

**Expanded feasibility study for the  
United Nations accommodation needs 2014 – 2034**

**Introductory statement to the Fifth Committee  
by  
Mr. Yukio Takasu  
Under-Secretary-General for Management**

**15 March 2013**

Mr. Chairman,  
Distinguished Members of the Committee,

I am pleased to introduce the Secretary-General's report on the "Expanded Feasibility study on the UN Headquarters accommodation needs 2014-2034."

I. A year ago, the Secretariat submitted the feasibility study. Then, an additional option emerged when the legislature of the State of New York enacted a law which granted approval to the UN Development Corporation to construct the UN Consolidation Building (DC-5) on the land directly south of the UN Headquarters. The Advisory Committee recommended that further analysis be undertaken. These recommendations are addressed in the present report.

II. Key assumptions [slide 1]

The expanded study has refined several key assumptions.

- On the projected future staff population, beyond the modest annual growth (1.1 per cent) and "no growth" scenarios, we have included a third scenario; an annual decline of 0.5 per cent, taking into account anticipated changes in work practices and potential movement of some of the operations.
- On space allocation, we revised the average baseline from 250 down to 200 gross square feet (GSF) per person, taking into account the post-Capital Master Plan baseline of 220 gross square feet, as well as alternative workspace strategies, such as desk sharing, hot desking and hoteling,
- [slide 2] In line with the General Assembly Mandate for "One UN", the needs of Funds and Programmes were included in the expanded study, and the Steering Committee includes representatives from UNDP and UNFPA.
- Currently, the staff population at UN Headquarters of all entities that participated in the study amounts to 10,841 staff, out of which 2,320 are from Funds and Programmes. Of this total, 5,938 persons (including the entire staff of 2,320 from Funds and Programmes) are seated outside of UN-owned property.

If we project the population under the three scenarios to 2034, we will need to seat from 8,678 (1.1% growth); 5,938 (no growth) to 4,887 (0.5% decrease) staff outside of the

current UN owned property. With these assumptions, the additional projected space requirement in 2034 would range from 2.0 million GSF (in the 1.1% growth scenario) to 1.28 million GSF (in the 0.5% decrease scenario).

### III. Real estate options [slide 3]

To meet these additional space requirements, four options were considered.

Both options 1 and 2 propose the construction of a high-rise building on the North Lawn, with additional requirements to be met through lease arrangements outside the UN compound. The difference between option 1 and option 2 is the funding modality. Option 1, with a construction cost of \$1.046 billion, would be funded by a special assessment of Member States. Under option 2, the construction would be financed by a third party and would amount to \$1.278 billion.

Option 3 proposes the construction of the DC-5, not by the UN but by the UNDC, at a cost of approximately \$1.362 billion. In fact, this project was brought to the attention of the General Assembly in 2002, which then authorized the Secretary-General to complete negotiations with UNDC.

The UNDC proposes to finance construction through the issuance of public bonds, to be redeemed through UN rent payments over 30-35 years under a rent-to-own arrangement. The building would be connected to the current campus through a pedestrian tunnel.

Option 4: off-campus accommodation needs would be met through commercial lease.

All real estate options factor in the continued leasing of the DC-1 and DC-2 buildings for comparison purposes. The current leases expire in 2018 and we have the option to extend to 2023. After 2023, UNDC may sell or refinance the property. As a consequence, the availability of those spaces is uncertain and the rent would rise to commercial rates.

Subject to a satisfactory agreement on DC-5, the UNDC proposes to extend the leases beyond 2023. Taking into account the need of flexibility in rental space, depending upon the number of staff in future years, the UNDC proposes the option for the UN to avail of a space give-back scheme that permits a reduction in total rental space. Future terms of the lease are subject to negotiations with the UNDC.

### IV. Comparative analysis [slide 4]

Now I would like to offer a brief comparison of the four options.

With regard to efficiency, security and achievement of a campus effect, options 1, 2 and 3 would score high, whereas option 4 would score low.

Under option 2, a third party, a commercial or public entity would be considered for financing to construct a building in the North Lawn. After careful review, this option has far less likely feasibility, due to significant legal and commercial constraints. The provisions set out in the General Convention on the Privileges and Immunities of the United Nations prohibit the Organization from obtaining mortgages and prevents the

enforcement of security interests comprising property or assets of the UN. Further, the Host Country Agreement restricts the UN from transferring a title of the UNHQ premises, even for the purposes of granting the interests in the property to secure financing.

Alternatively, with approval of the General Assembly, the UN could seek unsecured loan guarantees or a loan from Member States or issue UN bonds to them. However, these options are unlikely to materialize soon unless some Member States are in the position to come forward. It is recalled that the General Assembly decided against issuance of UN bonds for construction of the CMP.

Option 4 (the market lease option) would expose the Organization to a volatile rental market after 2023 and be dependent on landlord parameters. It would be economically unfavourable to the Organization in the long run.

Between option 1 and 3, financially option 1 has the advantage that it would entail no land cost, because the building would be built on the UN campus. The DC5 proposal (option 3) includes the financing cost for public bonds as well as the cost for the land (albeit on favourable terms which are well below market value).

However, option 1 would require an upfront outlay of capital costs over \$1 billion through assessed contributions from Member States. This would contradict the guidance previously provided by the General Assembly “that major capital expenditure projects are not implemented simultaneously in order to prevent the need to finance them at the same time.”

Moreover, the North Lawn building is only at a preliminary stage of conceptual design, with attendant risks, including cost escalation and uncertainty of approval of Host Country authorities. The Secretariat has received communications from the neighbours, expressing opposition to construction of a new building in the North Lawn.

The design of the DC-5 is far more advanced, and will be ready for occupancy in mid-2017. The UN would not be required to make an up-front capital investment. Under the provisions of the proposed lease-to-own arrangement, the UN would begin to pay rent in 2017 and would own the building after payment of rent of 30-35 years.

After thorough consideration, the Secretary-General considers option 3, the UN Consolidation Building (DC-5), to be the most preferable option to meet the long-term accommodation needs at the United Nations Headquarters.

[Slide 5] Why does the matter require urgent action? The DC-5 is time-bound due to the legislation of the State of New York that expires in 2015. All necessary steps of constructing DC-5 must be completed beforehand through 2013-14, such as lease negotiation, signing lease, and the issuance of the bonds. Host City legal procedures would be required, and the title of the land would need to be transferred not later than December 2015. If the UN wishes to avail of this opportunity, the UN would have to act expeditiously. We propose a two-staged approach.

In the first instance, and during the current resumed session, we are not seeking your decision to commit to the DC-5. What we are seeking is the authorization to enter into

negotiations with the UNDC for the most favourable lease terms and for the continued leasing of DC-1 and DC-2.

By October 2013, the Secretariat would reach the best possible proposed lease and initial the lease, following negotiations on the most favourable terms for the Organization. (At this stage, without exact rent conditions and no formal commitment).

Once final costing data for issuance of public bonds becomes available in early 2014, the Secretary-General will submit the report with the outcome of negotiation with exact rent conditions. On this basis, the General Assembly would be invited, at its first resumed sixty-eighth session, to take a decision whether it would formally commit the United Nations.

Thereafter, the leases would be signed and the UNDC would issue public bonds. Construction stage would follow with completion in mid-2017.

#### V. Library and South Annex Buildings

The Secretary-General was requested to provide updated information and options, including their financial implications, on the renovation of the South Annex and the Dag Hammarskjold Library Building. In response to this request, we have provided three possible options.

First - a renovation of these buildings was initially estimated at \$65 million in the budget of the CMP. However, as I explained on several occasions, unless security situation improves, it is no longer possible to renovate these two buildings at reasonable cost.

Second - the construction of replacement buildings that are blast resistant to meet the new security requirements is estimated at several hundred million dollars. The South Annex Building alone would cost around \$ 150 million. This option would require significant additional assessment to Member States on top of what they have generously contributed. The Secretariat does not deem it prudent to invest so much for a library and cafeteria so long as other options are available.

Third - the transfer of the functions currently housed in the Library and South Annex Buildings to other locations in the context of the long-term accommodation strategy. It is included in the cost estimate of both the North Lawn Building (options 1 and 2) and the DC-5 (option 3).

This report also provides a possible use of the temporary North Lawn Building for an interim period, without prejudice to the decision of the General Assembly. The temporary North Lawn Building was constructed with the significant cost at over \$ 140 million and is essential in any case until the CMP is fully completed in late 2014. We also believe that the building could be utilized as a valuable swing space for a few more years until the future shape of a long-term accommodation needs becomes clearer.

#### VI. Sequencing of UN construction projects

The UN is currently engaged with several major facilities projects: the CMP, long-term

office accommodation needs at NYHQ, and the Strategic Heritage Plan in Geneva HQ. In considering sequencing those projects, we are guided by the relevant decisions of the General Assembly.

First, implementation of major construction project shall not start before the CMP has been completed (not before late 2014).

Second, major capital expenditure projects should not be implemented simultaneously in order to prevent the need to finance them at the same time (GA resolution 66/247).

Upon a decision by the General Assembly at the current session, it is the intention of the Secretariat to engage in negotiation with the UNDC regarding option 3 (lease option). At the same time, we will continue to explore further all other options including option 1 (which is a capital expenditure project), and to submit a comprehensive report to the resumed 68th session in early 2014 for the consideration and decision by the General Assembly. You recall that the General Assembly also requested the Secretariat to submit a report on the Strategic Heritage Plan to the 68<sup>th</sup> session.

In developing and refining concrete project proposals, the Secretariat will fully take into account the guidance of the General Assembly to prevent the need to finance major capital expenditure projects at the same time.

## VII. Recommendations

I would like to conclude by recalling the recommendations for the General Assembly in paragraph 95 of the report.

Thank you, Mr. Chairman.

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## Key assumptions

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- In response to ACABQ, the report refined key assumptions and related analysis.

### Population scenarios

Expanded scenario modelling of the staff to be accommodated

- 1.1% annual growth
- No growth
- 0.5% annual decrease (new)

### Average space allowance

**250 GSF** > **220 GSF** > **200 GSF**  
(last study) (post CMP) (AWS implemented)

# Population in 2012

see tables 1 + 2

<b>A. Population at HQ</b>		<b>TOTAL</b>
UN Depts and independent offices	8,521	<b>10,841</b>
Funds and Programmes	2,320	
<b>B. Population in UN owned property and non-seated positions</b>		<b>4,903</b>
Secretariat Building	2, 859	
Other on campus locations	1,117	
Non-seated positions	771	
Off-campus UN buildings	156	
<b>C. HQ total population requiring seating outside UN owned property (A-B)</b>		<b>5,938</b>

## Population requiring seating outside UN-owned property

	<i>2012</i> <i>(current population)</i>	<i>2014</i> <i>(Post-CMP)</i>	<i>2018</i> <i>(DC-1/2 renewal option)</i>	<i>2023</i> <i>(DC-1/2 lease expiration)</i>	<i>2034</i> <i>(20 year projection)</i>
<b>1.1% growth</b>	5,938	6,161	6,621	7,225	8,678
<b>No growth</b>	5,938	5,938	5,938	5,938	5,938
<b>0.5% decline</b>	5,938	5,838	5,640	5,397	4,887



## Real estate options

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1. New North Lawn building, funded through special assessment, with continued leasing in DC-1 and DC-2;
2. New North Lawn building, funded through third party financing, with continued leasing in DC-1 and DC-2;
3. United Nations Consolidation Building (UNCD/DC-5) with continued leasing in DC-1 and DC-2;
4. Market lease/"status quo" scenario: leasing of DC-1, DC-2 and other buildings on the commercial real estate market, as necessary.

## Comparison between the options (see table 11)

	Option 1 (new NL/Assessment)	Option 2 (new NL/third party)	Option 3 (UNDC-5)	Option 4 (Market Lease)
Efficiency; security; campus effect	High	High	High	Low (multiple bldgs in mid-town)
Flexibility to contract space portfolio	Possible (smaller building/ reduce lease)	Possible (smaller building/ reduce lease)	Possible Negotiate “give back” terms in DC-1/DC-2 leases	Possible (retention of some leases on short-terms)
Funding	Assessment (own)	Third-party financing	UNDC bonds (lease to own)	Operational costs under long-term leases
Cost of new building	\$1,046 B	\$ 1.278 B	\$ 1.362 B	
Market-related		Private financing not likely	Timebound. Interest rates may increase if delay in bond issuance.	Dependent on volatile rental market
Timing	3yrs to construction 2020 occupancy (approval/consent not yet secured)	same as 1 (additional possible delays due to financing and legal issues)	Ready for occupancy mid-2017.	

# Timeline for UN Consolidation Building (option 3)

see table 10

