

## **United Nations Development Corporation Budget**

### **Relationship with State of New York**

United Nations Development Corporation (the “Corporation”) is a public benefit corporation organized and existing under the laws of the State of New York, including particularly Chapter 345, Laws of 1968, as amended. The purpose of the Corporation is to develop office space and other facilities within a defined development district in the vicinity of the United Nations (“UN”) headquarters, for use by the UN, missions to the UN and UN-related programs and activities.

The Corporation’s Board of Directors is comprised of fifteen members: eight members are appointed by the Governor, five (including the Chairman) are appointed by the Mayor of the City of New York, and two members serve by virtue of their respective offices as Commissioner of the New York City Department of Housing Preservation and Development and as Chairman of the New York City Planning Commission. There are currently three vacancies on the Board. The Corporation receives no funding from the State or City of New York.

### **Budget Process**

The Corporation’s management prepared a proposed budget and revenue and expenditure projections for 2008 and the three following years. In preparing these materials, management consulted with the Corporation’s property management company which provides estimates of labor costs and expenditures considered prudent and reasonable to maintain the Corporation’s properties at the Class A office standard. These materials are submitted to the Board of Directors for consideration at a Board meeting

held in September of each year. Proposed and approved budgets and financial plans are available for review by the public in accordance with regulatory requirements.

### **Principal Budget Assumptions**

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 under a lease with United Nations Children's Fund ("UNICEF") at Three UN Plaza. The base rent amounts in these leases are fixed and therefore the Corporation's revenues are not subject to material periodic deviations. The Corporation may from time to time enter into new leases with retail tenants and for storage space which produce additional revenue.

The Corporation's expenses consist primarily of (i) reimbursable salaries and benefits of administrative and building staff of the property management company, (ii) other operating costs to maintain the buildings, (iii) administrative expenses, and (iv) ground rents and real estate taxes. Most increases in the Corporation's expenses are reimbursed by tenants through operating expense escalation provisions in the leases. In addition to the above expenses, the Corporation incurs interest expenses and makes payments of principal under its 2004 Refunding Bonds, Series A (Senior Lien), payable semi-annually on January 1 and July 1 each year.

The Corporation currently employs twelve full-time and two part-time staff members, and the property manager employs staff to maintain the Corporation's properties. Wage rates for most of the building staff employed by the property manager are based upon industry-wide collective bargaining agreements.

The Corporation was planning for the development of an office building ("the UN Consolidation Building") to relocate and consolidate UN offices currently located in

midtown Manhattan, including UN offices in the Corporation's properties at One and Two UN Plaza. Planning for the development of this building was suspended in 2005 because required State legislative approvals were not obtained. If State legislative approvals are obtained and the Corporation was to proceed with the UN Consolidation Building at a future date, staffing levels and budgeted expenses would increase.

#### **Budgetary Risks**

The Corporation's revenue estimates are based upon leases with long-term tenants. Budgetary estimates for building operating expenses are based on more than twenty years of historical data, existing contractual obligations and collective bargaining agreements. The Corporation's debt service payments are long-term fixed obligations under the Corporation's bonds.

Based on the foregoing, the Corporation believes that budgetary risks are low.

#### **Projection of Number of Employees**

The Corporation expects to employ twelve full-time and two part-time employees for the 2008 fiscal year. Functional classifications for employees include management, accounting, legal, project administration and office support staff.

**United Nations Development Corporation**  
(\$ in thousands)

Calendar Years 2008 - 2011

**BUDGET OF PROJECTED REVENUES AND EXPENDITURES**

<u>REVENUES</u>	Budget 2008	Projected Budget 2009	Projected Budget 2010	Projected Budget 2011
<u>Revenues From Building Operations</u>	\$37,533	\$38,682	\$39,718	\$40,520
<u>Non-operating Revenues - Interest Income</u>	1,400	1,450	1,550	1,650
<b>Total Revenues</b>	<b>\$38,933</b>	<b>\$40,132</b>	<b>\$41,268</b>	<b>\$42,170</b>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> -(See Page 2 of 6)	\$14,597	14,917	\$15,935	\$16,528
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	2,450	2,686	2,934	3,197
<u>Nonoperating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	3,478	4,373	4,570	4,798
Interest expense (See Page 4 of 6)	6,478	6,339	6,142	5,913
Administrative expenses (See Page 3 of 6)	2,501	2,597	2,697	2,801
<b>Total Expenditures</b>	<b>\$29,504</b>	<b>\$30,912</b>	<b>\$32,278</b>	<b>\$33,237</b>
 <u>NET REVENUES</u>	 9,429	 9,220	 8,990	 8,933
 <u>PROVISION FOR RENEWAL &amp; REPLACEMENTS</u>	 4,250	 4,500	 4,000	 4,000
 Excess of revenues over expenditures and provision for renewal & replacements	 <b>\$5,179</b>	 <b>\$4,720</b>	 <b>\$4,990</b>	 <b>\$4,933</b>

**United Nations Development Corporation  
Projected Budgets - 2008 - 2011**

**Expenditures - Building Operations  
(\$ in thousands)**

	<u>Budget 2008</u>	<u>Projected Budget 2009</u>	<u>Projected Budget 2010</u>	<u>Projected Budget 2011</u>
Managing agent reimbursable salaries and employee benefits	\$2,145	\$2,186	\$2,265	\$2,356
Contract Security	2,591	2,688	2,799	2,912
Electric	2,963	3,111	3,267	3,431
General & Window Cleaning	2,760	2,871	2,987	3,107
Steam	728	833	958	1,051
Water / Sewer	126	135	137	145
Elevator Maintenance	411	421	439	457
Management Fee	77	81	82	85
Rubbish Removal	39	41	43	45
Other Expenses	1,281	926	1,171	974
Insurance	<u>1,476</u>	<u>1,624</u>	<u>1,787</u>	<u>1,965</u>
<b>Total Expenditures Building Operations</b>	<b><u><u>\$14,597</u></u></b>	<b><u><u>\$14,917</u></u></b>	<b><u><u>\$15,935</u></u></b>	<b><u><u>\$16,528</u></u></b>

**United Nations Development Corporation  
Projected Budgets - 2008 - 2011**

**Administrative Expenses  
(\$ in thousands)**

	<u>Budget 2008</u>	<u>Projected Budget 2009</u>	<u>Projected Budget 2010</u>	<u>Projected Budget 2011</u>
Administrative salaries and employee benefits	\$1,873	\$1,948	\$2,026	\$2,107
Professional Fees	128	134	141	148
NYS Administrative Cost Assessment	90	93	96	99
Insurance	302	311	320	330
Miscellaneous expenses	108	111	114	117
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<b>Total Administrative Expenses</b>	<u><u>\$2,501</u></u>	<u><u>\$2,597</u></u>	<u><u>\$2,697</u></u>	<u><u>\$2,801</u></u>

**United Nations Development Corporation**  
**(\$ in thousands)**

**SCHEDULE OF LONG-TERM DEBT**

<b><u>DESCRIPTION OF DEBT</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
BONDS OF 2004, SERIES A - SENIOR DUE 2026	\$126,110	\$122,549	\$118,053	\$113,331	\$108,372
BOND OF 1980, DUE ON AUGUST 1, 2025	1,250	1,250	1,250	1,250	1,250
BOND OF 1978, DUE ON JULY 1, 2028	288	288	288	288	288
OUTSTANDING BALANCE AS OF DECEMBER 31	<u>\$127,648</u>	<u>\$124,087</u>	<u>\$119,591</u>	<u>\$114,869</u>	<u>\$109,910</u>
<b><u>DEBT SERVICE REQUIREMENT</u></b>					
PRINCIPAL	\$2,615	\$3,478	\$4,373	\$4,570	\$4,798
INTEREST	\$6,583	\$6,478	\$6,339	\$6,142	\$5,913
	<u>\$9,198</u>	<u>\$9,956</u>	<u>\$10,712</u>	<u>\$10,712</u>	<u>\$10,711</u>
<b><u>DEBT SERVICE COVERAGE FOR BONDS OF 2004</u></b>					
(i) PROJECTED NET REVENUE COVERAGE (vs. REQUIREMENT OF 125%)	<u>211%</u>	<u>208%</u>	<u>199%</u>	<u>197%</u>	<u>197%</u>
(ii) PROJECTED REVENUE COVENANT INCOME COVERAGE (vs. REQUIREMENT OF 100%)	<u>152%</u>	<u>153%</u>	<u>145%</u>	<u>147%</u>	<u>147%</u>

United Nations Development Corporation  
(\$ in thousands)

**STATEMENT OF PROJECTED CAPITAL COSTS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
SECURITY PROJECTS	\$1,723	\$284	\$1,000	\$1,000	\$1,000
GENERAL IMPROVEMENT (INTERIOR)	842	855	950	1,075	875
GENERAL IMPROVEMENT (EXTERIOR)	510	802	710	0	0
BUILDING SYSTEMS AND OTHER PROJECTS	346	1,919	829	743	799
TOTAL PROJECTED CAPITAL COSTS	<u>\$3,421</u>	<u>\$3,860</u>	<u>\$3,490</u>	<u>\$2,818</u>	<u>\$2,674</u>

**CAPITAL PROJECTS ARE FUNDED BY AMOUNTS DEPOSITED IN THE RENEWAL AND REPLACEMENT FUND MAINTAINED PURSUANT TO THE INDENTURE OF TRUST FOR THE CORPORATION'S BONDS OF 2004. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES.**

**United Nations Development Corporation**  
(\$ in thousands)

Calendar Year 2007

**REVISED FORECAST OF REVENUES AND EXPENDITURES**

	Actual 2006	Approved Budget 2007	Revised Forecast of 2007 Budget (1)	Estimate % Change of 2007 vs. Approved Budget
<b>REVENUES</b>				
<u>Revenues From Building Operations</u>	\$33,298	\$34,989	\$35,055	0.2%
<u>Non-operating Revenues - Interest Income</u>	1,689	1,150	1,450	26.1%
<b>Total Revenues</b>	<b>\$34,987</b>	<b>\$36,139</b>	<b>\$36,505</b>	<b>1.0%</b>
<b>EXPENDITURES</b>				
<u>Expenditures - Building Operations</u>	\$12,939	\$13,286	\$13,418	1.0%
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	2,347	2,460	2,329	-5.3%
<u>Non-operating Expenditures</u>				
Payment of principal on bonds	1,280	2,615	2,615	-
Interest expense	6,634	6,583	6,583	-
Administrative expenses	2,519	2,439	2,410	-1.2%
<b>Total Expenditures</b>	<b>\$25,719</b>	<b>\$27,383</b>	<b>\$27,355</b>	<b>-0.1%</b>
<b>NET REVENUES</b>	<b>9,268</b>	<b>8,756</b>	<b>9,150</b>	<b>4.5%</b>
<b>PROVISION FOR RENEWAL &amp; REPLACEMENTS</b>	<b>7,000</b>	<b>4,000</b>	<b>4,000</b>	<b>0.0%</b>
<b>Excess of revenues over expenditures and provision for renewal &amp; replacements</b>	<b>\$2,268</b>	<b>\$4,756</b>	<b>\$5,150</b>	<b>8.3%</b>

(1) AMOUNTS BASED UPON ACTUAL RESULTS FOR FIRST SIX MONTHS OF 2007 AND CURRENTLY ANTICIPATED RESULTS FOR THE LAST SIX MONTHS OF THE YEAR.

**UNITED NATIONS DEVELOPMENT CORPORATION**  
**CERTIFICATION OF 2008 BUDGET AND FINANCIAL PLAN**

I hereby certify that to the best of my knowledge and belief after reasonable inquiry, the Corporation's 2008 budget and financial plan is based on reasonable assumptions and methods of estimation and that the State Comptroller's regulations on budget and financial plan requirements for public authorities have been satisfied.

*Roy M. Goodman*

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ROY M. GOODMAN,  
PRESIDENT & CEO

*8/7/07*

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DATE