

**APCO INTERNATIONAL  
NEW HEADQUARTERS TASK FORCE  
REPORT**

**NAME**

New Headquarters Task Force

**PURPOSE**

The purpose of the New Headquarters Task Force is to examine APCO International's needs for new and future office space requirements, and to explore alternatives for a new headquarters in the Daytona Beach area. The work of the task force is based on the fact that APCO's current headquarters is too small for present needs, and the Council had already approved the acquisition of another headquarters building within the last nine months.

**TASK FORCE MEMBERS**

- Chris Bevevino      Executive Director
- Tim Ryan            Chief Financial Officer
- Ali Shahnami        AFC Director
- Lynn Miles          Assistant Conference Director
- Chuck Russo        Instructional Designer
- Ann Mellon          Executive Assistant
- Ray Barnes          Building Superintendent

**PROCESS**

The New Headquarters Task Force began its work in March, 1998 and has met on a regular basis to review its findings. The first task was to gather subjective employee views on office space needs and then to quantify those needs by estimating employee numbers in the year 2000. Based on those numbers, a rough calculation was compiled to determine the number of office spaces, meeting rooms, general utility areas and storage.

The current headquarters occupies 10,500 square feet and estimates for the year 2000 and beyond place the requirement between 12,000 and 15,000 square feet. Allowing for long-term expansion, the requirement might be as high as 18,000 to 20,000 square feet at a maximum.

Contact was made with APCO's banking representative, Larry McDermott of SunTrust Bank, to help in the process of:

- 1)      Introducing APCO to local developers.

- 2) Assessing the availability of existing office space in the area.
- 3) Discussing the pros and cons of lease versus purchase/build options.

The task force investigation with the help of SunTrust resulted in the following:

- 1) Discussions were held with several local developers who have outstanding reputations, and who have available building sites on which they would build to suit. These sites are in the growth areas of Ormond Beach to the north and Port Orange to the south. Any build to suit situation would result in APCO leasing the required space at current market rates of \$14-\$16 per square foot.
- 2) Because the commercial office real estate market in the Daytona Beach area is very tight and is expected to remain that way for three to four years, there are few, if any, suitable existing buildings available for purchase. Any real estate purchase would result in upgrading/modification time and cost.

An example of this was APCO's attempted purchase of an older existing building in late 1997 for a cost of \$700,000+ and estimated expenditures of \$500,000 for modifications, upgrading and ADA compliance work. The Council had approved this purchase, and in the past had authorized up to \$1.5 million for headquarters acquisition.

- 3) SunTrust Bank recommended very strongly that APCO purchase or build a new headquarters as opposed to leasing space. This argument is reinforced by the availability of tax-exempt financing and the potential for sublease income generation in a purchase/build situation.

### **ENGAGING A CONSULTANT**

Due to the complexity of APCO building its own new headquarters, a local consultant was engaged to assist APCO with such things as land acquisition (purchase or lease), financing alternatives and sources, design and construction considerations.

The consultant is David Neubauer who comes to APCO highly recommended by the association's auditing firm, legal counsel, and bankers. Neubauer is very experienced in all phases of commercial construction in the Daytona Beach and central Florida area. His curriculum vitae and letters of recommendation are attached to this report.

On the advice of the consultant and APCO's bank representative, three options for a new headquarters were explored. The objective was to narrow the options down so that the focus could be placed on the one most suitable option for APCO.

#### **Option I**

The first option examined was with the City of Port Orange. Port Orange is a small community immediately south of South Daytona. The city owns a large

plot of land upon which it has developed its current municipal complex. Several lots are available for development and the city is actively seeking suitable organizations to build and occupy offices within the city complex. A meeting was held with the City Manager and the proposal for APCO to develop an office building was presented. The city was very receptive to the proposal and would be willing to offer a long-term land lease for an APCO building site. An office building in Port Orange could be either owned by APCO or could be built for APCO by a commercial developer and leased to the association. The Port Orange site is not convenient to hotels, conference space, restaurants, etc.

#### Option II

The second option examined was with a local real-estate development company. The Root Company Incorporated is an old, well established company in the Daytona Beach area. The company has plans to develop an office campus complex in Ormond Beach for completion in 1999. Meetings were held with Root representatives, and the company made a proposal for APCO to occupy an office building within the complex. The site of the complex was visited and leasing rates were proposed. In this proposed scenario, APCO would be a long-term leasing tenant within a Root Company owned building. The lease rate would be approximately \$17/sq. ft.

#### Option III

The final option explored was a joint venture plan with Embry-Riddle Aeronautical University. This internationally recognized university is located adjacent to the Daytona Beach International Airport on property owned by the Federal Aviation Administration and managed by the County of Volusia. The university occupies 38 buildings on 164 acres leased from the County. The leases are long term (30+ years) and renewable. There are a number of undeveloped sites on property leased by Embry-Riddle. An initial meeting was held with Steve Sliwa, president of Embry-Riddle, to seek possible office building development scenarios on University property. There were a number of options discussed including several site locations as well as several options for ownership and/or joint tenancy of a new building. These discussions have continued and the options have been narrowed.

### **ZEROING IN ON THE BEST OPTION**

#### Why Embry-Riddle?

The task force, along with APCO's consultant and banker, believe the Embry-Riddle option provides the very best solution for APCO. Therefore, the association's senior staff (Executive Director and Chief Financial Officer) have been concentrating on defining all the parameters of this option. Stated briefly, here are the major reasons why this option makes the most sense for APCO:

- A linkage with Embry-Riddle University provides significant synergies for shared conference space, class rooms, laboratories and research resources and personnel.

- The proposed site will be adjacent to a major new hotel with expanded conference space.
- The university/airport area adjacent to International Speedway Blvd. is the most prime location in the entire Daytona Beach area. It is immediately accessible to Interstate 95, and real estate values will be maintained if not appreciate. The university would want the first option to buy the building if APCO ever wanted to sell.
- Attractive below-market tax-exempt financing is available for the site, making the project cost effective. There is also the possibility that APCO's new headquarters would be exempt from real estate taxes.
- If the university or others were to lease some of APCO's building (planned for APCO's future expansion), the income generated would pay for the financing required for construction.
- The location and university relationship add greatly to APCO's prestige.

#### **DISPOSITION OF CURRENT APCO BUILDING**

Another task was to engage a real estate broker to pursue the sale of the current headquarters building. The consultant recommended a local broker and a listing is currently in effect. The building has been shown to a number of interested parties, and several options for the sale have been discussed.

#### **FINANCING ALTERNATIVES**

The investigation of alternative financing options has also been completed. There have been meetings and discussions with the SunTrust Bank of Florida, *Enterprise Florida*, and the SouthTrust Bank. *Enterprise Florida* is a not-for-profit entity created by the State of Florida. Its purpose is to facilitate and encourage economic development by providing tax exempt financing for eligible projects. The two banks considered have also provided various options for tax exempt financing.

#### **DISCUSSION WITH ARCHITECTURAL FIRMS**

The process of selecting an architectural firm has also begun. There have been two firms identified by the consultant and both firms have been contacted. A meeting was held with one of the firms, and another meeting will be scheduled with the second firm. One of the two firms will be selected and engaged to develop construction plans as soon as the building site has been selected.

## FINDINGS/CONCLUSIONS

### APCO should:

- Build its own new headquarters building with enough space for future growth needs.
- Pursue the Embry-Riddle option with all available speed and secure the best site adjacent to the university/airport.
- Begin work with qualified architect for design and construction specifications.
- Sell APCO's existing headquarters building as quickly as possible with appropriate lease-back provision to protect APCO's operations until new headquarters is complete. APCO's current headquarters is owned debt free. It was purchased in 1991 for \$425,000 and can be sold for an estimated \$600,000.
- Secure the best available tax-exempt financing package for construction of new headquarters.

\$100 A

Noise abatement  
Parking?

interest income =  
rent payment

4.75%

## RECOMMENDATIONS

- The Council, at its August 1998 meeting, can approve the new headquarters project in principle only (without making final commitments) and authorize the Board of Officers and staff to proceed with:
  - Sale of APCO's existing headquarters
  - Acquisition of new headquarters site
  - Pursuing best financing package
- The APCO president elect should appoint a member task force for consultation/review on new headquarters design and construction.
- Following the August 1998 meeting, the Council can ratify by the 30-Day Rule:
  - The sale of APCO's existing headquarters if acceptable contract offer is made.
  - The acquisition of an appropriate building site adjacent to Embry Riddle University.
- The Council, at its March 1999 meeting, can approve final plans for APCO's new headquarters building.

- what is the lease rate for the land?

Hooked in Daytona?

What is the financial stability of the company purchasing our building - ? are they selling any other property?  
Do we have to pay rent on the site at E-R? YES

which process -  
General Contractor vs. Constructi  
ngt.

POTENTIAL TIME LINE

- Sale of existing headquarters July-Dec. 1998
- Acquisition of new headquarters site Sept.-Dec. 1998
- Secure financing package Sept.-Dec 1998
- Final Council review/approval March, 1999
- Architectural phase Jan.-June 1999
- Select construction contractor March-June 1999
- Permitting process, etc. May-June 1999
- Construction June-Dec. 1999
- Headquarters completion/occupancy Jan.-March 2000

may want to  
move date up

## David F. Neubauer

Post Office Box 4174, Ormond Beach, Florida 32175  
904 672 5550; 673 6307 FAX; dneubauer@compuserve.com

1995 - Present: Investor

Corporate Affiliations: Chairman and Vice president,  
Andretti SuperKarts, Daytona Beach

Director and Vice President  
Motorsports Entertainment Group, Inc., Daytona Beach

President, DWN, Inc., Manager,  
Natural Water L.C.

Member: Numerous real-estate partnerships

Projects: Shopping Centers:  
Crystal Square, Silver Springs Shores  
Ocala North Shopping Center, Ocala  
Walgreens Store, Daytona Beach  
Orange Lake Center, Orange Lake  
Towne Square Shopping Center, Gainesville  
Granada Plaza, Ormond Beach  
Ellenor Village, Ormond Beach  
The Forest Center, Lynn  
Mariner Towne Square, Spring Hill  
Mariner Towne Center, Spring Hill

Office Buildings  
State Farm Office Building, Sebring  
Allstate Insurance Building, Daytona Beach  
275 Williamson Office Building, Daytona Beach  
Palm Coast Office Building, Palm Coast

Commercial Land Projects  
Maricamp Pine  
France Property Partners

1987-1995 President, Charles Wayne Properties, Inc. a real estate development company.

Affiliations: International Council of Shopping Centers  
Board of Realtors; Licensed Real Estate Broker

Other Affiliations: Shepherd Care Ministries, Inc., Hollywood, Florida  
Center for the Visually Impaired, Daytona Beach  
Trustee, Museum of Arts and Sciences

# **BK&A**

**Bolerjack, Keyes & Associates PA**

Members of the  
Florida Institute of  
Certified Public Accountants

Members of the  
American Institute of  
Certified Public Accountants

May 8, 1998

Association of Public-Safety Communications  
Officials-International, Inc.  
Attn: Mr. Christopher Bevevino, Executive Director  
2040 S. Ridgewood Avenue  
South Daytona, FL 32119

Dear Mr. Bevevino:

I would like to forward information to you in regards to the real estate developer that I recommended for the Association's office building development and construction. His name is David F. Neubauer. I have known him for many years in both his capacity as a real estate developer and community service leader. David began with ITT, a large land developer in Miami, Florida and came to this area in 1978 with ITT. He left ITT and became the President of Charles Wayne Properties, Inc. He currently does construction consulting work for various companies in the area.

David holds a bachelor degree from Ripon College and has done post graduate studies at UCLA and at the University of Miami. He has extensive experience in the development of office buildings, shopping centers and other large commercial projects. He is well respected in the community as a real estate developer and can use this experience for the betterment of your project. He is very familiar with all aspects of Volusia County's building code policies and procedures.

I have included below a sample of the many projects that he had direct involvement in:

Crystal Square, Silver Springs	Ocala North Shopping Center
Walgreens, Daytona Beach	Orange Lake Center, Orange Lake
Ellenor Village, Ormond Beach	Granada Plaza, Ormond Beach
Mariner Town Square, Spring Hill	Towne Square Shopping Center, G'ville
Mariner Town Center, Spring Hill	The Forest Center, Lynn
Palm Coast Office Building, Palm Coast	State Farm Office Building, Sebring
Allstate Office Building, Sebring	Maricamp Pines
275 Williamson Office Building, Day Bch	France Property

I believe that David will be a tremendous asset to your project and will be able to complete the project successfully. If you have any questions on any of the above comments, please do not hesitate to call me.

Sincerely,

*DAN*

Daniel J. Bolerjack, CPA  
42 S. Peninsula Drive, Daytona Beach, FL 32118 • 904/253-0677 • FAX 904/254-6931  
One Florida Park Drive North, Suite 107, Palm Coast, FL 32137 • 904/446-1743 • FAX 904/446-1920  
200 S. Orange Street, New Smyrna Beach, FL 32168 • 904/427-3412 • FAX 904/423-2795

East Central Florida  
P. O. Box 2120  
120 S. Ridgewood Ave.  
Daytona Beach, Florida 32115

L. J. McDermott  
Senior Vice President  
904-258-2655  
904-258-2531 FAX

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# SunTrust

June 24, 1998

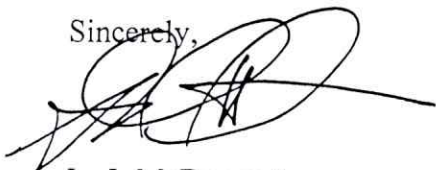
Mr. Chris Bevevino  
Executive Director  
Associated Public-Safety  
Communication Officials, Inc.  
2040 S. Ridgewood Ave.  
S. Daytona, FL 32119

Re: David Neubauer

Dear Chris:

I have known personally and by reputation the above person for almost 15 years. Mr. Neubauer brings to APCO, a real estate consultant, with years of experience in corporate real estate. I would recommend him to APCO to assist you in your pursuit for a new headquarter building. Please let me know if I can be of further assistance in the matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'L. J. McDermott', written over a horizontal line.

L. J. McDermott



# MEMORANDUM

To: Local Members of the Board of Trustees  
From: Steven Sliwa, President  
Subject: ERAU - APCO  
Date: May 14, 1998

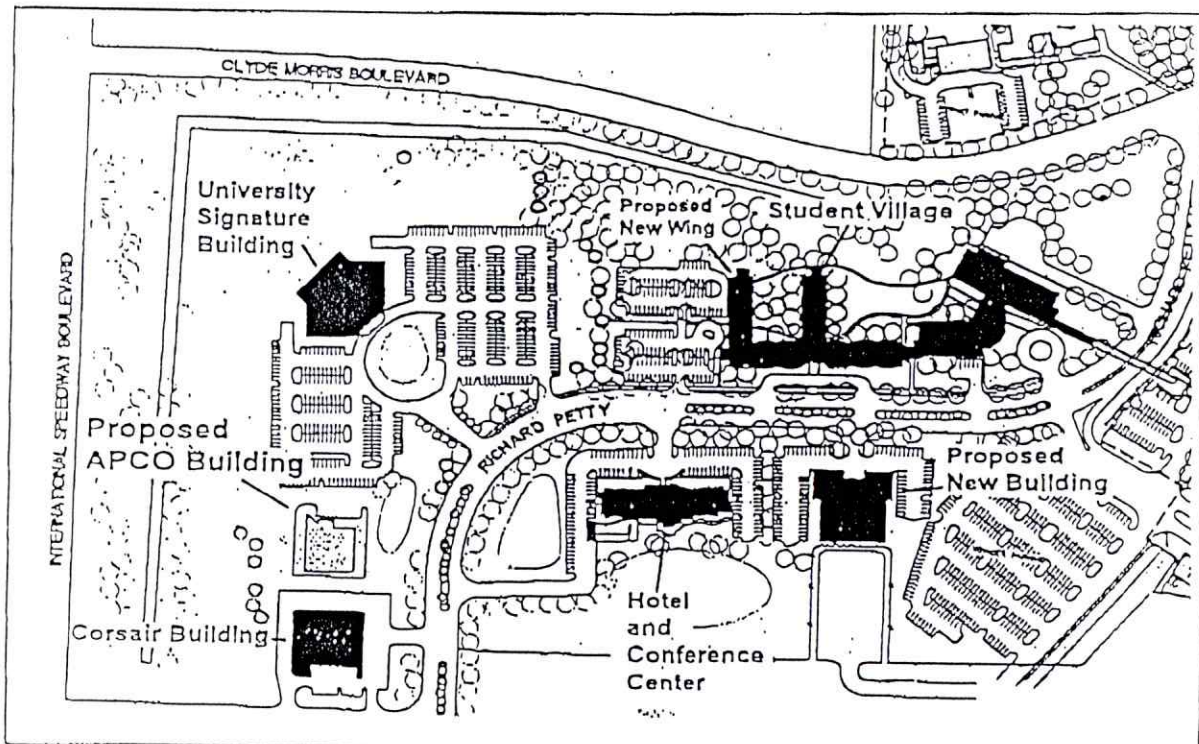
May 14, 1998

APCO International, the Association of Public-Safety Communications Officials International, Inc. met with me and visited the campus to explore possible synergies with ERAU. They were extremely impressed with the campus and with the mission of the University.

APCO's National Headquarters building is currently located in South Daytona on Ridgewood Avenue. Their current strategic plan includes building a new National Headquarters Building located in the Daytona Beach area. Now that they have visited the University and understand its mission, capabilities, and plans for the construction of a Hotel and Conference Center, they are very anxious to develop a mutually beneficial association with ERAU, build and occupy a new building in close proximity.

Many of the ERAU leased properties and other airport properties are of interest, but the most desirable space would be a location very near the proposed hotel and conference center.

This paper serves to provide you with information on the possible synergies involved with hopes of soliciting feedback for direction and advice on continuance.



# ERAU - APCO Synergies

## Background

ERAU, in conjunction with its initiative to build a conference center, hotel, and business building on the airport properties located on both sides of Richard Petty Boulevard, will consider any mutually beneficial business relationship that may be able to contribute to the success of the project and further enhance the mission of the University.

APCO, the Association of Public-Safety Communications Officials International, Inc. is the world's oldest and largest not-for-profit professional organization dedicated to the enhancement of public safety communications.

Formed in 1935 by a small group of individuals in police communications, APCO International's worldwide membership has grown to more than 13,000 strong with a headquarters staff of 53 employees and a budget of more than \$6 million.

APCO positions itself to be the strongest network of public safety communications professionals in the world. Its mission is to foster the development and progress the art of public safety communications by means of research, planning, training and education and to promote cooperation between cities, towns, counties, states, and federal public agencies in the area of communications. It uses the experience, knowledge, and expertise of its members to help achieve its goal of excellence in public safety communications.

On the cutting edge of training and technology, APCO Institute and APCO Automated Frequency Coordination (AFC) divisions are recognized by the communications community as leaders in establishing protocols and standards for public safety communications.

APCO Institute provides customized education and training programs, in addition to technical and operations publications. It is dedicated to making high-quality training accessible at an affordable price to all agencies regardless of size. To that end, the Institute recently marked the first anniversary of APCO's Virtual Institute - a web based curriculum ([www.apcointl.org](http://www.apcointl.org)) that allows students to train without travel. It has become the sole source of training for many agencies. A "Second Generation" Virtual Institute, which will give students more features and flexibility, is planned for the coming year.

APCO AFC, Inc. is a not-for-profit subsidiary of APCO International, certified by the Federal Communications Commission to provide frequency coordination services for police and local government users below 800 megahertz and all public safety users above 800 megahertz.

APCO AFC has been at the forefront of establishing standards for uniform baseline technology for digital two-way radio technology. This project will ensure a smooth transition from an

analog to a digital environment. Other projects include location technology and geonavigational systems that will be used for locating 911 callers from wireless phones.

## APCO Requirements

APCO is in the process of selling its current headquarters building in South Daytona with initiatives to move to a new location in the city. APCO desires to build and occupy its own international headquarters building for the purpose of maintaining its identity.

APCO, in its training and technical mission, seeks to form a relationship with ERAU. APCO's training organization regularly houses and trains 300-500 members in the Daytona Beach area with potential to relocate more of its training to this location.

APCO desires to partner with ERAU for the use of the new Hotel and Conference Center and wishes to locate their new headquarters and office building within walking distance of this facility.

APCO wishes to associate with ERAU's Computer Engineering, Computer Programming, and Avionics Technology programs with access to its students and faculty.

APCO wishes to have access to ERAU's classroom space and laboratories where graduate students can participate in cutting-edge advances in communications and training technology with a world-wide audience.

## Benefits for ERAU

ERAU establishes a relationship with an international membership based organization whose mission of training and technology advances can provide mutually beneficial marketing and exposure around the world.

ERAU has an established partner working to share in the success of the lodging and conference center facility, including provisions for required room nights and utilization of the conference center, hotel, and food facilities.

ERAU has a partner that shares in the use and expense associated with a high tech meeting, education, and training facility, with worldwide connotations for the use and proving of distance learning technologies.

ERAU students and graduates will have opportunities to work with APCO initiatives in the development of web based training programs and curriculum.

ERAU's Avionics Program students and graduates have access to APCO's initiatives in the improvement of communications technology.

ERAU gains a rent paying tenant for its leased properties.

## Benefits for APCO

APCO immediately solves their need for a new international headquarters office building, in a high visibility location, collocated with the ERAU and the lodging and conference center.

APCO enters into a partnership agreement with the World's Leader in Aviation and Aerospace Education, able to take full advantage of the agreed upon Faculty, facilities, campus, and field based organizations.

APCO has shared access to a first class conference center, classrooms, and lodging facilities able to respond to its education and training mission.

APCO has access to ERAU's Computer and Avionics Laboratories, its students, and faculty.

APCO and its membership shares immediate access to the Daytona Beach International Airport and surrounding Greater Daytona Beach Area.

**APCO NEW HEADQUARTERS BUILDING  
PROPOSED DEVELOPMENT SCENARIO**

General Assumptions:		
Net Proceeds From Sale of 2040 South Ridgewood Headquarters	\$	600,000
Proceeds of Sale Placed into Debt Service Reserve	\$	100,000
Sub-lease Airport property from Embry-Riddle (annual lease pymt)	\$	30,000
Property Taxes	\$	-
Square footage of new office building construction		18,000
Price per square foot of construction	\$	100
Cost of construction	\$	1,800,000
Square footage of APCO occupancy		12,000
Square footage of leased space		6,000
Annual Lease rate per square foot paid by tenant	\$	15
Annual lease revenue	\$	90,000
Financing Assumptions:		
Cost of Construction	\$	1,800,000
Proceeds from sale of 2040 South Ridgewood Bldg Sale applied		500,000
Financing Need	\$	1,300,000
Tax Exempt Interest rate for financing		4.75%
Amortization Period (in years)		20
Annual Debt Service Requirement	\$	100,811
Monthly Debt Service	\$	8,401

Annual Cost of Occupancy	New HQ Estimated Costs	Current Bldg FY 97 Actual
Debt Service	\$ 100,811	\$ -
Annual Lease Revenue	(90,000)	-
Land Lease	30,000	-
Property Taxes	-	13,346
<i>[The following are estimated @ 1.5 times current bldg. expense]</i>		
Utilities	38,964	25,976
Cleaning Service	15,591	10,394
Lawn Care	1,031	687
Plant Service	701	467
Pest Control	545	363
Security Service	368	245
Office Maintenance	4,583	3,055
Off Site Storage	-	4,670
<b>TOTAL ANNUAL OCCUPANCY COST</b>	<b>\$ 102,591</b>	<b>\$ 59,203</b>
Differential - Annual Increase in Building Occupancy Costs	<b>\$ 43,388</b>	

**NOTE:**

Under this scenario a portion of the proceeds from the sale of the current HQ building will be placed into a debt service reserve. This reserve would be used in the event that cash flows from lease revenues were to fall short for any reason (e.g. vacancy etc...)

Debt Service Reserve	\$	100,000
Reserve in months of debt service payment		12 Mo.'s