



**Economic and Social
Council**

Distr.
LIMITED

E/ICEF/1993/AB/L.15
13 August 1993

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
Special session

FOR ACTION

REPORT ON HEADQUARTERS OFFICE ACCOMMODATION

SUMMARY

The present report was prepared in response to Executive Board decision 1993/22 (E/ICEF/1993/14). As requested in that decision, the Executive Director has obtained from the United Nations Development Corporation/New York City and from the City of New Rochelle firm offers for UNICEF headquarters. The offers, the full texts of which will be made available to Board members, are summarized in the annex to the present report.

As requested by the Executive Board, the Executive Director has analysed those offers with the input of an independent real estate consultancy firm. The executive summary of the firm's report, the full text of which will be made available to Board members, can be found in the annex.

To facilitate Board members' reading of the present report and of the various specialist reports, a glossary of technical terms can be found on pages 3-6. Following a brief introduction, chapter I provides a discussion of the various options requested in decision 1993/22. The financial and non-financial implications of these options are contained in chapters II and III, respectively. The Executive Director's conclusions can be found in chapter IV.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
GLOSSARY		3
INTRODUCTION	1 - 12	7
I. DISCUSSION OF OPTIONS REQUESTED IN DECISION 1993/22 ..	13 - 38	10
A. UNDC/New York City (United Nations Development District)	14 - 34	10
B. New Rochelle - single location (owned)	35 - 36	19
C. New Rochelle/UNDC - twin locations: New Rochelle (owned) and Manhattan (rented)	37 - 38	20
II. FINANCIAL DATA AND BUDGETARY IMPLICATIONS FOR THE BIENNIUM 1994-1995	39	21
III. NON-FINANCIAL IMPLICATIONS	40 - 57	21
IV. CONCLUSIONS	58 - 61	25
<u>Annex.</u> EXECUTIVE SUMMARY OF THE REPORT OF THE REAL ESTATE CONSULTANCY FIRM		28

GLOSSARY

Aggregate costs

The total of all costs for occupancy over the term of the analysis, presented in United States dollars.

Allowance

Money set aside for use by an occupier of space to cover the costs associated with relocating and/or occupying space (i.e. moving allowance, build-out allowance, telecommunication allowance, etc.).

Assignment

This is the method or manner by which a right or contract is transferred from one person to another.

Average annual costs

This term relates to the sum of costs divided by the term in years of the analysis, presented in United States dollars per year.

Base rent

The minimum rent due for property under a lease agreement.

Bonds

A financial (debt) instrument whereby the party that issues the bonds agrees to pay them back at a specific point in time, and until such time as the bonds are paid the party that issued the bonds pays an agreed interest rate to the holders of the bond.

Build-out allowance

See "fit-out" and "allowance".

Build-to-suit

A method in a lease or sale agreement by owner/developer to construct a facility or space in accordance with tenant's agreed specifications.

Building or space efficiency

The ratio of plannable area (area which may accommodate the tenant's requirements for personnel, furniture and support space) to rentable area, which can vary greatly due to differences in landlord's measurement methods. The space efficiency ratio is calculated by dividing the usable area by the rentable area.

Capital

Cash, letter of credit or security that is readily converted to cash.

Capital-related costs

Costs associated with "capital items" such as buildings, interior improvements and other assets that have a long usable life.

Condemnation

A method of acquiring for public benefit the use and/or ownership of a property by a qualified governmental entity.

Condominium

A method of ownership whereby the property owner holds title to a portion of the interior space of a building but is a joint owner (with others) of the land upon which the building is situated.

Discount rate

A percentage rate used to compute the present value of a future cash flow.

Equity

The interest or value which the owner has in real estate over and above the liens against it.

Fit-out

The construction of interior building improvements for use by a tenant. This is also referred to as a build-out or "TI" (tenant improvement).

Floor configuration

Design and layout of a floor.

Floor plate consistency

The degree to which individual floors in a building or buildings conform to one another.

Foreclosure sale

Sale which occurs on the foreclosure of a property.

Lease

A contract whereby, for a consideration, usually termed rent, one who is entitled to the possession of real property transfers such rights to another for life, for a term of years, or at will.

Lessee

A person to whom property is rented under a lease.

Lessor

One who rents property to another under a lease.

Local market

The real estate market for a specified area (i.e. the New Rochelle "local market").

Loss factor

The loss in space, as determined by subtracting the usable square footage from the rentable square footage, divided by the rentable square feet and multiplied by 100.

Master lease

A lease between a landlord and a tenant that is established and in force prior to the tenant subleasing the space to another occupier.

Net present value (NPV)

Similar to present value, except that any tax impacts have been netted out.

New York City Economic Development Corporation (NYCEDC)

An entity established by the City of New York to promote the economic development of the city.

New York Uniform Land Use Review Procedure (ULURP)

Specification 197-c of the New York City Charter which governs the review of a variety of land-use actions, including special permits and zoning map amendments.

Nominal costs

Non-discounted costs.

Operating escalation

The amount of operating expenses in a period that exceeds the prior period's operating expenses.

Operating expenses

The expenses essential to operating a property, including repairs and maintenance, utilities, taxes, insurance, management fees, contract services and supplies.

Ownership

Holding title to a specific facility.

Present value (PV)

The present value of the cash flow of an investment discounted at a rate representative of the earning power of cash. Also known as present value if no initial cash investment is made.

Rentable area

The square footage on which rent is paid. This should be the gross area contained on a floor less penetrations such as elevator, mechanical shafts and fire stair. Rentable area may be calculated using various methods, but is typically expressed as the product of the usable area times an "add on" factor (or conversely, a "loss factor") which accounts for the tenant's proportionate share of a building or support areas.

Residual value

The amount of cash received for any asset upon the sale of any asset (after all costs associated with the sale have been netted out).

Salvage value

The amount realized upon the final sale of an asset at the end of its useful life.

Space-loss factor

The area within a building that is not usable for normal office operations (i.e. lobbies, elevator shafts, utility rooms, etc.). See also "loss factor" and "rentable area".

Standardized module

Office or cubicle space which is designed and prefabricated and produces a consistent individual area configuration.

Subleasing

The leasing of a property by a tenant of the property.

Tenant extras

Tenant costs on items above the standard agreed level.

Underfloor ducts

Channels constructed under the flooring of an office area and utilized to convey electric wiring and cabling.

United Nations Development Corporation (UNDC)

An entity established for the development of the United Nations district area for the City of New York.

United Nations district

The area along the East River where the United Nations has been located since the late 1940s. This includes the buildings along Second Avenue which have since attracted international and United Nations-related office tenants, and in addition to this the blocks in the forties east of Second Avenue containing many embassy and consulate offices.

Usable area

The floor area allocated for the exclusive use of the occupant. This should be the gross area contained on a floor less penetrations and areas shared by more than one tenant such as public corridors, rest rooms, elevator lobbies, mechanical and electrical rooms, and janitor closets.

INTRODUCTION

1. The Executive Board last discussed the subject of UNICEF headquarters office accommodation at its 1993 regular session. At that time, the Executive Board, after extensive discussion, adopted decision 1993/22 (E/ICEF/1993/14) in which the Executive Director was requested to obtain from the United Nations Development Corporation (UNDC)/New York City and the City of New Rochelle firm offers which should include guaranteed space availability at a minimum of 40,000 square feet starting 1 August 1995, guaranteed financial arrangements, firm costed offers for full or condominium ownership and building(s) or portions of building(s) and common validity dates for the following options:

- | | |
|---------------------------------------|---|
| (a) UNDC/New York City | (i) single location - (owned) |
| (United Nations Development District) | (ii) twin locations - (both owned) |
| | (iii) twin locations - UNICEF House (owned) |
| | - other Manhattan (rented) |
| (b) New Rochelle | single location - (owned) |
| (c) New Rochelle/UNDC | twin locations - New Rochelle (owned) |
| | - Manhattan (rented). |

2. The Board also requested the Executive Director to analyse each of those final and firm offers with the input of an independent real estate consultant, taking into consideration: nominal costs; net present value; estimated residual value; the implications of subleasing excess office space; indirect costs, inter alia, extra travel and communications quantified to the extent possible; and non-financial factors such as implications for delegations and UNICEF staff and the working relations between UNICEF and the rest of the United Nations system.

3. This is the fifth document the Executive Director has prepared on headquarters office accommodation since 1990 (earlier documents were E/ICEF/1990/AB/L.9, E/ICEF/1991/AB/L.9, E/ICEF/1992/AB/L.9 and E/ICEF/1993/AB/L.9). The report of the Committee on Administration and Finance, as contained in the report of the Executive Board on its regular session in 1993, stated, inter alia:

"After four years of review and consideration of various proposals, there was almost unanimous agreement among delegations that it is imperative that a final decision be taken this year. The secretariat concurred with this view, as particular concern is directed to such economic factors as a possible increase in interest rates; improvement in the real estate market and general economic conditions, which would result in higher costs; the possible impact on the organization's credibility and its vulnerability to criticism in its efforts to rationalize its premises; and the total cost implications of postponing the decision." 1/

4. Since the regular session of the Executive Board, the Executive Director has made considerable effort to ensure that all relevant additional information be made available, in a clear and concise manner, for the current special session.

5. Senior secretariat staff have worked closely with the New York City Economic Development Corporation (NYCEDC)/UNDC and the City of New Rochelle to ensure that the firm and final offers conform as much as possible with the Executive Board's criteria as set out in decision 1993/22. This has involved meetings with representatives of both cities; close study and analysis of the proposals submitted; and, in both cases, a series of follow-up questions to ensure that all aspects have been adequately covered.

6. As requested by the Executive Board, the secretariat engaged the services of a top independent real estate consultancy firm to assist in the preparation of this report. Highly reputable and well regarded, the firm provides advisory services in international real estate to Governments, corporations and financial institutions world wide. This is the same firm that has assisted UNICEF with this project over the past three years. On its recommendation, a highly prestigious company, specializing in architectural and engineering surveys and costing, and frequently consulted by the Government of the United States of America, was contracted to review the various proposals submitted for consideration.

7. In addition, both the secretariat and the real estate consultancy firm identified some additional adjustments that were required in order to enable a level comparison of the options. These included:

(a) Uniformity of approach towards calculation of the residual value;

(b) Application of local market and specific property characteristics to assess more accurately the potential for sublease income;

(c) An estimate - produced with the assistance of UNICEF staff - for each option of the quantifiable costs and benefits relating to staffing, telecommunications, computer operations and transportation;

(d) Uniformity of approach towards measurement of the space to be occupied.

8. The executive summary of the report of the real estate consultancy firm, including its summary of the report of the architectural and engineering firm, is annexed to the present report. The real estate consultancy firm also summarized the proposals from NYCEDC/UNDC and from the City of New Rochelle, and these are also included in the annex. The full texts of all these reports, in English, are available to Executive Board members upon request to the Office of the Secretary of the Executive Board. The reports have also been submitted, for information, to the Advisory Committee on Administrative and Budgetary Questions.

9. In addition, consultations have been held with the United Nations Office of Legal Affairs in relation to the Headquarters Agreement between the United Nations and the United States of America. As a result, questions related

/...

to freedom of travel, security and police protection and telecommunications, if UNICEF headquarters were to be located outside New York City, were raised with the Permanent Mission of the United States of America to the United Nations.

10. In a letter dated 13 July 1993, Ambassador Madeleine K. Albright, the Permanent Representative of the United States to the United Nations, responded:

"... As you know, certain privileges, immunities, benefits and exemptions contained in the Headquarters Agreement between the United States and the United Nations are accorded in reference to a defined United Nations headquarters district. The Headquarters Agreement anticipated the possibility of additions to the headquarters district and made provision for supplemental agreements between the United States and the United Nations. The United States and the United Nations have concluded three such supplemental agreements and we would be willing to enter into negotiations to conclude a further agreement, as necessary, should UNICEF relocate its headquarters. The matters you have raised, such as security protection, could be addressed in the supplemental agreement. In reference to your specific question about travel controls, with regard to a location in New Rochelle, the personal travel of nationals of two countries, Iraq and Libya, is restricted to the five boroughs of New York City. These restrictions, however, do not apply to travel by Iraqi or Libyan nationals for official United Nations business, which is permitted to them on the same basis as to nationals of all United Nations Member States ...".

11. UNICEF headquarters staff were invited to complete a questionnaire on their current residential location in an attempt to assess the impact of relocation outside Manhattan. This survey indicated that about 66 per cent of the staff live in New York City and that their commuting preference is for short distances at low cost.

12. In reviewing the firm and final offers, which are discussed below, the Executive Director has borne in mind that in making a decision on the location of its headquarters, the bottom line for UNICEF must be which location can contribute the most to its success in improving the well-being of children and women. The contribution of UNICEF to this end is in part its financial support of projects and programmes, in part the quality of UNICEF management of all resources - financial and non-financial - available to it, and finally, and very importantly, its advocacy work, which helps mobilize others to devote their vastly greater resources and leadership so that particular beneficial activities can go to scale. UNICEF has a reputation for being quick to respond to the changing needs of developing countries, donors and other parties and efficient in its capacity to respond to its field offices. The value of the efficiency and effectiveness of UNICEF must be measured not only in terms of financial income and expenditure, but also, and even more importantly, in terms of thousands of lives saved and basic services provided to millions of children every day. This is well illustrated by the successful world-wide immunization effort, now saving the lives of more than 3 million children every year, in which UNICEF advocacy and effective management support were even more important to its success than its significant financial contribution of approximately 10 per cent of the overall costs. In short, a decision on headquarters location needs to take into account its impact on all three factors: financial

/...

questions; non-financial implications, with particular reference to management and efficiency; and the effect on UNICEF advocacy work.

I. DISCUSSION OF OPTIONS REQUESTED IN DECISION 1993/22

13. The Executive Director proposes to comment on the options in the order in which they are listed in decision 1993/22, giving a breakdown of the significant advantages and disadvantages of each property under consideration. In specialist real estate areas, of course, he relies on the input of the real estate consultancy firm.

A. UNDC/New York City (United Nations Development District)

14. The common aspects of the NYCEDC/UNDC offer which cover all the properties (except rental options) are:

(a) The offer assures UNICEF of a fixed base lease cost per square foot over the long term, and thus protects it from the possible risk of rising rates in the real estate market. After the bonds have been paid off in 30-32 years, ownership of the leased property would be transferred to UNICEF;

(b) The annual net rent occupancy costs are calculated on the basis of funding the acquisition and capital-related costs of any of the properties offered with tax-exempt bonds issued by NYCEDC/UNDC. The bonds are scheduled to mature in 30 years and the interest rate is estimated at 6 per cent. The annual fixed lease cost is subject to adjustment if there is a change in the interest rate before the commencement date of the lease, or if the required fit-out for UNICEF occupancy exceeds the offered allowance of \$35.00 per square foot at any of the expansion buildings. A change in the interest rate by 0.25 per cent would equate to a change in the net annual rent of \$0.65 per square foot at 685 Third Avenue and \$0.75 per square foot at 845 United Nations Plaza or 633 Third Avenue. A change of \$0.60 per square foot in the net annual rent would be made for every \$1,000,000 change in the build-out allowance for any of the expansion space properties. These adjustments could be made upwards or downwards;

(c) NYCEDC/UNDC could only guarantee occupancy of a minimum of 40,000 square feet by August 1995 if the master lease purchase agreement between NYCEDC/UNDC and UNICEF were executed by no later than 1 January 1994. Beyond that date, NYCEDC/UNDC believe that occupancy by August 1995 could not be assured and the costs might increase;

(d) If, in the future, UNICEF and other United Nations agencies opted to consolidate to a newly expanded United Nations district in New York City, under any of the options UNICEF would be relieved of its lease obligations both at UNICEF House and at the expansion property;

(e) Any of the three expansion properties eventually selected by UNICEF would be exempt from real property taxes;

(f) Any costs for base building improvements for any of the owned expansion properties in excess of the amounts proposed in the offer will be paid by NYCEDC/UNDC at no additional cost to UNICEF;

(g) Transfer of ownership of any of the properties would be effected upon the date on which all of the NYCEDC/UNDC bonds are paid, i.e. about 1 July 2026 for the twin location options and 31 December 2023 for the single location options. Transfer of ownership is conditional upon UNICEF or the United Nations occupying all the space and UNICEF headquarters being located in New York City when transfer of ownership takes place.

15. Other aspects of the NYCEDC/UNDC offer are as follows:

(a) Up to \$1.25 million is offered for the conversion to office space of the residential floors 14-15 at UNICEF House. If the conversion is not effected, the funds can be used towards the acquisition or build-out costs of any of the expansion properties selected. The net annual occupancy costs for any of the options where floors 14-15 were not converted already reflect the additional \$1.25 million contribution. NYCEDC/UNDC will pay the costs, if any, for the conversion of floors 14-15 beyond the \$1.25 million contribution but would increase the UNICEF House base lease rate for all the occupied space by \$0.60 per square foot for each \$1.0 million of such additional costs paid by NYCEDC/UNDC;

(b) In the case of 845 United Nations Plaza, as this property might have to be acquired through condemnation, NYCEDC/UNDC would work closely with UNICEF to obtain the necessary lease extension at One Dag Hammarskjöld Plaza and, if necessary, reimburse UNICEF for up to \$5.00 per square foot in rent payable by UNICEF on this space in excess of amounts that would be payable by UNICEF at 845 United Nations Plaza, for any extension period;

(c) For UNICEF House and for 845 United Nations Plaza, a further condition for transfer of ownership would be to obtain City of New York Uniform Land Use Review Procedure (ULURP) approval. In an appendix to its submission on UNICEF House - the same would apply to 845 United Nations Plaza - NYCEDC/UNDC wrote:

"Thus, the transfer of ownership of the property to UNICEF will require approval under ... ULURP. The first step in the ULURP process is the review of the possible environmental impact of the transfer, which should not require extensive studies. After completion of the environmental review, hearings on the transfer will be held first before the local Manhattan Community Board and then before the New York City Planning Commission, to which the Community Board and Manhattan Borough President will submit recommendations. The proposed transfer will then require approval by the City Planning Commission and possibly by the City Council";

(d) In response to a query by UNICEF, NYCEDC/UNDC provided the following clarification regarding its offer if UNICEF were to remain in Manhattan under any of the twin headquarters options:

(i) The reduction in rent proposed for UNICEF House, owing to a restructuring of its lease, would be effective 45 days prior to the date on which the master lease purchase agreements between UNICEF and

UNDC were executed. This would represent an additional savings to UNICEF of approximately \$900,000 if agreements were signed with an effective date of reduced rental of 1 January 1994. For example, NYCEDC/UNDC would require that agreements be signed by 15 February 1994 if the effective date of the reduced rental rate were to be 1 January 1994;

- (ii) If UNICEF were not to convert floors 14-15 of UNICEF House and if it were not to select any of the expansion properties, the rent at UNICEF House would be further reduced by \$0.50 per square foot per year, thus crediting UNICEF with the \$1,250,000 offered to convert floors 14-15;
- (iii) An annual credit of \$481,000 would be applied to any of the expansion properties or to reduce further the base rent at UNICEF House.

1. Single location (owned)

633 Third Avenue

16. Advantages. The advantages of this property are as follows:

(a) The comparatively large size of the building offers sufficient space to consolidate all of existing UNICEF headquarters: UNICEF House, 333 East 38th Street and One Dag Hammarskjöld Plaza. It also offers the possibility for accommodating other United Nations offices or divisions eventually;

(b) Its combination of vacant and occupied space is ideal, given the needs of UNICEF for staged expansion. Rents received from existing tenants would offset UNICEF lease payment obligations significantly;

(c) The building has a history of quality tenants, is well maintained and is in good condition;

(d) Its average floor size of approximately 19,000 rentable square feet appears ideal for UNICEF purposes. The building affords UNICEF an easily standardized module for more consistent floor-to-floor organizational planning and flexibility. Floor plate consistency would allow UNICEF to enjoy the benefits of economies of scale for planning, design and construction costs;

(e) The building is equipped with underfloor ducts, providing flexibility for computer, telephone and electrical installations;

(f) It is located within walking distance of the United Nations, the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA), with easy access to major shopping and restaurant facilities, as well as to Grand Central railroad terminal and the New York City subway system.

17. Disadvantages. The disadvantages of this property are as follows:

(a) As there would be insufficient space initially to accommodate all of its needs, UNICEF would be obliged to retain 90,000 square feet of space in UNICEF House until 1999. Thus, for this period, UNICEF would not be able to enjoy the full benefits of consolidation, as it would be operating essentially in a twin headquarters mode;

(b) The location, from the viewpoint of proximity to the United Nations complex, is a 10-minute walk further away than the other alternatives in Manhattan;

(c) UNICEF would occupy only about two fifths of the building's total space and would therefore have less than a majority role in the overall management and image of the building;

(d) Owing to the size of the building, UNICEF would not have full occupancy, so that its headquarters identity would be less ideal than in a fully occupied single building;

(e) Floors 14-24 are served by the mid-rise elevators and floors 25-27 by the high-rise elevators, with no possibility of transfer except at lobby level;

(f) The building is currently subject to foreclosure. (For details, see the NYCEDC/UNDC submission.) NYCEDC/UNDC states, inter alia, that in January 1993 a New York court decided that a major insurance company, which had loaned funds to the building's owner, was entitled to foreclose its mortgage and to require as a result that the building be sold to the highest bidder at a foreclosure sale to be held after public notice of the sale in accordance with New York law and procedures. There is an appeal pending from this decision, but the appeal is not delaying mortgage foreclosure and sale. While the mortgage foreclosure proceeding is pending, a receiver appointed by the New York court at the insurance company's request manages the building. The foreclosure sale is expected to be scheduled shortly and to be completed later this year. When the sale is completed, the insurance company will have full control of the property and the earlier ownership will have been terminated. It is possible that as a result of negotiations in progress, the insurance company will obtain full control of the building even more quickly, without the necessity of the foreclosure sale. As a result of the insurance company's control of the building in the pending mortgage foreclosure proceeding as described above, NYCEDC/UNDC has negotiated with the insurance company to establish the general terms for purchase by NYCEDC/UNDC purchase of a condominium interest in the building for UNICEF use. NYCEDC/UNDC would also negotiate the terms of the final documents with the insurance company;

(g) UNICEF would be obliged to become a landlord with tenants on sublease, and would be responsible for rent collection, subleasing vacant space and assuring that all tenant services were provided;

(h) The existing lease obligations at UNICEF House and 333 East 38th Street would remain. If the lease obligations for UNICEF House and 333 East 38th Street had to be paid completely by UNICEF, the estimated

present value cost for the period 1995-2003 would be \$52.7 million, of which \$44.8 million relates to UNICEF House and \$7.9 million to 333 East 38th Street.

685 Third Avenue

18. Advantages. The advantages of this property are as follows:

(a) UNICEF would occupy some two thirds of the total space and NYCEDC/UNDC would therefore be in a strong position to negotiate a favourable condominium agreement;

(b) As at 633 Third Avenue, the UNICEF space would remain partially occupied for some time, with income from existing tenancies offsetting part of the UNICEF lease payment obligations;

(c) The size of this building makes it ideal for occupancy by UNICEF and perhaps one or two other major United Nations entities. According to NYCEDC/UNDC, the purchase of this entire property could be accomplished on even more favourable economic terms than the purchase of a condominium interest, which would ultimately give UNICEF and the United Nations the opportunity to own a building very near United Nations Headquarters;

(d) Its location, one and one half blocks from UNICEF House, is good.

19. Disadvantages. The disadvantages of this property are as follows:

(a) As with 633 Third Avenue, there is insufficient space initially to accommodate all of UNICEF and, therefore, 22,000 square feet would need to be retained at UNICEF House until 1999, thus delaying full consolidation into one building;

(b) The comments of the architectural and engineering consultancy company are negative. The building is seen as technologically unsuitable, with very high levels of space loss of between 22 and 39 per cent, according to floor. The wire management system is insufficient for UNICEF use and the floor configuration is not well suited for the needs of UNICEF;

(c) Problems of identity would also occur here, with UNICEF located on floors 14-31;

(d) There would be sublease obligations similar to those of 633 Third Avenue;

(e) As with 633 Third Avenue, the lease obligations at UNICEF House and 333 East 38th Street would remain.

2. Twin locations (both owned)

UNICEF House

20. Advantages. The advantages of UNICEF House are as follows:

(a) The very considerable advantages resulting from negotiations with NYCEDC/UNDC, in relation to long-term lease and to eventual ownership of UNICEF House, were detailed in the Executive Director's report to the Executive Board at its regular session in 1993 (E/ICEF/1993/AB/L.9). These remain essentially the same, with some additional improvements that are highlighted in the report of the real estate consultancy firm;

(b) UNICEF is well established in UNICEF House, which was specifically designed for use by UNICEF. Since it was occupied in 1987, the building has proved to be functionally efficient and most suitable for the organization. Adjacency of divisions has been organized very effectively within and between floors;

(c) Independent outside consultants determined three years ago that its use of space was about 17 per cent more efficient than that of the typical New York City office building;

(d) It is in very close proximity to the United Nations Headquarters building and to UNDC buildings I and II, where UNDP, other United Nations departments and numerous permanent missions to the United Nations occupy space. The value of this proximity to the United Nations complex and of easy access to the permanent missions has been fully demonstrated;

(e) The first floor of the building is used for a UNICEF exhibit and for the sale of UNICEF greeting cards, open to the public in an ideal location near the United Nations;

(f) UNICEF has already invested some \$7 million in equipment and infrastructure in the building;

(g) The building has an underfloor flexible duct system for efficient wire management for telephone, computer and electrical wires. It is also equipped with a sensor system for the conservation of electricity;

(h) Remaining in UNICEF House would avoid additional costs related to existing lease obligations;

(i) Remaining in UNICEF House would minimize the disruption of the normal work flow and save costs related to moving.

Conversion of residential floors 14 and 15

21. On the question of converting floors 14 and 15 to offices, the architectural and engineering consultancy company estimates that the two floors would yield some 19,000 square feet of usable space. The major problem would be with elevator access. At present, only the freight elevator serves all floors;

the office elevators serve floors 2-13, while the apartment elevators serve floors 14 and 15. The only existing crossover would be at lobby level.

22. The company lists a series of options that might ease this situation. Creating a crossover between the two elevator banks at floor 13 and/or undertaking work that would push one of the office bank elevators through to floors 14 and 15 are the major proposals. In all, the company estimates that the total cost of the work would be about \$2 million, compared with the original estimate by NYCEDC/UNDC of \$1.25 million.

633 Third Avenue

23. The relevant advantages listed in paragraph 16 above would remain valid. Some of the disadvantages would be reduced. The question of identity, for example, would be less important, given the continued flagship location in UNICEF House. UNICEF would still be obliged to become a landlord, with increased responsibilities, but fewer than if UNICEF had to take a larger part of the building.

685 Third Avenue

24. The disadvantages of this location remain valid under this option. In fact, they would be increased, as UNICEF would hold less than 50 per cent of the available space and would therefore be in a weaker position in relation to negotiating a favourable condominium agreement.

845 United Nations Plaza

25. Advantages. The advantages of this property are as follows:

(a) It overlooks the United Nations complex. If, in time, offices of the United Nations system were to expand along First Avenue, the site could easily be incorporated in the overall complex;

(b) UNICEF would eventually occupy the entire building, so that cohesion and identity, both within the building itself and with nearby UNICEF House, would be easy to establish and maintain. The building offers better security possibilities than the other alternatives;

(c) It contains its own auditorium, conference rooms, cafeteria and interior courtyard space;

(d) The building is equipped with underfloor ducts, providing UNICEF with flexibility in its computer, telephone and electrical installations;

(e) The office space-loss factor in this building is only 12.5 per cent, compared with 22.7 per cent at 633 Third Avenue and an average of 28.2 per cent at 685 Third Avenue.

26. Disadvantages. The disadvantages of this property are as follows:

(a) The building has been taken off the market because the owners do not want to sell it at this time because of the current depressed state of the real

estate market, so that acquisition would have to be through condemnation procedures by the City of New York. While NYCEDC/UNDC have indicated willingness to proceed with condemnation if the Executive Board chooses this building, the process could be lengthy and could involve NYCEDC/UNDC in litigation. This, however, should not result in delayed occupancy;

(b) The overall cost would be relatively high, although NYCEDC/UNDC would guarantee a maximum rental of \$25.00 per square foot and a credit of up to \$2.00 a square foot, depending upon UNDC continuing rent payments to New York City of \$481,000 a year at UNICEF House. In addition, NYCEDC/UNDC estimate that the operating expenses would be from \$2.00 to \$2.50 per square foot higher per year than for either of the Third Avenue properties;

(c) Although unable to gain access to the building at this time, the architectural and engineering company had prior knowledge of the building and states that an earlier report "... citing generally poor conditions as a result of deferred maintenance seem(s) accurate. The elevators, mechanical and electrical systems indicated as the original 1962 equipment are likely in need of replacement, as recommended by the previous report." These additional costs would be absorbed by NYCEDC/UNDC. However, the work might delay or complicate occupancy by UNICEF;

(d) The sublease responsibilities for 333 East 38th Street would remain.

Space considerations

27. The question of space at 845 United Nations Plaza deserves careful review. According to the architectural and engineering consultancy company, over 40,000 of the building's 241,461 square feet are located in the two basement levels and would appear to be unsuitable for office space. In addition, there are large areas for common facilities (cafeteria, dining room, auditorium), which would further reduce space for offices. In 1995, UNICEF would need only 76,000 square feet, that is, sufficient space to house those headquarters divisions and sections currently located at 333 East 38th Street and at One Dag Hammarskjöld Plaza. The space not immediately required would be subleased for a time. Given the building's extremely attractive location, subleasing would probably be relatively easy.

28. UNICEF has estimated that it would need some 440,000 square feet by as early as 2010. If this estimate is correct, by that year the combined available space in 845 United Nations Plaza and in UNICEF House, even with the conversion of floors 14-15, would probably be well short of requirements.

29. However, the building possesses additional development rights for another 140,000 square feet, which would more than meet the estimated needs of UNICEF in 2010. Who would fund this construction, and what it would cost, are unanswered questions at this stage. In addition, the real estate consultancy firm estimates that the inconvenience for the building's occupants during construction would probably be protracted and considerable.

3. Twin locations: UNICEF House (owned) and other Manhattan (rented)

30. Under this option, firm costed offers could not be developed that would meet the criteria of providing premises to satisfy the projected long-term needs of UNICEF. As part of their offer, NYCEDC/UNDC had submitted an opportunity to lease one floor containing 38,000 square feet at 333 East 38th Street, where the Greeting Card and related operations are already located under a lease that will expire on 31 December 2003. In addition to the lease for the additional 38,000 square feet, which would run to April 2004 with option for renewal, options were provided for other floors with up to 160,000 square feet but which would not be available for occupancy until early 2004. Opportunities for leasing were also considered at one Dag Hammarskjöld Plaza, where UNICEF also occupies about 38,000 square feet of space until September 1995. To date, firm commitments for leased space past September 1995 have not been offered formally. Recent discussions with the landlord, however, do suggest that the 38,000 square feet currently leased could be extended to 2003 and an additional 70,000 square feet of space could be available for lease up to 2003.

31. The real estate consultancy firm, however, developed the figures to assimilate as closely as possible the renting of space in either One Dag Hammarskjöld Plaza or 333 East 38th Street, depending on the availability of space coinciding with the space needs of UNICEF.

333 East 38th Street

32. Advantages. The advantages of this location are as follows:

(a) Consolidation into a second site would be achieved, as this building already houses the Greeting Card and related operations, which have a lease until 31 December 2003. (It also houses the United States Committee for UNICEF.);

(b) The Executive Board may wish to keep UNICEF headquarters in a reasonably flexible position, in real estate terms, in view of the ongoing restructuring process within the United Nations development system, and especially in relation to the eventual location of sister agencies now based in New York. In this context, a rental as a medium-term option might have advantages;

(c) UNICEF would be able to reap the rich financial reward of the negotiations over UNICEF House, including future ownership, which would more than offset the costs of renting in 333 East 38th Street;

(d) If available, the one additional floor of about 38,000 square feet in 333 East 38th Street would accommodate all UNICEF offices currently in One Dag Hammarskjöld Plaza, allowing consolidation into two major sites. (The real estate consultancy firm estimates that this space would be sufficient for UNICEF needs until 1998, especially as it has observed vacant unbuilt space in the current premises of the Greeting Card and related operations. Conversion of floors 14-15 of UNICEF House to office space would extend this period several years.);

(e) Sufficient additional space for the ongoing needs of UNICEF would become available in 2004, should a long-term need then exist. While there is no guarantee at this stage, additional space, if required, might become available earlier;

(f) There would be no sublease obligations either at UNICEF House or 333 East 38th Street.

33. Disadvantages. The disadvantages of this location are as follows:

(a) UNICEF would not be taking advantage of the current low-priced real estate market to reach a permanent solution to its headquarters office accommodation problem. Only one building (UNICEF House) would eventually be owned, while the expansion space would only be rented, with no assurance of a fixed base rent for future years, when expansion would be required;

(b) The only space currently available at 333 East 38th Street is the eighth floor, consisting of about 38,000 square feet.

One Dag Hammarskjöld Plaza

34. This 49-storey building is located on Second Avenue between 47th and 48th Streets. Tenants include several permanent missions to the United Nations. UNICEF currently occupies 38,323 square feet on three upper floors under a sublease expiring in September 1995, which can be extended to 2003. The landlord has suggested that another 70,000 square feet can be provided, consisting of four floors, for lease up to 2003 (or whatever term is appropriate), with flexibility of availability to suit the needs of UNICEF.

B. New Rochelle - single location (owned)

35. Advantages. The advantages of this option are as follows:

(a) The City of New Rochelle has submitted a very comprehensive package, under which UNICEF headquarters would be the centrepiece of a proposed 15-acre United Nations community enclave;

(b) A modern building, tailored to UNICEF specifications, would be constructed. Very favourable financial conditions and eventual ownership by UNICEF are assured;

(c) The entire headquarters could be accommodated, gathering together staff from all current locations. Space for further growth would be assured;

(d) Proximity to the railroad station, an express bus network, car parks, adjacent housing, good medical facilities, a library and conference services and the location of the city near Long Island Sound are all considerable attractions. Land would be provided for a branch of the United Nations International School and a small building would be donated, perhaps to house a UNICEF children's library. (It is doubtful, however, that a full-fledged high school offering an international baccalaureate programme could be established immediately, given the limited demand for such a programme in New Rochelle.)

36. Disadvantages. The disadvantages of this location are as follows:

(a) The non-financial aspects of being located a significant distance from the United Nations Secretariat, other United Nations agencies and permanent missions located in New York City. These aspects, which are discussed in detail in paragraphs 42-50 below, include a potential diminishing of the impact of UNICEF advocacy work, so crucial to its mission of ensuring the well-being of children and women, because of the lack of day-to-day, on-the-spot contact with other United Nations agencies, government representatives, delegations and mission staff. In addition, a significant percentage of UNICEF staff whose work requires frequent contact with United Nations and government officials in New York would have to spend a considerable amount of time travelling between the two locations;

(b) The real estate consultancy firm believes that subleasing the space not immediately required for UNICEF might prove difficult in this location, and that the City of New Rochelle may have overestimated the financial returns to UNICEF of both subleasing income and residual value. In its opinion, this should lead to a reduction in the estimated total sublease income, between 1995 and approximately 2010, from \$43.6 million to \$24.8 million, and in the residual value from \$223.7 million to \$133.9 million, as expressed in nominal terms in the New Rochelle offer for a 440,000-square-foot building;

(c) The architectural and engineering consultancy firm also raised questions about the timing and scope of work required in relation to a study of the environmental impact of increased traffic, and to obtaining various approvals that must be sought from entities not under the control of the City of New Rochelle - for the proposed helipad, for example. After an exchange of views with the City of New Rochelle, the company concluded: "We would advise UNICEF to consider that some items are dependent on the actions of individuals, groups and agencies whose behaviour cannot be precisely predicted";

(d) As stated in paragraph 11 above, a majority of UNICEF staff have expressed a preference for remaining in New York City. A move could result in staff resigning and the resulting need to recruit and train new staff;

(e) UNICEF would be obliged to sublet the space at UNICEF House and 333 East 38th Street.

C. New Rochelle/UNDC - twin locations: New Rochelle (owned) and Manhattan (rented)

37. The advantages and disadvantages of this option remain the same as those outlined in paragraphs 35 and 36. However, the Executive Director believes that locating the Executive Office and other key divisions in New York and the remainder of the UNICEF headquarters secretariat in New Rochelle would be an unattractive option because of the difficulties inherent in separating headquarters divisions that must work together closely on a day-to-day basis. As described in detail in paragraph 49 below, the Executive Director relies on close contact with a number of divisions for information and specialist advice regarding his dealings with Governments and other United Nations agencies. In addition to the problem of maintaining these contacts if a number of divisions

were to be located outside Manhattan, there would also be significant problems of internal cohesion, overall management efficiency and staff morale.

38. Were the Executive Board to choose this option, however, the question of which location would be most suitable for those offices remaining in Manhattan would then arise. The Executive Director would prefer to retain space in UNICEF House because the organization has already been established at that location and as a result there would be a minimal amount of disruption to staff and to the UNICEF image. In addition, the existing shop for Greeting Card and related operations and conference facilities could be maintained.

II. FINANCIAL DATA AND BUDGETARY IMPLICATIONS FOR THE BIENNIUM 1994-1995

39. If the Executive Board approves either of the two options preferred by the Executive Director (see chapter IV below), no additional funds would be required for the administrative and programme support budget for 1994-1995 that has already been approved by the Executive Board. Savings incurred through the restructured lease agreement for UNICEF House would offset additional rent/lease payments, moving costs and project team costs.

III. NON-FINANCIAL FACTORS

40. In choosing a headquarters location, UNICEF must be conscious of both the financial and non-financial implications of its decision. Financial constraints are important because it is imperative that the maximum amount of financial resources available to UNICEF go to provide basic services for children and women in developing countries. Non-financial considerations are also important because, in the final analysis, the input of UNICEF must be measured not in terms of the amount of money disbursed but in what happens to the well-being of children. As noted in paragraph 12 above, their well-being depends not only on the financial resources available to UNICEF but also on its management efficiency and effectiveness in influencing the policies of Governments, donors and communities to ensure that their resources are invested optimally in support of programmes for the well-being of children and women. UNICEF headquarters must be situated so as to maximize this aspect of the organization's work.

41. As requested by the Executive Board in decision 1993/22, the Executive Director has also considered carefully the non-financial factors of a decision on headquarters location.

42. An important aspect of UNICEF, part of the very core of the organization, is its advocacy work. The role of advocacy in UNICEF must be very explicitly acknowledged because it is such an important part of its mandate and source of support. The purpose of UNICEF is to safeguard the well-being of children and women, two groups of people shown repeatedly to be especially vulnerable. As a global advocate for children and women, UNICEF works in partnership and alliances with a vast number of organizations, individuals and Governments that share its concerns.

43. Some of its most important allies do not necessarily have children as their prime concern, but are willing to lend an ear and provide support when a meeting with UNICEF can be fitted in with some ease - the ease that a central location close to the United Nations ensures.

44. To help foster active support for children requires wide and varied outreach as well as accessibility. The present location of UNICEF headquarters in mid-town Manhattan makes it accessible to all its traditional as well as potential new partners, in fact to all who have occasion to come to the United Nations from all over the world. To remove it from this location would make it physically peripheral to the other United Nations bodies in New York City, lessening that accessibility and perhaps, in turn, the effectiveness of its outreach work.

45. The Executive Director also believes it important to point out that financial factors are not restricted solely to the real estate area. As Executive Board members are aware, UNICEF, unlike many United Nations agencies, is a voluntarily funded organization. However, the unique aspect of UNICEF funding is that additional, supplementary funding is built into the country programme process, and is approved by the Executive Board when it reviews each country programme presentation.

46. This window for supplementary resources is an essential element of the vitality of UNICEF. In 1992, for example, \$390 million of a total income of \$938 million - or over 40 per cent - was supplementary funding. The receipt of these funds depends not on the results of pledging conferences but on day-to-day contact with development officials, especially mission staff in New York and visitors to New York - officials responsible for finance, staff of National Committees for UNICEF and non-governmental organizations (NGOs), etc.

47. In addition, providing donors with information about the efficient use of these supplementary resources involves an unrelenting process of review. Timeliness and quality of reports, satisfactory implementation levels and consistent financial data are all part of an ongoing exchange with the mission staff of major donors of supplementary funds.

48. Thus, the Executive Director remains convinced that the advantages of a location close to the United Nations are very considerable and must be given the most serious attention. The benefits of modern communication, including video-conferencing, are fully acknowledged - indeed, UNICEF headquarters, wherever it is located, must strive to make optimal use of these valuable new aids to efficiency and cost management and is constantly seeking to do so.

49. However, a location distant from the United Nations by some 40-45 minutes door-to-door by rail, and longer by road when the traffic flow is poor - a not infrequent occurrence - would pose serious problems of management effectiveness as well as staff morale. The depth and range of daily contacts the UNICEF secretariat undertakes in the immediate United Nations vicinity are very extensive and deserve some elaboration, although the following examples are not intended to be comprehensive:

(a) The Executive Director and his deputies, Executive Office staff and colleagues from the Programme Funding Office, the Programme Division and other divisions meet frequently with senior government ministers and officials, who are often visiting New York briefly, for discussions on social policy and programmes for children and women in the countries concerned. In fact, high-level meetings with decision makers - from Governments, NGOs, the media, industry, special-interest groups, institutes specializing in child health or education, religious groups and a host of other key areas - are a major feature of the Executive Office workload. These contacts are extremely important, enabling UNICEF staff to brief the visitors on current children's issues and priorities, to lay out funding and other opportunities, and to absorb the often complex concerns and priorities of national administrations;

(b) The Office of the Secretary of the Executive Board and those responsible for inter-agency and intergovernmental affairs are in very frequent contact with officials from the permanent missions to the United Nations, colleagues at other New York-based departments and organizations of the United Nations, as well as with visiting officials. Each year, the Office hosts many informal consultations on key upcoming issues, held over lunch so that delegates can attend without interrupting their meeting schedules at the United Nations. Depending on the subject at issue, staff from several other divisions and from the Executive Office participate in these meetings as presenters and resource persons. Should the General Assembly decide that more frequent meetings of governing bodies are required, these areas of activities would become much more frequent and still more closely tied to the United Nations and its services;

(c) The Programme Division has a very wide range of contacts with programme specialists and senior officials visiting New York on matters of policy, inter-agency collaboration, new and innovative programme approaches, etc. These contacts include frequent meetings with visiting government officials, NGO representatives, field staff of other United Nations agencies visiting their headquarters or other authorities in New York, counterparts from the regional desks/offices of UNDP and UNFPA and liaison officers of specialized agencies based at United Nations Headquarters. Often senior officials of bilateral aid agencies, the World Bank and regional development banks wish to have a dialogue with their UNICEF counterparts when visiting New York on other unrelated missions;

(d) The Division of Information maintains close and frequent contact with media representatives based at the United Nations and in New York, as well as with New York-based writers, illustrators, designers, publishers, literary agents and photographers. In supplying a world-wide network with photographs, it relies on the diverse, competitive and high professional standards of photographic services available in New York. Easy access to New York-based television and broadcast personnel and facilities is also critical for providing efficient and timely coverage of UNICEF-related issues. Similarly, the Division of Public Affairs maintains close contact with NGOs with consultative status at the United Nations and with a host of other non-governmental groups, celebrities and others on a wide range of fields relevant to the work of UNICEF;

(e) Greeting Cards and related operations are closely involved with the licensing industry, book publishers, manufacturers of children's games, international trade shows and multinational corporations in Manhattan. In

addition, they build approximately 12 UNICEF exhibits each year for display at the United Nations, as well as cooperating with other New York-based agencies in the development of exhibits for international conferences.

50. Some of these activities can be effectively handled, part of the time, by communication that does not involve face-to-face contact. However, there is no doubt in the Executive Director's mind that direct contact is by far the most effective method of operation. Dialogue and personal interaction are often the key to success, as, for example, in the case of a sceptical media representative being asked to give priority to children's issues.

51. The Executive Director accepts the argument that maintaining limited office space in mid-town Manhattan for key staff involved in these activities could be of some help in addressing this problem. However, as many of the staff involved would need to spend much or all of their working time in mid-town Manhattan, he is extremely concerned about the long-term management implications of a headquarters divided by significant distance.

52. Thus, the long-term risk of locating a limited number of staff more or less permanently in mid-town Manhattan, and a larger number in New Rochelle, seems to the Executive Director to be very considerable. The principal problem, he believes, centres on the Executive Office itself. As already stated, its work would be very negatively affected by the departure of key programme, operations and external relations staff from close proximity to the United Nations. Yet to locate the Executive Office away from the main body of UNICEF headquarters would result in reduced overseeing and executive guidance, while creating a grave risk that the senior management and other staff would drift apart at many crucial levels.

53. A twin-location headquarters split by significant distance would also seriously weaken internal cohesion in other ways. A wide range of very frequent daily contacts currently exists between divisions that would probably be located separately, for example, between the Programme Funding Office and the Division of Financial Management on financial matters concerning funding, and the Programme Division and the Division of Information on the provision of accurate, updated facts and figures for the media. Most importantly, during the crisis period of a major emergency, virtually all headquarters divisions need the closest possible working environment on an almost around-the-clock basis.

54. In addition, consideration must be given to the fact that the strengthening of cohesion and interaction between developmental agencies and departments, including UNDP, UNFPA and UNICEF, is very high on the agenda of Governments and of the United Nations. Bearing in mind the need for cooperation with these other agencies and with the United Nations, UNICEF has kept the United Nations Office of General Services, as well as UNDP and UNFPA, fully informed of its negotiations on this issue. UNICEF has shared with them all relevant correspondence, copies of the firm proposals and all supporting reports and documentation. In this regard, the Executive Director has also borne in mind General Assembly resolution 47/199 of 22 December 1992, in which the Assembly welcomed the decision of the Joint Consultative Group on Policies to set a target for increasing the number of common premises within the United Nations system. It is the Executive Director's view that, while common premises may not always be possible, close proximity is strongly to be desired.

55. Finally, the Executive Director believes that a move outside mid-town Manhattan would have a heavy impact on small missions from developing countries. Their overstretched staff, combined with limited access to vehicles and modern communications equipment, would place these missions at a serious disadvantage, both compared with other missions and in their interaction with the secretariat.

56. Both UNICEF and the real estate consultancy firm have had considerable difficulty in responding with any precision to the Executive Board's request for details of "... indirect costs, inter alia, extra travel and communications quantified to the extent possible ...". They believe that the additional costs of a move to New Rochelle in relation to electronic communications, for example, are likely to be negligible. In addition, the City of New Rochelle has offered to provide reduced-rate bus transport to and from Manhattan and within Westchester County for staff and delegates. Thus, transport costs for individuals, while impossible to quantify precisely at this point, would clearly not be a major factor in the financial calculations. The transport of documentation and specialist supplies to and from Manhattan would be a more important expense, but would be secondary within the magnitude of financial factors influencing a final decision on location.

57. As both the Executive Director and the real estate consultancy firm point out (see annex, paras. 55-58), by far the greatest risks in so far as indirect costs are concerned lie in areas that cannot be calculated precisely in terms of dollars and cents at this stage.

IV. CONCLUSIONS

58. Having examined carefully the final offers of both NYCEDC/UNDC and New Rochelle, and having weighed carefully the financial and non-financial factors involved, the Executive Director wishes to inform the Executive Board as to what he considers to be the best solution to the question of office accommodation for UNICEF headquarters.

59. The Executive Director's preference would be for UNICEF to retain, and eventually own, UNICEF House under the terms renegotiated with NYCEDC/UNDC, and also to acquire a condominium interest in 13 floors (floors 14-27) of the building located at 633 Third Avenue. However, UNICEF would initially occupy five floors and the remainder would be occupied as needed. He has come to this conclusion based on the following:

(a) This decision should solve the problem of office space for UNICEF until at least 2026, consolidating all New York headquarters staff in two locations;

(b) UNICEF would be able to retain UNICEF House under significantly improved terms and to gain eventual ownership of the building. This would mean that the investments already made in the property would not be lost and that UNICEF would continue to have a prime location in immediate proximity to United Nations Headquarters;

(c) Similarly, the expansion property at 633 Third Avenue is in close proximity to UNICEF House, thus allowing easy communication between staff working in both buildings;

(d) Because UNICEF would not immediately require all of the space it acquires at 633 Third Avenue, it would have rental income from the space it sublets. There would be very little risk involved in this area because New York City has guaranteed that it will sublet up to 75,000 square feet of the space to a city agency;

(e) The real estate consultancy firm has given the building an excellent review. In fact, this option - the twin locations of UNICEF House and 633 Third Avenue - was also the one recommended by the real estate consultancy firm (see annex, paras. 31-33);

(f) If, in the future, UNICEF and other United Nations agencies were to consolidate in a newly expanded United Nations district in New York City, UNICEF would be relieved of its obligations with regard to both UNICEF House and 633 Third Avenue.

60. Alternatively, the Executive Director's second preference would be for UNICEF to retain and gain eventual ownership of UNICEF House and to rent space to consolidate all New York headquarters staff in a second location, such as 333 East 38th Street or One Dag Hammarskjöld Plaza. This decision is based on the following:

(a) Again, UNICEF would be able to retain UNICEF House under significantly improved terms and to gain eventual ownership of the building. This would mean that the investments already made in the property would not be lost and that UNICEF would continue to have a prime location in close proximity to United Nations Headquarters;

(b) The savings from the negotiations over UNICEF House would more than cover the costs of rental space for the foreseeable future;

(c) Because there is the possibility that the United Nations and other United Nations agencies will need additional office space in Manhattan, this medium-term solution would allow UNICEF to take part in any future joint decisions on the longer-term needs of the entire system;

(d) Because UNICEF already has space in two rental properties (333 East 38th Street and One Dag Hammarskjöld Plaza) where there are possibilities for leasing further space, this would cause a minimal amount of disruption to UNICEF staff.

61. Under the latter option, UNICEF would adopt a growth-by-stages approach to the question of headquarters office accommodation, thus not acquiring far more space than it needs at a given stage. In this case, the Executive Board could review the matter again in several years' time, when it could take into account the needs of UNICEF and of the United Nations as a whole. However, to avoid being caught in a position of having no bargaining power vis-à-vis a landlord, the Executive Director believes he should be given approval for rental as such, with limits on cost, space and time.

Notes

1/ E/ICEF/1993/14, annex II, para. 50.