

UNITED NATIONS DEVELOPMENT CORPORATION

2016 Budget and 2017 – 2019 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. In addition, the Corporation has been engaged in planning and design work for a proposed new office building (the “UN Consolidation Building”) that would be leased to and occupied exclusively by the UN. The Corporation has incurred and, if the project proceeds, anticipates continuing to incur, certain planning costs for the proposed UN Consolidation Building, including fees for architects and engineers, other specialists and consultants, attorneys, and construction advisors.

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. Budget estimates for planning costs for the proposed UN Consolidation Building are based on amounts set forth in contracts for services relating to the project, estimates of project planning costs prepared by management in consultation with its advisors, and estimates based on the Corporation's past experience in developing One, Two and Three UN Plaza. 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 thirteen employees. The functional classifications of the Corporation's employees are as follows: two executive, six managerial, four operational and one administrative.

United Nations Development Corporation
Calendar Years 2016 - 2019

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

<u>REVENUES</u>	<u>Budget 2016</u>	<u>Projected Budget 2017</u>	<u>Projected Budget 2018</u>	<u>Projected Budget 2019</u>
<u>Revenues From Building Operations*</u>	44,293	44,544	45,826	46,495
<u>Non-operating Revenues - Interest Income</u>	100	100	100	100
Total Revenues	<u>\$44,393</u>	<u>\$44,644</u>	<u>\$45,926</u>	<u>\$46,595</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$17,090	\$17,195	\$18,118	\$18,372
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,416	3,474	3,532	3,591
<u>Administrative Expenses</u> (See Page 3 of 6)	2,647	2,715	2,801	2,888
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	5,685	5,960	6,260	6,565
Interest expense (See Page 4 of 6)	4,019	3,740	3,442	3,137
Total Expenditures	<u>\$32,857</u>	<u>\$33,084</u>	<u>\$34,153</u>	<u>\$34,553</u>
<u>NET REVENUES</u>	11,536	11,560	11,773	12,042
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	5,600	4,500	3,000	2,500
<u>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS</u>	<u>\$5,936</u>	<u>\$7,060</u>	<u>\$8,773</u>	<u>\$9,542</u>

* Reflects amortization of the capital lease (with UNICEF) at Three U.N. Plaza. Amortized amounts will be approximately \$1.2 million in 2016, \$1.4 million in 2017, \$1.7 million in 2018 and \$2.0 million in 2019.

**United Nations Development Corporation
Projected Budgets - 2016 - 2019**

Expenditures - Building Operations

(\$ in thousands)

	<u>Budget 2016</u>	<u>Projected Budget 2017</u>	<u>Projected Budget 2018</u>	<u>Projected Budget 2019</u>
Managing agent reimbursable salaries and employee benefits	\$2,891	\$2,977	\$3,066	\$3,158
Contract Security	2,848	2,933	3,021	3,112
Electric	3,058	3,149	3,243	3,340
Office / Windows / General Cleaning	3,834	3,949	4,067	4,190
Steam	1,143	1,211	1,284	1,361
Water / Sewer	212	223	234	245
Elevator Maintenance	552	568	585	602
Management Fee	73	76	79	82
Rubbish Removal	65	69	74	79
Other Expenses	1,766	1,360	1,751	1,453
Insurance	<u>648</u>	<u>680</u>	<u>714</u>	<u>750</u>
Total Expenditures Building Operations	<u><u>\$17,090</u></u>	<u><u>\$17,195</u></u>	<u><u>\$18,118</u></u>	<u><u>\$18,372</u></u>

**United Nations Development Corporation
Projected Budgets - 2016 - 2019**

Administrative Expenses

(\$ in thousands)

	<u>Budget 2016</u>	<u>Projected Budget 2017</u>	<u>Projected Budget 2018</u>	<u>Projected Budget 2019</u>
Administrative salaries and employee benefits	\$2,063	\$2,125	\$2,189	\$2,254
Professional Fees	200	194	204	214
NYS Administrative Cost Assessment	61	63	65	67
Insurance	189	195	201	207
Miscellaneous expenses	134	138	142	146
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Total Administrative Expenses	<u><u>\$2,647</u></u>	<u><u>\$2,715</u></u>	<u><u>\$2,801</u></u>	<u><u>\$2,888</u></u>

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

<u>DESCRIPTION OF DEBT</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
BONDS OF 2009, SERIES A - SENIOR DUE 2026	\$83,166	\$77,031	\$70,652	\$64,007	\$57,091
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>\$84,704</u>	<u>\$78,569</u>	<u>\$72,190</u>	<u>\$65,545</u>	<u>\$58,629</u>
<u>DEBT SERVICE REQUIREMENTS</u>					
PRINCIPAL	\$5,435	\$5,685	\$5,960	\$6,260	\$6,565
INTEREST	\$4,271	\$4,019	\$3,740	\$3,442	\$3,137
	<u>\$9,706</u>	<u>\$9,704</u>	<u>\$9,700</u>	<u>\$9,702</u>	<u>\$9,702</u>
<u>DEBT SERVICE COVERAGE FOR BONDS OF 2009</u>					
PROJECTED NET REVENUE COVERAGE	<u>236%</u>	<u>237%</u>	<u>238%</u>	<u>240%</u>	<u>243%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>105%</u>	<u>163%</u>	<u>174%</u>	<u>192%</u>	<u>200%</u>

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

	(\$ in thousands)				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>ONE, TWO & THREE U.N. PLAZA</u>					
GENERAL IMPROVEMENTS (INTERIOR)	\$2,691	\$1,802	\$1,798	\$1,294	\$1,160
GENERAL IMPROVEMENTS (EXTERIOR)	7,527	6,963	228	-	-
BUILDING SYSTEMS AND OTHER PROJECTS	1,012	2,019	2,348	1,563	1,337
TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA *	<u>\$11,230</u>	<u>\$10,784</u>	<u>\$4,374</u>	<u>\$2,857</u>	<u>\$2,497</u>
<u>U.N. CONSOLIDATION BUILDING</u>					
PLANNING COSTS FOR PROPOSED U.N. CONSOLIDATION BUILDING **	<u>\$800</u>	<u>\$10,700</u>	<u>\$18,500</u>	<u>\$5,300</u>	

* 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.

** PLANNING COSTS FOR THE PROPOSED U.N. CONSOLIDATION BUILDING ARE FUNDED FROM SURPLUS FUNDS UNDER THE INDENTURE.

**United Nations Development Corporation
Calendar Year 2015**

REVISED FORECAST OF REVENUES AND EXPENDITURES

(\$ in thousands)

REVENUES	Actual 2014	Approved Budget 2015	Revised Forecast of 2015 Budget (1)	% Change vs. Approved Budget
Revenues From Building Operations (2)	\$43,685	\$43,885	\$43,698	-0.4%
Non-operating Revenues - Interest Income	69	100	60	-40.0%
Total Revenues	\$43,754	\$43,985	\$43,758	-0.5%
 EXPENDITURES				
Expenditures - Building Operations	\$15,504	\$16,870	\$16,647	-1.3%
Expenditures on Ground Rent and Real Estate Taxes	3,263	3,205	3,382	5.5%
Administrative Expenses	2,614	2,553	2,565	0.5%
Non-operating Expenditures				
Payment of principal on bonds	5,190	5,435	5,435	0.0%
Interest expense	4,515	4,271	4,271	0.0%
Total Expenditures	\$31,086	\$32,334	\$32,300	-0.1%
NET REVENUES	12,668	11,651	11,458	-1.7%
PROVISION FOR RENEWAL & REPLACEMENTS	8,000	6,000	6,000	0.0%
EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	\$4,668	\$5,651	\$5,458	-3.4%

(1) Amounts based upon actual results for the first six months of 2014 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 \$861,000 for 2014 and \$1,017,000 for 2015.