

UNITED NATIONS DEVELOPMENT CORPORATION

2019 Measurement Report¹

The Corporation's Mission Statement and 2019 Measurement Report are set forth below. The Measurement Report evaluates the Corporation's performance during 2019 relative to the stated Performance Goals. These materials are available 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.

2019 MEASUREMENT REPORT

The Corporation's Performance Goals are numbered below, followed by Evaluations in italics.

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.

The Corporation continued to meet the real estate needs of the UN Community in 2019 at the Corporation's One, Two and Three UN Plaza buildings. During 2019, all office tenants at these UN Plaza properties (almost exclusively the UN and foreign missions) continued

¹ As required by the Public Authorities Law, the Corporation has adopted a Mission Statement and Performance Goals to evaluate the Corporation's performance of its mission. The Mission Statement and Performance Goals are reviewed annually and the Corporation prepares a Measurement Report evaluating its progress towards achieving its mission and Performance Goals.

their long-term occupancy. The Corporation's staff assists with and often manages tenant projects, particularly with foreign missions and UNICEF, to ensure that tenant needs at the buildings are met. There were no disputes between the Corporation and its office tenants during 2019, and to the best of the Corporation's knowledge, all of the Corporation's office tenants complied with their lease obligations.

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.

The Corporation has from time to time undertaken projects and studies, and provided advice or services, as 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 during 2019, the Corporation remains available to undertake projects and studies, or provide advice or services, in the future.

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.

The Corporation is focused on maintaining and enhancing the long-term value of the UN Plaza properties, maintaining their competitiveness in their unique submarket close to UN Headquarters. This includes operating and maintaining the properties safely, efficiently (including energy efficiency) and in accordance with standards for comparable buildings. All of the Corporation's office space was occupied and under lease during 2019, with the exception of approximately 11,000 sf of space at Two UN Plaza that was previously occupied by a preschool which ceased operations and vacated in July 2019.

The Corporation continued to implement building and capital improvement projects in 2019, consistent with its long-term capital program and approved budgets. Key projects that were completed in 2019 reflect a focus on energy efficiency, the tenant experience and safety and security, and include:

- *Replacement and refurbishment of MEP (mechanical, electrical and plumbing) systems for improved performance and energy efficiency, consistent with New York State and City initiatives*
- *Replacement of condenser water riser piping at One UN Plaza*
- *Complete renovation of Two UN Plaza restrooms, including new water and energy saving fixtures and ADA- facilities*
- *Replacement of Two UN Plaza roofs; rebuilt 45th Street canopy, including enhanced lighting for safety and security*

- *Installation of new HVAC and building systems at Three UN Plaza, including a new cooling tower, air handling units, hot water heaters and fire reserve tank*
 - *Installation of elevator door lock monitoring on all elevators, consistent with new City code*
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.

In April 2019, the Corporation issued \$42.1 million of 2019 Refunding Bonds, Series A ("2019 Bonds") in order to refund its 2009 Bonds at par. The refunding achieved a substantial reduction in annual debt service through bond maturity in 2026 and provided substantial present value savings.

In 2019, the Corporation complied with all of its obligations under its bond indenture and other financing agreements with respect to the 2009 Bonds and 2019 Bonds. The Corporation complied with all obligations under its real estate agreements. For 2019, net revenues provided coverage of over three times debt service requirements, significantly exceeding the 1.25x coverage required under the Corporation's bond indenture. All rent payments under the Corporation's leases with the City of New York were timely and there were no defaults by the Corporation under its bond financing and real estate agreements.

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.

The Corporation has policies and procedures in place to ensure such compliance. These policies and procedures are reviewed from time to time by the Corporation's management to ensure continuing compliance. The Corporation was not in default under any contracts or other agreements and was not subject to any penalties or other sanctions in 2019.

6. Take appropriate action to have the State Legislature approve and the 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 of other powers of the Corporation, as appropriate, to permit the Corporation, consistent with its mission and at the request of the U.N. or the City or State of New York, to respond to and help meet changing real estate needs of the U.N. 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 U.N. Community.

A number of years ago the Corporation proposed to the UN the development by the Corporation of a new, build-to-suit office building, for exclusive UN use, that would be located on First Avenue and across 42nd Street from the UN Headquarters. New York State legislation was enacted in 2011 for purposes of this project, and a Memorandum of Understanding (MOU) describing the framework for the project was signed in 2011 by the

Mayor of the City of New York and State legislative leaders. Last year, recognizing that the MOU was about to expire, the Corporation, with the support of the United Nations, discussed the possible extension of the MOU with elected officials, members of the EGAP Board, and legislative leaders. The Corporation successfully extended the MOU from 2019 to 2029. The MOU currently expires on December 31, 2029. Though the UN has considered the new building, most recently in 2015, as an option to accommodate its long-term space needs in the City of New York, the UN has not to date approved the project.

The Corporation continues to work with the UN and the City and State of New York to help meet the real estate needs of the UN Community. This may include extensions by the UN of its leases at the Corporation's One and Two UN Plaza buildings, development of the new building or other alternatives, which could require additional State legislation as referred to above.

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.

The Corporation's management and operations were stable during 2019. Annual revenues, derived primarily from long-term leases with office tenants, including the UN and UNICEF, were consistent and revenues and expenses were in-line with approved budgets. The Corporation experienced no financial emergencies or unplanned financial demands in 2019 and, as has been the case since its establishment in 1968, received no City or State funding.