

UNITED NATIONS DEVELOPMENT CORPORATION

2021 Budget and 2022 – 2024 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 in 1968 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 Board of Directors (the “Board”) consisting of fifteen members. 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 Chair 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 available to the public at least thirty days prior to consideration and approval by the Board. The Budget and Financial

Plans are submitted to the State and other required recipients following Board approval and are available to the public on the Corporation's website.

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 estimates annual expenditures and labor costs needed 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. Operating expenses for the buildings are passed through to tenants as provided in the leases.

The Corporation's expenses consist 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 on its outstanding bonds, including the Corporation's 2019 Refunding Bonds, Series A.

Self-Assessment of Budgetary Risks

The Corporation's revenue estimates are based upon future 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 generally low, subject to the potential impact of COVID-19 on its financial condition and results of operations as described below.

Public Health Challenges and COVID-19

In March of 2020, the World Health Organization, a specialized agency of the UN, declared a pandemic due to the outbreak of a novel coronavirus ("COVID-19") which has continued to spread in the United States and globally. The Corporation could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19, as well as any other epidemic, pandemic or other public health crisis. The ultimate extent of the impact of COVID-19 or any other public health crisis on the Corporation's financial condition and results of operations will depend on future developments which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 or any other public health crisis and the actions taken to prevent or contain any further spread of COVID-19, among others. Accordingly, the Corporation cannot predict the extent to which its financial condition and results of operations will be affected.

Employees

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

**United Nations Development Corporation
Calendar Years 2021 - 2024**

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

<u>REVENUES</u>	<u>Budget 2021</u>	<u>Projected Budget 2022</u>	<u>Projected Budget 2023</u>	<u>Projected Budget 2024</u>
<u>Revenues From Building Operations</u>	47,273	47,469	47,519	47,656
<u>Non-operating Revenues - Interest Income</u>	400	400	400	400
Total Revenues	<u>\$47,673</u>	<u>\$47,869</u>	<u>\$47,919</u>	<u>\$48,056</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$17,865	\$18,952	\$19,073	\$19,702
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,697	3,755	3,815	3,876
<u>Administrative Expenses</u> (See Page 3 of 6)	2,880	2,974	3,070	3,170
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	5,425	5,705	5,985	6,280
Interest expense (See Page 4 of 6)	1,969	1,698	1,412	1,113
Total Expenditures	<u>\$31,836</u>	<u>\$33,084</u>	<u>\$33,355</u>	<u>\$34,141</u>
 <u>NET REVENUES</u>	 15,837	 14,785	 14,564	 13,915
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	1,200	6,300	5,300	5,500
 EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	 <u>\$14,637</u>	 <u>\$8,485</u>	 <u>\$9,264</u>	 <u>\$8,415</u>

United Nations Development Corporation
Projected Budgets - 2021 - 2024

Expenditures - Building Operations

(\$ in thousands)

	Budget <u>2021</u>	Projected Budget <u>2022</u>	Projected Budget <u>2023</u>	Projected Budget <u>2024</u>
Managing agent reimbursable salaries and employee benefits	\$3,406	\$3,508	\$3,613	\$3,721
Contract Security	3,091	3,184	3,280	3,379
Electric	2,568	2,645	2,725	2,807
Office / Windows / General Cleaning	4,575	4,713	4,854	5,000
Steam	922	977	1,035	1,098
Water / Sewer	223	235	247	259
Elevator Maintenance	656	676	696	717
Management Fee	162	168	174	180
Rubbish Removal	102	108	115	122
Other Expenses *	1,522	2,068	1,630	1,680
Insurance	<u>638</u>	<u>670</u>	<u>704</u>	<u>739</u>
Total Expenditures Building Operations	<u><u>\$17,865</u></u>	<u><u>\$18,952</u></u>	<u><u>\$19,073</u></u>	<u><u>\$19,702</u></u>

* Includes maintenance contracts, HVAC, rubbish removal, electrical, plumbing, sprinkler, general repairs, tenant lease painting and other building expenses.

**United Nations Development Corporation
Projected Budgets - 2021 - 2024**

Administrative Expenses

(\$ in thousands)

	Budget <u>2021</u>	Projected Budget <u>2022</u>	Projected Budget <u>2023</u>	Projected Budget <u>2024</u>
Administrative salaries and employee benefits	\$2,122	\$2,186	\$2,251	\$2,319
Professional Fees	337	354	372	391
NYS Administrative Cost Assessment	62	64	66	68
Insurance	195	201	207	213
Miscellaneous expenses	164	169	174	179
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Administrative Expenses	<u><u>\$2,880</u></u>	<u><u>\$2,974</u></u>	<u><u>\$3,070</u></u>	<u><u>\$3,170</u></u>

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

<u>DESCRIPTION OF DEBT</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
BONDS OF 2019, SERIES A - SENIOR DUE 2026	\$40,632	\$34,117	\$27,496	\$20,780	\$13,963
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>\$42,170</u>	<u>\$35,655</u>	<u>\$29,034</u>	<u>\$22,318</u>	<u>\$15,501</u>
<u>DEBT SERVICE REQUIREMENTS</u>					
PRINCIPAL	\$5,170	\$5,425	\$5,705	\$5,985	\$6,280
INTEREST	\$2,227	\$1,969	\$1,698	\$1,412	\$1,113
	<u>\$7,397</u>	<u>\$7,394</u>	<u>\$7,403</u>	<u>\$7,397</u>	<u>\$7,393</u>
<u>DEBT SERVICE COVERAGE FOR BONDS OF 2019</u>					
PROJECTED NET REVENUE COVERAGE	<u>302%</u>	<u>354%</u>	<u>325%</u>	<u>322%</u>	<u>311%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>249%</u>	<u>301%</u>	<u>217%</u>	<u>227%</u>	<u>216%</u>

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

	(\$ in thousands)				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>ONE, TWO & THREE U.N. PLAZA</u>					
GENERAL IMPROVEMENTS (INTERIOR)	\$600	\$100	\$500	\$300	\$1,000
GENERAL IMPROVEMENTS (EXTERIOR)	1,000	300	200	2,800	2,300
BUILDING SYSTEMS AND OTHER PROJECTS	400	800	5,600	2,200	2,200
TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA *	\$2,000	\$1,200	\$6,300	\$5,300	\$5,500

*** 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 2019. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES.**

United Nations Development Corporation
Calendar Year 2020

REVISED FORECAST OF REVENUES AND EXPENDITURES
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(\$ in thousands)

<u>REVENUES</u>	<u>Actual 2019</u>	<u>Approved Budget 2020</u>	<u>Revised Forecast of 2020 Budget (1)</u>	<u>% Change vs. Approved Budget</u>
<u>Revenues From Building Operations</u>	\$48,227	\$47,214	\$46,608	-1.3%
<u>Non-operating Revenues - Interest Income</u>	1,269	400	600	50.0%
Total Revenues	<u>\$49,496</u>	<u>\$47,614</u>	<u>\$47,208</u>	<u>-0.9%</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u>	\$18,912	\$17,618	\$20,107	14.1%
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,587	3,673	3,584	-2.4%
<u>Administrative Expenses</u>	2,390	3,062	2,588	-15.5%
<u>Non-operating Expenditures</u>				
Payment of principal on bonds	6,565	5,170	5,170	0.0%
Interest expense	2,098	2,227	2,227	0.0%
Total Expenditures	<u>\$33,552</u>	<u>\$31,750</u>	<u>\$33,676</u>	<u>6.1%</u>
 <u>NET REVENUES</u>	 15,944	 15,864	 13,532	 -14.7%
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	4,000	2,000	2,000	0.0%
 <u>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS</u>	 <u>\$11,944</u>	 <u>\$13,864</u>	 <u>\$11,532</u>	 <u>-16.8%</u>

(1) Amounts based upon actual results for the first six months of 2020 and currently anticipated results for the last six months of the year.