



Legislation Text

File #: 210141., **Version:** 2

Phalanx Defense Systems, LLC - Requested Lender Modification (B)

The City Commission approve the Phalanx Defense Systems, LLC modification of lender terms associated with occupation of the Armory building located at 1125 NE 8th Avenue.

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.

On December 3, 2020, Phalanx Defense Systems, LLC made a request for forgiveness of the qualified new full time job creation and retention component of the controlling note.

Staff recommended and the Commission approved that a portion of the allowable forgiveness be provided if verification of required documents could be secured however, this was not the case based upon subsequent staff review.

On July 19, 2021, staff informed the City Commission that it had been approached by a representative of Phalanx Defense Systems, LLC with an opportunity to attract a bio-medical company to the armory building based in Cambridge, Massachusetts with an existing footprint in Gainesville and staff sought input into whether the City Commission was interested in modifying the original loan terms to accommodate this entity.

The City Commission directed the City Manager to accommodate the request and change reverter #2 to allow

sublease to include no vacancy no more than two months and to include and keep portions of the reverter that allows the City to purchase the building back (the period of time to get permits does not count against buildings in terms of the two month provision). The attached legislation effectuates these changes.

Goal 4: Resilient Local Economy - Attract New Business to Gainesville

There is an obligation to the City remaining in the amount of \$300,000 per the originally executed documents, (\$200,000 that can be forgiven based upon job creation/retention and then a remaining \$100,000 due at maturity in 2026).

The City Commission approve the Amended Special Warranty Deed and authorize execution by the Mayor.