

UNITED NATIONS DEVELOPMENT CORPORATION

2022 Budget and 2023 – 2025 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 and financial plans for the three following years (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 proposed Budget and Financial Plans are available to the public at least thirty days prior to consideration and approval

by the Board. Following Board approval, the Budget and Financial Plans are provided to the State and other recipients as required and posted 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 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 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 its 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 its buildings; 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. The Corporation believes that budgetary risks are generally low. However, as described below under "COVID-19 Pandemic," the Corporation is monitoring any actual and potential impacts on its operations and financial position due to the COVID-19 pandemic. If the UN or UNICEF or a mission to the UN were to fail to pay rent to the Corporation as required by their leases the Corporation's revenues would be correspondingly reduced. In addition, failure by the Hotel operator to reimburse the Corporation for common operating expenses as required would have a negative impact on the Corporation's financial position.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak to be a global pandemic. The extent of any impact of COVID-19 on the Corporation's operations and financial position will depend on future developments, including decisions by tenants regarding in-person and remote work for staff and the related occupancy of office space at the Corporation's buildings, and the pace of economic recovery in the New York City region. The Corporation is continuing to monitor business conditions and any actual and potential impacts on its operations and financial position.

The Corporation's buildings have remained open throughout the pandemic and operations have been adjusted as needed to comply with governmental restrictions relating to COVID-19. The Corporation's office tenants, including the UN, have worked remotely since March 2020 and most are implementing a phased return to office. All office tenants have consistently paid rent in accordance with their leases.

The COVID-19 pandemic has dramatically reduced demand for hotel rooms, causing stress to the hospitality industry. To assist the operator of the Hotel located on the upper floors of One and Two UN Plaza during the COVID-19 pandemic, the Corporation has deferred a portion of the allocated common expenses payable by the Hotel for operations at One and Two UN Plaza. The deferred amounts are scheduled to be repaid by the Hotel Operator over 18 months beginning in October 2021.

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 2022 - 2025

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

<u>REVENUES</u>	<u>Budget 2022</u>	<u>Projected Budget 2023</u>	<u>Projected Budget 2024</u>	<u>Projected Budget 2025</u>
<u>Revenues From Building Operations</u>	45,478	44,938	44,960	45,043
<u>Non-operating Revenues - Interest Income</u>	400	400	400	400
Total Revenues	<u>\$45,878</u>	<u>\$45,338</u>	<u>\$45,360</u>	<u>\$45,443</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$18,131	\$18,228	\$18,826	\$19,449
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,632	3,688	3,747	3,806
<u>Administrative Expenses</u> (See Page 3 of 6)	2,892	2,985	3,080	3,179
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	5,705	5,985	6,280	6,595
Interest expense (See Page 4 of 6)	1,698	1,412	1,113	799
Total Expenditures	<u>\$32,058</u>	<u>\$32,298</u>	<u>\$33,046</u>	<u>\$33,828</u>
 <u>NET REVENUES</u>	 13,820	 13,040	 12,314	 11,615
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	8,300	8,300	8,600	3,100
 EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	 <u>\$5,520</u>	 <u>\$4,740</u>	 <u>\$3,714</u>	 <u>\$8,515</u>

**United Nations Development Corporation
Projected Budgets - 2022 - 2025**

Expenditures - Building Operations

(\$ in thousands)

	Budget <u>2022</u>	Projected Budget <u>2023</u>	Projected Budget <u>2024</u>	Projected Budget <u>2025</u>
Managing agent reimbursable salaries and employee benefits	\$3,423	\$3,526	\$3,632	\$3,741
Contract Security	3,140	3,234	3,331	3,431
Electric	2,120	2,185	2,250	2,318
Office / Windows / General Cleaning	4,504	4,640	4,778	4,921
Steam	827	877	930	987
Water / Sewer	187	196	205	216
Elevator Maintenance	683	704	725	746
Management Fee	165	171	177	183
Rubbish Removal	86	91	96	102
Other Expenses *	2,087	1,649	1,699	1,750
Insurance	<u>909</u>	<u>955</u>	<u>1,003</u>	<u>1,054</u>
Total Expenditures Building Operations	<u><u>\$18,131</u></u>	<u><u>\$18,228</u></u>	<u><u>\$18,826</u></u>	<u><u>\$19,449</u></u>

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

**United Nations Development Corporation
Projected Budgets - 2022 - 2025**

Administrative Expenses

(\$ in thousands)

	<u>Budget 2022</u>	<u>Projected Budget 2023</u>	<u>Projected Budget 2024</u>	<u>Projected Budget 2025</u>
Administrative salaries and employee benefits	\$2,122	\$2,186	\$2,251	\$2,319
Professional Fees	297	312	328	344
NYS Administrative Cost Assessment	63	65	67	69
Insurance	265	273	281	289
Miscellaneous expenses	145	149	153	158
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Total Administrative Expenses	<u><u>\$2,892</u></u>	<u><u>\$2,985</u></u>	<u><u>\$3,080</u></u>	<u><u>\$3,179</u></u>

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

<u>DESCRIPTION OF DEBT</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
BONDS OF 2019, SERIES A - SENIOR DUE 2026	\$34,117	\$27,496	\$20,780	\$13,963	\$7,037
BOND OF 1980, DUE AUGUST 1, 2025	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>\$35,655</u>	<u>\$29,034</u>	<u>\$22,318</u>	<u>\$15,501</u>	<u>\$7,325</u>
<u>DEBT SERVICE REQUIREMENTS</u>					
PRINCIPAL	\$5,425	\$5,705	\$5,985	\$6,280	\$6,595
INTEREST	\$1,969	\$1,698	\$1,412	\$1,113	\$799
	<u>\$7,394</u>	<u>\$7,403</u>	<u>\$7,397</u>	<u>\$7,393</u>	<u>\$7,394</u>
<u>DEBT SERVICE COVERAGE FOR BONDS OF 2019</u>					
PROJECTED NET REVENUE COVERAGE	<u>343%</u>	<u>314%</u>	<u>304%</u>	<u>295%</u>	<u>285%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>301%</u>	<u>176%</u>	<u>165%</u>	<u>151%</u>	<u>217%</u>

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

	(\$ in thousands)				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>ONE, TWO & THREE U.N. PLAZA</u>					
GENERAL IMPROVEMENTS (INTERIOR)	\$100	\$1,500	\$100	\$3,200	-
GENERAL IMPROVEMENTS (EXTERIOR)	300	5,300	5,300	1,700	\$1,200
BUILDING SYSTEMS AND OTHER PROJECTS	800	1,500	2,900	3,700	1,900
TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA *	<u>\$1,200</u>	<u>\$8,300</u>	<u>\$8,300</u>	<u>\$8,600</u>	<u>\$3,100</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 2019 REFUNDING BONDS, SERIES A. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES.

**United Nations Development Corporation
Calendar Year 2021**

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

<u>REVENUES</u>	<u>Actual 2020</u>	<u>Approved Budget 2021</u>	<u>Revised Forecast of 2021 Budget (1)</u>	<u>% Change vs. Approved Budget</u>
<u>Revenues From Building Operations</u>	\$46,366	\$47,273	\$45,764	-3.2%
<u>Non-operating Revenues - Interest Income</u>	1,162	400	550	37.5%
Total Revenues	<u>\$47,528</u>	<u>\$47,673</u>	<u>\$46,314</u>	<u>-2.9%</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u>	\$19,521	\$17,865	\$17,001	-4.8%
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,625	3,697	3,636	-1.6%
<u>Administrative Expenses</u>	2,531	2,880	2,614	-9.2%
<u>Non-operating Expenditures</u>				
Payment of principal on bonds	5,170	5,425	5,425	0.0%
Interest expense	2,227	1,969	1,969	0.0%
Total Expenditures	<u>\$33,074</u>	<u>\$31,836</u>	<u>\$30,645</u>	<u>-3.7%</u>
 <u>NET REVENUES</u>	 14,454	 15,837	 15,669	 -1.1%
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	2,000	1,200	1,200	0.0%
 <u>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS</u>	 <u>\$12,454</u>	 <u>\$14,637</u>	 <u>\$14,469</u>	 <u>-1.1%</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.