



July 16, 2026

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Approval to Sell Surplus Land for the Interstate 5 Improvement Project Between State Route 73 and Oso Parkway

Overview

The Orange County Transportation Authority's Interstate 5 Improvement Project between State Route 73 and Oso Parkway required the acquisition of property rights from public and private parties, adjacent to the existing freeway and city streets. Approximately 24,434 square feet of vacant commercial property located at the southwest corner of Marguerite Parkway and Avery Parkway in the City of Mission Viejo and identified as a portion of assessor parcel nos. 740-014-01 and 740-014-05, is recommended to be sold as surplus land by the Orange County Transportation Authority. Therefore, staff is seeking approval to sell the vacant land as surplus land under the Surplus Land Act (Government Code Section 54220 et seq.).

Recommendations

- A. Direct staff to sell the surplus land located within the Interstate 5 Improvement Project between State Route 73 and Oso Parkway.
- B. Authorize the Chief Executive Officer to negotiate and execute the necessary documents to complete the sale of the surplus land for the offer price of \$1,950,000.

Background

The acquisition of public and private properties is often required to implement transportation projects, even though extensive efforts are made during the planning and design process, to avoid or minimize the impacts to public and private properties. Cooperative Agreement No. C-5-3661 between the Orange County Transportation Authority (OCTA) and the California Department of Transportation (Caltrans) was approved by the Board of Directors (Board) on May 9, 2016, and amended on October 25, 2022. This cooperative agreement

defined the roles and responsibilities of OCTA and Caltrans for final design, construction, and right-of-way (ROW) acquisition for the Interstate 5 (I-5) Improvement Project between State Route 73 and Oso Parkway (Project). Pursuant to the cooperative agreement, Caltrans is the lead implementing agency for ROW acquisition for the Project, and OCTA is the lead agency for property management and for disposing of any OCTA-owned surplus property.

The approved design for the Project required the acquisition of improved commercial properties located adjacent to the Project to accommodate the reconstruction of the Avery Parkway interchange at I-5. Construction of the Project is now complete; therefore, a portion of remaining property as acquired is no longer needed for the Project, resulting in the creation of surplus land (Attachment A). OCTA staff recommends the Board authorize the Chief Executive Officer to execute the necessary documents to complete the sale of the surplus land located at the southwest corner of Marguerite Parkway and Avery Parkway, in the City of Mission Viejo (City), portion of assessor parcel nos. 740-014-01 and 740-014-05 (Attachment B).

Discussion

The Project required acquisition of a commercial property located at the southwest corner of Marguerite Parkway and Avery Parkway. The property was needed to accommodate construction of the I-5 northbound off-ramp and improvements to Avery Parkway. The surplus land is approximately 24,434 square feet of vacant property that is no longer needed for the Project and not planned to be used by OCTA. Staff has analyzed the potential uses for the surplus land and determined that it is not necessary for any highway-related purposes or other OCTA uses.

The Surplus Land Act (SLA) defines surplus land as “land owned in fee simple by a local agency for which the governing body takes formal action in a regular public meeting declaring that the land is surplus and is not necessary for the agency’s use.” Under the SLA, an “agency’s use” includes, but is not limited to, land that is being used or is planned to be used pursuant to a written plan adopted by the local agency’s governing board (Government Code Section 54221). The SLA requires OCTA to send notices of availability of surplus land to local public entities and housing sponsors and to engage in good-faith negotiations with any parties that, within 60 days, express interest in purchasing or leasing the land for purposes specified in the SLA.

On June 23, 2025, the Board formally declared the property as surplus land pursuant to Government Code Section 54221 and directed staff to seek and negotiate with potential buyers interested in the purchase of the surplus land. Per the SLA, OCTA staff mailed notices of availability on September 9, 2025. OCTA received one written letter of interest from the City expressing interest in

purchasing the surplus land. OCTA corresponded with City staff; however, in April 2026, the City informed OCTA they will not be purchasing the surplus land. Thereafter, as further required by the SLA, OCTA provided information regarding the proposed sale to the California Department of Housing and Community Development (HCD), including the mandatory affordable housing restrictions to be recorded on the property. On February 27, 2026, HCD determined that OCTA met all the requirements under the SLA and OCTA can proceed with the proposed disposition of the land (Attachment C).

Sale of the surplus land is being conducted in accordance with the SLA, OCTA's Real Property Policies and Procedures, and Caltrans guidelines. The property was appraised by a qualified appraiser on October 24, 2024, with a value of \$1,710,000. OCTA used the services of its consultant, CBRE, Inc. (CBRE), for commercial brokerage services to facilitate the sale of the surplus land. CBRE was contracted by OCTA to seek potential buyers and conduct negotiations to recommend a qualified buyer to acquire the surplus land. On June 3, 2026, CBRE received a Letter of Intent (LOI) from a potential buyer to purchase the surplus land in the amount of \$1,950,000 (Attachment D). The LOI outlines the general terms and conditions upon negotiating a definitive purchase and sale agreement. The potential buyer shall have 30 days to close escrow. The potential buyer has agreed to pay half the escrow and closing costs for this transaction, less a commission proposed by CBRE, which shall be paid by OCTA through escrow. As part of the LOI, CBRE presented OCTA staff with a reasonable commission rate at four percent of the purchase price, or \$78,000.

Fiscal Impact

Proceeds from the surplus land sale will be returned to the local Measure M2 fund.

Summary

Staff recommend the Board of Directors direct staff to sell the surplus land located within the Interstate 5 Improvement Project between State Route 73 and Oso Parkway and authorize the Chief Executive Officer to negotiate and execute a purchase and sale agreement with the potential buyer for the sale price of \$1,950,000.

Attachments

- A. Photo Aerial Exhibit
- B. PSOMAS Exhibit "A1" Legal Description
- C. Letter from Lisa Krause, Section Chief, Surplus Land Act, Housing Accountability Unit, to Cassie Trapesonian, Woodruff & Smart, APC, dated February 27, 2026, re: Orange County Transportation Authority – APNs 740-014-01 & 740-014-05 - Surplus Land Act Findings Letter
- D. Letter from Justin McMahon, Senior Vice President, CBRE Inc., to Maggie Quon, OCTA, dated June 3, 2026, re: Proposal to Purchase – DKAY Holdings, LLC, 28681 Marguerite Pkwy & 26242 Avery Pkwy, Mission Viejo, CA 92692 ("Property")

Prepared by:



Joe Gallardo
Manager, Real Property
(714) 560-5546

Approved by:



James G. Beil, P.E.
Executive Director, Capital Programs
(714) 560-5646