

UNITED NATIONS DEVELOPMENT CORPORATION

2025 Budget and 2026 – 2028 Financial Plan

Relationship with the State of New York

The United Nations Development Corporation (the “Corporation”) is a public benefit corporation established in 1968 under Section 4 of Chapter 345 of the Laws of New York, 1968, as amended. As its mission, the Corporation develops office space and other facilities for the United Nations (the “UN”) and UN-related organizations within a special development district across from the UN headquarters in New York City. The Corporation receives no funding from the City or State of New York.

The Corporation has a Board of Directors (the “Board”) 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 (the “Budget and Financial Plans”). The Corporation also prepares information on revenues and expenditures for the previous fiscal year and a revised forecast of the current year’s budget. The Budget and Financial Plans are publicly available prior to consideration and approval by the Board. Following Board approval, the Budget and Financial Plans are provided to representatives of the State of New York 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 is paid a management fee 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 United Nations (the “UN”) tenants and missions to the UN.

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.

The New UN Leases

The UN advised the Corporation in 2021 that it would not renew its lease at One UN Plaza after expiration in March 2023. The UN further advised that it planned to continue leasing its occupied space at Two UN Plaza under a new lease. Concurrently, the United Nations Development Programme (“UNDP”), the UN’s lead agency in international development and a subtenant of the UN at One UN Plaza since 1982, advised that it was considering a lease at One UN Plaza for the space it then occupied plus additional floors, for use as UNDP’s world headquarters. The Corporation and the UN have extended the term of the One UN Plaza to cover space occupied by UNDP and other UN organizations that were UN subtenants, and the

term of the Two UN Plaza lease for all space under lease, from April 1, 2023 through September 30, 2024, at existing rents and other terms. The UN and the UNDP have agreed in principle to occupy space at One and Two UN Plaza under new long-term leases (the “New UN Leases”) and definitive documentation is expected to be completed in 2024.

Building Renovations

The Corporation is planning certain building-wide renovations and capital improvements to the common areas in One UN Plaza and Two UN Plaza as well as improvements to prepare the space in One UN Plaza and Two UN Plaza for occupancy by the UN and UNDP pursuant to the New UN Leases (collectively, the “Project”). More specifically, the Project will consist of improvements to update building systems, comply with New York State energy requirements applicable to the Corporation (i.e., Buildsmart 2025), updates to conform to current fire safety and handicapped codes and regulations, and renovations to entryways, storage facilities, lavatories and common areas and the provision of indoor bicycle parking. The Project will also include the funding of tenant improvement allowances that the UN and UNDP will use to modernize their premises under the New UN Leases. The Project is expected to be funded by the proceeds of a new bond issuance by the Corporation anticipated in 2024, together with other available cash reserves of the Corporation.

Employees

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

**United Nations Development Corporation
Calendar Years 2025 - 2028**

BUDGET OF PROJECTED REVENUES AND EXPENDITURES
--

(\$ in thousands)				
<u>REVENUES</u>	<u>Budget 2025</u>	<u>Projected Budget 2026³</u>	<u>Projected Budget 2027</u>	<u>Projected Budget 2028</u>
<u>Revenues From Building Operations</u> ¹	\$ 53,896	\$ 48,907	\$ 45,271	\$ 46,359
<u>Non-operating Revenues - Interest Income</u> ²	9,734	6,871	2,860	1,325
Total Revenues	<u>\$63,630</u>	<u>\$55,778</u>	<u>\$48,131</u>	<u>\$47,684</u>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$20,948	\$19,198	\$16,422	\$17,393
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,614	3,484	3,300	3,344
<u>Administrative Expenses</u> (See Page 3 of 6)	5,029	5,135	5,289	5,448
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	-	-	-	285
Interest expense (See Page 4 of 6)	20,643	20,700	20,700	20,700
Total Expenditures	<u>\$50,234</u>	<u>\$48,517</u>	<u>\$45,711</u>	<u>\$47,170</u>
<u>NET REVENUES</u>	13,396	7,261	2,420	514
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	13,396	7,261	2,420	514
EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>

1 Assumes that new leases have commenced with UN tenants at One and Two UN Plaza on January 1, 2025. Assumes the closing of a new issuance of the bonds in the fourth quarter of 2024 (the "2024 Bonds").

2 Includes interest income from investment of net proceeds of the 2024 Bonds.

3 Assumes that UNICEF will obtain ownership of Three UN Plaza upon expiration of its lease in July 2026.

**United Nations Development Corporation
Projected Budgets - 2025 - 2028**

Expenditures - Building Operations

(\$ in thousands)

	<u>Budget 2025</u>	<u>Projected Budget 2026</u>	<u>Projected Budget 2027</u>	<u>Projected Budget 2028</u>
Managing agent reimbursable salaries and employee benefits	\$3,749	\$3,301	\$2,825	\$2,910
Contract Security	4,035	3,537	3,004	3,094
Electric	2,632	2,322	1,992	2,052
Office / Windows / General Cleaning	4,668	4,547	4,169	4,294
Steam	918	849	768	815
Water / Sewer	225	205	182	191
Elevator Maintenance	752	659	560	577
Management Fee	165	144	122	126
Rubbish Removal	100	96	90	95
Other Expenses *	2,686	2,579	1,818	2,302
Insurance	<u>1,018</u>	<u>959</u>	<u>892</u>	<u>937</u>
Total Expenditures Building Operations	<u><u>\$20,948</u></u>	<u><u>\$19,198</u></u>	<u><u>\$16,422</u></u>	<u><u>\$17,393</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 - 2025 - 2028

Administrative Expenses

(\$ in thousands)

	Budget <u>2025</u>	Projected Budget <u>2026</u>	Projected Budget <u>2027</u>	Projected Budget <u>2028</u>
Administrative salaries and employee benefits	\$2,617	\$2,814	\$2,898	\$2,985
Professional Fees	1,791	1,682	1,733	1,785
NYS Administrative Cost Assessment	68	70	72	74
Insurance	307	316	325	335
Miscellaneous expenses *	246	253	261	269
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Administrative Expenses	<u><u>\$5,029</u></u>	<u><u>\$5,135</u></u>	<u><u>\$5,289</u></u>	<u><u>\$5,448</u></u>

* Includes costs for IT services and software, trustee & bank fees, and office supplies and expenses.

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

<u>DESCRIPTION OF DEBT</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
BONDS OF 2019, SERIES A - SENIOR DUE 2026 *	\$13,962	-	-	-	-
BONDS OF 2024, SERIES A - SENIOR DUE 2054	-	\$340,230	\$340,230	\$340,230	\$340,230
BOND OF 1980, DUE AUGUST 1, 2025 *	1,250	-	-	-	-
BOND OF 1978, DUE JULY 1, 2028 *	288	-	-	-	-
OUTSTANDING BALANCE AS OF DECEMBER 31	<u>\$15,500</u>	<u>\$340,230</u>	<u>\$340,230</u>	<u>\$340,230</u>	<u>\$340,230</u>

* Assumes the 2019 Refunding Bonds, Series A and the Bonds of 1980 and 1978 are defeased in conjunction with the issuance of the 2024 Bonds.

DEBT SERVICE REQUIREMENTS

PRINCIPAL	\$6,280	-	-	-	-
INTEREST	\$1,113	\$20,643	\$20,700	\$20,700	\$20,700
	<u>\$7,393</u>	<u>\$20,643</u>	<u>\$20,700</u>	<u>\$20,700</u>	<u>\$20,700</u>

DEBT SERVICE COVERAGE FOR BONDS OF 2019

PROJECTED NET REVENUE COVERAGE	<u>186%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>100%</u>

DEBT SERVICE COVERAGE FOR BONDS OF 2024

PROJECTED NET REVENUE COVERAGE	<u>182%</u>	<u>147%</u>	<u>124%</u>	<u>113%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

(\$ in thousands)

2024 2025 2026 2027 2028

UNDC - ONE & TWO U.N. PLAZA RENOVATION PROJECT

PROJECT COSTS FOR THE RENOVATION OF ONE & TWO U.N. PLAZA ¹ \$57,500 \$57,500 \$57,500 \$57,500

¹ Proposed renovations of One and Two U.N. Plaza will be funded by the proceeds of the 2024 Bonds and UNDC's existing reserves. Includes projected construction costs, soft costs and contingencies.

**United Nations Development Corporation
Calendar Year 2024**

REVISED FORECAST OF REVENUES AND EXPENDITURES				
(\$ in thousands)				
<u>REVENUES</u>	<u>Actual 2023</u>	<u>Approved Budget 2024 (1)</u>	<u>Revised Forecast of 2024 Budget (2)</u>	<u>% Change vs. Approved Budget</u>
<u>Revenues From Building Operations</u>	\$40,086	\$49,242	\$39,728	-19.3%
<u>Non-operating Revenues - Interest Income</u>	3,668	11,396	3,750	-67.1%
Total Revenues	\$43,754	\$60,638	\$43,478	-28.3%
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u>	\$19,484	\$19,322	\$21,144	9.4%
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,535	3,533	3,558	0.7%
<u>Administrative Expenses</u>	5,186	3,705	4,992	34.7%
<u>Non-operating Expenditures</u>				
Payment of principal on bonds	5,985	19,013	6,280	-67.0%
Interest expense	1,412	-	1,113	
Total Expenditures	\$35,602	\$45,573	\$37,087	-18.6%
<u>NET REVENUES</u>	8,152	15,065	6,391	-57.6%
<u>PROVISION FOR RENEWAL & REPLACEMENTS</u>	4,700	15,065	4,718	-68.7%
EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS	\$3,452	-	1,673	11.1%

(1) The Approved Budget assumed that One and Two UN Plaza leases and financing for the Renovation of One and Two UN Plaza would occur in the 1st quarter of 2024.

(2) Amounts based upon actual results for the first six months of 2024 and currently anticipated results for the last six months of the year.