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Study on the long-term accommodation needs at United Nations Headquarters for the period from 2015 to 2034

Report of the Secretary-General

Summary

Pursuant to section VII of General Assembly resolution 69/262, the present report provides information requested on the long-term accommodation needs of the United Nations in New York. The report provides a comprehensive analysis of the four options deemed to be viable by the General Assembly: (a) North Lawn, funded through an assessment; (b) North Lawn, funded through financing; (c) United Nations Development Corporation (DC-5), funded through a lease-to-own arrangement; and (d) status quo (commercial leasing).

The report describes the key assumptions and estimated space requirements used in the financial analysis over a 50-year period, including population projections and the possible impact of flexible workplace strategies, Umoja and the global service delivery model in New York. It also describes other factors included in the study: the architectural integrity of the United Nations Headquarters complex, schedule considerations and credit rating.

Of the four options, the DC-5 option is the most cost-effective, providing the Organization with the opportunity to consolidate in one building the vast majority of its staff currently housed in commercial leasing space and offering ownership rights and a saleable asset at the end of a 30-year lease term.

The General Assembly is invited to take note of the report, to request the Secretary-General to further develop the DC-5 proposal as a very feasible and serious option to be pursued, to authorize the Secretary-General to take the next steps necessary for implementation and to appropriate an amount of $2,515,400 for the biennium 2016-2017, in addition to the proposed programme budget for the same period, which represents a charge against the contingency fund.

Contents

I. Introduction

1. In section VII of its resolution 69/262, the General Assembly recognized the need to resolve the long-term accommodation needs of the Organization and requested the Secretary-General to provide updated comprehensive information on the four viable options identified in the resolution at its seventieth session.

2. After considering the 10 options presented in the previous report of the Secretary-General (A/68/734), the General Assembly identified 4 viable options, including:

(a) Construction of a new building on the North Lawn, funded through a special assessment;

(b) Construction of a new building on the North Lawn, based on the availability of funding through third-party financing;

(c) Lease-to-own arrangement for a new building constructed by the United Nations Development Corporation, referred to as DC-5, on the Robert Moses playground;

(d) Status quo: continue commercial leasing under current arrangements.

3. The General Assembly urged the Secretary-General to ensure equal treatment of all four options and to work towards securing the most favourable terms for the Organization in addressing its long-term accommodation needs, and requested the Secretary-General to provide updated comprehensive information on each of the four options, including: financial costs, accurate cost projections over the period of the analysis, and space accommodation and design requirements. With respect to option 3, the Assembly noted that it appeared to be a very feasible and serious option, and requested updated information on financial costs on the basis of a preliminary credit rating and proposed lease terms.

4. The General Assembly also requested updated information on other factors affecting the study, including: the ongoing implementation of a flexible workplace strategy and statistically substantiated estimations of the impact that it would have on the projection of office space requirements; the possible impact that the implementation of Umoja and the new global service delivery model could have in terms of the number, skills and location of staff; and the need to respect the architectural integrity of the United Nations complex and of the original design of the Board of Design Consultants.

II. Key assumptions and estimated space requirements

A. Population figures

5. The starting point for the study of the long-term accommodation needs for the period from 2015 to 2034 was a review of the total population of the United Nations located in New York. The definition of "population", i.e., staff, consultants, interns and other workers, remains the same as in previous reports. For the present report, updated population figures were obtained from the executive offices of participating Secretariat departments and offices, as well as from specialized agencies, funds and

programmes that had expressed interest in being co-located in office space with the Secretariat.

6. In response to General Assembly resolution 67/254 A and the previous report (A/68/734), the project team has analysed the various long-term accommodation options with respect to two major groups of participants and prospective participants: (a) the Secretariat and other offices; and (b) the Secretariat, other offices, and funds and programmes.

7. The "other offices" grouped with the Secretariat comprise 36 offices of specialized agencies, funds and programmes and affiliated offices that are currently and/or have historically sublet space from the Secretariat owing to their small size. These include, among others, the International Civil Service Commission, the United Nations Educational, Scientific and Cultural Organization and the Food and Agriculture Organization of the United Nations.

8. Several funds and programmes have recently expressed interest in participating in the study on long-term accommodation needs; this represents a change compared with the previous report.

9. The participating funds and programmes referred to in the present report include the United Nations Development Programme (UNDP), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the United Nations Population Fund (UNFPA). The reason that the timing is now a determining factor in the interest of UN-Women and UNFPA is that the delayed projected occupancy date of option 3 (DC-5) approximately coincides with the expiry dates of the current commercial leases of those entities. The majority of UNDP staff are currently housed in DC-1; hence, the expiry of the corresponding lease has always been a determining factor in the interest of UNDP, and UNDP was included in the previous report.

10. It is estimated that the total population of participating funds and programmes located in New York as of 2020, including both projected growth and reductions due to redeployment to other locations and other factors, will be 1,300.

11. The breakdown of populations located in New York as of 2015 is reflected in table 1.

Table 1
Breakdown of populations

		2015 (current population)	
	2013 (according to A/68/734)	*Secretariat and other offices*	*Secretariat, other offices, and funds and programmes*
A. Population at Headquarters (by entity)			
United Nations departments	8 516	8 516	8 516
Other offices	227	340[a]	340
Funds and programmes	850	–	1 300[b]
Total	**9 593**	**8 856**	**10 156**

	2013 (according to A/68/734)	2015 (current population)	
		Secretariat and other offices	Secretariat, other offices, and funds and programmes
B. Population in United Nations-owned property and non-seated positions			
On campus/owned	3 898	3 898	3 898
Non-seated	937	916	916
Total	**4 835**	**4 814**	**4 814**
C. Headquarters total population requiring seating outside United Nations-owned property: A-B	**4 758**	**4 042**	**5 342**

[a] 340 total staff from 36 small other offices, which currently sublease space from the Secretariat in rental space outside the campus, have been included in the study.

[b] Comprises the projected staff of UNDP, together with that of UN-Women and UNFPA, which were not included in the previous report, in New York as of 2020.

B. Flexible workplace strategies

12. In paragraph 10 of section VII of its resolution 69/262, the General Assembly requested the Secretary-General to pursue further analysis in order to obtain statistically substantiated estimations of the impact that the implementation of a flexible workplace strategy would have on the projection of office space requirements vis-à-vis the study on long-term accommodation needs.

13. Following an initial study and the issuance of his report on the implementation of a flexible workplace strategy at United Nations Headquarters (A/68/387), the Secretary-General estimated that the utilization of existing office space, with emphasis on owned space, could increase by some 25 per cent, thereby decreasing the overall amount of commercially leased space by approximately 20 per cent. This correlated to an average space utilization rate of 176 gross square feet per person for typical office spaces, which in turn meant that an estimated 630 additional staff could be accommodated within the existing Secretariat building compared with post-capital master plan occupancy conditions. Those metrics were used in determining space requirements in the previous report on long-term accommodation needs at Headquarters (A/68/734).

14. Since then, the Secretary-General has further developed the flexible workplace strategies programme in New York, further refining the generic design solution for office space environments, on the basis of the findings and outcomes of the pilot project, as well as developing a comprehensive business case for the implementation of flexible workplace strategies in New York. The business case applied generic planning strategies to actual offices/departments; this resulted in the establishment of varying office space solutions according to work type, as well as a strategy for timing the relinquishment of certain leased spaces prior to their expiry dates. The results of those efforts were described in the previous report.

15. Pursuant to the request made by the General Assembly in its resolution 69/274 A that the Secretary-General continue to implement the planned activities in

the next steps regarding flexible workplace at Headquarters, the implementation of the flexible workplace strategies is currently in progress.

16. In the updated study, the estimated 630 additional staff who could be accommodated within the existing Secretariat Building was increased to 800, on the basis of a detailed analysis of the various types of work that are supported in the Building. The previous average space utilization rate of 176 gross square feet per person was therefore reduced to approximately 168 gross square feet per person.

17. The updated, statistically substantiated estimations of the possible impact of flexible workplace strategies on the projection of office space requirements are included in the present report, as shown in table 2.

Table 2
Breakdown of population assumptions after the planned implementation of flexible workplace strategies, by 2018

	Secretariat and other offices	*Secretariat, other offices, and funds and programmes*
A. Population at Headquarters (by entity)		
United Nations departments	8 516	8 516
Other offices	340	340
Participating funds and programmes	–	1 300
Total	**8 856**	**10 156**
B. Population in United Nations-owned property and non-seated positions		
On campus/owned	4 698	4 698
Non-seated	916	916
Total	**5 614**	**5 614**
C. Headquarters total population requiring seating outside United Nations-owned property: A-B	**3 242**	**4 542**

C. Population scenarios

18. As in the previous report, three scenarios are projected for future accommodation needs:

(a) The "1.1 per cent annual growth rate" scenario, which is based on a continuation of the historical trend of the past 20 years and includes a net impact of both increases and decreases in programming;

(b) The "no growth rate" scenario assumes that possible future programme increases and decreases would remain without net impact on the overall requirements;

(c) Under the "0.5 per cent annual decline rate" scenario, programme increases and decreases would be offset partially by factors such as the implementation of Umoja and the global service delivery model in New York.

19. The three population scenarios described above have been projected to estimate the population requiring seating outside the United Nations-owned premises between 2015 and 2034.

D. Possible impact of Umoja and the global service delivery model

20. The Secretary-General has submitted to the General Assembly at its seventieth session a report on the framework for a global service delivery model of the United Nations Secretariat (A/70/323). In line with his goal of creating a truly global Secretariat, the model envisions a Secretariat that is better able to deliver on its mandates, supported by administrative services that provide what is needed, when and where it is needed.

21. With respect to long-term accommodation needs, the Secretariat assumes that the possible changes in Headquarters staffing levels over the next 20 years, including as a result of Umoja, the new global service delivery model and changing mandates, would be accommodated within the three population scenarios set out in the present report, ranging from a 0.5 per cent annual decline to 1.1 per cent annual growth.

22. The updated breakdown of population scenario projections is shown in table 3.

Table 3
Population scenario projections: required seating outside the United Nations-owned premises

	2015	*Population growth (percentage)*	*2020*	*2034*
Secretariat and other offices — off campus/leased	4 042	1.1	3 688	5 076
		No growth	3 242	3 242
		-0.5	3 045	2 521
Secretariat, other offices, and funds and programmes — off campus/leased	N/A	1.1	4 988	6 592
		No growth	4 542	4 542
		-0.5	4 345	3 733

Abbreviation: N/A, not available.

E. Own-to-lease ratio in the overall real estate portfolio

23. The previous reports of the Secretary-General included the establishment and consideration of an ideal own-to-lease ratio of 80:20 for the real estate portfolio in New York as a primary factor in the determination of overall space needs. The purpose of establishing the ratio would be to ensure that the Organization maximized the use of owned space, while retaining a portion of space on a commercially leased basis, in order to maximize flexibility to allow for future fluctuations, in particular one-time fluctuations, in the number of staff.

24. In the present report, the ratio is no longer considered a determining factor in decision-making. The reason for this change is that, under the various options under consideration, other factors take precedence over the ratio, as indicated in paragraph 25 below. Furthermore, it is recalled that at other duty stations, both headquarters stations and the economic and social commissions, all Secretariat staff are accommodated within owned or donated right-to-use premises (with the exception of the Office of the United Nations High Commissioner for Human Rights in Geneva, which would be accommodated within the Palais des Nations after the completion of the strategic heritage plan).

25. Under options 1 and 2 (construction on the North Lawn), consideration of the architectural integrity of the Headquarters complex and the design of the Board of Design Consultants limits the size of the building and therefore predetermines the resultant own-to-lease ratios under the various population scenarios. Under option 3 (DC-5), the size of the building is determined by maximizing the allowable development area on the site, in accordance with the memorandum of understanding among host government officials allowing for the use of the land.

F. Estimated space requirements

26. Two main components constitute the total office space requirements included in the present report: office space and ancillary or support space. Whereas the four options currently being analysed differ in size, similar requirements (but with certain adjustments, as explained in para. 27 below) for each are considered, in line with paragraph 5 of section VII of General Assembly resolution 69/262, ensuring equal treatment of all four options.

27. A third component of building support space is also factored into the overall study. These spaces include lobbies, mechanical equipment rooms, information technology and security equipment rooms and building maintenance storage rooms, which are required in order to make all buildings functional. The spaces affect the overall cost of options, whether new construction or commercially leased. They are included in the financial analysis, but are not listed in table 4.

Office space requirements

28. Office space comprises the office areas used for general work activities, including both individual/focused activities and collaborative activities. The spaces included in this category include the entire "kit of parts" described in the report of the Secretary-General on a comprehensive business case for the application of flexible workplace strategies at the United Nations (A/69/749). They are: individual workspaces (fully enclosed private offices and individual workstations); meeting rooms located on office floors, referred to as "small" and "medium-sized" meeting rooms, for anywhere from 2 to 16 occupants; focus booths; filing rooms; pantries; copy/work rooms; open meeting areas; lounges; and reception areas. The size of the office space requirements for each option and each population scenario is determined by multiplying the number of staff by 168 gross square feet per person.

Ancillary/support space requirements

29. In addition to the basic office space requirements, other required programmatic elements are common/shared meeting rooms, referred to as "large"

meeting rooms, for 16-24 occupants; and the displaced programme functions of the Dag Hammarskjöld Library Building and the South Annex Building. In line with paragraph 14 of section VIII of General Assembly resolution 69/274 A and as reported in the thirteenth annual progress report of the Secretary-General on the implementation of the capital master plan (A/70/343), the most cost-effective way to accommodate these functions is in the context of the study on long-term accommodation needs.

30. A summary of the total space requirements under the various population scenarios is set out in table 4.

Table 4
Total projected off-campus space requirements in 2020
(Gross square feet)

Population scenario	*Office space: Secretariat and other offices only*	*Office space: Secretariat, other offices, and funds and programmes*	*Ancillary/ support space*	*Total space: Secretariat, other offices, and funds and programmes*
No growth	544 656	763 056	319 758	1 082 814
1.1 per cent growth	619 653	838 053	319 758	1 157 811
0.5 per cent decrease	511 640	730 040	319 758	1 049 798

31. Given that the total size of each option differs, as does whether the space is owned or leased under that option, certain assumptions were made in the present study as to how the ancillary/support spaces are accommodated, as shown in table 5. For planning purposes, it is assumed that a public function of the Dag Hammarsjköld Library will remain in Manhattan in owned space that is approximately half the size of the current Library. The remaining portion of library functions, which are related largely to the collection, or "stacks", will be moved into less expensive commercially leased space outside Manhattan.

Table 5
Ancillary/support spaces under each option
(Gross square feet)

Owned or leased	*Options 1 and 2 (North Lawn Building)*	*Option 3 (DC-5)*	*Option 4 (status quo)*
New building	163 392	270 888	–
Commercial lease	119 909	48 870	228 837
Total	**283 301**	**319 758**	**228 837**

III. Other factors considered in the study

A. Architectural integrity of the United Nations Headquarters complex

32. In the previous report, the Secretary-General described the efforts made by the project team in taking into account the inherent architectural and historic value of the Headquarters complex, which is an iconic masterpiece of mid-century

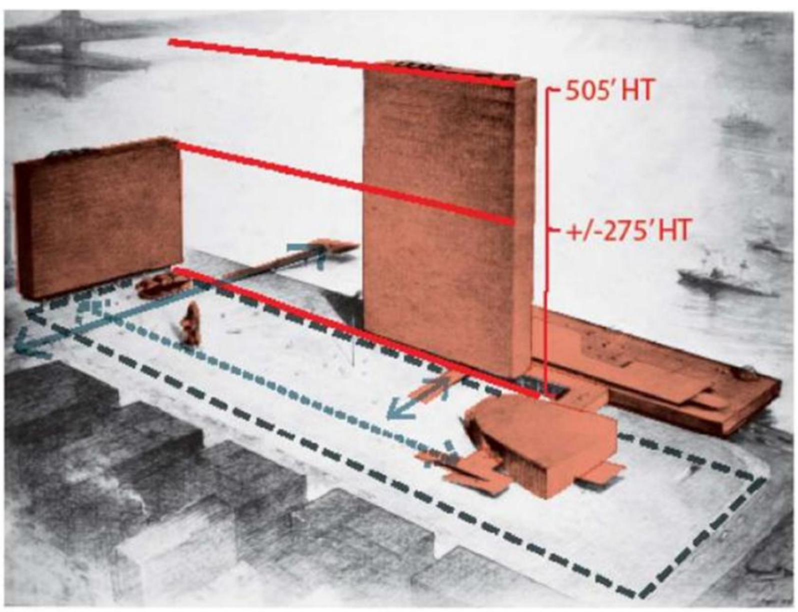
modernism. Furthermore, over the life of the Organization, the architecture of the complex has come to embody and represent the mission and the ideals of the United Nations.

33. Factors included in the analysis of an internationally recognized architectural preservation firm hired by the United Nations for that purpose were the original design of the Board of Design Consultants as well as the process undertaken by the Board to arrive at the final design, applicable international historic preservation guidelines and standards, historic design principles, factors for evaluating the expansion of the complex, and alternatives and their impacts.

34. The experts ultimately concluded that option 3 (DC-5) would be the preferred alternative for the expansion of the United Nations complex from the perspective of preserving the architectural integrity of the United Nations campus, as it would adequately respect its iconic historical, cultural and architectural character.

35. Should the General Assembly select option 1 or option 2, the Secretary-General understands paragraph 12 of section VII of resolution 69/262 to mean that any new building on the North Lawn should be limited in height to approximately 275 feet, in accordance with the original design of the Board of Design Consultants. This is illustrated in the historic drawing of "scheme 32" by Oscar Niemeyer, one of the members of the Board, as shown in figure I.

Figure I
Historic drawing of "scheme 32" by Oscar Niemeyer, 1946



SCHEME 32, OSCAR NIEMEYER

B. Schedule considerations

36. In accordance with previous reports on the study on long-term accommodation needs and General Assembly resolutions 66/247 and 67/254 A, the Secretary-

General continues to ensure that the renovation phase of the strategic heritage plan does not start before the General Assembly has taken a decision on the matter and the capital master plan has been completed. The major renovation phase of the capital master plan was completed and the Office of the Capital Master Plan closed in July 2015. Remaining post-renovation activities are being carried out by the Office of Central Support Services. The Secretary-General understands that, for the purpose of complying with the above-mentioned resolutions regarding sequencing, once the General Assembly has approved the strategic heritage plan it may proceed without delay.

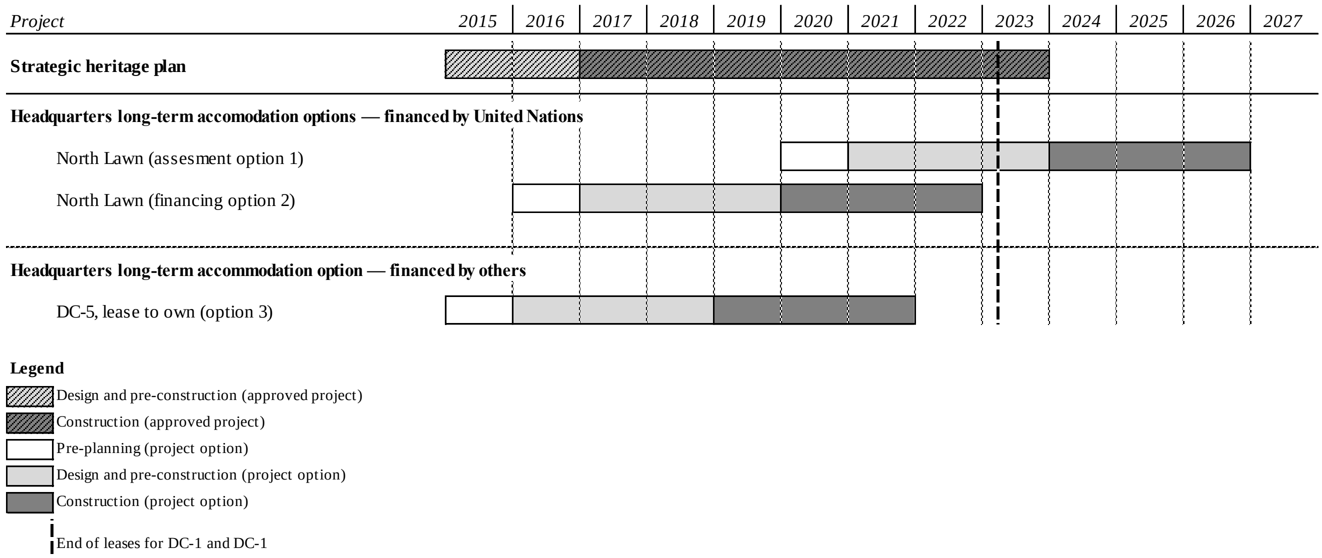
37. Furthermore, the Secretariat continues to comply with resolution 68/247 A to ensure that major capital expenditure projects are not implemented simultaneously in order to prevent the need to finance and supervise them at the same time. Accordingly, it is the understanding of the Secretariat that, upon the completion of the capital master plan, the strategic heritage plan and some of the options being considered in the present report may proceed at the same time if funding arrangements are in place that do not require major capital expenditure on the part of the United Nations. Therefore, option 1 of the study on long-term accommodation needs could commence only upon the completion of the strategic heritage plan, whereas options 2 and 3 could commence earlier.

38. In addition to the sequencing of capital projects, another overarching schedule driver with respect to the study on long-term accommodation needs is the expiry of the United Nations leases in the DC-1 and DC-2 buildings in the fall of 2023. The Secretariat currently houses approximately 2,060 staff in those buildings, at rental rates below current market rates owing to a long-term lease negotiated 40 years ago. The United Nations has the right to extend the current lease from 2018 to 2023. Under the terms of the current memorandum of understanding, the United Nations Development Corporation is obligated to refinance or sell those buildings on behalf of the City of New York. It is therefore not certain that they would be available to the United Nations after 2023. Even if they remain available, they would require major capital renovations and could be leased only at prevailing market rates in 2023, which, it is estimated, will be more than two times the scheduled renewal rate until 2023. In addition, swing space would have to be leased at market rates to allow the renovation efforts to take place.

39. In order to avoid the significant financial and operational risks associated with the expiry of the current DC-1 and DC-2 leases, the Secretariat would need to implement a long-term accommodation option that is available before 2023.

40. The updated timeline for the sequencing of United Nations capital projects is shown in figure II.

Figure II
Sequencing of near-term capital expenditure projects and other construction work: projected timeline, 2015-2026



C. Credit rating for the purpose of obtaining financing for options 2 and 3

41. As indicated in the previous report and pursuant to paragraph 7 of section VII of resolution 69/262, for the purpose of analysing the DC-5 option, it was necessary to obtain an indicative credit rating for the United Nations, since it would underlie the credit rating for that option and have a significant influence on the pricing of the bond(s). Given that the General Assembly also requested additional information on the possibility of financing the North Lawn option, the indicative rating could also be used to provide more accurate information on that option. During the reporting period, the Secretariat engaged a major rating agency for that purpose.

42. At the time of reporting, the application was in the final stages leading to submission and the outcome was therefore pending. According to advice provided by third-party financial consultants familiar with the process, the outcome of the indicative rating process is that a project rating will be no lower than “AA”. This represents an improvement since the issuance of the previous report, in which the rating was assumed to be “A”, and the financial projections have been updated accordingly.

43. Should the General Assembly decide to pursue one of the options requiring financing, it would be necessary to obtain a credit rating for the United Nations as part of the definitive credit rating for the total project.

Option 2: North Lawn financing

44. For option 2, it is assumed that a commercial loan with an amortization schedule of 30 years would be pursued in order to make a financing option advantageous by keeping annual payments relatively low. Commercial banks do not

typically offer bank term loans extending beyond 10 years, so the 30-year amortization period would be achieved by purchasing an unsecured loan and renewing it twice during the 30-year period. The United Nations would be exposed to renewal risk upon the expiration of the 10-year terms.

45. Indicative pricing on the 10-year term loan is based on an estimated bank spread to be charged and the current market rates for a 30-year fixed interest rate swap today and the same swap with a 10-year forward start date. Given that construction would not begin until 2020, any 30-year interest rate swap at that time would be difficult to forecast; thus, the 10-year forward swap premium cost at 2015 rates is used. In addition, an assumed risk premium is included to cover the interest rate risk at the time of renewal in year 10. A total interest rate of between 5.54 and 5.79 per cent is forecast, and an average of 5.67 per cent is used in the option 2 cost estimates set out in the present report.

Option 3: DC-5

46. Table 6 has been updated since the issuance of the previous report and shows the most accurate projections for a 30-year bond, based on available information. It also shows indicative 30-year taxable fixed interest rates based on an “AA” rating and an assumed increase of 24 basis points as at the projected financing date of 1 January 2019. The rates are based on a “spread” to the 30-year United States Treasury bond rate. In October 2013, the bond rate was 3.7 per cent, which is the rate used in the previous report. Since that time, the rate has come down significantly, and as of July 2015 it was 2.97 per cent. Rates are not expected to decline further; the estimated rate increase as of 2016 is based on a median consensus of projected treasury rates.

47. With the United Nations assumed to be of investment-grade credit quality and the overall project rating to be “AA” for the DC-5 option, the overall estimated future interest rate is between 5.01 and 5.21 per cent. An average rate of 5.11 per cent is used in the financial projections.

Table 6

Rating category	*30-year United States Treasury*	*Spread to United States Treasury*	*Forward spread*	*Estimated future rate*
Aa/AA	2.97%	1.80-2.00%	.24%	5.01-5.21%

IV. Comparative analysis of each option

A. Overview and working method

48. Pursuant to resolution 69/262, in which the General Assembly requested updated information on four viable options, the Secretariat, during the reporting period, continued using the overall methodology used during the previous studies on long-term accommodation needs. Given that the Secretariat does not currently have dedicated resources assigned to the project, a third-party real estate consultancy firm has been hired to provide support to the Office of Central Support Services in conducting the comparative analysis. The real estate consultant team included

several sub-consultants who provided specialized services, including architectural/ engineering design, cost estimation and financial advice services.

49. Updated information on all options was gathered. A third-party architectural/engineering design consultant developed a conceptual design for a building on the North Lawn, and cost estimates for that option were developed by a third-party cost estimator. The United Nations Development Corporation produced a revised schematic design and a cost estimate for option 3. A third-party real estate brokerage consultant conducted market research regarding option 4. Specific activities undertaken during the reporting period included the updating of the following:

(a) Population projections of the Secretariat, and solicitation of interest from participating funds and programmes;

(b) Architectural and engineering designs of the new construction options. Revisions to options 1 and 2 entailed designing a smaller-sized building and responding to historic preservation concerns, as further explained in section III.A above. Revisions to option 3 entailed making minor updates to United Nations programme requirements and reflecting host city building regulations, as further explained in paragraphs 78-88 below;

(c) Construction cost estimates for the new construction options, in accordance with the revised designs and updated timelines, and the updating of assumptions regarding projected construction escalation costs;

(d) Financial information for all options, including the indicative credit rating for financing options, projected interest rates and a more thorough study of a possible North Lawn financing option;

(e) Commercial lease analysis of a 15-minute walking radius from the United Nations campus for the status quo option and also for the commercial leasing components of the new construction options;

(f) Detailed lease negotiations with the United Nations Development Corporation for option 3, including the necessary revisions to the memorandum of understanding among host government signatories.

Planning assumptions and potential future change impact analysis

50. The planning assumptions for the determination of one-time costs as well as ongoing costs for each option remain largely the same as those reflected in the previous report. Whereas each of the assumptions reflects a certain amount of speculation with respect to future costs, the most important factor in considering them is that they are applied equally to all four options in order to determine the most cost-effective option.

51. A summary of the planning assumptions used in the study is listed below. Where applicable, an estimate of the potential impact and likelihood of future changes in the figures used in the present report is also included and is reported as a 50-year impact, in 2015 net present value terms, for a no-growth population scenario:

(a) Study period (50 years, from 2015 to 2064): for such a large investment, a 50-year horizon provides a full view of the costs and benefits of each option; it is also the useful life of a building, according to the International Public Sector Accounting Standards-compliant accounting policy of the United Nations;

(b) Population projections (from 2015 to 2034, as shown in table 3): projections beyond 20 years are considered unpredictable. Future changes in population are a significant determining factor of cost; for every 250 staff added or reduced, the impact is in the range of $170 million to $190 million;

(c) Construction cost escalation (4.5 per cent, according to data published in recent years in the New York construction market): construction costs were estimated in July 2015 dollars and are escalated until the construction period for a given option;

(d) Amount of ancillary space under each option (as shown in table 5): any future changes in ancillary space requirements also have a significant impact on overall costs; for every 50,000 square feet (approximately two floors of the North Lawn Building or the DC-5 Building) added or reduced, the impact is in the range of $200 million to $230 million;

(e) Interest rate assumptions (as set out in sect. III.C above): under option 2 (North Lawn financing), an increase or decrease of 50 basis points for the assumed 5.67 per cent interest rate would have an impact of approximately $60 million to $70 million. Under option 3 (DC-5), an increase or decrease of 50 basis points in the assumed 5.11 per cent interest rate would have an impact of approximately $120 million;

(f) Commercial leasing rates ($78 per rentable square foot, as indicated in para. 94 below): an increase or decrease of $5 per rentable square foot would result in a total impact of approximately $50 million under the North Lawn options and $140 million under the status quo option (the change would be negligible under the DC-5 option, as very little commercial lease space is expected to be required for it);

(g) Rate of inflation: 3 per cent, based on the most recent rate of inflation;

(h) Discount rate: 3 per cent (for determining net present value calculations).

52. Financial analyses of total life-cycle costs over the 50-year analysis period were carried out for each option, including all of the following costs: one-time project costs (for ownership options), commercial lease costs (for lease options) and costs for utilities, cleaning, security, real estate taxes (if applicable) and insurance.

53. Details regarding the ways in which potential future changes in the above-mentioned assumptions may have an impact on the overall analysis for each of the options, as well as population scenarios, are included in annex II to the present report.

54. A summary of each option is included in section IV.B below, with a comparison of the total costs of each option included in section IV.C.

B. Results of the study regarding each option

Option 1: construction of a new North Lawn Building, funded through a special assessment of the General Assembly

55. As indicated in the previous reports of the Secretary-General on the study on long-term accommodation needs, option 1 involves the construction of a new building on the North Lawn, funded through a special assessment of the General Assembly. The project would be undertaken by the United Nations directly and managed by a dedicated project management team, with architectural and engineering design services and construction services contracted directly by the United Nations, as was the case during the implementation of the capital master plan. This option is the least costly of the four options in terms of one-time construction costs, partly because it does not entail land purchase or financing costs. However, because the construction portion of the project cannot be undertaken until the strategic heritage plan has been completed in 2023, option 1 entails considerable construction escalation costs, estimated at 4.5 per cent compounded annually, from the present time until 2024. In addition, new lease agreements at market rates would need to be arranged for the population currently seated in DC-1 and DC-2 in order to bridge the construction period.

56. Furthermore, the overall scope of option 1 is constrained by historic preservation and constructability issues. The height of the building is limited to approximately 275 feet, in keeping with the original design of the Board of Design Consultants, as illustrated in figure I and explained in paragraph 35 above.

57. The building footprint is limited to approximately 26,500 gross square feet. The buildable area of the North Lawn is bound on the south by the existing North Lawn Building (with two subterranean floors under the lawn); on the west by the multi-million-dollar main electrical supply, near the “Good Defeats Evil” statue outside the entrance to the North Lawn Building; and on the east by the service drive at the third basement level of the United Nations complex.

58. The combination of height and floor area constraints yields a maximum buildable area of approximately 535,000 gross square feet.

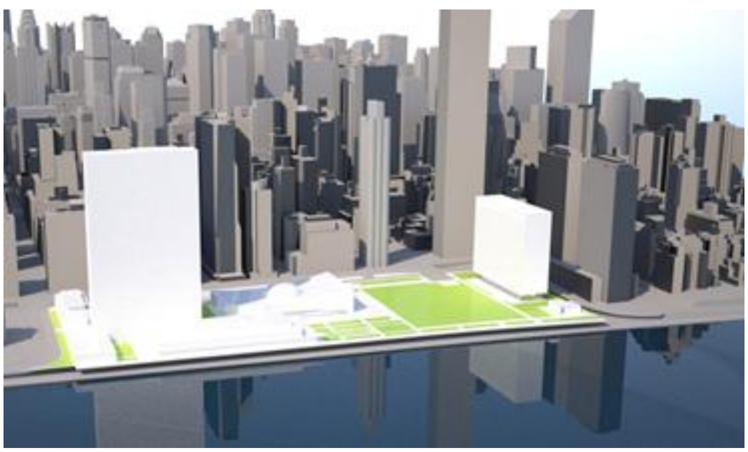
59. Under a no-growth population scenario, option 1 cannot meet the requirements of the Organization with respect to the total office and ancillary space of more than 1 million square feet. Therefore, additional commercial leasing space would be required, exposing the option to market risks over time.

60. Both North Lawn options also carry the additional risk of objections on the part of the local community, in particular occupants of the Alcoa Building and other residential buildings adjacent to the United Nations complex. Although the United Nations would not be legally obligated to conduct formal public hearings, it is presumed that, in line with best industry practice, such hearings would be undertaken. In addition, required utility and road connections to a new North Lawn Building would require extensive consultations with host government authorities.

61. Architectural renderings of the North Lawn Building options are shown in Figure III and Figure IV.

Figure III
Perspective view of North Lawn Building

Figure IV
Plan view of North Lawn Building



62. A cost breakdown of the 50-year cost summary for option 1 is shown in table 7. Costs are presented in 2015 net present value dollars and include one-time capital costs for the new building, the capital costs for the fit-out of commercial leasing spaces, ongoing commercial rental costs and operating costs for both the new building and leased spaces.

Table 7
Option 1
(Billions of United States dollars, net present value)

50-year cost summary	*Cost*
New building	
One-time assessment	0.575
Annual occupancy costs	–
Annual operating expenses	0.710
Subtotal	**1.284**
Commercial leasing	
One-time assessment	0.082
Annual base rent	1.030
Annual operating expenses	0.609
Subtotal	**1.722**
Total	**3.006**

Option 2: construction of a new North Lawn Building, funded through financing

63. In the previous report, option 2 was deemed to be non-viable owing to the complexities of obtaining financing in relation to United Nations-owned land, and the resultant effect on the interest rate of possible available financing. However, in line with paragraph 7 (b) of section VII of resolution 69/262, in which the General Assembly identified the North Lawn financing option as viable and requested the Secretary-General to provide updated financial information on that option, the Secretariat undertook a detailed study during the reporting period.

64. Given the privileges, immunities and legal status of the United Nations and the prevailing host country agreement, it would be difficult for the Organization to enter into a commercial borrowing arrangement to finance the construction, since the Organization cannot offer collateral to a creditor in the event of default. Therefore, the number of possible financing options is limited.

65. On the basis of expert advice received from the third-party real estate consultant and financial advisers, the Secretariat considered a number of potential options, including:

(a) Third-party developer financing;

(b) Public or private long-term fixed rate bonds (direct debt issued by the United Nations).

Third-party developer financing

66. One financing option would be to allow a third-party developer to construct the building and lease it to the United Nations on a lease-to-own basis, similar to the arrangement envisaged for option 3. This would require the temporary defeasance of the title to the land to the developer in granting a mortgage. The mortgage would be

required in order to obtain financing from a creditor, as the mortgage would be used as collateral against a possible default on the loan.

67. Several challenges, both legal and technical, arise with respect to such defeasance. First, it would require a change in the host country agreement with the United States of America, as host Government, which currently grants to the United Nations ownership rights for the use of the land and provides that the land should be sold to the host Government at market value in the event that ownership rights are relinquished.

68. Second, the actual portions of the land on which the building would be constructed are bordered immediately to the west, south and east by existing structures both at the surface and on two subterranean levels. In addition, a service ramp, security infrastructure and other utilities border the land to the north, and immediately to the north of the United Nations property is an elevated ramp owned by the host city/state authorities. While it may be possible to grant temporary use of a portion of United Nations-owned land for construction purposes, such temporary ownership would be insufficient for the purpose of granting a mortgage to provide backing for financing.

69. For those reasons, third-party developer financing was deemed not viable and was not studied further during the reporting period.

Public or private long-term fixed rate bonds (direct debt issued by the United Nations)

70. A second possible option is the issuance by the United Nations of direct debt, such as a long-term bond.

71. The United Nations lacks an exemption from the Securities Exchange Commission, which governs the issuance of taxable long-term bonds as direct public or private debt in the United States. The Commission has granted exemptions to other supranational organizations in the past to pursue this form of financing, but doing so is considered to be prohibitively difficult for the purpose of seriously pursuing this option.

72. It would be possible for a State Member of the United Nations to issue debt based on its sovereign standing and its credit rating. The Secretariat issued a note verbale in May 2015 soliciting interest from Member States in providing financial assistance in this regard for use in the study on long-term accommodation needs, but no responses were received.

73. Furthermore, should the United Nations provide financing for this option, it would be construed as a major capital project and therefore could not commence until after the completion of the strategic heritage plan (see para. 37 above). For these reasons, the issuance of direct debt was deemed not viable and was not studied further during the reporting period. In addition, with respect to options 1 and 2, the Secretary-General has explored variations with respect to financing.

Bank syndicate construction and term loan (direct debt obligation of the United Nations)

74. Among the potential financing options available for a new North Lawn Building, the most viable would be a direct debt obligation of the United Nations as

a conventional bank construction loan, with conversion upon completion to a bank term loan. The conventional long-term permanent financing that is typically available from insurance companies and pension funds requires security in the form of a direct mortgage pledge, which is not available with respect to the North Lawn property for the reasons cited above. A comprehensive financing solicitation would be required in order to formally determine whether permanent financing from any of these conventional sources could be obtained with an alternative security structure other than a mortgage pledge.

75. The assumed structure of the 30-year loan and an interest rate of 5.67 per cent are set out in paragraphs 44 and 45 above.

Loan (or loan guarantee) from one or more Member States

76. In the note verbale to Member States referred to in paragraph 72 above, the Secretariat also solicited interest in providing a loan or loan guarantee for the purpose of constructing a North Lawn Building. No such interest has been expressed.

77. A cost breakdown of the 50-year cost summary under option 2 is shown in table 8. Costs are presented in 2015 net present value dollars, and the costs include financing costs for the new building, the capital costs for the fit-out of commercial leasing spaces, ongoing commercial rental costs and the operating costs of both the new building and leased spaces.

Table 8
Option 2
(Billions of United States dollars, net present value)

50-year cost summary	*Cost*
New building	
One-time assessment	–
Annual occupancy costs	0.916
Annual operating expenses	0.839
Subtotal	**1.755**
Commercial leasing	
One-time assessment	0.085
Annual base rent	0.955
Annual operating expenses	0.656
Subtotal	**1.697**
Total	**3.451**

Option 3: United Nations Consolidation Building (DC-5)

78. As indicated in the previous report (A/68/734), option 3 entails the construction of a new high-rise office tower on the plot of land south of the United Nations campus, known as either the United Nations Consolidation Building or DC-5.

79. This option would be undertaken not by the United Nations, but by the United Nations Development Corporation. The project would be financed through the issuance by the Corporation of public or private bonds, which would be redeemed through United Nations rent payments over 30 years under a rent-to-own arrangement.

80. The building was designed by a Pritzker Prize-winning international architect. During the reporting period, the United Nations requested several changes to the design, which were made at no additional cost to the project. They included the following:

(a) Providing three medium-sized conference rooms equipped with interpretation booths, similar in size to conference rooms 11-13, as well as three "alphabet room"-sized rooms for use by Member States;

(b) Redesigning typical office floors to incorporate flexible workplace strategies, in line with the pilot project on the 18th and 19th floors of the Secretariat Building and the broader programme currently being implemented;

(c) Moving part of the food service space from the 7th to the top floor of the building; with its expansive views of Manhattan and the East River, it could serve as a multi-function catering space for the United Nations, Member States and the public.

Status of required change to the memorandum of understanding

81. When the previous report of the Secretary-general was drafted, the construction period of the DC-5 option was to be from 2016 to 2018. However, in the absence of a strongly affirmative General Assembly resolution in favour of DC-5, the United Nations Development Corporation has not been willing to deploy the resources required for the completion of the schematic design phase as previously envisaged.

82. The United Nations, through the United Nations Development Corporation, requested several necessary changes to the current memorandum of understanding, as follows:

(a) Extending the sunset provision (deadline) for the transfer of land from the end of 2015 until 2019, which is essential if the option is to remain viable;

(b) Eliminating the requirement that the United Nations exercise its option to extend the current commercial leases in DC-1 and DC-2 from 2018 until 2023;

(c) Eliminating the requirement to pay real estate taxes for DC-1 and DC-2 from 2017 to 2023.

83. The Secretary-General is pleased to report that the revisions to the memorandum of understanding were approved in September 2015 by the Mayor of the City of New York, the Speaker of the New York State Assembly and the President of the New York State Senate.

84. The current projected construction schedule for the DC-5 option is 2019-2021, with occupancy in 2022. This aligns with the termination of existing leases in DC-1 and DC-2 in 2023, as well as the date by which the City of New York is required to sell or refinance those buildings. However, in the light of the changes to the memorandum of understanding requested by the Secretariat, the United Nations

would not be required to pay rent in DC-1 or DC-2 as at the date of occupancy of DC-5.

Status of lease negotiations

85. In line with paragraphs 5 and 7 (c) of section VII of resolution 69/262, the Secretariat met extensively with representatives of the United Nations Development Corporation throughout the reporting period in order to negotiate proposed lease terms, in an effort to secure the most favourable terms possible for the Organization.

86. The United Nations Development Corporation lease to the United Nations will provide for a term that coincides with the term of the Corporation's bonds to finance DC-5, coinciding with the occupancy date and the end of an assumed three-year period of capitalized interest under the bond documents. The United Nations will receive title to the land and the building when the bonds are paid at the end of 30 years.

87. Architectural renderings of the DC-5 option are shown in figure V and figure VI.

Figure V
Perspective view of the United Nations Consolidation Building (DC-5)

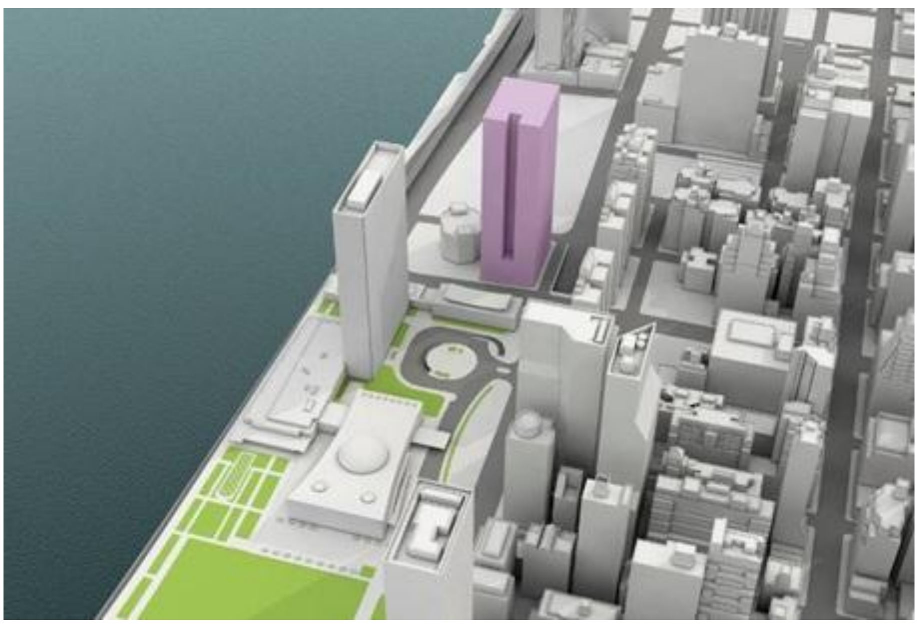


Figure VI
Plan view of the United Nations Consolidation Building (DC-5)

88. A cost breakdown of the 50-year cost summary under option 3 is shown in table 9. Costs are presented in 2015 net present value dollars, and the costs include financing costs for the new building, the capital costs for the fit-out of commercial leasing spaces, ongoing commercial rental costs and the operating costs of both the new building and leased spaces.

Table 9
Option 3
(Billions of United States dollars, net present value)

50-year cost summary	*Cost*
New building	
One-time assessment	–
Annual occupancy costs	1.210
Annual operating expenses	1.145
Subtotal	**2.355**
Commercial leasing	
One-time assessment	0.018
Annual base rent	0.266
Annual operating expenses	0.015
Subtotal	**0.298**
Total	**2.653**

Option 4: status quo

89. In previous reports, option 4 is referred to as the "status quo" option, under which off-campus accommodation needs would continue to be met through commercial leases. The commercial lease portfolio, which currently houses a total of more than 4,000 Secretariat staff, comprises nine buildings in Manhattan and Long Island City. A total of approximately $56.6 million was spent on commercial leases in 2014.

90. Following the implementation of flexible workplace strategies in New York, as described in section II.B above, the Secretariat is expecting to house an additional 800 staff in the Secretariat Building, thereby reducing the need for commercial leasing space. In addition, the Secretariat will apply flexible workplace strategies to the current lease space in the FF Building, located at 304 East 45th Street. Therefore, a total of four leases are expected to be terminated, as they will no longer be needed.

91. Figure VII shows a perspective view of the United Nations leased property, and table 10 shows the United Nations leased property inventory, including which leases would not be renewed at the end of their current term.

Figure VII
Perspective view of the current United Nations leased property inventory

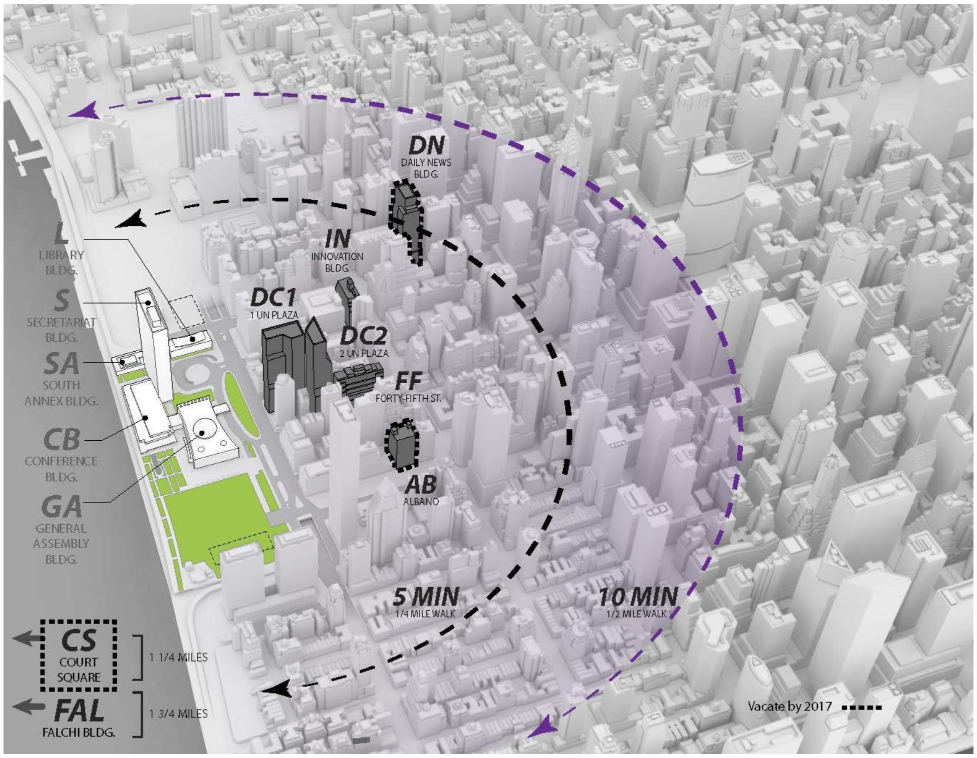


Table 10
Detailed summary of commercial lease rates as of 2015
(United States dollars)

United Nations leased properties	*Lease expiry*	*Renewal option*	*Current annual rent*
Albano Building	July 2017	None	10 288 300
Alcoa	July 2015	Yes	1 573 095
Daily News Building	April 2017	None	2 324 172
FF Building	April 2017	None	6 809 729
Falchi Building	December 2024	Yes	69 318
Innovation Building	September 2018	Yes	7 758 468
1 United Nations Plaza (DC-1)	March 2018	Yes	10 074 008
2 United Nations Plaza (DC-2)	March 2018	Yes	14 292 531
Court Square (United Nations Federal Credit Union)	April 2018	Yes	3 400 397
Total			**56 590 018**

92. During the reporting period, the project team conducted a detailed study of market trends in the area of Manhattan immediately surrounding the United Nations Headquarters complex, in three “bands” of proximity, for the purpose of leasing up to 1 million rentable square feet of space, depending on which option is being pursued.

93. Since the issuance of the previous report, in 2013, the total supply of available commercial lease space within band 1 has decreased from approximately 17 to 8 per cent, while the average of the three bands has decreased from 14 to 9 per cent. The primary reason for the decreasing availability of commercial space is the increase in demand for residential space within the same area, particularly in band 1. In addition, much of the already limited commercial space is being converted to residential use.

94. The weighted average price for class A office space within the three bands being analysed has increased since 2013 from approximately $71 to $78 per rentable square foot. This average figure is being used in the overall financial model in the present report.

95. For planning purposes, it is assumed that, should continued leasing of the DC-1 and DC-2 Buildings be possible beyond 2023, they would be priced at market value. In addition, because the commercial leasing market in Manhattan changes often and quickly, no specific deals have been sought for the purposes of the present study; rather, generic estimates have been used.

96. Figure VIII and figure IX show the range of the current market study and the pattern of commercial leasing rates, respectively.

Figure VIII
Range of the current commercial leasing market study

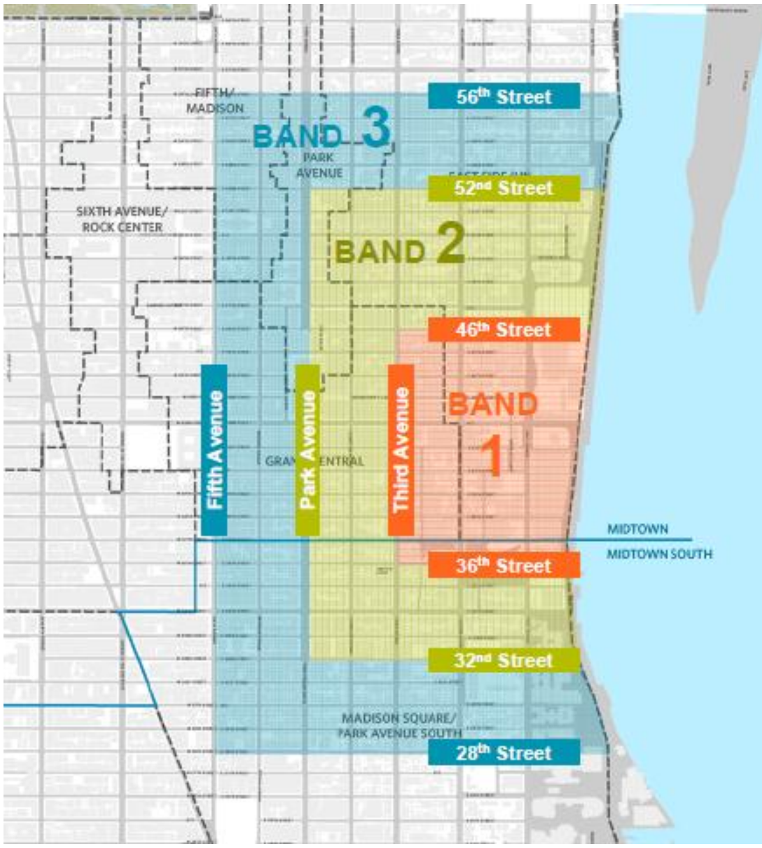
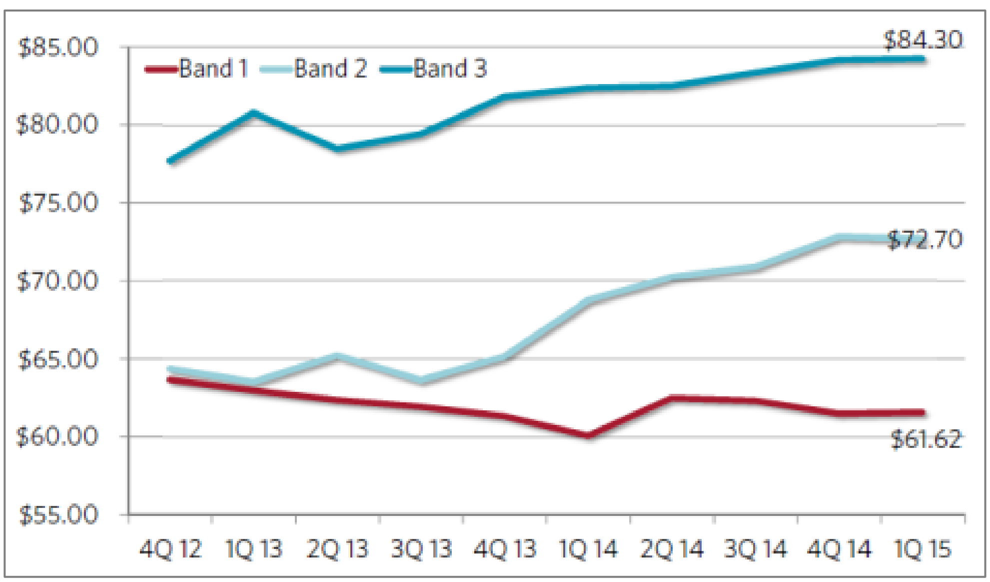


Figure IX
Average commercial leasing rates, by band



97. A cost breakdown of the 50-year cost summary under option 4 is shown in table 11. Costs are presented in 2015 net present value dollars, and the costs include capital costs for the fit-out of commercial leasing spaces, ongoing commercial rental costs and the operating costs of leased spaces (there are no new building costs under this option).

Table 11
Option 4
(Billions of United States dollars, net present value)

50-year cost summary	*Cost*
New building	
One-time assessment	–
Annual occupancy costs	–
Annual operating expenses	–
Subtotal	**–**
Commercial leasing	
One-time assessment	0.117
Annual base rent	1.833
Annual operating expenses	1.611
Subtotal	**3.561**
Total	**3.561**

C. Comparative evaluation

98. As indicated in the previous report, in order to thoroughly analyse the total costs of each option studied, the project team projected total costs over a 50-year period, from 2015 through 2064, for each of the four options and for each of the three population scenarios. In other words, the study included 12 detailed financial models.

99. The models were inclusive of all anticipated project costs, including hard and soft project capital costs, financing costs (where applicable) and long-term operational costs. Hard costs include construction trade costs and construction management fees, construction contingencies, insurance and cost escalation. Soft costs include design fees, programme management/owner representation fees, legal costs, design contingencies and staff costs.

100. Operational costs (also referred to as occupancy costs) include utilities, cleaning, repairs and maintenance, grounds-keeping, security and administrative costs. For planning purposes, an annual contribution to a capital reserve fund of 1 per cent of property value is also included under the three "owned" options, in order to preserve property value over the life of a new building.

Determining the time value of money, or net present value

101. Construction costs were estimated in terms of July 2015 dollars, and costs were projected forward by applying a construction escalation rate of 4.5 per cent

from July 2015 until the midpoint of the projected construction period under the option. A discount rate of 3 per cent, which is derived by comparing roughly with the expected rate of inflation, was applied in order to determine the present values.

102. A summary of the cost comparison is provided in table 12. A detailed breakdown of the costs is provided in annex II to the present report.

Table 12
Cost comparison of the four viable options

	Option 1 (North Lawn assessment)	*Option 2 (North Lawn financing)*	*Option 3 (DC-5)*	*Option 4 (status quo)*
Initial project cost (billions of United States dollars)	1.014	0.979	1.608	N/A
Office capacity (number of staff)	1 400	1 400	3 190	N/A
Number of staff in leased space	1 842	1 842	52	3 242
Size in gross square feet	535 000	535 000	929 499	N/A
Construction period	2024-2026	2020-2022	2019-2021	N/A
Occupancy date	2027	2023	2022	N/A
Summary 2015 net present value (billions of United States dollars)				
1.1 per cent growth	4.409	4.898	4.009	4.884
No growth	3.006	3.451	2.653	3.561
0.5 per cent decrease	2.509	2.943	2.284	3.085
Residual value in 2064 (billions of United States dollars)				
No growth	0.563	0.557	1.975	N/A
Possibility of selling the asset	not saleable	not saleable	saleable	N/A
Detailed summary, no-growth scenario (billions of United States dollars)				
New building costs				
One-time assessment	0.575	–	–	–
Annual occupancy costs	–	0.916	1.210	–
Annual operating expenses	0.710	0.839	1.145	–
Subtotal	**1.284**	**1.755**	**2.355**	**–**
Commercial leasing costs				
One-time assessment	0.082	0.085	0.018	0.117
Annual base rent	1.030	0.955	0.266	1.833
Annual operating expenses	0.609	0.656	0.015	1.611
Subtotal	**1.722**	**1.697**	**0.298**	**3.561**
Total	**3.006**	**3.451**	**2.653**	**3.561**

Abbreviation: N/A, not applicable.

103. In addition to the qualitative and cost considerations summarized above, other non-quantifiable criteria need to be considered. These include the benefits of ownership and of consolidating staff on an integrated campus. The beneficial effects of consolidation include a higher level of predictability and stability of office space requirements, additional efficiency in the space planning of large areas, savings in travel time between different locations, and a higher level of productivity, staff morale and quality of work owing to the improved quality of the physical work environment. The North Lawn and DC-5 options offer those benefits, while the status quo option does not.

V. Next steps

The need for a decision

104. A decision to actively pursue one of the viable long-term accommodation options is required if the Organization is to avoid a steep increase in annual accommodation costs in 2023 after the expiry of the DC-1 and DC-2 leases. These include a sharp increase in commercial lease rates and significant capital costs required for the fit-out of new commercial leasing spaces if a new owned building is not made available.

105. It is projected that, even after the implementation of flexible workplace strategies in New York, after which commercial rental rates are expected to be reduced from $56.6 million to approximately $40 million annually in 2015 terms, overall commercial rates will increase from $50 million to more than $100 million by 2023. It is projected that, if the status quo option is selected, one-time capital costs for the same year will be approximately $120 million.

106. In effect, the financial consequences of not making a decision and the cost of the status quo option are the same. In a no-growth scenario, each would result in avoidable costs to the Organization of up to $1 billion over a 50-year period.

107. While there is no option to avoid an increase in accommodation costs as of 2023, options 1, 2 and 3 afford the Organization the opportunity to acquire a valuable building asset and to avoid even larger costs in the long term. Of these, option 3 (DC-5) is the most cost-effective.

Recommended next steps

108. Given the significant advantages of option 3 (DC-5) compared with the other options, the Secretary-General strongly recommends that that very feasible and serious option be pursued further.

109. Should the General Assembly authorize the Secretary-General to pursue option 3, the timeline for ensuing actions would be as follows:

December 2015	General Assembly requests the Secretary-General to further develop the United Nations Development Corporation proposal as the option to be pursued
2016	United Nations Development Corporation resumes work and completes schematic design documents, produces a schematic design cost estimate and begins work on design development documents

September 2016	*Report of the Secretary-General to the General Assembly at its seventy-first session*
	Outcome of schematic design, revised cost estimate, revised project schedule, progress update on detailed lease negotiations
2017	United Nations Development Corporation completes design development documents, produces a design development cost estimate and produces construction documents and a construction cost estimate
September 2017	*Report of the Secretary-General to the General Assembly at its seventy-second session*
	The General Assembly approves the project on the basis of the outcome of finalized lease negotiations, cost estimates and details of bond issuance
2018	United Nations Development Corporation tenders for construction contract
2019-2021	Construction period
2022	United Nations occupancy of DC-5

110. As indicated in paragraphs 38 and 39 above, any delay in the proposed schedule set out above would likely expose the Organization to the risk of a sharp increase in commercial leasing costs in 2023.

111. As indicated by the Secretary-General in paragraph 66 of his previous report (A/68/734), dedicated resources would be required in order to pursue option 3. The immediate next steps in 2016 would include:

(a) Recruiting the internal dedicated project oversight team to oversee United Nations Development Corporation design activities, coordinate lease negotiations and develop detailed bond terms;

(b) Hiring the third-party consultant adviser and legal counsel to pursue final detailed lease negotiations and bond terms.

112. In addition to actively pursuing the DC-5 option, the Secretary-General would continue to monitor market developments with respect to commercial leasing and continue to analyse how potential future changes in various unknown factors and assumptions may have an impact on the cost of the DC-5 option.

VI. Resource requirements

113. Pursuit of the DC-5 option would require dedicated resources for a small project oversight team within the Facilities and Commercial Services Division of the Office of Central Support Services to coordinate with the United Nations Development Corporation, including activities described in paragraph 111 above. The team would be responsible for ensuring that the project would fully meet United Nations requirements.

114. The estimated cost of the oversight team is $915,500, to provide for three staff for an initial period of 18 months during the biennium 2016-2017, as well as accommodation requirements for those three positions, including furniture, office supplies, office automation equipment and telephone and network services. The proposed composition of the team would include a Senior Project Coordinator (D-1), a Project Coordinator-Architecture and Planning (P-4) and an Administrative Assistant (General Service (Other level)).

115. The Senior Project Coordinator would be responsible for the management and coordination of all day-to-day project activities. He or she would serve as the primary liaison between the United Nations Development Corporation-led design team and the United Nations, identify detailed United Nations space and other design requirements, and coordinate the efforts of the third-party consultant and relevant Secretariat departments with respect to producing the schematic design, related cost estimates and detailed lease negotiations. He or she would also be responsible for monitoring ongoing market development and other factors affecting the study on long-term accommodation needs.

116. The Project Coordinator-Architecture and Planning would be responsible primarily for coordinating with United Nations offices and departments with respect to space requirements, including continuing to monitor the overall New York-based population and the impact of other United Nations initiatives on the requirements. The Administrative Assistant would provide administrative support to the Senior Project Coordinator and the Project Coordinator-Architecture and Planning.

117. External consultancy services for a third-party real estate adviser would be required for a period of 18 months. The consultancy would include sub-consultancy services in the areas of financial advice, cost estimation, architectural design and real estate brokering. The consultant would provide services for the purposes of negotiating the detailed lease with the United Nations Development Corporation and the project agreement and carrying out the essential independent cost analysis of the cost estimates produced by the Corporation and continued monitoring of the commercial real estate market. In addition, the architect would produce the design of the United Nations portion of the tunnel connecting the DC-5 option to the United Nations campus. It is estimated that the cost of the consultancy services would be $1.2 million. Such services would be essential given the magnitude and importance of the project and, should the General Assembly eventually approve it, to ensure that the risks in the design phase are appropriately managed.

118. External legal counsel services would be required for a period of 18 months at an estimated cost of $400,000. Such services would include the provision of specialized services to support the Office of Legal Affairs with respect to the detailed lease.

119. Total resources for the project team and the consultancy services would amount to $2,515,400 for the biennium 2016-2017.

VII. Actions to be taken by the General Assembly

120. **The General Assembly is requested to:**

(a) **Take note of the report of the Secretary-General;**

(b) **Request the Secretary-General to further develop the United Nations Development Corporation proposal as a very feasible and serious option to be pursued;**

(c) **Authorize the Secretary-General to take the next steps necessary for implementation, without prejudice to any future decisions of the Assembly;**

(d) **Approve the establishment of three general temporary assistance positions effective 1 July 2016 for a period of 18 months;**

(e) **Appropriate an amount of $2,515,400 for the biennium 2016-2017, under section 29D, Office of Central Support Services, in addition to the proposed programme budget for the same period, which represents a charge against the contingency fund;**

(f) **Request the Secretary-General to submit a project progress report at the main part of the seventy-first session of the General Assembly.**

Annex I

Financial analysis of options

Long-term accommodation cost (2015-2064), Secretariat only

Total cost

(Thousands of United States dollars)

	New building		Current leases		Additional market leases		Total		
	Occupancy cost	*One-time costs*	*Occupancy cost*	*One-time costs*	*Occupancy cost*	*One-time costs*	*Occupancy cost*	*One-time costs*	*Total cost*
No growth									
North Lawn assessment	1 218 500	995 700	603 600	–	3 043 000	120 500	4 865 100	1 116 200	5 981 300
North Lawn financing	3 462 400	–	397 300	–	3 210 200	111 300	7 069 900	111 300	7 181 200
DC-5	3 821 000	–	349 400	–	(86 300)	22 300	4 084 100	22 300	4 106 400
Status quo	–	–	446 600	–	7 790 400	157 600	8 237 000	157 600	8 394 600
0.5 per cent decrease									
North Lawn assessment	1 218 500	995 700	603 600	–	1 785 900	90 800	3 608 000	1 086 500	4 694 500
North Lawn financing	3 462 400	–	397 300	–	1 937 700	93 400	5 797 400	93 400	5 890 800
DC-5	3 821 000	–	349 400	–	(1 087 000)	32 100	3 083 400	32 100	3 115 500
Status quo	–	–	446 600	–	6 544 900	144 900	6 991 500	144 900	7 136 400
1.1 per cent growth									
North Lawn assessment	1 218 500	995 700	603 600	–	6 437 900	162 200	8 260 000	1 157 900	9 417 900
North Lawn financing	3 462 400	–	397 300	–	6 609 900	200 800	10 468 700	200 800	10 669 500
DC-5	3 821 000	–	349 400	–	3 262 100	39 200	7 432 500	39 200	7 471 700
Status quo	–	–	446 600	–	10 881 700	327 600	11 328 300	327 600	11 655 900

Current value in 2015 dollars

(Thousands of United States dollars)

	New building		*Current leases*		*Additional market leases*		*Total*		
	Occupancy cost	*One-time costs*	*Occupancy cost*	*One-time costs*	*Occupancy cost*	*One-time costs*	*Occupancy cost*	*One-time costs*	*Total cost*
No growth									
North Lawn assessment	564 400	719 700	501 800	–	1 137 700	82 000	2 203 900	801 700	3 005 600
North Lawn financing	1 754 500	–	350 600	–	1 260 700	85 300	3 365 800	85 300	3 451 100
DC-5	2 355 000	–	312 800	–	(32 600)	17 600	2 635 200	17 600	2 652 800
Status quo	–	–	388 400	–	3 055 500	117 200	3 443 900	117 200	3 561 100
0.5 per cent decrease									
North Lawn assessment	564 400	719 700	501 800	–	662 600	60 400	1 728 800	780 100	2 508 900
North Lawn financing	1 754 500	–	350 600	–	768 000	69 900	2 873 100	69 900	2 943 000
DC-5	2 355 000	–	312 800	–	(408 300)	24 000	2 259 500	24 000	2 283 500
Status quo	–	–	388 400	–	2 588 800	107 800	2 977 200	107 800	3 085 000
1.1 per cent growth									
North Lawn assessment	564 400	719 700	501 800	–	2 507 100	116 000	3 573 300	835 700	4 409 000
North Lawn financing	1 754 500	–	350 600	–	2 636 500	156 700	4 741 600	156 700	4 898 300
DC-5	2 355 000	–	312 800	–	1 306 400	34 400	3 974 200	34 400	4 009 600
Status quo	–	–	388 400	–	4 253 000	242 100	4 641 400	242 100	4 883 500

Annex II

Sensitivity analysis of the impacts of various assumptions

The table below illustrates the relative impacts of possible future changes in the many key modelling assumptions on the total calculations of the 50-year financial analysis (changes are quoted in terms of a no-growth population scenario).

	Current assumption	*Change*	*Impact (current value)*	*Change*	*Impact (current value)*
Ancillary space					
Option 1	319,758 GSF	+50,000 GSF	+$201 million	-50,000 GSF	-$201 million
Option 2	283,301 GSF	+50,000 GSF	+$222 million	-50,000 GSF	-$222 million
Option 3	283,301 GSF	+50,000 GSF	+$227 million	-50,000 GSF	-$227 million
Option 4	228,837 GSF	+50,000 GSF	+$201 million	-50,000 GSF	-$201 million
Population					
Option 1	3,210 people	+250 people	+$169 million	-250 people	-$169 million
Option 2	3,210 people	+250 people	+$187 million	-250 people	-$187 million
Option 3	3,210 people	+250 people	+$190 million	-250 people	-$190 million
Option 4	3,210 people	+250 people	+$186 million	-250 people	-$186 million
GSF/person if owned					
Option 1	168 GSF/person	-25 GSF/person	-$120 million	+25 GSF/person	+$120 million
Option 2	168 GSF/person	-25 GSF/person	-$133 million	+25 GSF/person	+$133 million
Option 3	168 GSF/person	-25 GSF/person	+$25 million	+25 GSF/person	-$25 million
Option 4	168 GSF/person	-25 GSF/person	-$356 million	+25 GSF/person	+$356 million
Interest rate (option 2)	5.67%	+50 BPS	+$57 million	-50 BPS	-$74 million
Interest rate (option 3)	5.11%	+50 BPS	+$127 million	-50 BPS	-$121 million
Market leasing rate					
Option 1	$78	+$5 PRSF	+$50 million	-$5 PRSF	-$50 million
Option 2	$78	+$5 PRSF	+$55 million	-$5 PRSF	-$55 million
Option 3	$78	+$5 PRSF	-$10 million	-$5 PRSF	+$10 million
Option 4	$78	+$5 PRSF	+$143 million	-$5 PRSF	-$143 million

Abbreviations: BPS, basis points; GSF, gross square feet; PRSF, per rentable square foot.