



May 14, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to Agreement for On-Call Commercial Real Estate Brokerage Services

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Overview

On August 24, 2020, the Orange County Transportation Authority Board of Directors approved an agreement with CBRE, Inc. for on-call commercial real estate brokerage services for leasing and disposing of anticipated excess land owned by the Orange County Transportation Authority. An amendment to the existing agreement is requested for continued on-call commercial real estate brokerage services for an additional six months.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-0-2160 between the Orange County Transportation Authority and CBRE, Inc., in the amount of \$268,000, for additional on-call commercial real estate brokerage leasing services and extend the term of the agreement for an additional six months through March 31, 2026. This will increase the maximum cumulative obligation of the agreement to a total contract value of \$318,000 for leasing services.

Discussion

The Orange County Transportation Authority (OCTA) owns various parcels of improved and vacant land in its existing property inventory or acquired as part of capital improvement projects. OCTA utilizes a commercial real estate brokerage consultant to provide real estate brokerage services to lease and/or dispose of the surplus land, to investigate real estate market conditions in the event OCTA needs to acquire real property on a voluntary basis only, and to service various parcels that include commercial, retail, industrial, and office facilities that may require marketing and leasing services. The current contract for these services is set to expire on September 30, 2025, and needs to be extended to provide for current ongoing needs as described below.

Commercial real estate brokerage services include, but are not limited to, conducting market analysis, the leasing and sale of excess land and facilities, and conducting negotiations on behalf of OCTA with potential renters and buyers. Compensation for real estate brokerage services is based upon a commission rate applied to the gross sales price achieved for each separate lease agreement or parcel sale.

CBRE, Inc.'s (CBRE) services are paid through escrow accounts linked to individual sales of excess land in an amount not to exceed \$1.75 million. Additionally, CBRE is paid a commission for leasing service based on the revenue generated by each lease agreement. The agreement also allows OCTA to pay CBRE, in an amount not to exceed \$50,000, for leasing services.

In August 2020, as part of eminent domain proceedings related to the Interstate 405 Improvement Project, OCTA acquired the California Department of Transportation airspace lease located at 16595 Magnolia Street (Magnolia) in the City of Westminster. The airspace lease includes an approximately 23,000 square-foot retail building which could not be accessed during construction. CBRE is responsible for marketing and leasing the site to retail businesses to generate income to offset the acquisition cost of the airspace lease. The leasing effort required for this property is now estimated to increase by \$268,000.

Between April 2019 and June 2022, OCTA also acquired three parcels as part of the Interstate 5 (I-5) Improvement Project between El Toro Road and State Route 73 (SR-73). The project is nearing completion, and the remnants of these vacant properties are no longer needed. In June 2025, OCTA staff will seek the Board of Directors' (Board) approval to declare the remnant parcels as surplus land and to dispose of the parcels in accordance with the Surplus Land Act. The disposal of surplus land historically takes about nine months to complete once the Board approves the process.

The current CBRE agreement option term expires on September 30, 2025. The agreement is recommended to be extended through March 31, 2026, to allow CBRE to continue to provide real estate brokerage services related specifically to the Magnolia property and to also allow for the marketing, sale negotiations, and escrow process to be completed for the disposal of surplus land related to the I-5 Improvement Project between El Toro Road and SR-73. Staff is also developing a new request for proposals to solicit a new on-call commercial real estate brokerage services agreement to be in place before the end of March 2026. The planned new agreement scope of work will include other potential future surplus land sales, leasing services for the Magnolia air space lease building, and potential real estate brokerage services for the new OCTA headquarters building located at 2651 and 2677 N. Main Street, Santa Ana.

Procurement Approach

The original procurement was handled in accordance with the OCTA Board-approved procedures for professional and technical services. On August 24, 2020, the Board approved an agreement with CBRE for an initial three-year term, with a two-year option term with funding through the proceeds received from the lease and sales revenue and \$50,000 for work done, as needed, on a time and expense basis. This agreement has been previously amended as shown in Attachment A.

CBRE's commission is based on a tiered structure that determines the reimbursement amount from proceeds of negotiated leases or proceeds generated from the sale of surplus property (Attachment B). The same commission schedule will continue to be in effect under the proposed amendment.

Proposed Amendment No. 2 to Agreement No. C-0-2160, in the amount of \$268,000, will bring the total contract value for leasing services to \$318,000, and extend the term of agreement by six months through March 31, 2026, allowing for continued on-call commercial real estate brokerage services.

Fiscal Impact

Funding for the leasing services in this contract extension is not included in OCTA's Proposed Fiscal Year 2025-26 Budget, Capital Programs Division. The funds for payment for this procurement will be deducted from the proceeds received from the lease revenue and sales revenue of the specific program related to each OCTA-owned parcel and/or facility.

Summary

Staff requests Board of Directors' authorization for the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-0-2160 between the Orange County Transportation Authority and CBRE, Inc., in the amount of \$268,000, for additional on-call commercial real estate brokerage services and extend the term of the agreement for an additional six months through March 31, 2026.

Attachments

- A. CBRE, Inc. Agreement No. C-0-2160 Fact Sheet
- B. Commission Rate Schedule

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