



## Legislation Text

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**File #:** 100607, **Version:** 22

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### **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.