

UNITED NATIONS DEVELOPMENT CORPORATION

Measurement Report for the year ended December 31, 2016

Under the New York State Public Authorities Law, each New York public authority, such as the United Nations Development Corporation (the “Corporation”), is required to adopt a mission statement (“Mission Statement”) and performance goals to assist in evaluating its mission and how well it is performing that mission. This evaluation includes measuring its achievements each year consistent with the Mission Statement. Each public authority is required to review its Mission Statement and performance goals annually and to prepare a measurement report concerning that review (the “Measurement Report”). The Corporation’s Mission Statement is provided below, followed by the Corporation’s proposed Measurement Report for 2016. The Measurement Report restates the Corporation’s performance goals and evaluates the Corporation’s 2016 performance in meeting these goals. The Mission Statement and Measurement Report for 2016 are available on the Corporation’s website at www.undc.org.

Mission Statement

The mission of the United Nations Development Corporation is (a) to provide office and other facilities that help meet the current and future needs of the United Nations (the “U.N.”), missions to the U.N. and U.N.-related programs (together, the “U.N. Community”), and (b) otherwise to assist the U.N. Community in meeting its current and future real estate needs. To accomplish its mission and help the City and State of New York fulfill their responsibilities as hosts to the U.N. Community, the Corporation develops and operates office and other facilities for the benefit of the U.N. Community. The Corporation also provides advice and services, including studies, with respect to real estate needs and development within the State of New York as requested by the State or City of New York, the United States or the U.N.

Under its enabling statute, the Corporation is currently permitted to develop and operate real estate only within a prescribed area (the “Development District”) in the vicinity of U.N. headquarters in Manhattan. The boundaries of the Development District and other powers of the Corporation are subject to change to the extent provided by additional legislation. The Corporation has from time to time sought the enactment of such additional legislation, and may do so in the future, consistent with its mission and at the request of the U.N. or the City or State of New York, and in order to respond to and help meet changing real estate needs of the U.N. Community.

Performance Goal #1

Meeting the real estate needs of the UN Community in the City and State of New York by providing office and other facilities at rental rates and on other terms that encourage the UN Community to remain and continue its activities in New York City, as measured by long-term occupancy, minimal tenant turnover, timely compliance by tenants with rent and other obligations, and absence of disputes with tenants.

Evaluation #1

The Corporation continued to meet the real estate needs of the UN Community in 2016. During 2016, all office tenants in the Corporation’s buildings at One, Two and Three UN Plaza (almost exclusively the UN and others in the UN Community) continued their long-term occupancy. There were no disputes between the Corporation and its tenants during 2016, and to the best of the Corporation’s knowledge, all of the Corporation’s tenants complied with their lease obligations.

Performance Goal #2

Responsiveness to the other real estate needs of the UN Community and the UN-related needs of the City and State of New York, as measured by projects and studies undertaken by the Corporation as requested by the UN, the City or the State without any start-up or other funds provided by the City or the State.

Evaluation #2

The Corporation from time to time undertakes projects and studies, or provide advice or services, requested by the UN, the City or the State in response to the real estate needs of the UN Community or the needs of the City or State of New York. Though no such requests were made by the UN, the City or the State during 2016, the Corporation remains available to undertake projects and studies, or provide advice or services, in the future.

Performance Goal #3

Enhancing the long-term value of the Corporation's properties, maintaining the competitiveness of the Corporation's properties in their relevant submarkets, and operating and maintaining the Corporation's properties safely, efficiently and in accordance with Class A standards, as measured by: increases in the relative value of the Corporation's properties, consistently low vacancy rates, and building and capital improvements, including security enhancements, energy efficiency and sustainability projects and preventive maintenance programs, all in accordance with approved budgets.

Evaluation #3

The Corporation continually works to enhance the long-term value of its properties, maintain the competitiveness of the properties in their submarkets in close proximity to the UN Headquarters, and operate and maintain its properties safely, efficiently and in accordance with Class A standards. All of the Corporation's office space was occupied and under lease for the entirety of 2016.

The Corporation implemented building and capital improvement projects in 2016 in accordance with approved budgets, including the following:

- Replacement and refurbishment of mechanical and electrical equipment and systems to improve energy efficiency at One, Two and Three UN Plaza.
- Installation of new state-of-the art fire alarm and safety systems at One and Two UN Plaza.
- Installation of a new façade maintenance systems at One and Two UN Plaza.
- Restroom upgrades at Two UN Plaza, including use of new water and energy saving fixtures and ADA-adapted restrooms.

Performance Goal #4

Complying with all obligations under the Corporation's bond financing and real estate agreements, as measured by the Corporation exceeding thresholds for compliance with revenue covenants, timely payment of rent under its leases from the City of New York, and the absence of defaults by the Corporation in performing its obligations.

Evaluation #4

The Corporation complied with all obligations under its bond financing and real estate agreements in 2016. The Corporation's buildings produced net revenues after payment of operating expenses with coverage of over two times debt service requirements in 2016, exceeding the coverage of 1.25 times debt service required under revenue covenants in the Corporation's bond indenture. The Corporation paid rent under its leases with the City of New York on a timely basis and there were no defaults by the Corporation under its bond financing and real estate agreements.

Performance Goal #5

Implementing policies and procedures to ensure that the Corporation complies with its enabling statute, by-laws, corporate governance guidelines, applicable federal, State and City laws, rules and regulations, and financial and other obligations, as measured by absence of violation notices, penalties or other sanctions, or defaults under contracts or other agreements.

Evaluation #5

The Corporation has policies and procedures in place to ensure such compliance. The Corporation was not in default under contracts or other agreements and was not subject to any penalties or other sanctions in 2016.

Performance Goal #6

Having the State Legislature approve and Governor sign additional legislation that permits the Corporation to develop and operate real estate outside the current boundaries of the Development District and/or changes other powers of the Corporation, as appropriate, to permit the Corporation, consistent with its mission and at the request of the UN or the City or State of New York, to respond to and help meet changing real estate needs of the UN Community, as measured by the enactment of such legislation and by the Corporation responding to and helping to meet changing real estate needs of the UN Community.

Evaluation #6

State legislation enacted in 2011 and a Memorandum of Understanding signed by the Mayor and State legislative leaders authorized the Corporation to finance and construct a new build-to-suit office building for exclusive UN use along First Avenue and across 42nd Street from the UN Headquarters. The Corporation previously proposed to the UN the financing and construction by the Corporation of that new building. The purpose of the new building was to enable the UN to consolidate in a single location office space leased by the UN at multiple buildings on the east side of Manhattan.

The UN decided in 2015 not to proceed with the new building at that time. This decision meant that the financing and construction of the new building may not proceed for a number of years or may not proceed at any time.

Performance Goal #7

Stability in management and operations, as measured by consistency in annual revenues and expenses without any City or State funding, absence of financial emergencies or unplanned financial demands, and longevity of service by key managers and others.

Evaluation #7

The Corporation's management and operations were stable during 2016. Annual revenues, derived primarily from long-term leases with office tenants at the Corporation's buildings, were stable and both revenues and expenses were in line with approved budgets. The Corporation experienced no financial emergencies or unplanned financial demands and received no City or State funding in 2016.