

UNITED NATIONS DEVELOPMENT CORPORATION

2017 Budget and 2018 – 2020 Financial Plans

Relationship with the State of New York

The United Nations Development Corporation (the “Corporation”) is a public benefit corporation existing under Section 4 of Chapter 345 of the Laws of New York, 1968, as amended. The Corporation was established to develop office space and other facilities for the United Nations (the “UN”) and UN-related organizations within its development district located in the vicinity of the UN headquarters in New York City. The Corporation receives no funding from the City or State of New York.

The Corporation is governed by a fifteen member Board of Directors (the “Board”). Eight Board members are appointed by the Governor, five Board members (including the Chairman) are appointed by the Mayor of the City of New York, and two Board members are City officials that serve ex-officio by virtue of their offices as Commissioner of the New York City Department of Housing Preservation and Development and as Chairman of the New York City Planning Commission.

Budget Process

Each year the Corporation prepares a proposed budget for the next fiscal year, financial plans for the three following years (together, the “Budget and Financial Plans”), information on revenues and expenditures for the last completed fiscal year, and a revised forecast of the current year’s budget. The proposed Budget and Financial Plans are made available to the public at least thirty days prior to consideration and approval by the Board. After Board approval, the Budget and Financial Plans become publicly available and are submitted to the State and other required recipients.

Principal Budget Assumptions

The Corporation contracts with a property management company (the “Property Manager”) as its agent to manage its properties. The Property Manager receives a management fee for its services, and is reimbursed for the cost of salaries and benefits of its on-site administrative and building operations staff. As part of the budget process, the Property Manager provides an annual estimate of expenditures and labor costs to maintain the Corporation’s properties at the Class A office standard.

The Corporation’s revenues consist primarily of rent payments under leases of office space to the UN and missions to the UN at One and Two UN Plaza and rent payments under a lease to UNICEF at Three UN Plaza. The Corporation’s revenues are predictable because base rent amounts are fixed under long-term leases with tenants.

The Corporation’s expenses consist primarily of: reimbursable salaries and benefits of administrative and building staff of the Property Manager; other operating costs to maintain One, Two and Three UN Plaza; administrative office expenses; ground rents and real estate taxes; and debt service payments.

Self-Assessment of Budgetary Risks

The Corporation’s revenue estimates are primarily based upon rent payments due under long-term leases with the UN, missions to the UN, and UNICEF. Budget estimates for building operating expenses are based on the Property Manager’s estimates of expenditures and labor costs, the Corporation’s historical operating experience, and existing contractual obligations and collective bargaining agreements. The Corporation’s debt service payments are fixed under its bond obligations. Based on the foregoing, management believes that the Corporation’s budgetary risks are low.

Employees

The Corporation currently has eleven employees. The functional classifications of the Corporation's employees are as follows: two executive, four managerial, four operational and one administrative.

United Nations Development Corporation
Calendar Years 2017 - 2020

BUDGET OF PROJECTED REVENUES AND EXPENDITURES
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(\$ in thousands)

<u>REVENUES</u>	<u>Budget 2017</u>	<u>Projected Budget 2018</u>	<u>Projected Budget 2019</u>	<u>Projected Budget 2020</u>
<u>Revenues From Building Operations*</u>	44,146	45,696	46,474	46,759
<u>Non-operating Revenues - Interest Income</u>	100	100	100	100
Total Revenues	<u>\$44,246</u>	<u>\$45,796</u>	<u>\$46,574</u>	<u>\$46,859</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$16,279	\$17,165	\$17,385	\$17,961
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,517	3,577	3,637	3,699
<u>Administrative Expenses</u> (See Page 3 of 6)	2,704	2,675	2,759	2,846
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	5,960	6,260	6,565	6,890
Interest expense (See Page 4 of 6)	3,740	3,442	3,137	2,812
Total Expenditures	<u>\$32,200</u>	<u>\$33,119</u>	<u>\$33,483</u>	<u>\$34,208</u>
 <u>NET REVENUES</u>	 12,046	 12,677	 13,091	 12,651
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	9,000	4,000	3,000	2,000
 EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	 <u>\$3,046</u>	 <u>\$8,677</u>	 <u>\$10,091</u>	 <u>\$10,651</u>

* Reflects amortization of the capital lease (with UNICEF) at Three U.N. Plaza. Amortized amounts will be approximately \$1.4 million in 2017, \$1.7 million in 2018, \$2.0 million in 2019 and \$2.4 million in 2020.

**United Nations Development Corporation
Projected Budgets - 2017 - 2020**

Expenditures - Building Operations

(\$ in thousands)

	<u>Budget 2017</u>	<u>Projected Budget 2018</u>	<u>Projected Budget 2019</u>	<u>Projected Budget 2020</u>
Managing agent reimbursable salaries and employee benefits	\$2,830	\$2,915	\$3,003	\$3,094
Contract Security	2,936	3,024	3,115	3,208
Electric	2,777	2,861	2,947	3,036
Office / Windows / General Cleaning	3,891	4,008	4,129	4,252
Steam	1,027	1,088	1,154	1,223
Water / Sewer	182	191	200	210
Elevator Maintenance	557	574	591	608
Management Fee	148	152	157	162
Rubbish Removal	69	73	78	83
Other Expenses	1,231	1,617	1,315	1,354
Insurance	<u>631</u>	<u>662</u>	<u>696</u>	<u>731</u>
Total Expenditures Building Operations	<u><u>\$16,279</u></u>	<u><u>\$17,165</u></u>	<u><u>\$17,385</u></u>	<u><u>\$17,961</u></u>

**United Nations Development Corporation
Projected Budgets - 2017 - 2020**

Administrative Expenses

(\$ in thousands)

	<u>Budget 2017</u>	<u>Projected Budget 2018</u>	<u>Projected Budget 2019</u>	<u>Projected Budget 2020</u>
Administrative salaries and employee benefits	\$2,022	\$2,083	\$2,145	\$2,209
Professional Fees	304	202	212	223
NYS Administrative Cost Assessment	62	64	66	68
Insurance	197	203	209	215
Miscellaneous expenses	119	123	127	131
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Total Administrative Expenses	<u><u>\$2,704</u></u>	<u><u>\$2,675</u></u>	<u><u>\$2,759</u></u>	<u><u>\$2,846</u></u>

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

<u>DESCRIPTION OF DEBT</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
BONDS OF 2009, SERIES A - SENIOR DUE 2026	\$77,031	\$70,652	\$64,007	\$57,091	\$49,875
BOND OF 1980, DUE AUGUST 1, 2025	1,250	1,250	1,250	1,250	1,250
BOND OF 1978, DUE JULY 1, 2028	288	288	288	288	288
OUTSTANDING BALANCE AS OF DECEMBER 31	<u>\$78,569</u>	<u>\$72,190</u>	<u>\$65,545</u>	<u>\$58,629</u>	<u>\$51,413</u>
<u>DEBT SERVICE REQUIREMENTS</u>					
PRINCIPAL	\$5,685	\$5,960	\$6,260	\$6,565	\$6,890
INTEREST	\$4,019	\$3,740	\$3,442	\$3,137	\$2,812
	<u>\$9,704</u>	<u>\$9,700</u>	<u>\$9,702</u>	<u>\$9,702</u>	<u>\$9,702</u>
<u>DEBT SERVICE COVERAGE FOR BONDS OF 2009</u>					
PROJECTED NET REVENUE COVERAGE	<u>237%</u>	<u>243%</u>	<u>250%</u>	<u>254%</u>	<u>250%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>104%</u>	<u>132%</u>	<u>191%</u>	<u>205%</u>	<u>211%</u>

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

	(\$ in thousands)				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>ONE, TWO & THREE U.N. PLAZA</u>					
GENERAL IMPROVEMENTS (INTERIOR)	\$1,802	\$5,000	\$1,500	-	-
GENERAL IMPROVEMENTS (EXTERIOR)	6,963	2,100	180	\$190	\$150
BUILDING SYSTEMS AND OTHER PROJECTS	2,019	2,123	2,126	2,667	1,880
TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA *	\$10,784	\$9,223	\$3,806	\$2,857	\$2,030

* CAPITAL PROJECTS ARE FUNDED BY AMOUNTS DEPOSITED IN THE RENEWAL AND REPLACEMENT FUND MAINTAINED PURSUANT TO THE INDENTURE OF TRUST (THE "INDENTURE") FOR THE CORPORATION'S BONDS OF 2009. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES.

**United Nations Development Corporation
Calendar Year 2016**

REVISED FORECAST OF REVENUES AND EXPENDITURES

(\$ in thousands)

REVENUES	Actual 2015	Approved Budget 2016	Revised Forecast of 2016 Budget (1)	% Change vs. Approved Budget
Revenues From Building Operations (2)	43,452	44,293	43,574	-1.6%
Non-operating Revenues - Interest Income	113	100	80	-20.0%
Total Revenues	43,565	44,393	43,654	-1.7%
 EXPENDITURES				
Expenditures - Building Operations	15,322	17,090	16,392	-4.1%
Expenditures on Ground Rent and Real Estate Taxes	3,413	3,416	3,481	1.9%
Administrative Expenses	2,518	2,647	2,526	-4.6%
Non-operating Expenditures				
Payment of principal on bonds	5,435	5,685	5,685	0.0%
Interest expense	4,271	4,019	4,019	0.0%
Total Expenditures	30,959	32,857	32,103	-2.3%
NET REVENUES	12,606	11,536	11,551	0.1%
PROVISION FOR RENEWAL & REPLACEMENTS	11,000	5,600	11,143	99.0%
EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	1,606	5,936	408	-93.1%

(1) Amounts based upon actual results for the first six months of 2016 and currently anticipated results for the last six months of the year.

(2) Includes One, Two & Three UN Plaza rental revenue net of amortization of the capital lease (with UNICEF) at Three U.N. Plaza of \$1,017,000 for 2015 and \$1,203,000 for 2016.