

UNITED NATIONS DEVELOPMENT CORPORATION

2023 Budget and 2024 – 2026 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 a special development district near 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 and financial plans for the three years thereafter (together, the “Budget and Financial Plans”). The Corporation also prepares information on revenues and expenditures for the last completed fiscal year and a revised forecast of the current year’s budget. The Budget and Financial Plans are available to the public at least thirty (30) days prior to consideration and approval by the Board. Following Board approval, the Budget and Financial Plans are provided to the State and other required recipients and posted on the Corporation’s website.

Principal Budget Assumptions

The Corporation contracts with a commercial 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 budgeting 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 mainly 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 generally predictable because base rent amounts are fixed under long-term leases with tenants. Operating and capital expenses for the buildings are passed through to tenants in the manner provided in the leases.¹

The Corporation’s expenses consist of (i) reimbursable salaries and benefits of administrative and building staff of the Property Manager; (ii) other operating costs to maintain the buildings; (iii) administrative office expenses; (iv) ground rents and real estate taxes; and (v) debt service payments on its outstanding bonds, primarily 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, UN-related organizations, missions to the UN, and UNICEF.

¹ Due to ongoing discussions with tenants regarding extensions of leases at One and Two UN Plaza, the Corporation has assumed rents at existing levels for purposes of the 2023 Budget and 2024-2026 Financial Plans. When rents are agreed upon under new leases, the 2023 Budget and 2024-2026 Financial Plans will be revised as needed.

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.

The Corporation is engaged in discussions with the UN, UN-related organizations, and missions to the UN regarding possible extensions of their leases at One and Two UN Plaza which are set to expire in March 2023. The focus of those discussions has been accommodating their anticipated future space and staffing needs. No assurance is possible, however, that the UN, UN-related organizations, or missions to the UN will renew their leases with the Corporation. Should the leases not be renewed, based on its current financial position and forecasts, the Corporation expects to meet its obligations under the proposed budget for 2023 and to make debt service payments required under its bond obligations.

Employees

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

United Nations Development Corporation
Calendar Years 2023 - 2026

BUDGET OF PROJECTED REVENUES AND EXPENDITURES

(\$ in thousands)

<u>REVENUES</u>	Budget 2023	Projected Budget 2024	Projected Budget 2025	Projected Budget 2026
<u>Revenues From Building Operations*</u>	44,691	44,701	44,354	41,770
<u>Non-operating Revenues - Interest Income</u>	300	400	400	400
Total Revenues	\$44,991	\$45,101	\$44,754	\$42,170
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$19,187	\$19,322	\$19,960	\$18,031
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,493	3,546	3,601	3,657
<u>Administrative Expenses</u> (See Page 3 of 6)	3,338	3,305	3,415	3,530
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	5,985	6,280	7,845	6,925
Interest expense (See Page 4 of 6)	1,412	1,113	757	369
Total Expenditures	\$33,415	\$33,566	\$35,578	\$32,512
 <u>NET REVENUES</u>	 11,576	 11,535	 9,176	 9,658
 <u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	 6,700	 8,200	 6,500	 7,200
 EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	 \$4,876	 \$3,335	 \$2,676	 \$2,458

*Assumes that base rents remain at existing levels for the period 2023 - 2026. Budgets will be revised as needed to reflect agreed upon rents after March 2023 when current leases expire.

**United Nations Development Corporation
Projected Budgets - 2023 - 2026**

Expenditures - Building Operations

(\$ in thousands)

	<u>Budget 2023</u>	<u>Projected Budget 2024</u>	<u>Projected Budget 2025</u>	<u>Projected Budget 2026</u>
Managing agent reimbursable salaries and employee benefits	\$3,547	\$3,653	\$3,762	\$3,308
Contract Security	3,513	3,618	3,726	3,375
Electric	2,504	2,580	2,657	2,341
Office / Windows / General Cleaning	4,917	5,065	5,217	4,873
Steam	941	997	1,056	948
Water / Sewer	221	233	245	215
Elevator Maintenance	709	730	752	657
Management Fee	165	171	177	154
Rubbish Removal	104	111	118	108
Other Expenses *	1,585	1,133	1,167	1,026
Insurance	<u>981</u>	<u>1,031</u>	<u>1,083</u>	<u>1,026</u>
Total Expenditures Building Operations	<u><u>\$19,187</u></u>	<u><u>\$19,322</u></u>	<u><u>\$19,960</u></u>	<u><u>\$18,031</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 - 2023 - 2026**

Administrative Expenses

(\$ in thousands)

	Budget 2023	Projected Budget 2024	Projected Budget 2025	Projected Budget 2026
Administrative salaries and employee benefits	\$2,174	\$2,239	\$2,306	\$2,376
Professional Fees	650	536	563	591
NYS Administrative Cost Assessment	63	65	67	69
Insurance	300	309	318	328
Miscellaneous expenses	151	156	161	166
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Administrative Expenses	<u><u>\$3,338</u></u>	<u><u>\$3,305</u></u>	<u><u>\$3,415</u></u>	<u><u>\$3,530</u></u>

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

<u>DESCRIPTION OF DEBT</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
BONDS OF 2019, SERIES A - SENIOR DUE 2026	\$27,496	\$20,780	\$13,963	\$7,037	-
BOND OF 1980, DUE AUGUST 1, 2025	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>\$29,034</u>	<u>\$22,318</u>	<u>\$15,501</u>	<u>\$7,325</u>	<u>\$288</u>
<u>DEBT SERVICE REQUIREMENTS</u>					
PRINCIPAL	\$5,705	\$5,985	\$6,280	\$7,845	\$6,925
INTEREST	\$1,698	\$1,412	\$1,113	\$757	\$369
	<u>\$7,403</u>	<u>\$7,397</u>	<u>\$7,393</u>	<u>\$8,602</u>	<u>\$7,294</u>
<u>DEBT SERVICE COVERAGE FOR BONDS OF 2019</u>					
PROJECTED NET REVENUE COVERAGE	<u>310%</u>	<u>282%</u>	<u>282%</u>	<u>228%</u>	<u>257%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>174%</u>	<u>167%</u>	<u>146%</u>	<u>131%</u>	<u>134%</u>

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

	(\$ in thousands)				
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>ONE, TWO & THREE U.N. PLAZA</u>					
GENERAL IMPROVEMENTS (INTERIOR)	\$1,600	\$300	\$1,200	\$300	\$1,400
GENERAL IMPROVEMENTS (EXTERIOR)	4,600	2,700	1,400	1,400	-
BUILDING SYSTEMS AND OTHER PROJECTS	2,100	3,700	5,600	4,800	5,800
TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA *	<u>\$8,300</u>	<u>\$6,700</u>	<u>\$8,200</u>	<u>\$6,500</u>	<u>\$7,200</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 2019. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES. DOES NOT INCLUDE ADDITIONAL CAPITAL COSTS THAT MAY BE INCURRED IN CONNECTION WITH LEASE EXTENSIONS CURRENTLY UNDER DISCUSSION WITH TENANTS AT ONE AND TWO UN PLAZA. THE STATEMENT OF PROJECTED CAPITAL COSTS MAY BE REVISED AT A FUTURE DATE TO REFLECT ANY SUCH ADDITIONAL COSTS.

**United Nations Development Corporation
Calendar Year 2022**

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

<u>REVENUES</u>	<u>Actual 2021</u>	<u>Approved Budget 2022</u>	<u>Revised Forecast of 2022 Budget (1)</u>	<u>% Change vs. Approved Budget</u>
<u>Revenues From Building Operations</u>	\$45,711	\$45,478	\$45,482	0.0%
<u>Non-operating Revenues - Interest Income</u>	488	400	300	-25.0%
Total Revenues	<u>\$46,199</u>	<u>\$45,878</u>	<u>\$45,782</u>	<u>-0.2%</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u>	\$16,106	\$18,131	\$17,790	-1.9%
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,506	3,632	3,464	-4.6%
<u>Administrative Expenses</u>	2,900	2,892	3,463	19.7%
<u>Non-operating Expenditures</u>				
Payment of principal on bonds	5,425	5,705	5,705	0.0%
Interest expense	1,969	1,698	1,698	0.0%
Total Expenditures	<u>\$29,906</u>	<u>\$32,058</u>	<u>\$32,120</u>	<u>0.2%</u>
 <u>NET REVENUES</u>	 16,293	 13,820	 13,662	 -1.1%
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	1,500	8,300	8,300	0.0%
 <u>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS</u>	 <u>\$14,793</u>	 <u>\$5,520</u>	 <u>\$5,362</u>	 <u>-2.9%</u>

(1) Amounts based upon actual results for the first six months of 2021 and currently anticipated results for the last six months of the year.