



Legislation Details (With Text)

File #: 100607 **Version:** 22 **Name:** Acquisition of C. R. Layton United States Army Reserve Center at 1125 Northeast 8th Avenue (B)

Type: Discussion Item **Status:** Passed

File created: 9/24/2012 **In control:** City Manager

On agenda: 2/15/2018 **Final action:** 2/15/2018

Title: Phalanx Defense Systems, LLC - Debt Forgiveness Request (B)
The City Commission review the Phalanx Defense Systems, LLC request for debt forgiveness.

Sponsors:

Indexes:

Code sections:

Attachments: 1. 100607A_Lot Split-Boudary Survey_20180201.pdf, 2. 100607B_Contract - Army Reserve- Fully signed_20180201.pdf, 3. 100607C_Deed - Recorded_20180201.pdf, 4. 100607D_Easement - Recorded_20180201.pdf, 5. 100607E_Mortgage - Recorded_20180201.pdf, 6. 100607F_Promisorry Note_20180201.pdf, 7. 100607G_Copy of Armory_20180201.pdf, 8. 100607H_Phalanx Forgiveness of Debt Letter_20180201.pdf

Date	Ver.	Action By	Action	Result
2/15/2018	22	City Commission	Approved as Recommended	Pass
11/17/2016	19	City Commission	Approved as Recommended	
9/1/2016	18	City Commission	Approved as Recommended	Pass
8/18/2016	17	City Commission	Heard	
6/16/2016	16	City Commission	Approved as Recommended	Pass
5/19/2016	14	City Commission	Approved as Amended	Pass
2/4/2016	13	City Commission	Approved as Recommended	Pass
2/1/2016	12	Recreation, Cultural Affairs and Public Works Committee	Discussed	
12/17/2015	11	City Commission	Approved as Amended	Pass
12/10/2015	10	Recreation, Cultural Affairs and Public Works Committee		
8/20/2015	8	City Commission	Approved as Recommended	Pass
8/13/2015	8	Recreation, Cultural Affairs and Public Works Committee	Approved as Recommended	
5/14/2015	7	Recreation, Cultural Affairs and Public Works Committee	Approved by Consensus	
12/18/2014	6	City Commission	Approved as Recommended	
11/13/2014	4	Recreation, Cultural Affairs and Public Works Committee	Approved, as shown above - See Motion(s)	Fail
9/24/2012	3	Recreation, Cultural Affairs and Public Works Committee	Discussed	
9/24/2012	3	Recreation, Cultural Affairs and Public Works Committee	Discussed	
7/7/2011	2	City Commission	Approved as Recommended	Pass

2/24/2011	1	Recreation, Cultural Affairs and Public Works Committee	Discussed	
12/16/2010	0	City Commission	Referred	Pass

Phalanx Defense Systems, LLC - Debt Forgiveness Request (B)

The City Commission review the Phalanx Defense Systems, LLC request for debt forgiveness.

On May 19, 2016, the City Commission approved the ranking of proposals for the “Reuse/Development of the Former U.S. Army Reserve Property” and authorized City staff to begin negotiations with the top proposer Phalanx Defense Systems.

On September 1, 2016, the City Commission authorized the City Manager to execute a Purchase and Sale Agreement with Phalanx Defense Systems, LLC for disposition of the subject property in the amount of \$635,000 (the appraised market value of the northern portion of the subject property).

The purchase was secured by a mortgage provided by Phalanx Defense Systems, LLC to the City of Gainesville in the amount of \$635,000 at a zero (0%) percent interest rate payable within 10 years (September, 2026), if not paid earlier or forgiven. In addition, a note dated the same date as the First Mortgage (September, 7, 2016) provided the terms under which debt forgiveness could be provided.

This included a maximum total amount of the loan eligible for forgiveness in the amount of \$535,000 in qualified actual expenditures for repair, remediation, and improvements on the property and a maximum for qualified new full time job creation and retention.

As of April, 2017, approximately \$533,000 in various building repair, remediation and improvements had been put into the Army Reserve Property (see back-up spreadsheet provided by Phalanx and confirmed by staff) exceeding the aforementioned \$335,000 improvement figure by approximately \$200,000; as of December, 2017, five (5) new jobs have been created with two (2) additional jobs slated to be created by January/February, 2018 which depending on how classified would be less than the full credit allocation of \$200,000 for employment creation.

It should be noted that a special warrant deed provided two (2) rights of reverter clauses (regarding completion of building improvements within 18 months and occupancy of the building for business operations for ten (10) years) and a right of first refusal.

Phalanx Defense Systems, LLC is requesting the City Commission forgive the entirety of the debt at this time (per letter dated 9/27/17) in order to allow for company growth based upon the ability to secure increased capital lines of credit. This growth is related to the company’s recent development of intellectual property in a related market space and the opportunity this may afford to enter into a strategic partnership with a major corporate partner.

Staff is recommending forgiveness of the portion of the debt regarding implementation of building repair, remediation and improvements at this time as they are self-evident and their magnitude has been confirmed by staff. The job creation component is still indeterminate at this time though progress is being made and further opportunities are reported by Phalanx to be imminent.

If the City Commission endorses staff recommendation then the \$335,000 in qualified actual expenditures for repair, remediation, and improvements would be forgiven with the balance outstanding.

The City Commission: 1) hear a brief presentation from staff; 2) direct staff to forgive the portion of debt regarding implementation of building repair, remediation and improvements in the amount of \$335,000 and; 3) direct staff as appropriate on the job creation portion forgiveness of debt and overall debt forgiveness.