cancers, as well as reproductive and birth defects, neurotoxicity and other adverse health impacts, according to numerous scientific studies.

As reflected in the compensation agreement, the County has agreed that the City be reimbursed via the ROPS for the cost of a 10-year environmental liability insurance policy. Previous quotes obtained by the City range from \$200,000 to \$300,000 for a 10-year term.

¹ Taxing entities within the former Sunnyvale redevelopment area include the Fremont Union High School District, Sunnyvale Elementary School District, Santa Clara County Office of Education, Foothill-De Anza Community College District, County of Santa Clara, City of Sunnyvale, El Camino Healthcare District, Midpeninsula Regional Open Space District, Bay Area Air Quality Management District, and Santa Clara Valley Water District.

The ROPS submitted for the Fiscal Year 2026-2027 period does not include the cost of this insurance policy; once the compensation agreement is fully executed by all parties, an amended ROPS for FY 2026-2027 is anticipated to be submitted to the Oversight Board for approval to cover the cost of this insurance policy. At the end of the 10-year term, the City will be responsible for purchasing any subsequent environmental liability insurance policies.

In addition to the release of liability, ending the redirection of property tax revenue to the RPTTF, and reducing administrative costs, there are other potential benefits of the recommended action for the taxing entities. The City controlling these properties in the Sunnyvale Town Center increases their potential for redevelopment for higher-value uses over the long term, which would increase property tax revenue for all taxing entities.

The California State Legislature enacted Assembly Bill x1 26 to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code section 33000 et seq.), as amended by Assembly Bill 1484, Statutes of 2012, enacted June 27, 2012. Upon dissolution of the Sunnyvale Redevelopment Agency, the Successor Agency became the owner of all property owned by the former Redevelopment Agency. The three parcels in the proposed compensation agreement are the only remaining properties owned by the Successor Agency:

- 325 S. Taaffe St. (APN 209-34-021), also known as “Pear” or the Cityline Flats “F” garage, located on Block 1, Lot 3, of the Town Center project area.
- 225 S. Taaffe St. (APN 209-34-025), also known as “Orange” or the Cityline Flats “E” garage, located on Block 2, Lot 4, of the Town Center project area.
- 330 S. Murphy Ave. (APN 209-35-014), also known as the “Penney’s garage” or the AMC/Whole Foods garage, located on Block 5, Lot 2, of the Town Center project area.

CONSEQUENCES OF NEGATIVE ACTION

The Successor Agency would not be able to fully dissolve, and the affected taxing entities would not be released from liability associated with the PCE contamination.

STEPS FOLLOWING APPROVAL

Upon priority processing, the Clerk will return two signed copies to the Office of the County Executive, attention Brian Darrow, who will assist the City in securing approval and gathering signatures from the other taxing entities. Following receipt of all signatures, the Office of the County Executive will provide the Clerk of the Board’s Office with a conformed copy of the fully executed agreement for its records.

LINKS:

- Linked From: OB-2026-5 : Adopt Resolution to approve the Recognized Obligation Payment Schedule for period July 1, 2026 through June 30, 2027 for the Successor Agency to the Redevelopment Agency of the City of Sunnyvale.

ATTACHMENTS:

- Resolution Authorizing Execution and Implementation of Compensation Agreement regarding Remaining Sunnyvale Successor Agency Properties (PDF)
- Resolution_OB-2026-4_Resolution Authorizing Execution and Implementation of Compensation Agreement regarding Remaining Sunnyvale Successor Agency Properties_signed (PDF)