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Expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034

Report of the Secretary-General

Summary

Pursuant to resolution 60/282, in September 2011, the Secretary-General submitted to the General Assembly a report containing a feasibility study on the United Nations Headquarters accommodation needs for the period 2014-2034 (A/66/349). Contemporaneous with the submission of that report, an additional real estate option emerged in October 2011 when the State of New York passed legislation granting the United Nations Development Corporation approval to construct a new office building, to be referred to as the United Nations Consolidation Building (DC-5), on the public park located on a parcel of land at the south-east corner of First Avenue and 42nd Street, directly south of United Nations Headquarters.

In response to the report of the Secretary-General, the Advisory Committee on Administrative and Budgetary Questions recommended that further analysis should be undertaken, including on key factors of the original feasibility study, and that the proposal by the Corporation for the Consolidation Building should be included in the scope of the expanded study (see A/66/7/Add.3). Those recommendations are addressed herein. In paragraph 29 of section V of resolution 67/246, the General Assembly requested the Secretary-General to provide, as soon as possible, options and financial implications in relation to the renovation of the South Annex Building and the Dag Hammarskjöld Library Building. Further to that request, the present report contains options for the future use of those buildings.

The steering committee on long-term accommodation needs at United Nations Headquarters, chaired by the Under-Secretary-General for Management, provided overall guidance and direction to the consultant team on the long-term office space strategy, guided the progress of the study and endorsed recommendations during the course of the project.

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The present report is based on more widely defined assumptions for the projected future staff population. In addition to the earlier scenarios of modest annual growth (1.1 per cent) and no growth, as applied in the original feasibility study, a third scenario was included that assumes a steady annual decline in the projected staff population of 0.5 per cent. A revised overall baseline space allowance of 220 gross square feet per workspace was applied. In addition, alternative workspace strategies, such as desk-sharing, hot-desking and hoteling, were explored and for planning purposes considered to hold the potential of lowering the gross square feet per workspace allowance by another 10 per cent to 200 gross square feet per workspace, if fully implemented. The original feasibility study had applied 250 gross square feet as the baseline space allowance. On the basis of these assumptions and the various population scenarios, the space requirement for additional office space in 2034 beyond the existing campus would thus be 2,040,471 square feet, 1,492,471 square feet or 1,282,271 square feet.

To meet these additional space requirements, the following four real estate options were considered:

(a) Option 1: A new building on the North Lawn, funded through a special assessment, with continued leasing in DC-1 and DC-2;

(b) Option 2: A new building on the North Lawn, funded through third-party financing, with continued leasing in DC-1 and DC-2;

(c) Option 3: The United Nations Consolidation Building (DC-5) proposed by the United Nations Development Corporation, with continued leasing in DC-1 and DC-2;

(d) Option 4: A continuation of the status quo scenario of leasing DC-1, DC-2 and other buildings on the commercial real estate market, as necessary.

It should be noted that leasing DC-1 and DC-2 is subject to availability at acceptable conditions beyond March 2023.

Each option was evaluated against the criteria set forth in the original feasibility study (financial, security, cost implication, timing, urban context, architectural, vision and purposes). The financing arrangements and costs were reviewed and risk assessments made at the strategic and project management levels.

Option 2 was found not to be feasible, given that third-party financing of a new building on the North Lawn was deemed unlikely owing to financial and legal obstacles. The maintenance of the status quo lease arrangements (option 4) carries major risks in a volatile real estate market (including uncertainty of leases in DC-1 and DC-2 after 2023) compared to rent-to-own options and was found to be financially unfavourable in the long term.

Options 1 and 3 were thus weighed for their comparative advantages. Under option 1, the construction of a new building on the North Lawn would affect the operations of the Headquarters campus and would forever change the iconic campus and its landscape. It would require Member States to make an upfront capital outlay of some $1.046 billion through a special assessment. Currently, the plan remains in an early design stage and would require two to three years before construction, with attendant risks relating to cost escalation and consent of the local community (which has yet to be obtained). Option 3 could be pursued without affecting the operations on campus. It would be funded through the issuance of public bonds by the United

Nations Development Corporation to raise funds for a project cost of approximately $1.362 billion, including financing costs (interest payment) and $113 million in lieu of the cost of the land. The plans are far advanced and construction could begin in mid-2014 and be completed in mid-2017. As per the lease contract, the United Nations would begin to pay rent in 2017 and own the building after 30 to 35 years.

On the basis of these considerations, the Secretary-General deems option 3 the most preferable option to meet the long-term accommodation needs of the Secretariat in New York. The legislation of the State of New York in relation to option 3 is time-bound. To avail itself of it, the General Assembly is invited, at the first instance and during the first part of its resumed sixty-seventh session, to indicate its interest in pursuing option 3 and to authorize the Secretariat to enter into negotiations with the Corporation regarding the terms of the lease for the Consolidation Building and the continued leasing of DC-1 and DC-2.

The General Assembly may also wish to request the Secretary-General to provide regular briefings on the status of negotiations throughout 2013 and to submit a progress report to the General Assembly at the first part of its resumed sixty-eighth session, early in 2014, for its consideration and decision.

Once final costing data for issuance of public bonds become available early in 2014, the General Assembly would be required, at the first part of its resumed sixty-eighth session, to take a decision to formally commit the United Nations to option 3.

Furthermore, the General Assembly may wish to provide direction to the Secretary-General regarding options for the future use of the Dag Hammarskjöld Library Building and the South Annex Building.

Lastly, the General Assembly may wish to consider the deferred removal of the temporary North Lawn Building and suitable interim uses.

Contents

I. Introduction

Background

1. Pursuant to resolution 60/282, the Secretary-General conducted a comprehensive study during the biennium 2010-2011, taking into account the need for a long-term strategy for office accommodation at Headquarters in addition to the feasibility of constructing a building on the North Lawn of the Headquarters campus. One rationale for the feasibility study was the upcoming expiration, at the end of March 2023, of the Organization's leases of the DC-1 and DC-2 buildings, given that there are no current options to extend beyond that date. The two buildings were constructed in 1976 expressly for the United Nations by the United Nations Development Corporation, a public benefit corporation of the State of New York.

2. Upon completion of the feasibility study, and in parallel with the submission of the report of the Secretary-General thereon (A/66/349), the State of New York enacted legislation in October 2011 authorizing negotiations among host state and host city officials of a memorandum of understanding that would allow the Corporation to construct a new office building, to be referred to as the United Nations Consolidation Building (DC-5), for the exclusive use of the United Nations, on the public park located on the south-east corner of First Avenue and 42nd Street, directly south of Headquarters. The memorandum of understanding also set modified terms for the last optional lease period for DC-1 and DC-2 from April 2018 to March 2023.

3. In response to the report of the Secretary-General, and in the light of the proposal by the Corporation to construct the Consolidation Building, the Advisory Committee on Administrative and Budgetary Questions, in its report (A/66/7/Add.3), recommended that the Secretary-General should:

(a) Review and update the space allowance per person, factoring in opportunities offered by the capital master plan, any other future planned projects, evolving industry standards, flexible working arrangements and alternative workspace strategies;

(b) Undertake further analysis to determine the optimum ratio of owned versus leased office space;

(c) Incorporate potential sites located within a greater radius of the main Headquarters campus;

(d) Expand the analysis of the costs, benefits and risks of each real estate option, including a comparative analysis of the proposal by the Corporation for the Consolidation Building on a lease-to-own basis for the United Nations.

4. In paragraph 29 of section V of resolution 67/246, the General Assembly requested the Secretary-General to present, as soon as possible, but no later than the main part of its sixty-eighth session, updated information and options, and their financial implications, on the renovation of the South Annex Building and the Dag Hammarskjöld Library Building.

Governance

5. The steering committee on long-term accommodation needs at United Nations Headquarters, chaired by the Under-Secretary-General for Management, was

composed of senior officials from across the Organization, including the participating funds and programmes, as follows: the Executive Office of the Secretary-General, the Department of Management, the Department of Safety and Security, the Department of Economic and Social Affairs, the Department of Field Support, the Department for General Assembly and Conference Management, the Office of Legal Affairs, the United Nations Development Programme and the United Nations Population Fund.

6. The steering committee provided overall guidance and direction to the consultant team on the long-term office space strategy, guided the progress of the study and endorsed recommendations during the course of the project.

II. Key assumptions and estimated space requirements

Population analysis

7. To understand the long-term needs of the United Nations, the starting point for the expanded feasibility study was a revision of the scenario modelling of the staff to be accommodated in long-term leased premises and Organization-owned properties at Headquarters in 2012, taking full account of the number of staff moved during relocations relating to the capital master plan. This reassessment built on the population analysis that was conducted in the original feasibility study with the starting point for population projections in 2012, although the locations are projected as from 2014 when staff movements stemming from the capital master plan will have been completed.

8. The United Nations funds and programmes located in New York, such as the United Nations Development Programme and the United Nations Population Fund, participated in this study. The United Nations Children's Fund, however, will own the main building that it currently occupies (DC-3) at the end of the lease term in 2026 and has favourable condominium arrangements in its other leased space (DC-4). Given that its long-term accommodation needs in New York will be met through these arrangements, the Fund chose not to participate in the original feasibility study. It also confirmed that this consideration continues to apply to the expanded feasibility study.

9. The updated breakdown of populations for Headquarters, including the funds and programmes participating in the study in 2012, is shown in table 1. It identifies (a) the total population, (b) the population already accommodated in United Nations-owned premises and non-seated positions and (c) the population requiring seating outside United Nations-owned property.

Table 1
Breakdown of populations

	2012 (current population)
A. Population at Headquarters (by entity)	
United Nations departments and independent offices	8 521
Funds and programmes	
(United Nations Development Programme, United Nations Joint Staff Pension Fund, United Nations Office for Project Services and United Nations Population Fund)	2 320
Total	**10 841**
B. Population in United Nations-owned property and non-seated positions	
Secretariat Building	2 859
Other on-campus locations	1 117
Non-seated positions	771
Off-campus United Nations buildings	156
Total	**4 903**
C. Headquarters total population requiring seating outside United Nations-owned property: A-B	**5 938**

10. The feasibility study population projections included the updated totals of the United Nations population in New York captured in 2011-2012 for the Secretariat, the United Nations Joint Staff Pension Fund, the United Nations Development Programme, the United Nations Office for Project Services and the United Nations Population Fund. The historical data from 1992 to 2010 for Secretariat departments and funds and programmes showed increases and decreases in staffing numbers that averaged an annual growth rate of 1.1 per cent. When the original feasibility study was conducted, it was considered that that rate would probably continue in the long term. In line with the recommendations of the Advisory Committee on Administrative and Budgetary Questions to consider a more in-depth and comprehensive analysis of the factors affecting the space requirements and evolution under various scenarios, the expanded feasibility study gave consideration to additional parameters. Factors that could increase overall space requirements are growth in the number of mandated activities and the creation of new activities. Factors that could contribute to reducing overall space requirements are more efficient and flexible use of office space; changes in work practices, for example resulting from the deployment of Umoja; movements of some operations of funds and programmes; and reductions in the level of activities. Given the variability of space requirements in the long term, in the present report, requirements were projected for three population scenarios: an average annual growth rate of 1.1 per cent; no growth rate; and an average annual decline rate of 0.5 per cent.

11. Since there was no historical basis for a steadily declining population, a modest decline rate of 0.5 per cent per annum was assumed so as to test overall requirements and real estate options. While reductions in overall need could be likely in the short term in the light of financial constraints, sustained decline was

deemed unlikely in the long term. Nonetheless, the steering committee considered it prudent to include these three scenarios herein.

12. In the expanded feasibility study, the three population scenarios were projected to various benchmarks between 2012 and 2034 for populations requiring seating outside property owned by the United Nations. Accordingly, the 1.1 per cent average annual growth rate scenario amounts to 8,678 additional seats, the no growth rate scenario to 5,938 additional seats and the 0.5 per cent average annual decline rate scenario to 4,887 additional seats (see table 2).

Table 2
Population requiring seating outside property owned by the United Nations under the three scenarios

A. 1.1 per cent growth

	2012 current	*2014*	*2018*	*2023*	*2034 projected*
Total staff population	10 841	11 081	11 576	12 227	13 791
Less: non-seated staff population	(771)	(788)	(823)	(870)	(981)
Total seated staff population	10 070	10 293	10 753	11 357	12 810
Less: available Organization-owned seating	(4 132)	(4 132)	(4 132)	(4 132)	(4 132)
Net requirement for off-campus seating	5 938	6 161	6 621	7 225	8 678

B. No growth

	2012 current	*2014*	*2018*	*2023*	*2034 projected*
Total staff population	10 841	10 841	10 841	10 841	10 841
Less: non-seated staff population	(771)	(771)	(771)	(771)	(771)
Total seated staff population	10 070	10 070	10 070	10 070	10 070
Less: available Organization-owned seating	(4 132)	(4 132)	(4 132)	(4 132)	(4 132)
Net requirement for off-campus seating	5 938	5 938	5 938	5 938	5 938

C. 0.5 per cent decline

	2012 current	*2014*	*2018*	*2023*	*2034 projected*
Total staff population	10 841	10 733	10 520	10 259	9 709
Less: non-seated staff population	(771)	(763)	(748)	(730)	(690)
Total seated staff population	10 070	9 970	9 772	9 529	9 019
Less: available Organization-owned seating	(4 132)	(4 132)	(4 132)	(4 132)	(4 132)
Net requirement for off-campus seating	5 938	5 838	5 640	5 397	4 887

Space allowance and alternative workplace strategies

13. The recently completed renovation of the Secretariat Building resulted in an average of 220 gross square feet per workspace on office floors. This figure

corresponds to current benchmarks of building efficiencies achieved in office buildings of other organizations and is therefore used as the reference point.

14. To determine the actual number of square feet required for office accommodation in New York, it is necessary to determine how people will use a given built workspace and, therefore, how many workspaces are needed for a given population. Currently, Headquarters has implemented flexible work arrangements, allowing staff to avail themselves of telecommuting, staggered working hours, compressed work schedules and scheduled breaks for external learning. These policies do not, however, affect the number of built workspaces required.

15. Several alternative workspace strategies could reduce the number of built workspaces required to accommodate a given population:

(a) Hot-desking, whereby multiple persons have access on an as-needed basis to workspaces that are not occupied on a particular day owing to normal travel, leave, all-day meetings, training and vacancies under recruitment;

(b) Desk-sharing, whereby two staff share one desk, working in the office at different times;

(c) Hoteling, which involves a system of non-dedicated workspaces where workspace is booked through an online reservation system.

16. Pending further study of the required implementation modalities, it is currently assumed that the Organization could implement a basic version of hot-desking within existing technological infrastructure, with the addition of a desk booking system. Desk-sharing and hoteling would require staff to have remote access to files, applications and information technology services. The implementation of alternative workspace strategies and the associated information technology resources has been found to benefit other organizations in terms of greater space efficiencies and reduced real estate costs, in addition to more robust business continuity and disaster recovery. The potential sustainable benefits of alternative workspace strategies include reduced paper use, more efficient space utilization and reduced commuting and travel pollution.

17. The implementation of alternative workspace strategies in the Secretariat would require consideration from the human resources, information technology and facilities management perspectives. In keeping with organizational practice elsewhere and with the help of external specialists and through interviews, surveys, focus groups, visioning sessions, observational studies and working pilot trials, implementation would include the following steps:

(a) Assessing organizational styles and working processes, including workplace culture, the use of information technology and the physical environment;

(b) Analysing which alternative workspace strategy approach is best for the Organization, its staff and its clients;

(c) Determining the level and ambition of the approach to be adopted;

(d) Developing future forecasts of workplace needs and environment;

(e) Identifying measurable business benefits to clients;

(f) Assessing costs, including financial, human and short-term and long-term impact on programme delivery;

(g) Developing standard operating procedures, user manuals and refining protocols.

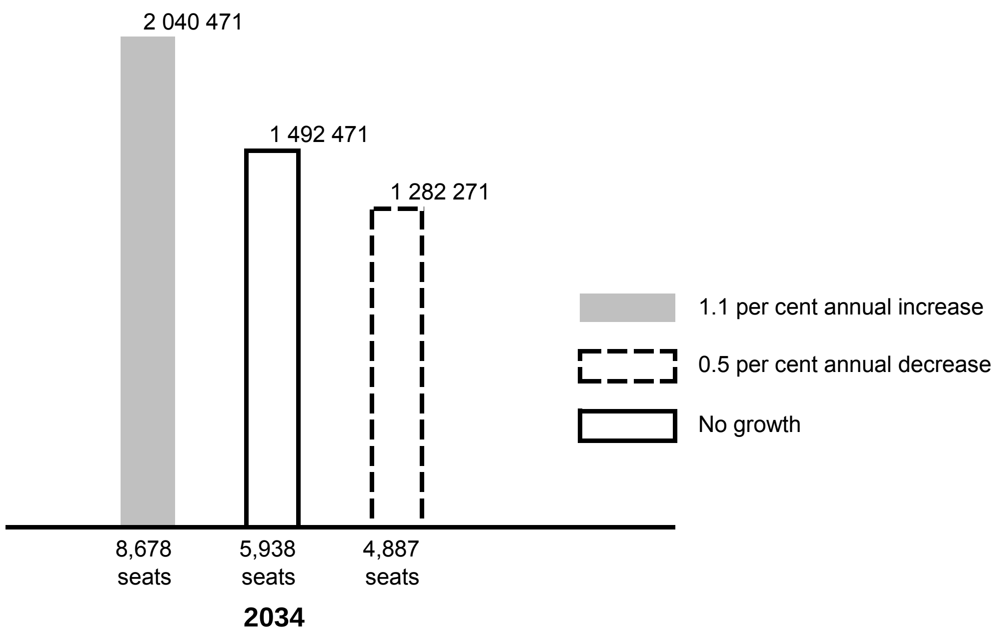
18. Through interviews conducted with departmental representatives in the original feasibility study, it was estimated that approximately 20 per cent of staff might be able to engage in alternative workspace strategies, which could result in the United Nations achieving area savings of approximately 10 per cent. The expanded feasibility study reviewed evolving industry trends and benchmarking against other organizations and confirmed that, through the implementation of alternative workspace strategies, savings of 10 per cent in overall space requirements would be achievable. Accordingly, a space saving of 10 per cent was set as a target. The projected additional area saving through alternative workspace strategies would therefore lower the 220 gross square feet per workspace to an overall space allowance of 200 gross square feet per person. In practice, this target can be achieved only after fit-out of all spaces and successful implementation of alternative workspace strategies. The transition to 200 gross square feet would therefore be a gradual process as existing space is renovated and modular furniture replaced, rather than being implemented at a single point in time.

Total additional space requirement

19. The respective space requirements for the various scenarios have been calculated using a space allowance of 200 gross square feet per person, which is based on the successful implementation of alternative workspace strategies. In addition to the basic office space, these projected requirements also contain support spaces such as central mechanical spaces, a cafeteria for the building, locker rooms for cleaning and food service staff, and conference and lobby entrances. As the proposal for the Consolidation Building assumes a need for 275,051 gross square feet of building support space, this figure is also used for the calculation of options for the construction of a new building on the North Lawn for comparability purposes. The existing DC-1 and DC-2 buildings include similar support functions totalling 29,820 gross square feet. For the calculation of the market lease option, this support space is assumed to be sufficient. The cumulative space requirements for the three population projection scenarios are shown in figure I.

20. In 2034, under a 1.1 per cent average annual growth rate scenario, an additional 8,678 seats would be required, amounting to 2,040,471 gross square feet. In a no growth rate scenario, 5,938 additional seats would be required, amounting to 1,492,471 gross square feet. In a 0.5 per cent average annual decline rate scenario, an additional 4,887 seats would be required, amounting to 1,282,271 gross square feet.

Figure I
Total projected space requirements in addition to the existing United Nations campus in 2034
(Area calculated in gross square feet)



III. Real estate options

21. Four options were explored as the basis for the expanded feasibility study to meet the overall off-campus space requirement:[1]

(a) Option 1: A new building on the North Lawn, funded through a special assessment, with continued leasing in DC-1 and DC-2;

(b) Option 2: A new building on the North Lawn, funded through third-party financing, with continued leasing in DC-1 and DC-2;

(c) Option 3: The United Nations Consolidation Building (DC-5) proposed by the United Nations Development Corporation, with continued leasing in DC-1 and DC-2;

(d) Option 4: A continuation of the status quo scenario of leasing DC-1, DC-2 and other buildings on the commercial real estate market, as necessary.

22. Further options for the United Nations were considered, including the commercial purchase of a plot of land or existing building outside the campus and subsequent construction to suit the use of the Organization by a real estate developer or other third party. Given the limited availability of appropriate sites in the vicinity of the United Nations complex, the years of negotiating, the approval process required, the high risks of not reaching an acceptable conclusion and the less

[1] Leasing DC-1 and DC-2 is subject to availability at acceptable conditions beyond March 2023 (see para. 60).

favourable financial terms of a private-sector partnership compared with option 3, however, such options were not further pursued.

23. The individual site options were assessed by scoring the same evaluation criteria as were used in the original feasibility study: scale, population, flexibility, security, achieving the campus effect and walking distance.

24. A separate risk analysis of each option was undertaken. Risks were identified both at the strategic level (the risk of the option not meeting the Organization's objectives) and at the project level (where construction would be involved). Each risk considered the likelihood and impact of occurrence on the cost, quality and timeliness of the option.

Option 1: North Lawn

25. The cost of constructing a new building on the North Lawn is estimated at $1.046 billion through a special assessment.

26. The no growth rate scenario would result in the combination of a new North Lawn building at 926,555 gross square feet (including support space of 275,051 gross square feet) and partial leasing of DC-1 and DC-2 in the amount of 565,820 gross square feet. This scenario would equate to 84 per cent owned versus 16 per cent leased for the overall Headquarters real estate portfolio. The 1.1 per cent average annual growth rate scenario would require 1,203,342 gross square feet in addition to the new North Lawn building, resulting in a ratio of 71 per cent owned versus 29 per cent leased. In a 0.5 per cent average annual decline rate scenario and with the assumption that a further 339,528 gross square feet would be leased in addition to the new North Lawn building, the ratio would be 90 per cent owned versus 10 per cent leased.

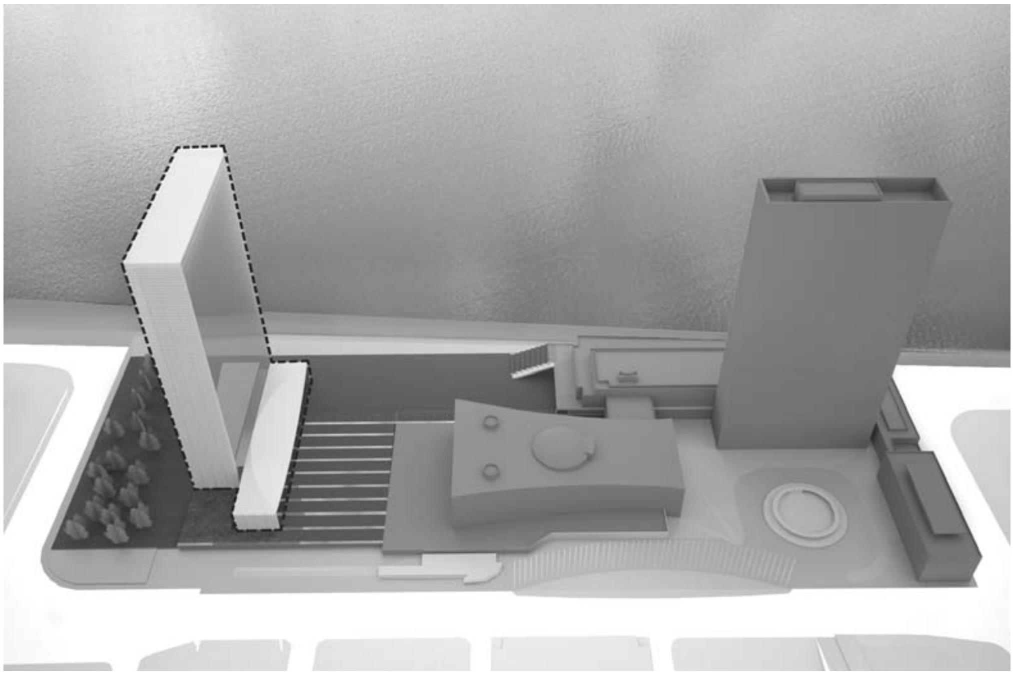
27. Currently, the plan remains at the conceptual design stage. A full architectural design process involving schematic design, design development and construction drawings would require two to three years before reaching the construction stage. There are attendant risks, including cost escalation and consent of the local community.

Option 2: North Lawn (with third-party financing)

28. In all scenarios under option 2, the space requirements and the ratio of ownership to lease are the same as in option 1. The cost of construction of a new building on the North Lawn by a third party is higher, however, owing to the financing cost. It is estimated at $1.278 billion, compared with $1.046 billion if this were funded through a special assessment.

29. Obtaining a commercial loan from a third party to construct a building in the United Nations compound would present significant financial and legal obstacles, as described in paragraph 65.

Figure II
North Lawn perspective view



Option 3: United Nations Consolidation Building

30. The area for the United Nations Consolidation Building is proposed at 926,555 gross square feet, including support space of 275,051 gross square feet.[2] DC-1 and DC-2 would be required as additional office space with the same area requirement as options 1 and 2.

31. The no growth rate scenario would require a reduction of space in DC-1 or DC-2 and, as such, 565,820 gross square feet would be required in addition to the Consolidation Building. This scenario would equate to a ratio of 84 per cent owned versus 16 per cent leased. Under the 1.1 per cent average annual growth rate scenario, 1,203,342 gross square feet would be required in addition to the Consolidation Building. In this scenario, the ratio would be 71 per cent owned versus 29 per cent leased. In the 0.5 per cent average annual decline rate scenario, the requirement would be 1,266,083 gross square feet of additional office space. In this scenario, it is assumed that, in addition to the Consolidation Building, 339,528 gross square feet would be leased. This scenario would entail a 90 per cent owned versus 10 per cent leased ratio.

32. The cost of construction of the Consolidation Building by the United Nations Development Corporation is estimated at $1.362 billion, including land and financing cost. Table 3 shows the cost of construction of this and the two previous options.

[2] While the space allowance for the Consolidation Building proposal was originally 250 gross square feet per person, for the purpose of equal comparison in the study, 200 gross square feet per person has been used, as in the North Lawn options.

Figure III
United Nations Consolidation Building perspective view

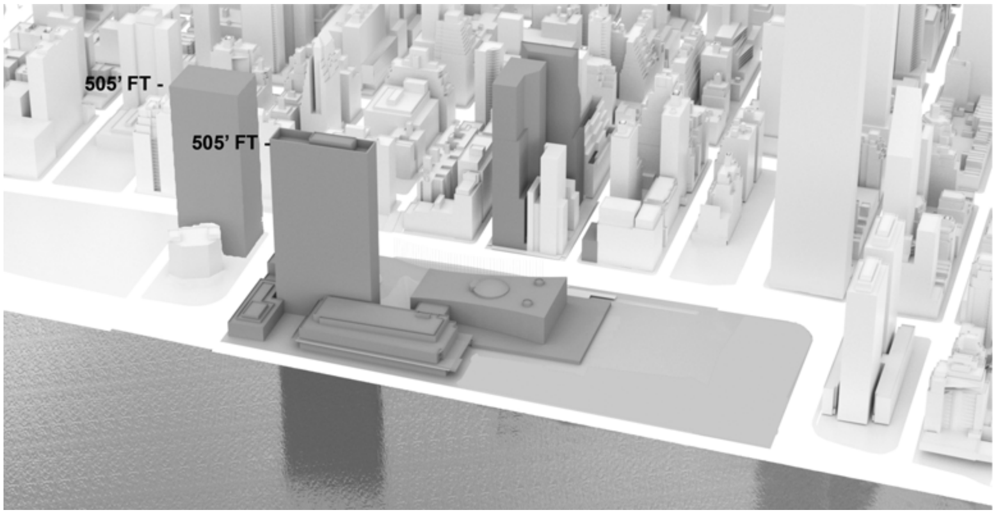


Figure IV
United Nations Consolidation Building street view

Option 4: Market leases

33. Option 4 continues the current United Nations strategy of leasing office space outside the United Nations campus on the commercial real estate market. This option assumes the renewal of the DC-1 and DC-2 leases in their entirety with the remaining requirement being met in other leased buildings.

34. In the no growth rate scenario for this option, an additional 781,312 gross square feet above and beyond DC-1 and DC-2 would be required, with a resulting ratio of 58 per cent owned to 42 per cent leased. In the 1.1 per cent average annual growth rate scenario, an additional 1,430,305 gross square feet would be required, with a resulting ratio of 49 per cent owned versus 51 per cent leased. In a 0.5 per cent average annual decline rate scenario, the requirement would be 532,285 gross square feet of additional office space, while the ratio would be 63 per cent owned versus 37 per cent leased.

35. It is important to note, however, that there is no assurance that DC-1 and DC-2 would continue to be readily available for use by the United Nations after 2023. The United Nations Development Corporation has informed the United Nations that, if the Consolidation Building does not proceed, DC-1 and DC-2 will probably be sold. The Organization would then have to secure a large commercial space to meet its additional space requirements, which may be extremely difficult to achieve in close proximity to the campus, and would be subject to market rents.

36. As requested by the Advisory Committee on Administrative and Budgetary Questions, an analysis of a greater radius from the main Headquarters campus was undertaken, considering indicative rates for spaces that could be available for rent (see annex I to the present report). The revised available rental rates were factored into the cost of calculations for option 4.

Table 3
Cost of construction of new building
(Current value in millions of United States dollars as at December 2012)

	Land	*Core and shell*	*Fit-outs*	*Financing*	*Total*
North Lawn assessment +DC-1 and DC-2		752	294		**1 046**
North Lawn financing +DC-1 and DC-2		752	294	232	**1 278**
DC-5 +DC-1 and DC-2	113	743	294	212	**1 362**

37. The main space features of the four real estate options studied are shown in table 4.

Table 4

Real estate options: space and occupancy in 2034

		Scenarios								
		(A) 1.1 per cent growth			*(B) No growth*			*(C) 0.5 per cent decline*		
Option		*Own-lease ratio (percentage)*	*Gross square feet*	*Population*	*Own-lease ratio (percentage)*	*Gross square feet*	*Population*	*Own-lease ratio (percentage)*	*Gross square feet*	*Population*
1 and 2	*Owned*									
North Lawn	(a) Headquarters/United Nations-owned	71	2 030 207	4 903	84	2 030 207	4 903	90	2 030 207	4 903
	(b) North Lawn		926 555	3 258		926 555	3 258		926 555	3 258
	Leased									
	(a) DC-1 and DC-2	29	681 591	3 259	16	565 820	2 680	10	339 528	1 548
	(b) Other leases		521 751	2 371		–	–		–	–
	Total		**4 160 104**	**13 791**		**3 522 582**	**10 841**		**3 296 290**	**9 709**
3 DC-5	*Owned*									
	(a) Headquarters/United Nations-owned	71	2 030 207	4 903	84	2 030 207	4 903	90	2 030 207	4 903
	(b) DC-5		926 555	3 258		926 555	3 258		926 555	3 258
	Leased									
	(a) DC-1 and DC-2	29	681 591	3 259	16	565 820	2 680	10	339 528	1 548
	(b) Other leases		521 751	2 371		–	–		–	–
	Total		**4 160 104**	**13 791**		**3 522 582**	**10 841**		**3 296 290**	**9 709**
4 Market lease	*Owned*									
	Headquarters/United Nations-owned	49	2 030 207	4 903	58	2 030 207	4 903	63	2 030 207	4 903
	Leased									
	(a) DC-1 and DC-2	51	681 591	3 259	42	681 591	3 259	37	681 591	3 259
	(b) Other leases		1 430 305	5 629		781 312	2 679		532 285	1 547
	Total		**4 142 103**	**13 791**		**3 493 110**	**10 841**		**3 244 083**	**9 709**

Proposal for the United Nations Consolidation Building

38. Option 3, the United Nations Consolidation Building with continued leasing in DC-1 and DC-2, emerged after the completion of the original feasibility study and was continuing to evolve when the report of the Secretary-General (A/66/349) was submitted. Further details on the background to this option and on the proposal made by the United Nations Development Corporation are provided below.

39. In 2002, in the context of consideration of the capital master plan, then under discussion with the General Assembly, a new building was proposed by the Corporation. The proposed building, referred to as DC-5, would act as swing space for the office and conferencing needs of the United Nations during the capital master plan and would later serve as additional leasing space for the Organization in the same way as DC-1 and DC-2. It was considered favourable to the Organization because the costs to the Organization were based on low-cost, Government-issued bonds and the construction of the building did not include any owner’s profit. The Secretariat entered into discussions with the Corporation to develop a draft lease agreement for the consideration of the Assembly. At the time, the Assembly, in its resolution 57/292, authorized the Secretary-General to complete negotiations with the City of New York for the construction and lease purchase of the DC-5 building. As reported in the addendum to the report of the Secretary-General on the capital master plan (A/59/441/Add.1), in December 2004, however, the project was not approved by the New York State Legislature and the United Nations proceeded with alternative swing space arrangements, including the construction of the temporary North Lawn Building.

40. In 2011, the concept of DC-5 was resurrected by the host city and host state to assist the United Nations in developing a cost-effective solution to its office space issues. On 4 October 2011, pursuant to New York State legislation, a memorandum of understanding was concluded among officials of the City and State of New York, setting out terms and conditions pertaining to the Consolidation Building and for the extension of the DC-1 and DC-2 leases. Subsequent to the agreement of the memorandum of understanding, the Corporation submitted a proposal to the United Nations regarding terms for lease by the Organization of DC-5 as a consolidation building and the terms for extending the United Nations leases at DC-1 and DC-2 beyond March 2018, dated 13 November 2012. That proposal was revised on 29 November 2012 and specific elements were revised and clarified on 14 and 28 December 2012 and on 3, 4, 8, 10 and 16 January 2013, following discussions with officials of the Secretariat.

41. The main elements of the proposal are outlined below.

42. The United Nations Consolidation Building would comprise approximately 1,034,000 rentable square feet or 926,555 gross square feet of space to be leased in its entirety to the United Nations.[3]

[3] This measurement includes a standard loss factor of approximately 27 per cent over gross square feet, which is a mechanism sanctioned by the Real Estate Board of New York allowing landlords to quote rental rates for rentable square feet. Rentable square feet can be up to 27 per cent higher than gross square feet. All calculations and figures herein state whether they refer to gross square feet or rentable square feet.

43. Owing to the blast-resistance requirements of the host country for all United Nations properties, additional hardening measures would require that the first six storeys of the building be constructed of concrete with minimal or no windows.

44. The proposal includes provisions for United Nations approval of design and specifications. The current schematic programme and design for the building have been developed in coordination with the United Nations and are already advanced at the Corporation's risk. As the project progresses, further design development and construction development are subject to the approval of the United Nations. The design proposes a pedestrian tunnel under 42nd Street, linking the building to the existing United Nations compound.

45. The Corporation would finance construction of the Consolidation Building through the issuance of public bonds, which the Corporation is authorized to issue under host state law. Those bonds would be redeemed through rents paid by the United Nations. The Corporation has proposed a lease-to-own term of 30 to 35 years, until full payment of bonds has been honoured through collection of rent from the United Nations. The lease commencement date is 35 months after the issuance of bonds.

46. The rental rate would be based on the amortization of the total project costs, including financing costs, and the Consolidation Building would be leased to the United Nations on the basis that the Organization would bear additional costs for insurance, operations and maintenance. The Corporation has proposed to set the initial rent at $60 per rentable square foot for the first seven years, followed by net rent increases of 18 per cent every five years thereafter.

47. The proposal incorporates costs such as payments to the City of New York to fund improvements and amenities relating to the East Side Greenway, in addition to other payments equivalent to real estate taxes (totalling $113 million) in lieu of paying for the cost of the land under the site of the proposed building. It is estimated that the commercial value of a property adequate for a 1 million square foot building, based upon comparable land transactions in midtown Manhattan in the past five years, would be between $200 million and $300 million.

48. The rental rates are based on an average interest rate of 5.45 per cent on project obligations with a term of 30 to 35 years. A tenant improvement allowance of $100 per rentable square foot has been factored into the proposal.[4] The exact rent will be determined after the costs of fit-out and furnishing are established in the course of negotiations with the Corporation and key parameters of issuing public bonds are finalized, among which the interest rate is the most crucial variable.

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[4] The amount of $100 per rentable square foot is considered modest compared with $317 per rentable square foot, according to the external consultants. Recent tenant fit-out projects undertaken by the United Nations indicate that $317 per rentable square foot is conservatively high, while $100 per rentable square foot might be inadequate. In subsequent discussions with the Corporation, the Corporation indicated that it would be ready to fund whatever tenant fit-out would be required on a pass-through cost basis. As an example, the Corporation proposed an additional $90 million for furniture and fixtures for fit-out of the Consolidation Building. These funds could avoid the additional financing of associated costs and would be provided through the issuance of additional bonds. The additional $90 million would result in an additional $6 per rentable square foot for the first seven years, followed by a 15 per cent increase every five years thereafter.

Table 5
Financing assumptions

Interest rate	5.45 per cent
Amortization	30 years
Cost of funds	6.78 per cent
Debt coverage ratio	105 per cent
Letter of credit/fee	$70 million; 50 basis points annually
Issuance cost and underwriting discount	0.60 per cent of loan amount
State bond issuance charge	0.68 per cent of loan amount

49. The financing assumptions provided in table 5 are subject to change depending on the prevailing market rates at the time at which the public bonds are issued.

50. The Corporation has confirmed that it would closely coordinate all procurement actions with the Organization so that United Nations procurement processes and principles are followed in the construction of the proposed building.

51. The Corporation's proposal states that the Consolidation Building would be occupied and used solely by the United Nations and its subordinate bodies and agencies. Subletting and assigning for any other use would not be permitted during the term of the lease.

52. At the end of the lease term, the ownership of the Consolidation Building would be transferred to the United Nations, provided that the Organization maintained a significant presence in New York. Other than a major condemnation event, the lease could not be terminated by the Corporation or the United Nations. After the United Nations assumes ownership, it will have full control over the use and disposal of the Consolidation Building. The United Nations will be responsible for operating and maintaining the entire leased premises and building systems and for providing security.

53. The insurance, damage and destruction provisions outlined in the proposal fall in line with a normal lease. After the bonds are issued by the Corporation, upon agreement by the United Nations, the Organization would be obligated to begin rent payments on the lease commencement date, even if the proposed building were not ready for occupancy for whatever reason.

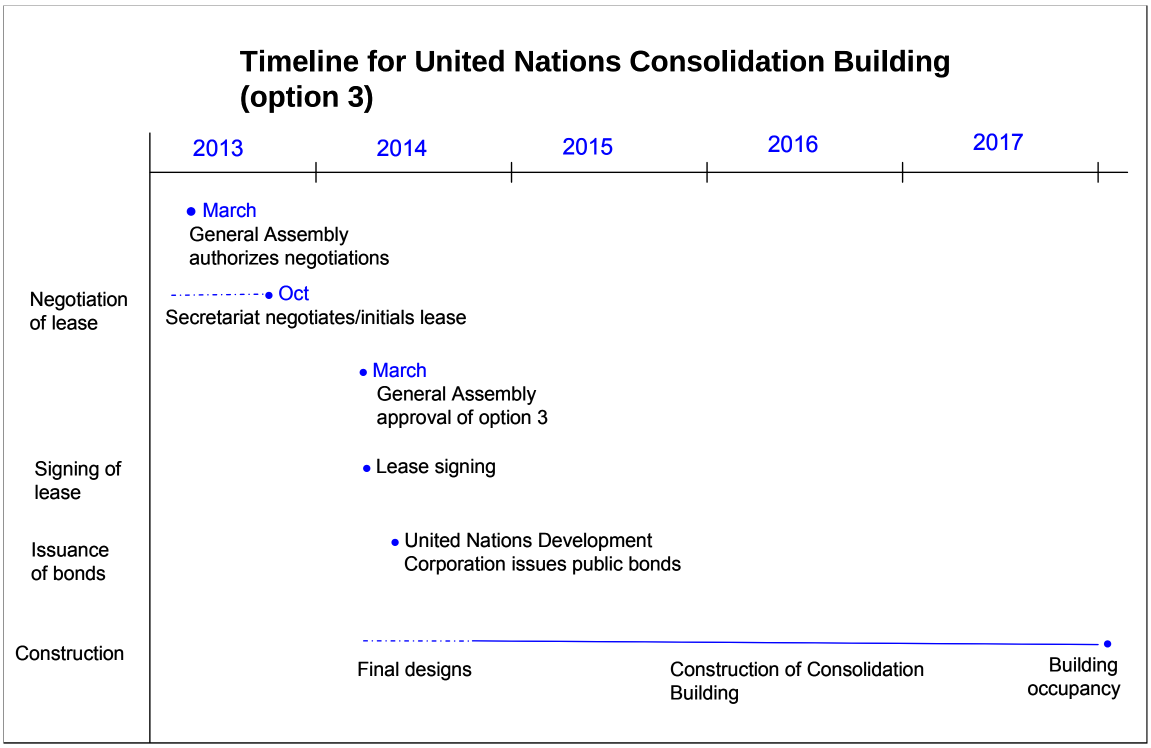
54. The United Nations will be required to provide a letter of credit in the amount of $70 million as security to the Corporation for its obligations under the lease.

Timeline

55. The legislation of the State of New York in relation to option 3 is time-bound. To avail itself of it, the General Assembly would, at the first instance and during the first part of its resumed sixty-seventh session, need to indicate its general interest in pursuing option 3 and to authorize the Secretariat to enter into negotiations with the Corporation regarding the terms of the lease for the Consolidation Building and the continued leasing of DC-1 and DC-2.

56. Once final costing data for issuance of public bonds become available early in 2014, the General Assembly would be required, at the first part of its resumed sixty-eighth session, to take a decision to formally commit the United Nations to option 3. The final lease negotiation and signing would be followed by the issuance of the public bonds through the Corporation. A construction period of approximately 35 months, to begin in mid-2014, foresees completion of the building by mid-2017 (see figure V).

Figure V



Proposal for the extension of the DC-1 and DC-2 leases

57. The DC-1 and DC-2 leases are currently subject to a rent increase should the United Nations exercise its existing option to extend the leases in 2018 from April 2018 to March 2023, at which time the lease will terminate. At that time, if no action is taken, the host city has informed the Organization that it will probably sell the buildings and the rent will rise to commercial rates. The Corporation has informed the United Nations that the longer-term occupancy by the Organization of DC-1 and DC-2 could be explored in further negotiations.

58. The Corporation is proposing to extend the existing terms for the leases with the following changes: the United Nations would be required to exercise its existing option to extend from April 2018 to March 2023 at the rates foreseen in the current leases. From April 2023, the base rates for DC-1 and DC-2 would be $56 per rentable square foot. From April 2023 onwards, the rentable square feet would be adjusted from 681,000 rentable square feet to 829,000 rentable square feet owing to market-accepted remeasurement of the space, resulting in a 22 per cent increase in annual rent payments. The lease would expire in March 2043 and there would be

10 per cent increases in the base rent rates every five years. The resulting rental rates for DC-1 and DC-2 are shown in annex II to the present report.

59. The Corporation recognizes that there will be a need to upgrade the base building infrastructure during this extended lease term. It has proposed to fund up to $20 million in capital expenditures for such requirements. The real estate consultants deem the requirements to be significantly higher owing to the current age and condition of the building infrastructure, however. If the General Assembly approves the proposal for the Consolidation Building, the Secretary-General and the Corporation will further explore the condition of the buildings and their infrastructure upgrade requirements.

60. The United Nations would have the right to return 50,000 rentable square feet in DC-1 in April 2023 with notice no later than April 2017, and another 100,000 rentable square feet in DC-1 in April 2038 with three years' advance notice.

61. DC-1 and DC-2 have provided valuable office space over the years at favourable terms to the United Nations. Each of the four options under review includes continuous lease of DC-1 and DC-2 for future rental consideration. According to section 4 of the memorandum of understanding, however, DC-1 and DC-2 are an integral part of the Corporation's proposal for the construction of the Consolidation Building. If the United Nations does not reach agreement with the Corporation for the proposed building, it is understood that the Corporation will refinance or sell DC-1 and DC-2 to a third party after March 2023. The United Nations may have to negotiate any further leasing of DC-1 and DC-2 with a third party on the basis of market rents. Should the General Assembly authorize the Secretariat to enter into negotiations with the Corporation, the Secretary-General will endeavour to achieve the most favourable terms on the DC-1 and DC-2 leases, keeping flexibility to meet the United Nations requirements in future years.

IV. Comparative analysis

62. A comparison of the four options is given in table 6.

Table 6
Comparison of the four options

	Option 1 North Lawn: assessment with lease	*Option 2 North Lawn: finance with lease*	*Option DC-5 with lease*	*Option 4 Market lease*
Qualitative considerations				
Adherence to United Nations objectives: efficiency, increased security, campus effect	High	High	High	Low United Nations population would still be distributed in multiple buildings
Ownership ratio (owned/leased)				
1.1 per cent growth	71/29	71/29	71/29	49/51
Zero growth	84/16	84/16	84/16	58/42
0.5 per cent decline	90/10	90/10	90/10	63/37
Flexibility to contract space portfolio	Possible by constructing a smaller new North Lawn building or reduced leasing	Possible by constructing a smaller new North Lawn building or reduced leasing	Negotiate “give back” terms in new DC-1 and DC-2 leases	Possible through retention of some leases on short-term arrangements
Financing considerations				
Funding	Via Member State assessment	Upfront project costs spread out over the long term	Upfront project costs spread out over the long term	Operational costs under long-term lease arrangements
Cost of new building (construction cost and financing as applicable)	$1.046 billion	$1.278 billion	$1.362 billion	n/a
Market-related		Private financing not likely	Proposal by the United Nations Development Corporation is time-bound. If the project is delayed, interest rates may increase when bonds are issued	The United Nations would remain dependent on a volatile rental market
Project considerations				
Timing	Three years to 2017 for start of construction, with occupancy in 2020	Three years to 2017 for start of construction and potentially longer owing to complexities of financing/legal issues	Construction to start in 2014, scheduled to be ready for occupancy in mid-2017	n/a
Project risks	Normal new construction risks; risk of disruption to Headquarters operations; coordination and approvals with host Government and local community could cause delays and cost escalation or project cancellation	Normal new construction risks; risk of disruption to Headquarters operations; coordination and approvals with host Government and local community could cause delays and cost escalation or project cancellation	Normal new construction risks; no risk of disruption to Headquarters operations; project backed by the host city and the host state	Normal interior fit-out risks, dependent on landlord parameters

A. Differences between the four options

63. Option 1 provides the opportunity to build on land owned by the United Nations at no additional cost for land. A new building on the North Lawn or the Consolidation Building would each keep the United Nations on a unified campus, while a new North Lawn building would also allow for the consolidation of security and other building systems. Should the General Assembly seek a building smaller than the sizes of either building as presented herein, either new building could be reduced in size, although the cost per square foot would rise.

64. The North Lawn site could accommodate the required security setbacks without additional hardening. Construction would, however, affect the operations of the Headquarters campus (owing to construction activities for the new building) and would forever change the iconic campus and its landscape. Assessed contributions to fund the project would require the upfront financial outlay of the capital cost by a special assessment on Member States. Political support by the host city, host state and neighbours of the United Nations is uncertain.

65. Option 2, of third-party financing of a new building on the North Lawn, would present commercial and legal challenges. The United Nations is restricted from obtaining mortgages, including on the land at Headquarters, since the Convention on the Privileges and Immunities of the United Nations prohibits lenders giving a mortgage loan from enforcing security interests comprising property or assets of the United Nations and because the host country agreement restricts the United Nations from transferring a title to the Headquarters premises, even for the purposes of granting such interests in the property to secure financing. Alternatives are, with approval by the General Assembly, to obtain unsecured loans at reasonable interest rates, to seek loan guarantees or a loan from Member States, or to issue bonds to Member States. In the current global financial climate, the steering committee deemed those options unlikely to materialize soon.

66. Option 3, the construction of the United Nations Consolidation Building and the extension of the leases of DC-1 and DC-2, would provide a long-term solution to the real estate requirements of the Organization. The proximity of the buildings would allow for the retention of the United Nations campus, with all staff having direct access to the General Assembly and the Secretariat. The design for the project is well advanced and, if approved by the Assembly, construction would probably begin in mid-2014 and be completed in mid-2017, without disturbing United Nations operations on campus. By contrast, no design work has been done for a new North Lawn building, save the initial conceptual drawings for the feasibility study. It would therefore be two to three years behind and would thus be subject to greater cost uncertainties.

67. The cost for the proposed Consolidation Building, including financing, is estimated at $1.362 billion. On the other hand, the total project cost for a new building on the North Lawn, including financing, is estimated at $1.278 billion. Major cost differences between the two options are that there is a cost for land in the Consolidation Building option, albeit at favourable rates compared with commercial prices.

68. Option 4, continuing with third-party market leases, would provide the maximum flexibility, as it relies on shorter-term leases that could be renewed, expanded or terminated. This option would, however, probably keep the United

Nations in multiple locations, given that large blocks of commercial office space directly adjacent to the United Nations campus are scarce. The Organization already leases 33 per cent of available space in the United Nations district, keeping rents in the district higher than they otherwise would be. Rental rates will probably continue to rise, especially with shorter-term leases, with a likely rent escalation projected at approximately 10 to 15 per cent every five years.

B. Ratio of owned versus leased office space

69. Options 1 to 3 incorporate a ratio of owned to leased space of approximately three quarters to a quarter, with the exception of the 0.5 per cent average annual decline rate scenario, whereas option 4 continues with the current half/half ratio (see table 6). Real estate experts advise that there do not appear to be generalized standards for entities with regard to the owned versus leased ratio. Rather, decisions are based on current organizational environments in which the need for flexibility is considered against individual long-term core needs. If a long-term core need exists, owning is more cost-effective over time. The consultants concluded that the optimum ratio of owned versus leased office space should be determined by the predictability of the United Nations need to cater for increases and decreases in space needs, in addition to long-term core needs.

V. Library and South Annex Buildings

A. Background

70. The Secretariat is currently planning for the post-capital master plan occupancy of Headquarters. Central to this planning is the fact that security concerns require the Organization to limit the planned occupancy of the buildings on the southern perimeter of Headquarters, namely the Dag Hammarskjöld Library and the South Annex Buildings.

71. As stated in the ninth annual progress report of the Secretary-General on the implementation of the capital master plan (A/66/527), following increased threats to the Organization, studies were undertaken in 2010 into the level of protection that needs to be provided for the Library and the South Annex Buildings, in the light of a substantial increase in security requirements.

72. As explained in paragraphs 21, 37 and 38 of the Secretary-General’s tenth annual progress report on the implementation of the capital master plan (A/67/350), discussions continued in 2012 between the Secretariat and relevant host country authorities concerning protection requirements for the buildings. Since no resolution had been reached, and given the projected completion of the capital master plan late in 2014, the design and renovation of these two buildings continued to be suspended. It is important to note that, although $65 million was originally budgeted for the renovation of the two buildings, the buildings cannot be successfully renovated at that cost in the light of the substantial increase in security requirements. It is estimated to cost several hundred million dollars to replace the buildings, given the significant amount of structural reinforcement that would be required.

73. Given the unresolved nature of the future of the buildings, planning must be undertaken for a range of options.

74. During the course of the General Assembly’s deliberations on the tenth annual progress report, representatives of the Secretary-General were requested to provide options for the location of the main functions of both buildings, namely the library and cafeteria functions, in the event that the security issues could not be resolved.

75. The Secretary-General believes that an opportunity exists for the library and cafeteria functions to be included in the programme for either the proposed United Nations Consolidation Building or the new North Lawn building, if endorsed by the General Assembly. Should the Assembly decide to proceed with either option, the Secretary-General would propose that the library and cafeteria functions be relocated to that new building from their current location.

76. Alternatively, either as an interim measure pending the construction of the United Nations Consolidation Building or a new North Lawn building, or until the security questions regarding the southern perimeter of the Headquarters are addressed or resolved, the functions of the Library and South Annex Buildings could remain in place or be provided in the North Lawn Building, as further discussed below.

B. Library function

77. The main function of the Library Building is to house the Dag Hammarskjöld Library. Before the capital master plan, the Library Building had an occupancy of approximately 80 Department of Public Information staff. During the capital master plan, the library function in the Library Building was temporarily downsized and other portions of the building were fitted out with interim office space for the Department of Management (the Office of the Under-Secretary-General for Management and the Office of the Capital Master Plan), the Department of Safety and Security, the Department of Public Information and the resident media.

78. The existing Library Building also includes an auditorium, which is used for special events, concerts, award programmes and presentations. During the capital master plan, the auditorium was converted for use as a daily press briefing room. The daily briefing function will be relocated back into the Secretariat Building early in 2013, however.

79. The Penthouse is located on the top floor of the existing Library Building and is reserved for special and recurring events. The creation of the new East Lounge in the Conference Building will provide a comparable venue for the types of events that currently take place in the Penthouse.

80. Should security considerations prevent a return of the full library function to the Library Building, several options should be considered as alternate venues for library functions:

(a) *United Nations Consolidation Building or a new North Lawn building*. If the General Assembly approves the Consolidation Building or the construction of a new North Lawn building, the library and auditorium functions could be included in the programme for either building;

(b) *Remain in the current location for an interim period*. Library functions could continue to be maintained at the current level until a permanent location is established;

(c) *Temporary North Lawn Building*. Space within the temporary North Lawn Building could be made available and converted for use as an interim library space, until the security issues with the Library Building are resolved, or until the availability of the Consolidation Building or a new North Lawn building. Space for the Department of Public Information staff associated with the library function could be provided in the North Lawn Building, as could space for the functions of an auditorium.

C. South Annex function

81. The main function of the South Annex Building is to house the cafeteria, which includes the kitchen, servery and dining area.

82. Should security considerations require the closure of the cafeteria, the following options are available for consideration as alternate venues:

(a) *United Nations Consolidation Building or a new North Lawn building*. If the General Assembly approves the Consolidation Building or the construction of a new North Lawn building, a cafeteria function for either building could be appropriately sized to meet anticipated requirements for the Secretariat Building;

(b) *Remain in the current location for an interim period*. Cafeteria and other functions could continue to be maintained at the current level until a permanent location is established;

(c) *Temporary North Lawn Building*. Space within the temporary North Lawn Building could be made available and converted for use to serve as an interim cafeteria until the security issues with the South Annex Building are resolved or until the Consolidation Building becomes available. This option is not viable if a new North Lawn building is to be built.

83. Another function of the South Annex Building (as it existed before the capital master plan, and was planned after the capital master plan) is space for 13 language training classrooms and a teachers' lounge. As with the library and cafeteria functions, the language training spaces could be accommodated either on a permanent basis in the programme for the Consolidation Building, or as interim measures kept in the same location, or in the temporary North Lawn Building.

84. An additional function of the South Annex Building is the interpreters' lounge and office space. It would be impractical to move this function away from the immediate vicinity of the Conference and General Assembly Buildings. Should the South Annex Building be deemed inappropriate for continued usage, a space for this function would be required elsewhere on campus.

D. Consideration of planning periods for the uses and functions of the Library and South Annex Buildings

85. The Secretary-General believes that it is useful to consider the planning of the Organization's accommodation requirements on the basis of three periods: the short term (from now until late 2014, when the capital master plan will be completed), the medium term (from 2015 until 2017) and the long term (from 2018 onwards).

86. Taking into account the discussion presented earlier in section II, and using the planning periods identified above, table 7 provides recommended locations for the functions of the Library and South Annex Buildings in the short term, medium term and long term.

Table 7
Locations for functions of the Library and South Annex Buildings in the short term, medium term and long term

	Short term 2013-2014	*Medium term 2014-2017*	*Long term 2017-2023*
Library Building			
Library room and stacks	Remain in place	Remain in place or temporary North Lawn Building	Consolidation Building, new North Lawn building or lease
Department of Public Information office space	Remain in place	Remain in place or temporary North Lawn Building	Consolidation Building, new North Lawn building or lease
Auditorium	Remain in place	Remain in place or temporary North Lawn Building	Consolidation Building, new North Lawn building or lease
South Annex Building			
Cafeteria	Remain in place	Remain in place or temporary North Lawn Building	Consolidation Building or new North Lawn building[a]
Language training rooms	Remain in place	Remain in place or temporary North Lawn Building	Consolidation Building, new North Lawn building or lease
Interpreters' lounge	Remain in place	Remain in place or elsewhere on campus	Elsewhere on campus

[a] The cafeteria programme for the Consolidation Building or a new North Lawn building could be increased to meet an anticipated usage requirement of 275 seats. The full size of the Headquarters cafeteria would not need to be added to the programme of the Consolidation Building or the new North Lawn building cafeteria.

87. Table 8 lists possible uses of the Library and South Annex Buildings over the three planning periods.

Table 8
Possible uses for the Library and South Annex Buildings in the short term, medium term and long term

	Short term 2013-2014	*Medium term 2014-2017*	*Long term 2017-2023*
Library Building	Status quo:	Status quo or limited use:	Ultimate disposition:
	Library room and stacks	Furniture storage	If security concerns addressed, return to prior use
	Department of Public Information office space	Attic stock storage	If security concerns not addressed:
	Auditorium	Supply storage	Storage and low-level use
			Demolition and rebuild
South Annex Building	Status quo:	Limited use:	Ultimate disposition:
	Cafeteria	Depending upon security considerations:	Alternate/replacement location for chiller plant
	Office space (most recently used for Office of the Spokesperson for the Secretary-General)	Continuation of short-term uses	Storage
	Interpreters' lounge	Storage	

VI. Deferred removal of the temporary North Lawn Building

88. The tenth annual progress report on the implementation of the capital master plan also included a proposal to defer the planned removal of the temporary North Lawn Building until after the completion of the capital master plan. Funds for the disassembly of the structure and the restoration of the North Lawn had been included in the approved budget of the capital master plan and the Secretary-General's proposal was in response to the request by the General Assembly to identify options to reduce the projected cost of the project.

89. The General Assembly decided at its sixty-seventh session to retain provisions for the cost of removing the temporary North Lawn Building from the budget of the capital master plan. The temporary North Lawn Building cannot be demolished until the completion of the General Assembly Building renovation and the return of General Assembly Building functions to the renovated General Assembly Building late in 2014.[5] Without prejudice to the decision of the Assembly, the temporary North Lawn Building could be used on an interim basis, until the Consolidation Building is completed, to house a number of different Headquarters functions, before being demolished.

90. These functions include:

[5] For reference, the affected meeting spaces are the General Assembly Hall, Conference Rooms 4 to 8, Conference Room E, new Conference Rooms 11 and 12 and new multipurpose meeting room 13.

(a) The functions of the South Annex Building, including the cafeteria, the language classrooms and the interpreters' lounge area, as discussed in section C above;

(b) The functions of the Library Building, including the library itself and office space for associated Department of Public Information staff, as discussed in section B above;

(c) Other office space for Secretariat departments and offices, which could result in a reduction of off-campus lease requirements, based on coordination with lease terminations;

(d) Storage.

VII. Conclusion and next steps

91. As discussed in the comparative analysis in section IV, among the four options, option 2 is not considered to be feasible because of the uncertainties and the practical, legal and commercial obstacles that would have to be overcome to obtain third-party financing of a new building on the North Lawn.

92. Likewise, option 4 is not considered to be an attractive option because of the uncertainty of leasing DC-1 and DC-2 beyond 2023 and the vulnerability of the United Nations in the commercial real estate market to rent escalations, in addition to the increased operational inefficiencies of spreading out the United Nations population.

93. From a financial perspective, option 1 is more favourable than option 3 because a new North Lawn building would be built on the United Nations campus, while the Consolidation Building includes the cost for land (which eventually becomes land owned by the United Nations) and the financing cost for public bonds. Option 1, however, entails a heavy burden on Member States for an upfront financial outlay for the capital cost. In the context of the capital master plan, the General Assembly has given guidance to the Secretary-General to present proposals that do not impose large surges in funding requirements on Member States for capital projects. Moreover, the plan for option 1 remains at the conceptual design stage, meaning that a new North Lawn building would be two to three years behind and therefore subject to attendant risks, including cost escalation and the uncertain consent of local community.

94. In the light of the foregoing analysis, the prevailing historically low interest rate that will contain the financial costs of public bonds and the current window of opportunity afforded by the well-advanced United Nations Development Corporation proposal, the Secretary-General is of the view that the Organization, subject to the General Assembly's approval, should enter into negotiations with the Corporation for the most favourable terms for the construction of the United Nations Consolidation Building and for the continued leasing of DC-1 and DC-2. Once final cost parameters are available, the Secretary-General would request the approval of the Assembly, at the first part of its resumed sixty-eighth session, in 2014, before the United Nations formally commits itself and signs the lease contract.

VIII. Actions to be taken by the General Assembly

95. **The Secretary-General recommends that the General Assembly:**

(a) **Take note of the report of the Secretary-General on the expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034;**

(b) **Request the Secretary-General to enter into negotiations with the United Nations Development Corporation to seek most favourable terms for the proposed United Nations Consolidation Building and for the continued leasing of DC-1 and DC-2 and to provide regular briefings to the General Assembly on the outcome of efforts throughout the remainder of 2013;**

(c) **Request the Secretary-General to submit a report on the outcome of the negotiation with the Corporation with final cost parameters to the General Assembly at the first part of its resumed sixty-eighth session, in 2014, for its consideration and decision;**

(d) **Provide direction to the Secretary-General regarding options for the library and cafeteria functions and appropriate uses of the Library and South Annex Buildings;**

(e) **Subject to the approval of recommendation (c), consider suitable interim uses for the temporary North Lawn Building.**

Annex I

Potential sites located within a greater radius of the main Headquarters campus

1. As requested by the Advisory Committee on Administrative and Budgetary Questions, an analysis of a greater radius from the main Headquarters campus was undertaken, considering indicative rates for spaces which could be available for rent (see figure).

2. In the light of the large office space that the United Nations would require to potentially consolidate all or part of the current and future lease portfolio, the consultants have found that the United Nations would probably remain in multiple leased buildings owing to the scarcity of large blocks of space within the radius of the United Nations. In addition, there is no guarantee that, in a multibuilding scenario, the buildings would be located close to one another, thus potentially leaving the Organization's staff scattered within a 20-minute radius of the main Headquarters campus. While the availability of options may increase with an expanded radius, so too does the potential for further decentralization of staff.

3. A more definitive assessment depends on the availability of rental space at the time of active search and negotiations with the owner of that space.

Plan view of the incremental rental market in the United Nations district

Incremental rental market in the United Nations district

	Distance from Headquarters	*Average asking rent*	*Vacancy (percentage)*	*Available square feet (millions)*	*Buildings with >100,000 square feet available*
Band 1					
36th St.-46th St./East River — Third Avenue	5 minutes	$54.46	10	2.3	4
United Nations Plaza and portion of Grand Central submarkets	.25 miles				
Band 2					
32nd St.-52nd St./Third Avenue — Park Avenue	10 minutes	$62.05	9.3	6.8	7
Southernmost Midtown to middle of Plaza District, Manhattan's most expensive submarket	.5 miles				
Band 3					
28th St.-56th St./Park Avenue — Fifth Avenue	15 minutes	$61.19	8.4	9.3	4
Parts of Murray Hill, Gramercy Park and Grand Central submarkets	.75 miles				
Largest contiguous block is less than 300,000 square feet					
Band 4					
23rd St.-62nd St./Fifth Avenue — Seventh Avenue	20 minutes	$53.16	8.5	16	14
Parts of Chelsea, Penn Plaza, Times Square and Plaza District submarkets. Chelsea has the lowest average rent at $41.71 per square foot, while Plaza District has the highest at $70.96 per square foot	1 mile				

Source: Real estate consultants.

Annex II

DC-1 and DC-2 gross rental rate proposal as at 8 January 2013[a]

	Lease year	Date (from 1 April to 31 March)	DC-1 Price per square foot	DC-1 Annual amount	DC-2 Price per square foot	DC-2 Annual amount
	1	2017-2018	38.59	13 359 000	43.92	15 051 000
	2	2018-2019	41.64	14 412 000	46.94	16 084 000
	3	2019-2020	42.14	14 585 000	47.63	16 322 000
	4	2020-2021	42.64	14 758 000	48.33	16 562 000
	5	2021-2022	43.14	14 932 000	49.03	16 802 000
	6	2022-2023	43.64	15 105 000	49.73	17 042 000
Lease extension period	7	2023-2024	56.00	22 869 000	56.00	23 200 000
	8	2024-2025	56.77	23 183 000	56.75	23 511 000
	9	2025-2026	57.56	23 506 000	57.52	23 830 000
	10	2026-2027	58.38	23 841 000	58.31	24 157 000
	11	2027-2028	59.22	24 184 000	59.13	24 497 000
	12	2028-2029	65.69	26 826 000	65.57	27 165 000
	13	2029-2030	66.59	27 194 000	66.43	27 521 000
	14	2030-2031	67.51	27 569 000	67.34	27 898 000
	15	2031-2032	68.46	27 957 000	68.26	28 279 000
	16	2032-2033	69.44	28 357 000	69.20	28 669 000
	17	2033-2034	76.60	31 281 000	76.34	31 627 000
	18	2034-2035	77.64	31 706 000	77.35	32 045 000
	19	2035-2036	78.71	32 143 000	78.38	32 472 000
	20	2036-2037	79.80	32 588 000	79.44	32 911 000
	21	2037-2038	80.94	33 054 000	80.54	33 367 000
	22	2038-2039	88.88	36 296 000	88.45	36 644 000
	23	2039-2040	90.09	36 790 000	89.63	37 132 000
	24	2040-2041	91.32	37 293 000	90.82	37 625 000
	25	2041-2042	92.60	37 815 000	92.07	38 143 000
	26	2042-2043	93.91	38 350 000	93.33	38 665 000

[a] The rent amounts indicated include estimates for escalations above a 2023 base year for operating expenses and rent payments to the City of New York.

Annex III

Owned and leased properties of the United Nations system in New York in 2012

A. Owned space

Location	*Organization*	*Gross square feet*	*Headcount*[a]
Secretariat Building	United Nations	900 000	2 859
Other on-campus locations (Conference Building, basement, General Assembly, Library/North Lawn/North Lawn Building/South Annex Building)	United Nations	416 250	1 117
United Nations Institute for Training and Research	United Nations	23 000	156
Non-seated staff	United Nations		771
Total owned		**1 339 250**	**4 903**

[a] Headcount figures assume that all staff have been relocated out of capital master plan swing space.

B. Leased space

Location	*Organization*	*Gross square feet*	*Headcount capacity/ occupancy*
DC-1	United Nations	196 566	865
DC-2	United Nations	312 064	1 172
FF Building, 304 East 45th St.	United Nations	138 301	452
Alcoa Building	United Nations	30 845	10
Falchi ARMS Warehouse, Long Island City	United Nations	50 413	11
Daily News Building	United Nations	74 822	15
Innovation, 300 East 42nd St.	United Nations	132 602	364
Court Square	United Nations	79 079	120
Albano Building	United Nations	187 060	609
Total for United Nations		**1 201 752**	**3 618**
DC-1, DC-2, FF Building	United Nations Development Programme	360 654	1 512
1 Dag Hammarskjöld Plaza	United Nations Joint Staff Pension Fund	82 444	251

Location	*Organization*	*Gross square feet*	*Headcount capacity/ occupancy*
605 Third Avenue	United Nations Population Fund	130 740	450
Chrysler Building	United Nations Office for Project Services	40 000	107
Total for funds and programmes		**613 838**	**2 320**
Total headcount			**10 841**