



Report on the Study on the long term accommodation needs at United Nations Headquarters for the period from 2015 to 2034
Introductory statement to the
Fifth Committee
by
Mr. Yukio Takasu, Under-Secretary-General for Management
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Mr. Chairman, distinguished delegates,

I am pleased to introduce the Secretary-General's report A/70/398 on the study on the long-term accommodation needs at United Nations Headquarters for the period from 2015 to 2034, which is submitted pursuant to General Assembly resolution 69/262. This morning I am joined by Mr. Stephen Cutts, ASG for Central Support Services, who has been leading this effort.

I would like to thank the ACABQ for the detailed review, during which the Secretariat provided over 100 written responses to the series of questions through October and November.

As we briefed the Committee on 8 October, I would like to emphasize again that long-term planning for future real estate needs of the Secretariat is now urgent and critical, given the time-limited opportunity of one of options that would significantly reduce the long-term real estate costs.

Rationale and population scenarios

Today, after the Capital Master Plan, we still have 4,042 Secretariat staff (5,342 with Funds and Programmes) outside the UN campus in eight leased buildings, at annual cost of \$56 million, a cost that can be expected to rise significantly in the coming years if we do not take urgent action.

Even after the implementation of flexible workplace strategies in New York, by which additional staff members will be accommodated in the Secretariat building, we anticipate that 3,242 staff (4,542 with Funds and Programmes) will still need accommodation outside of the UN campus by 2018.

In the report we have again included three population scenarios, which have been extrapolated over the next 20 years:

- a. 1.1 per cent growth (based on trends over the past 20 years);
- b. No growth; and
- c. A year-on-year 0.5% annual decline.

The Secretariat considers that net effect of change factors in Headquarters staffing levels are fully taken into account in these three scenarios. These factors are: changing mandates and programme activities; and changes resulting from Umoja implementation and a new global service delivery model, both of which will impact those administrative staff who are engaged with transactional activities in New York. In our judgement, such reductions would be within the range of the net reduction of 720 staff in the 0.5% total decline scenario.

Even assuming a year-on-year 0.5% decline in the UN's population in New York, with the impact of flexible workplace strategy, Umoja and global service delivery model, we would still need to accommodate more than 2,500 Secretariat staff off-campus (3,733, if includes offices of funds and programmes).

Whatever assumptions we adopt, there is no doubt that UN will be responsible for accommodating significant number of staff in NY continuously in the years to come. It is therefore prudent to plan ahead cost-effective options of accommodating those staff members.

Viable options

The report of the Secretary-General is the third report on the subject submitted within the last 4 sessions, and incorporates the guidance received from member states. The total number of options studied is as follows:

Session/Report	Year/Session	Number of Options Studied	GA Decision
A/67/720	2013/ 67th First Resumed	Four (4)	Requested comprehensive information on all viable options, including additional options.
A/68/734	2014/ 69th Main	Ten (10)*	Identified four (4) viable options, including UNDC-5, which appeared to be a very feasible and serious option.
A/70/398	2015/ 70th Main	Four (4)	n/a

*Eight (8) options plus two additional sub-options

The Secretary-General has exhaustively considered all possible options, some viable, and some not. Each time the Secretariat has studied, especially in the two most recent reports with the benefit of an extremely robust financial analysis, and even as various assumptions and factors have evolved slightly over time, the results have remained consistent.

The General Assembly requested the SG at its 67th session to explore all viable options and the Secretary-General considered the ten (10) possible options and presented his report. At its 69th session, the General Assembly concluded that only the following four (4) options are viable, and should be further analysed:

Option1: a new building on the North Lawn funded through a special assessment,

Option2: a new building on the North Lawn via third-party financing,

Option3: a lease to own financing option for UNDC-5, the new UN consolidation building on the land south to the UN-campus to be built by the United Nations Development Corporation (UNDC), and,

Option4: a continuation of the status quo; renting off-campus space through commercial leases.

Comparison of viable options

From the perspective of the architectural integrity of the UN-complex, an internationally recognized architectural preservation firm evaluated Options 1, 2, and 3 (all the options of a new building). They found that Option 3, UNDC-5, would be the preferred option, and that Options 1 & 2 (a new North Lawn building) even if taken forward, should be limited in height to 275 feet, in line with the original design of the Board of Architects of the Headquarters campus. The General Assembly concurred with this view, and in its resolution 69/262 urged the Secretariat to respect the architectural integrity of the UN-complex.

The Secretariat studied further possible ways to undertake Option 2 (the North Lawn building) through financing, including: third party developer financing; and public or private long-term fixed rate bonds as a direct debt of the UN. Other possible alternatives were also studied, including a commercial construction loan; and a loan or loan guarantee from Member States. The financing options were deemed non-viable due to the inability of the Organization to provide collateral to creditors. No Member State has responded positively about providing a loan or loan guarantee. The commercial construction loan was considered in detail, but it is the more expensive option and is therefore not recommended.

With respect to schedule considerations, in light of the direction received from the General Assembly in section V of its resolution 68/247, which stipulates that major capital expenditure projects should not be implemented simultaneously, the Secretariat understands that,

- Option 1 could only commence after completion of the SHP in 2023;
- Options 2 and 3 could commence at the earliest opportunity (assuming Option 2, like Option 3, would be managed primarily by a third-party developer).

An underlying reason for the urgency of determining which option to pursue is current lease agreements for UNDC-1 and UNDC-2.

- The UN currently houses approximately 2060 staff members in UNDC-1 & UNDC-2 at rates negotiated many years ago and which are now significantly below current market rates;

- The UN has the right to exercise the option to extend the current lease beyond 2018 but only until 2023;
- UNDC is obliged to refinance or sell UNDC-1 and UNDC-2 in 2023 under the terms of the MOU;
- Even if available for lease, DC1 and 2 are old buildings and would require major renovations and would only likely be leased at prevailing market rates, which are estimated to be more than two times the current rates.

Therefore, the Secretariat would need to implement a long term accommodation option that is available before 2023 to avoid significant financial and operational risks with the expiry of UNDC1 and 2 leases.

Financial assessment

The Secretariat made a comprehensive financial analysis of projected costs of 4 options over the next 50 years as well as non-quantifiable benefits. The assumptions used in the analysis included: financial information for all options, assuming an indicative credit rating for financing options and projected interest rates. We also undertook a commercial lease analysis of a 15-minute walking radius from the UN Campus and for the commercial leasing components of the new construction options.

Of the viable options studied, Option 3, UNDC-5 has again been calculated to be the most cost-effective option on a net present value (NPV) basis. In a no-growth scenario, over a 50-year period, including project costs and operational cost, the UNDC-5 option would cost \$2.65 billion;

The status quo option, which relies solely on commercial leases, is most expensive of the four options, at \$3.56 billion.

More detailed information on key assumptions such as a change in interest rates impact is included in the report. In summary, UNDC-5 remains the most cost-effective option in just about all foreseeable future scenarios, worthwhile pursuing further.

Recommended timetable

In event of a decision by the General Assembly to pursue UNDC-5 further, the next steps would be the following:

- In 2016, UNDC would resume their efforts and continue with the required planning and design works in the schematic design phase.
- In 2017, UNDC would complete the required planning and design works for the detailed design and construction documents.
- In late 2017, the General Assembly is to make a formal decision on DC5 and to authorize the SG to conclude lease agreement.
- In 2018, UNDC would tender for construction of UNDC-5.

- From 2019 to 2021, UNDC-5 would be constructed under the supervision of the UNDC and in close cooperation with the UN.
- By 2022, the Secretariat would move into UNDC-5.

As you will note, this timetable provides for little leeway before the expiry of the leases in DC1 and DC2 in 2023. Given the delays that can occur with major construction projects, we believe a GA decision is now urgent. UNDC has signalled that it will not be able to deploy the additional resources needed to complete the design works and meet the above timetable, in the absence of a positive affirmation from the GA that DC5 should be pursued as the option for future development (without prejudice to a final decision on the project) .

In order to pursue Option 3 further, it is necessary to strengthen our capacity to ensure the development of UNDC-5 to meet fully our requirements and standard. We would require dedicated resources for a small project oversight team over a period of eighteen months during the biennium of 2016-2017. The team would need to be supported by real estate advisory and financial services, and cost estimating services.

Given the magnitude of the project and its importance, this is an essential investment in the view of the secretariat to ensure that the UN's interests are properly met and risks appropriately managed.

Recommended action by the GA

The recommended actions to be taken by the General Assembly include:

- a. Request the SG to develop further the UNDC-5 option as the very feasible and serious option to be pursued;
- b. Authorize the SG to take the next steps necessary for implementation, without prejudice to any future decisions of the Assembly;
- c. Approve three general temporary assistance positions effective 1 July 2016 for a period of eighteen months and external consultancy:

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In summary, among the viable options, option 1(North Lawn building), as a major capital expenditure project, should wait until 2023 when SHP is complete; we do not need a decision on this option by the GA for several more years.

Option 4(continuation of commercial lease) is a default option; if there is no decision on any option by the GA, the UN will have no other choice but to continue to rely on commercial leases. But neither of these options will solve the 2023 issue when the UN will be facing real difficulty of losing the office space at favourable rates provided in DC1 and DC2.

The analysis again clearly shows that the UNDC-5 option is the most cost-effective. Therefore the Secretary-General strongly recommends DC-5 should be pursued further as the very feasible and serious option, but without any obligation at this stage to approve the project.

In response to our request, UNDC has worked hard with competent authorities to realize the amendment of the MOU regarding the DC-5. However, this option is still time-bound and UNDC needs a positive sign from the UN before it proceeds to make further significant expenditures on the schematic design and detailed design works. And in order to accomplish the objective of integrating UN staff in a building, DC-5 building must be ready for occupancy in 2022, prior to the expiry of the lease in the DC1 and 2 DC1 in 2023.

The Secretary-General is responsible for prudent real estate planning for the Organization, based on the best available estimate, in order to avoid a steep increase in 2023 and minimize the cost on its Members. It is my firm belief that if you wait for a decision until all unknown factors were defined, you will lose the opportunity to do what is in the best interest of the Organization.

To be clear, a delay in decision is tantamount to ending up with on the ‘Status Quo’ option, which is estimated to cost the Organisation approximately USD 1 billion more than the UNDC-5 option over the long term.

We have provided you with the up-to-date information. We look forward to receiving a positive direction to DC-5 to ensure prudent management of our real estate portfolio in New York.

Thank you, Mr. Chairman.
