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12/3/2020	1	City Commission	Approved as Recommended	Pass

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

The City Commission review the Phalanx Defense Systems, LLC request for overall 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 zero (0%) percent interest 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 regardless of Phalanx's actual expenditures or number of qualified jobs actually created. This was inclusive of a maximum cap of $335,000 towards qualified actual expenditures for repair, remediation, and improvements on the property and a maximum cap of $200,000 for qualified new full time job creation and retention.

On February 15, 2018, the City Commission approved the forgiveness of $335,000 due to Phalanx Defense Systems actual expenditures of approximately $533,000 in various building repair, remediation and improvements put into the Army Reserve Property.

Recently, Phalanx Defense Systems, LLC has provided a letter certifying employment of 23 individuals based upon the tiered system that defines the status of the employee and the associated amount of forgiveness eligible

to be granted under provisions of the note; a total not to exceed $120,000 may be available to be forgiven subject to further audit/verification of required documentation.

In addition, Phalanx Defense Systems provided a requested pedestrian path and bike trail over the eastern portion of the Premises, leading to CITY owned property south and adjacent to the Premises valued at roughly $20,000 and though not contemplated in the note's forgiveness provisions that forgiveness could be considered at this time should the City Commission desire to do so.

Phalanx Defense Systems, LLC is requesting that the City Commission forgive the entirety of the debt at this time based upon the aforementioned job creation and other building and community investments.

In the event the City Commission wishes to grant full debt forgiveness per Phalanx Defense Systems, LLC request in the amount of $300,000, rather than the maximum eligible $200,000 (for a total of $535,000) remaining per executed documents, the City Commission would waive its right to the $100,000 payment at maturity.

The City Commission: 1) hear a brief presentation from staff; 2) direct staff to forgive a portion of the debt regarding job creation in an amount not to exceed $120,000 based upon further audit/verification of required documentation; 3) direct staff to forgive a portion of the debt in the amount of $20,000 for provision of a City requested pedestrian path and bike trail over the eastern portion of the Premises; and 4) direct staff on overall requested debt forgiveness.

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