



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: NOVEMBER 4, 2025

DEPARTMENT: ADMINISTRATION

FROM: LISA MURPHY, ASSISTANT CITY MANAGER
CHRISTOPHER A. CALLIHAN, CITY ATTORNEY

TITLE: AMENDMENT TO GROUND LEASE
(1410 NORTH MAIN STREET)

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing the Mayor to enter into an amendment to the Ground Lease between the City of Salinas and PenFed Credit Union related to the property located at 1410 North Main Street, Salinas, to extend the time period for PenFed Credit Union to identify a suitable subtenant.

EXECUTIVE SUMMARY:

The City of Salinas (City) originally owned two adjacent parcels of land located at 1400 North Main Street and 1410 North Main Street. The property located at 1400 North Main Street is the site of the new El Gabilan Library and, pursuant to a Ground Lease between the City and allUS Credit Union, the property located at 1410 North Main Street is the site of the PenFed Credit Union building.¹ PenFed has discontinued its business operations in Salinas and is in the process of identifying another federally chartered credit union to sub-lease the building. PenFed has requested the City provide additional time for them to identify a proper subtenant. City Administration supports this request. Pursuant to the terms of the Ground Lease, any amendments require Council approval.

BACKGROUND:

The City originally owned the properties located at 1400 North Main Street and 1410 North Main Street. 1400 North Main Street was the site of the former El Gabilan Library and is the site of the new El Gabilan Library. During the pre-development phase of the new El Gabilan Library, allUS Credit Union informed the City that it needed to relocate from its former location at the Salinas Train Station due to the development of the Intermodal Transportation Center. As a result of both parties needs for new facilities, the City and allUS Credit Union mutually determined there were benefits to developing the two projects (the new El Gabilan Library and the new allUS Credit Union building) on the two properties. The City and allUS Credit Union thus entered into a Ground Lease on July 9, 2015, pursuant to which the City agreed to lease the property located at 1410

¹ PenFed Credit Union is the successor to allUS Credit Union under the Ground Lease.

North Main Street to allUS Credit Union. A copy of the Ground Lease is attached to this Report. To assist the City with the costs of developing the new El Gabilan Library, allUS Credit Union paid the full amount of lease payments due to the City under the Ground Lease in the amount of approximately \$4,000,000. allUS Credit Union, and later PenFed Credit Union, have been great tenants of the building and great neighbors of the library.

PenFed Credit Union recently informed the staff that it would stop conducting business within the City and that it was looking to find a suitable replacement tenant to occupy and to conduct business from the building. A copy of PenFed Credit Union's October 14, 2025, letter is attached to this Report. The Ground Lease limits the use and occupancy of the building to financial institutions facilities and community meeting rooms. The Ground Lease further prohibits the building from being vacant and unused for a period longer than three months. PenFed Credit Union has been diligently working to find a subtenant who meets the limitations of the Ground Lease but needs additional time. PenFed Credit Union has requested an additional three months (for a total of six months) to identify a suitable subtenant. This change requires an amendment to the Ground Lease. City Administration is supportive of this request and is confident PenFed Credit Union will identify a suitable subtenant and recommends the City Council approve the proposed amendment. A proposed Amendment to the Ground Lease is attached to this Report.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

Yes.

STRATEGIC PLAN INITIATIVE:

The City Council's approval of the proposed amendment to the Ground Lease supports the City Council's goal of Economic Development by supporting an established business (City of Salinas Strategic Plan 2025-2028).

DEPARTMENTAL COORDINATION:

The City Manager's Office coordinated with the City Attorney's office on the Ground Lease Amendment and on this report.

FISCAL AND SUSTAINABILITY IMPACT:

There is no direct fiscal impact to the City's General Fund associated with this item.

Fund	General Ledger Number (Operating/CIP)	General Ledger Account Name	Remaining Budget Appropriation	Amount Requested
n/a	n/a	n/a	n/a	n/a

ATTACHMENTS:

Resolution
Letter from PenFed Credit Union
Ground Lease
Ground Lease Amendment

RESOLUTION NO. _____ (N.C.S.)

**A RESOLUTION AUTHORIZING THE MAYOR TO ENTER INTO AN AMENDMENT
TO THE GROUND LEASE BETWEEN THE CITY OF SALINAS AND PENFED
CREDIT UNION RELATED TO THE PROPERTY LOCATED AT 1410 NORTH MAIN
STREET**

WHEREAS, the City of Salinas (City) and allUS Credit Union (allUS) first entered into a Ground Lease on July 9, 2015, pursuant to which the City leased the property located at 1410 North Main Street to allUS so they could develop a new building to serve their Salinas customers; and

WHEREAS, PenFed Credit Union (PenFed) is the successor in interest to allUS under the Ground Lease and has indicated to the City they are looking to find a suitable subtenant which will be a chartered credit union; and

WHEREAS, the City and PenFed desire to amend the Ground Lease to allow PenFed an additional three months (for a total of six months) to identify a suitable subtenant;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF SALINAS that the Mayor of Salinas is hereby authorized, for and on behalf of the City, to enter into an amendment to the Ground Lease as set forth in the attached “Amendment to Lease Agreement.”

PASSED AND APPROVED this 4th day of November, 2025, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Dennis Donohue, Mayor

ATTEST:

Patricia M. Barajas, City Clerk

Attachment: Amendment to Lease Agreement