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

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/67/720). During its consideration of the report, the Committee met with the Under-Secretary-General for Management and other representatives of the Secretary-General, who provided additional information and clarifications, concluding with written responses received on 8 March 2013.

2. In his report on the expanded feasibility study, the Secretary-General presents four options, with the United Nations Consolidation Building (DC-5) proposed by the United Nations Development Corporation, under option 3, deemed the most preferable (ibid., summary; see also sect. IV below). In addition, the Secretary-General seeks the guidance of the General Assembly on the appropriate use of the Dag Hammarskjöld Library and South Annex Buildings and on proposed deferred removal of the temporary North Lawn Building.

II. Background

3. The Advisory Committee recalls that, in its resolution 60/282, the General Assembly stressed the need for a long-term strategy for office accommodation at Headquarters and requested the Secretary-General to conduct a comprehensive study on the feasibility of the proposed construction of a building on the North Lawn, including a number of other factors that had not been included in the business analysis contained in the report of the Secretary-General (A/60/550 and Corr.1 and 2).

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4. The Advisory Committee also recalls that, in 2002, in the context of consideration of the capital master plan, a new building was proposed by the United Nations Development Corporation, referred to as DC-5. The details on the background to that proposal are contained in paragraphs 39 and 40 of the report on the expanded feasibility study (A/67/720). It is stated therein that the proposed building would have acted as swing space for the office and conferencing needs of the United Nations during the capital master plan and would have later served as additional leasing space for the Organization in the same way as DC-1 and DC-2. 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. In 2011, however, the concept of DC-5 was resurrected by the host city and host state (see also paras. 6 and 33 below).

5. Pursuant to General Assembly resolution 60/282, the Secretary-General submitted a report on the feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/66/349). The feasibility study was conducted by a leading international architectural consultancy firm (funded under the programme budget for the biennium 2008-2009) to assess the United Nations accommodation needs over a 20-year time frame, beginning in 2014 after the completion of the capital master plan (ibid., paras. 1, 3 and 12). Compared with the construction of a new building on the North Lawn (with two basic building schemes for further study: a high-low tower scheme and a courtyard scheme) (ibid., sect. IV), the feasibility study team also considered three other options: buy an existing building off campus; lease space off campus; and construct a building off campus (ibid., sect. VI). Preliminary cost estimates, which were provided in section VII of the report, included the cost models developed for each option with six primary components where applicable (owner soft costs; trade costs; construction costs; new core and shell construction; fit-out costs; and project contingency). Figures IV and V and tables 4 and 5 provided programme, capital and operational costs for the options, an analysis of cumulative cost from 2022 to 2061 and an analysis of annual capital cost from 2014 to 2024.

6. The Advisory Committee further recalls that, subsequent to the issuance of that report, it was informed that the City of New York had signed a memorandum of understanding with the concerned parties in October 2011, setting out terms and conditions pertaining to DC-5 and for the extension of the DC-1 and DC-2 leases. Under the memorandum of understanding, there remained no obstacle to the transfer of a part of the Robert Moses playground to the United Nations Development Corporation for the construction of DC-5. In the light of the developments, the Committee was of the view that the analysis in the Secretary-General's report needed to be updated with detailed analysis of the costs, benefits and risks of each option and that the preferred option for construction on campus of a new North Lawn building must be reassessed against the possibility for the construction of a building off campus (DC-5), involving a lease-to-own arrangement with the Development Corporation (A/66/7/Add.3, paras. 49 and 52).

III. Key factors affecting the estimation of office space needs

7. In the report on the original feasibility study (A/66/349), the staff projections and space requirements were estimated on the basis of the following assumptions:

an average annual growth of 1.1 per cent from 2014 to 2034 for all New York staff; an allowance of 250 square feet per person; and implementation of alternative workplace strategies between 2023 and 2034 (20 per cent of staff would participate in office hotelling or telecommuting arrangements, allowing a 10 per cent increase in space efficiency) (A/66/7/Add.3, para. 41). The Advisory Committee made comments and recommendations on the underlying assumptions by the Secretary-General regarding the calculation of required office space (ibid., paras. 42 and 43).

Population analysis

8. Both the original and the expanded feasibility studies covered the accommodation needs of the Secretariat and four participating funds and programmes (the United Nations Development Programme, the United Nations Joint Staff Pension Fund, the United Nations Office for Project Services and the United Nations Population Fund). The United Nations Children's Fund did not participate in the studies because it has an existing long-term real estate solution for New York in place, which includes the ownership of DC-3 at the end of the lease term in 2026 and a commercial condominium arrangement (DC-4) (ibid., para. 37, and A/67/720, paras. 8 and 10).

9. A breakdown of the current population (2012) is provided in table 1 of the report on the expanded feasibility study (A/67/720). It shows that 5,938 of the total population of 10,841 require seating outside United Nations-owned property. The Advisory Committee notes that, given that those requiring seating outside include 2,320 staff of the four participating funds and programmes, the actual number of Headquarters staff who require outside seating are 3,618, which, in the view of the Committee, could be reduced by taking into account the potential impact of initiatives such as alternative workspace arrangements and global service delivery models (see paras. 11-16 below).

10. In the report on the expanded feasibility study, Headquarters office space requirements between 2012 and 2034 are projected on the basis of three population scenarios: (a) an average annual growth rate of 1.1 per cent, using historical data from 1992 to 2010; (b) a zero growth rate; and (c) an average annual decline rate of 0.5 per cent, which was an assumption applied in the study to test overall requirements, given that there was no historical basis for a steadily declining population (A/67/720, paras. 10-12). Using the baseline estimate of a total population of 5,938 requiring seating outside property owned by the United Nations in 2012, the projected seating requirement in 2034 would increase to 8,678 under scenario (a), whereas under scenario (c) it would decrease to 4,887 (ibid., table 2). **The Advisory Committee notes, however, that, under the three scenarios presented in table 2 by the Secretary-General, the seating owned by the United Nations remains stable at the current existing level of 4,132 throughout the 20-year time frame, without reflecting any potential impact of initiatives such as the implementation of alternative workplace strategies (see para. 7 above). Furthermore, none of the scenarios takes into account the office space needs of Secretariat staff based in New York, without including the funds and programmes.**

Space allowance and alternative workplace strategies

11. Compared with the allowance of 250 square feet per person applied in the original feasibility study, the reference point considered in the expanded study is an average of 220 square feet per workspace, which reflects the benchmark achieved in the recently completed renovation of the Secretariat Building (ibid., para. 13). According to the Secretary-General, 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, but these do not affect the overall number of workspaces required (ibid., para. 14). **The Advisory Committee is of the view that some of the flexible work arrangements that have been introduced in the Secretariat, such as telecommuting, may help to reduce the overall number of workspaces required.**

12. In the report on the expanded study, the Secretary-General discusses several alternative workspace strategies, such as hot-desking, desk-sharing and hotelling, which could reduce the overall number of workspaces required (ibid., paras. 15-18). Pending further study of 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, while desk-sharing and hotelling would require staff to have remote access to files, applications and information technology services. The implementation of such strategies in the Secretariat would require consideration from the human resources, information technology and facilities management perspectives.

13. With regard to the availability of information technology for the implementation of alternative workspace strategies, the Advisory Committee recalls that information technology services, such as remote access to enterprise applications at Headquarters, are already available in the Secretariat. In its consideration of the tenth annual progress report of the Secretary-General on the implementation of the capital master plan (A/67/350), the Committee was informed, upon enquiry, that: (a) the capital master plan, with the assistance of the Office of Information and Communications Technology, had included the installation of infrastructure throughout all Headquarters office space to support hot-desking; (b) the mobility feature of the new Internet Protocol telephone system enabled any person with a telephone extension to use any telephone; (c) for many years, the Office of Information and Communications Technology had provided a mobile office standard service, which enabled any user to access any data or United Nations enterprise applications from any computer with an Internet connection, including from outside United Nations buildings; and (d) recently, the Office of Information and Communications Technology had introduced a managed laptop service, then in a pilot phase. Staff using that service would be able to connect via cable to the network in any United Nations building and have the same access as they would have in their office (A/67/548, para. 44).

14. The Secretary-General indicates that the projected saving in space from the implementation of alternative workspace strategies would lower workspace from 220 to 200 gross square feet per person, which formed the basis for the calculation of the off-campus office space requirements under the four options presented in the expanded feasibility study. Nonetheless, the Secretary-General states that, 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 (A/67/720, paras. 18 and 19). With regard to the implementation of flexible workspace strategies in the context of the capital master plan, the Advisory Committee recalls that the Administration had decided not to implement the previous recommendation of the Board of Auditors that the Secretariat pursue such opportunities, particularly in relation to the Secretariat Building (A/67/548, para. 43, and A/67/5 (Vol. V), paras. 77-83).

15. **In its consideration of the construction of additional office facilities in Addis Ababa and Nairobi, in addition to the capital master plan project, the Advisory Committee expressed its view that the implementation of the flexible use of office space, including hot-desking, which allows staff to carry out their responsibilities and work at any workstation, merited serious consideration in the United Nations system (A/67/484, para. 15, and A/67/548, para. 45). The Committee recalls that the General Assembly urged the Secretary-General to accelerate his review of flexible workspace arrangements in the Secretariat and to present his findings to the Assembly at the main part of the sixty-eighth session (resolution 67/246, sect. V, para. 20).**

Planning for the future of the United Nations

16. The Advisory Committee has recently considered the report of the Board of Auditors on the handling of information and communications technology affairs in the Secretariat and the responses of the Secretary-General on the implementation of the recommendations contained in the Board's report (A/67/651 and Add.1). The Secretariat indicates that a plan to review the current operating model and identify opportunities to realize further benefits through changes to the service delivery model is under way. A report on global service delivery models is to be submitted to the General Assembly at its sixty-eighth session, in 2013 (A/67/770, para. 37). In addition, the Committee recalls that, in June 2012, it received an informal briefing by the Office of the Secretary-General on a concept under consideration that would entail the transfer of consolidated support services away from Headquarters.

17. The Advisory Committee requested information on the number of staff based in New York who performed substantive versus support functions, but did not receive a satisfactory response. It was indicated to the Committee that, for the biennium 2014-2015, the Secretariat had reviewed the non-programme costs for support functions that were not directly associated with the delivery of substantive programmes. The review had taken into consideration the programme support components for all budget sections as presented for the biennium 2012-2013, notably executive offices and administrative services in regional commissions (excluding conference services), in addition to the total budget for part VIII, common support services, which covered the central administrative functions of the Organization. Both post and non-post objects of expenditure that were budgeted under those components were categorized, for that specific purpose, as programme support costs, which currently comprised approximately 20 per cent of the total budget, excluding budgets for special political missions.

18. **Given the importance and magnitude of the investments required in major construction projects, the Advisory Committee is of the view that any expansion of the Headquarters office space should reflect possible developments in the planning for the future of the Organization.**

Ratio of owned versus leased office space

19. In the report on the original feasibility study (A/66/349), it was determined that the Secretariat owned approximately 51 per cent and leased 49 per cent of its office space needs, while the participating funds and programmes leased 100 per cent of their office space needs. It was suggested therein that, taking into account historical and projected needs, and in accordance with industry best practice, the Organization should aim to own 80 per cent of its office requirements and lease the remaining 20 per cent (A/66/7/Add.3, para. 40). While acknowledging the rationale for adopting an approach to balance the long-term cost and operational benefits of ownership while minimizing any risk of holding surplus office space that may not be required at all times, the Advisory Committee requested further justification in support of the Secretary-General's recommendation that the Organization should aim to own 80 per cent of its office requirements and lease the remainder. The Committee considered that further analysis was needed to determine the optimum ratio of owned versus leased office space (ibid., para. 44).

20. For the four options presented in the expanded feasibility study and under the three population scenarios assumed to test the overall office space requirements (1.1 per cent growth, zero growth and 0.5 per cent decline), the ratio of owned versus leased office space would be 71 to 29, 84 to 16 and 90 to 10 if a new building were to be constructed (options 1-3) and 49 to 51, 58 to 42 and 63 to 37 if the current market leases were continued (option 4) (see A/67/720, table 6). It is indicated in the expanded feasibility study that, according to real estate experts, there do not appear to be generalized standards with regard to the ratio of owned versus leased office space. Rather, decisions are based on the need for flexibility against long-term core needs. If a long-term core need exists, owning is more cost-effective over time (ibid., para. 69). **The Advisory Committee is of the view that further analysis is needed to determine an appropriate level of owned versus leased office space for the Organization, which should be linked to the planning for the future of the Organization.**

21. The Advisory Committee enquired as to whether the funds and programmes participating in the feasibility study would contribute to financing the construction of a new building. The Committee was informed that, to avoid the complexities of ownership by a consortium of United Nations entities with different governing structures, and given that the Secretariat would be the majority occupier of a new North Lawn building or a United Nations consolidation building, it would be more practical for the funds and programmes to pay rent to the United Nations for office space according to their respective share of the occupancy. The Committee also requested, but did not receive, information on the total costs to the United Nations over time, including lease and renovation costs of DC-1 and DC-2, for all four options and three scenarios, only for Secretariat staff based in New York. The Committee was informed that the Secretariat believed that the only appropriate approach was to include all staff based in New York, including those of participating funds and programmes, in the analysis, as outlined in the report on the expanded feasibility study.

22. **The Advisory Committee sees merits in including the funds and programmes in both the original and expanded feasibility studies. It is, however, of the view that the baseline for calculating the core office space needs should include only staff of the Secretariat. The Committee therefore recommends that the information regarding the office space needs of Secretariat staff alone should also be provided to the General Assembly at the time of its consideration of the report on the expanded feasibility study. Looking forward, the Committee is of the view that the inclusion of the funds and programmes in future office space requirements, under all options, should consider assurances of the commitment of and proper cost-sharing arrangements by participating funds and programmes, including their participation in or compensation for the initial investments.**

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

23. Information with regard to the four options to meet the overall office space requirements is contained in paragraphs 21 to 36 of the report on the expanded feasibility study (A/67/720). A comparative analysis of the options is provided in paragraphs 62 to 68 of the report, with a summary of the comparison presented in table 6. The four options are as follows:

(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 construction of 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.

24. According to the Secretary-General, 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) and each individual site was 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). A risk analysis of each option was undertaken at the strategic and project levels, taking into consideration the potential impact on the cost, quality and timeliness of the option (ibid., summary, and paras. 23 and 24).

Options 1 and 2

Construction on the North Lawn

25. The Advisory Committee sought clarification as to whether there were any legal impediments to the construction of a building on the United Nations-owned campus. The Committee was informed that there were no legal aspects that would prevent the United Nations from constructing a building on the Headquarters premises. Under the Agreement between the United Nations and the United States of

America regarding the Headquarters of the United Nations, the United Nations must ensure that its activities on the Headquarters premises do not impair the property rights of adjacent properties and that the design and construction of a new building conform to the fire and safety standards of the host country. The Committee was, however, also informed, upon enquiry, that substantial legal impediments would arise if the United Nations sought to convey property interests in any of the Headquarters premises to a private developer for the purposes of constructing a building on those premises.

26. It is indicated in the report on the expanded feasibility study that political support by the host city, host state and neighbours for the construction of a building on the North Lawn is uncertain (ibid., para. 64). The Advisory Committee therefore requested additional information in that regard, in addition to information on any discussions held with the parties. The Committee was informed that the Secretariat had received communications from its neighbours (tenants of the Alcoa building) opposing construction on the North Lawn.

27. **The Advisory Committee is of the view that any potential legal issues and a need for political support by the host city, host state and neighbours pertaining to the construction of a new high-rise building on the North Lawn or off campus by the United Nations or a third party, including a private developer, should be clarified in order to have a full understanding of the viability of any option to be proposed.**

Potential risks

28. For option 1, it is indicated in the report on the expanded feasibility study that, given that the plan remains at the conceptual design stage, it would take two to three years for a full architectural design process involving schematic design, design development and construction drawings before reaching the construction stage. Risks would include cost escalation and uncertainties relating to support by the host city and host state and local community (A/67/720, paras. 27 and 64).

29. The Secretary-General indicates that option 2, of third-party financing of a new building on the North Lawn, would present commercial and legal challenges (ibid., para. 65). Option 2 is, therefore, found not to be feasible by the Secretary-General. The Advisory Committee requested further details of such challenges and was informed that, during the planning for the capital master plan, the Secretary-General had informed the General Assembly that a United Nations bond issuance was a viable means of obtaining third-party financing for construction. The Assembly decided, however, that the capital master plan should be implemented by assessment of Member States.

30. The Advisory Committee was further informed that, with regard to the elimination or amelioration of obstacles in obtaining third-party financing, under the legal regime governing the Organization's finances, the General Assembly would have to authorize any borrowing, including a United Nations bond issuance. It was indicated to the Committee that there were limits, however, to what the Assembly could do without altering the legal regime established under the Charter of the United Nations and the Convention on the Privileges and Immunities of the United Nations, in particular the limitations on the Organization's giving executable interests in its properties and assets to secure financing, which arise from Article 105 of the Charter and from the Convention. According to the Secretariat, it

would be extremely ill-advised for Member States to amend those legal instruments simply to secure third-party financing for the construction of a North Lawn building. **The Advisory Committee requests that the Secretary-General provide more comprehensive information on the issues involving third-party financing to the General Assembly. Moreover, the Committee is of the view that, at the current stage, it would not be advisable to rule out third-party financing options, given that the Secretary-General has not yet approached third parties to establish whether financing is available, and if so, whether options to be proposed are feasible for the Organization. In the view of the Committee, therefore, the Secretary-General should be requested to explore the option of third-party financing.**

Architectural integrity of the Headquarters compound

31. It is stated in the report on the expanded feasibility study that the construction of a new building on the North Lawn would provide an opportunity to build on land owned by the United Nations without additional cost for land and could accommodate the required security requirements. It would, however, forever change the iconic campus and its landscape (ibid., para. 64). The Advisory Committee recalls that, in the report on the original feasibility study, the Secretary-General indicated that the new North Lawn building concepts aimed to meet the intentions of the original designers, who had envisioned a building on the North Lawn (A/66/349, paras. 23 and 24).

32. The Advisory Committee therefore requested information on the original concept of the group of architects that included a North Lawn option and sought to know whether it had been submitted at that time to Member States. The Committee was informed that the group of architects, referred to as the Board of Design Consultants, had completed the final site plan for Headquarters in 1947. The final design had been presented to the General Assembly in the Secretary-General's report on the permanent headquarters of the United Nations (A/311, p. 43). That report had also included discussion of future consideration of a building to address the space requirements of delegations and specialized agencies, for which, the report stated, ample space had been reserved on the north end of the site for those agencies which might eventually come to New York (ibid., p. 23). The building on the north end of the site had not been included in the recommended design, however, because, at the time of writing, information regarding the establishment of Headquarters on the site by delegations of Member States or by the specialized agencies had been too limited for the detailed planning of their accommodation. The entire northern part of the site had been left open for such developments. The building on the North Lawn envisaged in the original design in 1947 is shown in the annex to the present report.

Option 3

33. The background to and details of the proposal for the United Nations Consolidation Building (DC-5) by the United Nations Development Corporation are contained in paragraphs 38 to 56 of the report on the expanded feasibility study. In November 2012, 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. Under the proposal by the Corporation, the Consolidation Building would be financed through the issuance of public bonds, the full payment of which

would be honoured through collection of rents from the United Nations under a lease-to-own term of 30 to 35 years. The proposed rental rate excludes costs for insurance, operations and maintenance of the building. Table 5 in the report on the expanded study provides the financing assumptions for DC-5, among which the interest rate is the most crucial variable, given that it is subject to change depending on the prevailing market rates at the time at which the public bonds are issued (see para. 48 below).

34. It is indicated that the schematic programme and design for the Consolidation Building have been developed in coordination with the United Nations and are already advanced at the Corporation’s risk (A/67/720, para. 44). A pedestrian tunnel under 42nd Street is proposed in the design to link the building to the United Nations compound. The Advisory Committee enquired as to the cost estimates of such a tunnel and was informed that the estimated costs provided in the report were preliminary and subject to further negotiation with the Corporation. As details regarding the cost of the tunnel would be explored further in the course of such negotiations, no estimates are currently available. The Committee was further informed, upon enquiry, that the current cost estimates of the Consolidation Building do not include the cost of physically joining the tunnel to the Dag Hammarskjöld Library Building, which is the intention. It was acknowledged to the Committee that the determination of the future of the Library Building might subsequently affect any design plan. **The Advisory Committee is of the view that all costs relating to the tunnel, including the connection to the Headquarters compound, should be provided with the estimated costs of the Consolidation Building.**

35. It is also stated in the report that the legislation of the State of New York in relation to option 3 is time-bound. The timeline for actions with regard to the construction of DC-5 is explained in paragraphs 55 and 56 and illustrated in figure V of the report. 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 the completion of the building by mid-2017. The United Nations lease commencement date is 35 months after the issuance of the bonds.

36. It is the understanding of the Advisory Committee that the playground at the proposed site of the Consolidation Building would remain in place should the construction not be approved. The Committee therefore questioned the urgency for a decision by the General Assembly to accept the current proposal. The Committee was informed that a decision by the Assembly was needed promptly because the enabling legislation was time-bound: if the title of the parkland was not transferred by 15 December 2015, the authority granted to the Corporation to construct the building on that site would expire. If the proposal does not materialize at that time, however, it is uncertain if and when a future opportunity may arise again for the United Nations to be afforded the option to consider construction on the plot of land in question.

Option 4

37. Under option 4, the United Nations would continue the current strategy of leasing office space outside the Headquarters compound on the commercial real estate market. The option assumes the renewal of the leases for DC-1 and DC-2 in

their entirety, with the remaining requirement being met in other leased buildings. Information with regard to properties owned and leased by the United Nations, as at 2012, is provided in annex III to the report on the study (A/67/720). The Secretary-General indicates that there is no assurance that the two buildings would continue to be readily available for use by the United Nations after 2023, given that the Corporation has informed the Organization that, if the Consolidation Building does not proceed, DC-1 and DC-2 will probably be sold (ibid., para. 35).

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

38. The proposal for the extension of the leases of DC-1 and DC-2 by the Corporation is explained in paragraphs 57 to 61 of the report of the Secretary-General (see also annex II to that report). The Corporation is proposing to extend the leases beyond 2023 with changes, which would result in a 22 per cent increase in annual rent payments between April 2023 and March 2043 and a 10 per cent increase in the base rates every five years thereafter (see also para. 42 below).

39. The Advisory Committee notes that each of the four options under review includes continued lease of DC-1 and DC-2. The Committee enquired as to what had changed since the previous feasibility study regarding the non-renewal of the leases of DC-1 and DC-2, compared with the currently proposed continued lease of the two buildings under all four options. It was indicated to the Committee that the Corporation's proposal for the Consolidation Building had not been submitted until after the original feasibility study had been completed and the Secretary-General's report submitted. The original feasibility study had taken into account the upcoming expiration at the end of March 2023 of the Organization's leases of DC-1 and DC-2. It was further explained to the Committee, however, that, after the signing of the memorandum of understanding in October 2011, it had become clear that, unless an agreement could be reached between the Organization and the Corporation on the proposed Consolidation Building, the Corporation would refinance or sell DC-1 and DC-2 to a third party after March 2023. Accordingly, options 1, 2 and 4 offered no certainty that the United Nations could continue to lease DC-1 and DC-2 beyond 2023 at an acceptable rate. In his report, the Secretary-General had decided, however, to include the possibility of the continued lease of the two buildings as an option, for the purpose of comparison with option 3. Under options 1, 2 and 4, were DC-1 and DC-2 not available beyond 2023, equivalent space would need to be sought under commercial leases.

40. The Advisory Committee enquired as to whether it was possible for the Secretariat to explore extending the leases on DC-1 and DC-2, with capital improvements, without accepting the Corporation's offer to construct the Consolidation Building. The Committee was informed that the Corporation had stated that DC-1 and DC-2 would have to be sold or refinanced if the Consolidation Building did not move forward as a package, inclusive of the DC-1 and DC-2 lease extensions. Until the Secretariat was authorized to engage in negotiations by the General Assembly, it would not be known whether extending the leases of DC-1 and DC-2 without the Consolidation Building would be an option that the Corporation would consider.

41. The Advisory Committee notes from the report on the expanded feasibility study that, should the United Nations not reach agreement with the Corporation regarding the Consolidation Building, it is understood that the Corporation will

refinance or sell DC-1 and DC-2 to a third party after March 2023 (A/67/720, para. 61). The United Nations may then, therefore, 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. Upon enquiry, the Committee was informed that the memorandum of understanding concluded in October 2011 between host city and host state officials required that, in addition to agreeing with the Corporation on the lease terms for the Consolidation Building, the United Nations must exercise its options to continue leasing space in DC-1 and DC-2 from 2018 until 2023 (see also para. 42 below). Moreover, the Committee was informed that the memorandum provided that, when the current leases in DC-1 and DC-2 expired after 2023, the Development Corporation was, if it still controlled the properties, to lease space to the Organization in DC-1 and DC-2 at a market rent. The Committee notes from the above-mentioned information provided to it that the United Nations would most probably be required to negotiate the potential leases of DC-1 and DC-2 beyond 2023 on market rates, either with the Corporation or a third party, if the Organization needed to continue to rent the two buildings.

42. With regard to the lease terms of DC-1 and DC-2, the Advisory Committee notes from a copy of the memorandum that it received upon request that, beginning on 1 April 2017, the United Nations is, among others, to pay additional rent, in an amount equal to real estate taxes attributable to such space, to the Corporation, for payment by the Corporation to the City's General Fund. **The Committee is of the view that more clarifications in relation to the payment of additional rent as specified in the memorandum of understanding should be provided to the General Assembly.**

43. The Advisory Committee sought clarifications on the actual provisions contained in the memorandum with regard to the linkage between the proposed construction of DC-5 and the potential sale or refinancing of DC-1 and DC-2. The Committee received a copy of the memorandum of understanding signed by the Mayor of the City of New York and the Speaker of the New York State Assembly on 5 October 2011, which is also referred to as the "East Side Greenway and Parkland memorandum of understanding". It was indicated to the Committee that, according to the memorandum, with the construction of the Consolidation Building, the City of New York and the Corporation would be required either to sell or refinance the two buildings, with the proceeds being paid into the fund established by the City for the activities related to the East Side Greenway and Parkland. The Committee was also informed, however, that, should the Consolidation Building not proceed, the memorandum would terminate and, accordingly, the obligation to sell or refinance DC-1 and DC-2 as specified in the memorandum would also terminate. It was indicated to the Committee that, nonetheless, the Secretariat understood from the Corporation that, in that eventuality, it was likely that the City would continue to explore options to generate revenue by selling or refinancing the two buildings.

44. The Advisory Committee asked for the underlying rationale for the linkage between the possible sale or refinancing of DC-1 and DC-2 and the construction of the Consolidation Building. It was indicated to the Committee that the State of New York had amended legislation authorizing the Corporation to construct a consolidation building on New York City parkland and that the amended legislation

required that a memorandum of understanding should be concluded among certain New York State and City officials. The memorandum had been agreed upon as a compromise to meet the interests of all parties concerned to construct a new high-rise building for the use of the United Nations, adjacent to the compound. The linkage was a device essentially aimed at compensating the City by paying for the development of the parkland and at contributing to the City's General Fund. It had been justified as compensation to the City for giving up the Robert Moses playground and ultimately granting the United Nations property rights to the land and the Consolidation Building.

45. The Advisory Committee also enquired whether the Secretariat had explored the option of buying DC-1 and DC-2. It was informed that, in examining future options, the Secretariat had decided not to explore that option further for a number of reasons. First, the ownership of DC-1 and DC-2 would require significant upfront capital investment. The Secretariat was mindful of the decision of the General Assembly in the context of the capital master plan that the Secretary-General should present proposals that did not impose large surges in funding requirements of the Member States. Second, DC-1 and DC-2 would eventually require a major infrastructure upgrade, as stated in paragraph 59 of the report. Should the United Nations take ownership of the buildings, the Secretariat would have direct responsibility for the financing and management of that major capital project. Third, the acquisition of two entire buildings would deprive the Organization of the flexibility to respond to changing population scenarios.

Cost estimates of construction of a new building

46. Cost estimates of the construction of a new building under options 1 to 3 are indicated in table 3 of the report on the expanded study as below (value as at December 2012):

(a) Option 1: A North Lawn building through assessment ($1,046,000,000);

(b) Option 2: A North Lawn building through third-party financing ($1,278,000,000);

(c) Option 3: The Consolidation Building (DC-5) ($1,362,000,000).

47. The Advisory Committee requested, but did not receive, a breakdown of the cost estimates. **The Committee recommends that the information be provided to the General Assembly at the time of its consideration of the expanded feasibility study.**

48. The Advisory Committee enquired as to what variables would lead to an increase in the overall cost of the Consolidation Building. It was informed that such variables would include schedule delays (design, approvals, construction); construction or project cost escalations beyond the contractor's own liability; change in market conditions affecting interest rates and market pricing of bonds; unexpected issues with the bond rating process, credit rating, increased letter of credit requirements and annual fees; and increases in lease operating costs above projected escalations. **The Advisory Committee points out that none of the variables mentioned above could be containable by the United Nations. Consequently, the likelihood of overall cost increases must be recognized and factored in as serious risks to reliable calculation of any final costs of the construction of the Consolidation Building at this stage.**

49. **With regard to overall cost estimates of the construction of a building on or off campus, the Advisory Committee is of the view that all factors pertinent to cost estimates and escalations should be taken into account, which should include not only the construction costs, but also financing in the long term. In addition, long-term rental costs of the Organization and possible financing for the purchase of an existing building or buildings need to be properly calculated against all options for the construction of a new building.**

Sequencing of United Nations construction projects

50. The Advisory Committee recalls the report of the Secretary-General on the strategic heritage plan of the United Nations Office at Geneva (A/66/279), the extent of the deterioration of the Palais des Nations and the need to undertake an overall renovation of the buildings in the Office compound.

51. The Advisory Committee further recalls that the General Assembly, in its resolution 64/243, stressed that the renovation phase of the strategic heritage plan should not start before the Assembly had taken a decision on that plan and the capital master plan had been completed. Moreover, in its resolution 66/247, the Assembly requested the Secretary-General to ensure that major capital expenditure projects were not implemented simultaneously in order to prevent the need to finance them at the same time. **The Advisory Committee is concerned that the Secretary-General did not consider the aforementioned decisions of the Assembly when he submitted his report on the expanded feasibility study. Looking forward, the Committee stresses the need for the Secretary-General to take into account the decisions of the Assembly when submitting his next report on long-term Headquarters office space requirements.**

52. **In this regard, the Advisory Committee emphasizes that consideration of the construction of a new building at Headquarters needs to take into account the fact that the capital master plan is to be completed late in 2014 and that the strategic heritage plan of the United Nations Office at Geneva is still pending approval and implementation.**

Observations and recommendations

53. **In the view of the Advisory Committee, the report of the Secretary-General on the expanded feasibility study does not provide comprehensive analysis of the four options presented, nor a sound basis for the conclusion that option 3 is the most preferable option. Given the incomplete nature of the information provided in the report and the many uncertainties associated with the options, the Committee is unable to arrive at a conclusion. The Committee is therefore of the view that, at the current stage, all options should be kept open for full development and consideration. Furthermore, taking into account that, according to the Secretary-General, negotiation with the United Nations Development Corporation is required in order to keep option 3 viable, and that the Secretary-General needs authority from Member States to negotiate with the Corporation and other possible entities with regard to the options for long-term office accommodation, the Committee does not object to the General Assembly allowing the Secretary-General to engage in negotiation with the Corporation so as to ensure that the proposed Consolidation Building remains a viable option. The Committee is, however, of the view that the authority to**

negotiate, if granted by the Assembly to the Secretary-General, should refer to all options. The Committee also recommends that the Assembly emphasize that such negotiations would be without prejudice to any decision by the Assembly concerning the Headquarters office space needs 2014-2034 on the basis of every option.

54. **The Advisory Committee further recommends that the General Assembly request the Secretary-General to explore options, including, but not limited to, those presented in the report on the expanded feasibility study, and to submit another report with more comprehensive information, including detailed project costs and financing options for construction of a new building on and off campus, the potential impact on the architectural integrity of the Headquarters compound, associated costs and factors relating to inflation rates and fitting-out, the costs of renovation of DC-1 and DC-2, options for a consolidated Headquarters compound/building versus decentralization of office buildings, ways in which to take advantage of progress in information technology, and sequencing of major United Nations construction projects (see paras. 50-52 above).**

55. **Furthermore, the Advisory Committee is of the view that consideration of Headquarters accommodation needs for the period 2014-2034 should take into account factors such as total population requirements with and without the staff of the participating funds and programmes; the impact of the implementation of alternative workplace strategies on the capacity of the buildings on the Headquarters compound; and an appropriate level of owned versus leased office space, which should be aligned with future planning for the Organization. The Committee reiterates its emphasis that the maximum possible number of staff should be accommodated at the renovated Headquarters campus and that off-campus rental should be kept at the minimum level and under constant review (A/67/548, para. 42).**

V. Dag Hammarskjöld Library and the South Annex Buildings

56. In section V of the report on the expanded feasibility study on the United Nations Headquarters accommodation needs 2014-2034 (A/67/720), the Secretary-General discusses the background, functions and uses of the Dag Hammarskjöld Library and the South Annex Buildings. 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 two buildings.

57. It is indicated in the report that discussions continued in 2012 between the Secretariat and relevant host country authorities concerning protection requirements for the buildings. Since no resolution could be reached, and given the projected completion of the capital master plan late in 2014, however, the design and renovation of the two buildings continued to be suspended. The Advisory Committee notes from the report that, although $65 million had originally been budgeted for the renovation of the two buildings, they 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 (ibid., para. 72).

58. The functions housed in the two buildings are described in paragraphs 77 to 84 of the Secretary-General's report, including the Dag Hammarskjöld Library, the cafeteria, 13 language training classrooms and the interpreters' lounge and office space. For planning purposes, the Secretary-General has suggested locations for functions and possible uses of the two buildings in 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), which are presented in tables 7 and 8 of the report. His suggestions include options to keep the functions at the current locations (in the short term), transfers to the temporary North Lawn Building (in the medium term) or to the Consolidation Building or the new North Lawn Building (in the long term). The possible uses of the two buildings are closely linked to the security concerns and solutions to address those concerns. Furthermore, the Advisory Committee was informed, upon enquiry, that another option for the buildings could be consideration for demolition.

59. The Advisory Committee notes that the Dag Hammarskjöld Library is the sole building at the Headquarters compound that bears the name of a former Secretary-General. **The Committee is of the view that, regardless of the future location of the library function, it is essential for the United Nations to respect the commemorative value of the Dag Hammarskjöld Library, which was established in memory of the former Secretary-General.**

60. The Advisory Committee recalls that, in its resolution 67/246 (sect. V, para. 29), the General Assembly requested the Secretary-General to present updated information and options, as well as financial implications, on the renovation of the South Annex Building and the Dag Hammarskjöld Library Building. **The Committee notes that the Secretary-General has not proposed such options, with financial implications, as requested by the Assembly.**

VI. Temporary North Lawn Building

61. The Advisory Committee recalls that the tenth annual progress report on the implementation of the capital master plan included a proposal to defer the planned removal of the temporary North Lawn Building ($2 million) until after the completion of the capital master plan, as the Secretary-General's response to the request by the General Assembly to identify options to reduce the projected cost of the project. The Committee further recalls that, from the information provided to it in its consideration of the tenth annual progress report, it appeared that the full annual cost to maintain the North Lawn Building would range from approximately $614,000 (unoccupied) to approximately $2,538,000 (fully occupied), compared with a total of $2 million for the removal of the temporary building and installation of final landscape on the North Lawn. Any future operating cost relating to the building's maintenance would be considered in the context of the proposed programme budget for the biennium 2014-2015 (A/67/548, para. 58).

62. The proposed deferred removal of the temporary North Lawn Building and its potential functions (cafeteria, library, office space and storage) are described in paragraphs 88 to 90 of the report on the expanded feasibility study. **The Advisory Committee points out that, in its resolution 67/246, the General Assembly did**

not approve the cost reduction related to the deferred removal of the temporary North Lawn Building proposed by the Secretary-General. The Committee is of the view that the Secretary-General has not put forward a proposal that merits reconsideration by the Assembly of its recent decision not to delay the demolition of the temporary North Lawn Building.

Annex

Building on the North Lawn envisaged in the original design in 1947