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Agenda item 108

**Programme budget for the biennium 2004-2005**

### **Capital master plan**

#### **Report of the Secretary-General\*\***

##### **Addendum**

###### *Summary*

In the present report, the Secretary-General provides an update on the developments relating to the capital master plan since the issuance of his second annual progress report on the implementation of the plan (A/59/441), and seeks decisions of the General Assembly on the loan offer made by the host country and on the necessary appropriations to finance the continuation of activities in 2005.

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\* Reissued for technical reasons.

\*\* The present report has been issued following receipt of the loan offer from the host country and completion of related consultations.

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## I. Introduction

1. The present report complements and updates the second progress report on the capital master plan (A/59/441) and highlights further developments with respect to the capital master plan project.

## II. Status of possible funding arrangements

### **Financing options: host country loan and capital markets options**

2. In his report on the status of possible funding arrangements for the capital master plan (A/58/729) and the second annual progress report on the implementation of the capital master plan (A/59/441), the Secretary-General informed the General Assembly about the status of possible funding arrangements for the capital master plan. In the second progress report, the provisional offer received from the host country of a loan of \$1.2 billion for financing the capital master plan is detailed. The host country has advised the United Nations that this offer was approved by the United States Congress. In a letter from the United States Mission to the United Nations dated 15 March 2005, the host country gave a formal notification of its offer of a loan to the United Nations to finance the capital master plan. In that letter, the host country indicated that it will be required to withdraw the offer if the United Nations and the host country have not signed an agreement on the terms of the loan by 30 September 2005.

3. On 15 March 2005, the United States Mission to the United Nations provided the United Nations with the details of the terms of the loan offer. These are essentially the same as the terms reported in document A/59/441. According to the letter: (a) the amount to be financed would total \$1.2 billion; (b) the United Nations would be required to repay the loan to the host country over a maximum of 30 years; and (c) the interest rate would be determined by the period of the loan but would not exceed 5.54 per cent per annum.

4. Under the scenario proposed by the host country in its offer, it is assumed that the loan would be provided in three tranches during the construction phase of the capital master plan and that interest would be paid annually on the advances received at a rate of 5.54 per cent. It is further assumed that in five years, upon completion of the capital master plan refurbishment, the advances made by the host country would be converted to a permanent loan over 25 years, with an interest rate of 5.54 per cent and with principal and interest paid annually. Annual repayments of principal and interest under this scenario would amount to \$89.8 million and the total principal and interest repaid over the life of the loan, including the construction phase, would amount to \$2.511 billion.

5. The host country has indicated that other financing options would be available for shorter loan periods and in drawdown tranches more specific to the cash flow requirements of the capital master plan during refurbishment. Those options would reduce the overall cost of the loan to the United Nations when compared to the scenario proposed by the host country in paragraph 4 above. Such options are based on the estimated cash flow requirements for the capital master plan during refurbishment and provide for repayment of the permanent loan on an annual basis over periods ranging from 5 to 25 years. Full details of these options are provided in annex I to the present report.

6. It is the understanding of the Secretary-General that the purpose of the agreement to be concluded with the host country by 30 September 2005 is to preserve the Organization's option to borrow the \$1.2 billion from the host country without binding the United Nations to borrow any part of the \$1.2 billion. Thus, it is his understanding that were the General Assembly to authorize the Organization to conclude an agreement with the host country regarding the host country's offer to finance the capital master plan, such an agreement would stipulate that: (a) such an agreement does not create for the United Nations any legal obligation to borrow any part of the \$1.2 billion from the host country or in any way restrict the Organization's discretion in deciding whether to borrow such funds; and (b) such an agreement does not in any way restrict the authority and the discretion of the United Nations to seek funds for the same purposes from any other source if the Organization chooses to do so. Furthermore, it is the Secretary-General's understanding that the Organization, in fact, would not draw down on any funds under the terms of the loan agreement in the absence of the express authorization of the Assembly.

7. The advice of commercial financial institutions was sought concerning the offer from the host country and other options for the financing of the capital master plan. It was the opinion of the institutions contacted to date that the United Nations, in the current market, could not obtain a lower fixed rate than that proposed by the host country. Thus, the United Nations would likely achieve lower debt service costs under the host country proposal than by borrowing directly in capital markets.

8. Consistent with paragraph 4 of the first progress report on the capital master plan (A/58/599), the Secretariat also explored additional options in order to reduce the amount of interest payable over the course of the loan. Such options, however, are conditional on the United Nations using the offer of a loan from the host country as a guarantee and on the financing being structured in two distinct components: a loan for construction financing and a permanent loan.

9. With regard to the construction component of such a loan, three alternative methods of financing were explored. Each proposal is based on using financial instruments available in the capital markets for United States dollars. All three proposals are designed to take advantage of short-term interest rates, which currently and historically have been lower than long-term rates. Depending on interest rates at the time of capital master plan construction, the use of such a financial instrument could result in lower interest charges for the United Nations during the construction phase. An example of one of the capital markets alternatives is provided in annex I.

10. During both the construction financing and permanent loan financing periods, the use of capital markets alternatives will expose the United Nations to risk, especially with changes in interest rates on short-term borrowing. Such risk can be mitigated to an extent by having in place a loan agreement with the host country. The interest rates agreed for the loan with the host country effectively act as a ceiling for the level of short-term interest rates that the United Nations can incur. If short-term interest rates rise above those defined in the agreement with the host country, the United Nations can activate the loan with the host country.

11. The offer of an interest-bearing loan from the host country provides a financing package for the capital master plan and, if accepted by the General Assembly, will allow the Organization to lock in the interest rate for the loan at the

current interest rate level. The offer of the loan, when used as a guarantee, will enable the United Nations to have access to capital markets interest rates that could, in particular during construction, reduce the interest costs for the United Nations. A decision to use capital markets financing instead of the host country loan to finance either the construction phase of the capital master plan or the permanent loan should be made prior to construction, when a more accurate comparison between the market interest rates and the interest rates offered by the host country can be made.

### **Cash payment option through assessed contributions**

12. The cash payment option, based on a one-time assessment or multi-year special assessments, would be the simplest and cheapest approach for meeting the costs of the capital master plan. However, relatively large financial outlays would be required from Member States.

13. Table 1 below provides an illustrative example of the assessments required for capital master plan construction activities and related costs, assuming the following:

- Construction period of five years
- Assessments made annually in the year prior to disbursement based on the scale of assessments in force for that year
- Range of capital master plan disbursements to be updated as the design progresses.

Table 1

### **Projected construction disbursements for the capital master plan\***

(Millions of United States dollars)

	2003-2006	2007	2008	2009	2010	2011	Total
Range	—	86-186	260-360	220-320	88-188	0-100	—
Mean of range	59	136	310	270	138	40	<b>953</b>

\* Exclusive of swing space costs.

14. In addition to projected construction disbursements, the need for a working capital reserve should be explored. A proposal will be included in the third annual progress report on the implementation of the capital master plan, to be submitted to the General Assembly at its sixtieth session.

## **III. Status of appropriations and expenditures**

15. In its resolution 57/292, the General Assembly appropriated \$25.5 million for the design development phase of the capital master plan and further provided a commitment authority of \$26 million for the biennium 2004-2005 for the preparation of construction documents.

16. Actual expenditures as of 31 December 2004 amounted to \$18,042,000, including \$3,205,000 in 2003 and \$14,837,000 in 2004, as shown in table 2 below. Cost savings have been achieved in staff costs and operating costs, in comparison to figures cited in document A/59/441, with the objective of completing the design

development and construction documents phases within the approved budgets and the level of commitment authority provided by the General Assembly in its resolution 57/292. The total projected expenditure for 2005 is \$25,260,000. This amount consists of \$7,458,000 for the design development phase and \$17,802,000 for the construction documents phase. Tables 2 and 3 below show the total cost breakdown to complete the design development and construction documents phases.

Table 2  
**Design development phase**

(Thousands of United States dollars)

	2003**	2004**	2005	Total
Design contractual services	612	9 574	3 602	13 788
United Nations project management				
Direct staff costs	1 610	1 721	1 272	4 603
Support costs	181	574	593	1 348
Programme management and consultants*	246	2 379	1 465	4 090
Operating and other costs	556	589	526	1 671
<b>Total</b>	<b>3 205</b>	<b>14 837</b>	<b>7 458</b>	<b>25 500</b>

\* Classified as contractual services in the financial statements.

\*\* Actual expenditures.

Table 3  
**Construction documents phase**

(Thousands of United States dollars)

	2005	2006	Total
Design contractual services	16 183	3 234	19 417
United Nations project management			
Direct staff costs	872	2 616	3 488
Support costs	253	492	745
Programme management and consultants	486	1 317	1 803
Operating and other costs	8	539	547
<b>Total</b>	<b>17 802</b>	<b>8 198</b>	<b>26 000</b>

17. Annex II to the present report provides an expenditure pattern for the period 2003-2006. This includes the overall design development and construction documents phases for the capital master plan.

18. Given the current status of the design phase, expenditure will need to be incurred on the capital master plan in 2005 and 2006. It is therefore necessary to convert the commitment authority granted in section II, paragraph 26, of resolution 57/292 into an appropriation for the biennium 2004-2005 to provide for the required flexibility in implementation of the project.

#### **IV. Progress of the design work for the refurbishment of United Nations Headquarters**

19. The major components within the design development phase are scope confirmation, functional programming, detailed technical studies, development of standards and guidelines and the production of drawings and specifications.

20. Scope confirmation, as described in paragraph 41 of the second progress report (A/59/441), has been completed for all primary contracts except in the area of security. Options for including additional security measures are being reviewed and the design of the capital master plan is being checked against the projects currently being implemented in the context of the strengthening of security and safety at United Nations premises.

21. Detailed technical studies are being completed to assess redundancy requirements, the feasibility of on-site co-generation, sustainable design strategies, options for vertical transportation, selection and integration of building systems for the Secretariat building, and new electrical systems. Development of detailed design and construction documents will be based on the results of these studies.

22. Additional specialty firms are being selected for exterior envelope, audio/visual systems, site/landscape and independent building code advice. Earlier planning, as reported in document A/59/441, was to have the exterior envelope, audio/visual and site/landscape contracts in place by late 2004 or early 2005. The programme management firm and the design consultants advised that the three remaining consultancies are not on the "critical path", as they are not required immediately, when viewed in the context of the overall design schedule. The contract execution for exterior envelope design services and independent building code advice is expected by June 2005. Procurement activity for the remaining two specialty contracts is projected to be completed by September 2005.

#### **V. Procurement update**

23. Eighteen contracts, in the total amount of \$15.1 million, have been awarded since the beginning of the design development phase of the capital master plan in 2003. These include the six design contracts for the design development phase, the contract for programme management services and related contracts for advisory services required for the plan. In addition, the contracts for design services for site/landscape, exterior envelope, audio-visual and code consultancy, in an estimated total amount of \$7.5 million, will be finalized this year. This amount consists of \$2 million for the design development phase, \$3.2 million for the construction documents phase and \$2.3 million for the construction administration phase.

#### **VI. Swing space options**

##### **Progress made by the United Nations Development Corporation on UNDC-5**

24. Since the last progress report, the viability of UNDC-5 (see A/59/441, sect. III), at least as swing space, is now in question. In December 2004, the Legislature of the state of New York did not pass, as had been expected, legislation necessary

for the United Nations Development Corporation (UNDC) to proceed with the project.

25. Although UNDC remains hopeful that the state Legislature will act on this necessary legislation, the further delay has now affected the overall timing of the schedule and the cost of the project. Even if the legislation were passed in spring 2005, UNDC currently anticipates that the building would not be ready for occupancy until 2010 at the earliest. Additional legislative approvals will be required by UNDC as the project is developed.

26. Pending approval by the General Assembly of financing arrangements for the capital master plan, the capital master plan project is now on schedule for the refurbishment of the Headquarters complex to begin in 2007.

27. Based on the current scope, the cost estimate for building UNDC-5 is \$552 million. The fixed rent, starting in January 2010, is \$52.29 per square foot, exclusive of operating cost, which is estimated at \$9.20 per square foot. The programme management firm recommends an allowance for additional contingency and escalation of \$17 million. Table 4 below provides an update of table 1 contained in document A/59/441, which compares the projected rent per square foot for UNDC-1 and UNDC-2 with that for UNDC-5.

Table 4  
**Projected average rent per square foot for UNDC-1 and UNDC-2 and range of projected average rent per square foot for UNDC-5, including operating cost**

(United States dollars)

	2009	2010 <sup>a</sup>	2013	2018
Projected average rent for UNDC-1 and UNDC-2 <sup>b</sup>	30.96		35.89	41.78
Range of projected average rent for UNDC-5 as of October 2004 <sup>b,c</sup>	45.15-51.13		45.89-51.87	46.93-52.91
Projected average rent for UNDC-5 as of April 2005		61.49	62.34	63.94

<sup>a</sup> Current projected occupancy.

<sup>b</sup> Figures provided by UNDC.

<sup>c</sup> Dependent on agreement with UNDC and design of UNDC-5.

28. The increase in projected costs reflects a detailed analysis by the programme manager in conjunction with UNDC. These costs include an increase for security requirements, interior fit-out costs and contingency allowances. In addition, the completion of UNDC-5 in 2010 would result in a delay of three years for the capital master plan, the cost of which is calculated at \$114 million, based on the advice of the programme management firm. The estimated cost of the delay consists of cost escalation and the costs of suspending design work.

29. In March 2005, the Secretariat engaged a real estate consultant to identify potential alternatives for swing space for offices and conference space. The commercial alternatives discussed below are based on preliminary data and require further study and negotiations with landlords. The owners may require a 10-year lease and it is assumed that the United Nations would in turn sublet the space for the



five years after the space is no longer needed. Swing space costs for commercial alternatives do not include architectural, engineering and management fees for interior work, which will range from \$9 million to \$11 million. The real estate search is ongoing and additional sites may become available. The Secretariat will continue to work with the real estate consultant and will report costs and further details to the General Assembly at its sixtieth session.

30. One commercial site has been found that would accommodate both office and conference space. It is part of a larger development in downtown Brooklyn. It consists of both office space, some of which could be occupied as is, and space that the developer would build out to accommodate conferences. The advantage of this site is that conference and office space would be together. The disadvantage is that the site would require additional travel for many staff and delegates.

31. The analysis of swing space options in Manhattan has resulted in the identification of one available property that would meet the office space needs of the Organization, including contiguous space; United Nations as sole occupant; five-year lease (including one year needed for office fit-out and move-in), with two one-year options for extension; and accessibility to the United Nations Headquarters.

32. Although efforts will continue, after researching over 100 properties, including those suggested by the New York City Economic Development Corporation and by the real estate consultant, it appears that existing commercial space that could accommodate the conferencing requirements is unavailable in Manhattan at the scale required by the United Nations. It should be noted that, in consultation with the Department for General Assembly and Conference Management, minimum space requirements were developed and used for this exercise. It is assumed that the location for the plenary sessions of the General Assembly could be separately considered for the time period necessary for refurbishment.

33. An alternate swing space proposal for conference space is therefore a temporary building, ideally on no-cost land, with utilities available. The temporary building would be of a prefabricated, panellized construction placed on new foundations. It would be fitted out to a standard suitable for use for the conference requirements and would be removed upon completion of the capital master plan. The cost of a temporary building is estimated at \$45 million, exclusive of operating costs or cost of land.

34. The comparative costs for the alternatives for swing space that would most closely meet the requirements cited in paragraph 33 above are summarized in table 5 below. Figures include operating costs, interior fit-out and taxes where applicable.

Table 5  
**Summary of total estimated costs for swing space options**  
(Millions of United States dollars)

	<i>UNDC-5*</i>	<i>Brooklyn</i>	<i>Midtown Manhattan + temporary building**</i>
Office swing space	248-253	211-220	221-230
Conference swing space	Included above	Included above	45
Delay past 2007	114	—	—
<b>Total</b>	<b>362-367</b>	<b>211-220</b>	<b>266-275</b>

\* No taxes.

\*\* Operating cost only for office swing space.

35. The projected cost for swing space in the capital master plan project budget is \$96 million, based on the proposal provided to the United Nations by UNDC in 2002.

#### **UNDC-5 as a consolidation building**

36. UNDC-5 does represent a unique opportunity for the United Nations to accommodate its long-term needs for the following reasons:

- The location proximate to the United Nations Headquarters complex would offer concentrated security and possible cost savings.
- The building would include new state-of-the-art systems providing reduced future operating costs and property-tax-exempt occupancy.
- The building would allow for United Nations-controlled design to accommodate multiple uses in a flexible environment and some space efficiency savings.

37. However, the economic terms currently offered by UNDC make the overall project only marginally favourable. The estimated cost of occupying UNDC-5 versus staying in UNDC-1 and UNDC-2 does not begin to yield savings until 2023, when the current lease for UNDC-1 and UNDC-2 at favourable rental rates expires. In fact, on a cumulative nominal basis, UNDC-5 does not break even until 2034. On a net present value basis, the cumulative break-even does not occur until 2043. If the benefits to the United Nations of consolidation are to be realized, further negotiations with UNDC need to be conducted.

38. In summary, the Secretary-General believes that owing to the current poor condition of the United Nations Headquarters complex, as well as the uncertainty regarding the approval and timely construction of UNDC-5, the Organization should proceed with leased space in the New York City area and should proceed with an on-time refurbishment start date of 2007. With regard to the use of UNDC-5 as a consolidation building, the Organization should continue to support UNDC in seeking approval for the use of the parcel of land for this purpose, because such a consolidation is in the long-term best interest of the Organization.

## VII. Conclusions and recommendations

39. The Secretary-General recommends that the General Assembly:

(a) Decide to accept the offer of the host country on a loan of \$1.2 billion at a rate not to exceed 5.54 per cent and a duration not to exceed 30 years for the capital master plan;

(b) Authorize the Secretary-General to conclude an agreement with the host country to preserve the Organization's option to borrow up to \$1.2 billion from the host country at an interest rate not to exceed 5.54 per cent per annum and a duration not to exceed 30 years to finance the capital master plan, provided that any such agreement concluded with the host country regarding the \$1.2 billion would stipulate: (i) the agreement does not create for the United Nations any legal or financial obligation to borrow any part of the \$1.2 billion from the host country or in any way restrict the Organization's discretion in deciding whether to borrow such funds; and (ii) the agreement does not restrict the authority and the discretion of the United Nations to seek funds for the same purposes from any other source if the Organization chooses to do so;

(c) Request the Secretary-General to first seek the authorization of the General Assembly if the Organization, in fact, decides to draw down on any part of the \$1.2 billion under the terms of the loan agreement;

(d) Decide to convert into an appropriation with assessment for the biennium 2004-2005 the full amount of the commitment authority of \$26 million approved for the biennium 2004-2005 in section II, paragraph 26, of resolution 57/292 so as to provide for the continuation of design work and related project management and management of pre-construction services for the baseline scope and scope options of the capital master plan;

(e) Request the Secretary-General to report on the progress of the capital master plan in all its aspects to the General Assembly at its sixtieth session.

## Annex I

## Financing options

(Millions of United States dollars)

Total loan amount: 1,200

Tranches:<sup>a</sup> year 1 = 200

year 2 = 350

year 3 = 350

year 4 = 250

year 5 = 50

Option No.	Construction financing				Permanent loan					Total	
	Source	Period of loan (years)	Interest rate <sup>b</sup> (percentage)	Cumulative interest payments	Source	Period of loan (years)	Interest rate (percentage)	Annual repayment	Cumulative interest payments	Total interest payments	Total principal and interest
1	United States loan	5	5.549	221.96	United States loan	25	5.549	89.89	1 047.19	<b>1 269.15</b>	<b>2 469.15</b>
2	United States loan	5	5.402	216.08	United States loan	20	5.402	99.60	792.01	<b>1 008.09</b>	<b>2 208.09</b>
3	United States loan	5	5.220	208.80	United States loan	15	5.220	117.34	560.04	<b>768.84</b>	<b>1 968.84</b>
4	United States loan	5	5.011	200.44	United States loan	10	5.011	155.49	354.89	<b>555.33</b>	<b>1 755.33</b>
5	United States loan	5	4.895	195.80	United States loan	5	4.895	276.37	181.83	<b>377.63</b>	<b>1 577.63</b>
6	Capital markets	5	3.050 <sup>c</sup>	103.70	United States loan	25	5.485	89.33	1 033.21	<b>1 136.91</b>	<b>2 336.91</b>
7	Capital markets	5	3.050 <sup>c</sup>	103.70	United States loan	20	5.283	98.62	772.30	<b>876.00</b>	<b>2 076.00</b>
8	Capital markets	5	3.050 <sup>c</sup>	103.70	United States loan	15	5.006	115.66	534.86	<b>638.56</b>	<b>1 838.56</b>
9	Capital markets	5	3.050 <sup>c</sup>	103.70	United States loan	10	4.595	152.36	323.64	<b>427.34</b>	<b>1 627.34</b>
10	Capital markets	5	3.050 <sup>c</sup>	103.70	United States loan	5	3.843	268.36	141.82	<b>245.52</b>	<b>1 445.52</b>

<sup>a</sup> The tranches are based on the capital master plan's anticipated disbursements during the five-year construction phase.<sup>b</sup> Interest will be paid annually during the construction phase.<sup>c</sup> Based on the three-month LIBOR rate in March 2005.

## Annex II

### Cost estimates for the design development and construction documents phases

(Thousands of United States dollars)

	2003*	2004*	2005	2006	Total
Architectural and engineering design	612	9 574	19 785	3 234	33 205
United Nations project management					
Direct staff costs	1 610	1 721	2 144	2 616	8 091
Support costs	181	574	846	492	2 094
Programme management and consultants	246	2 379	1 951	1 317	5 892
Operating and other costs	556	589	534	539	2 218
<b>Total</b>	<b>3 205</b>	<b>14 837</b>	<b>25 260</b>	<b>8 198</b>	<b>51 500</b>

\* Actual expenditures.

## **Annex III**

### **Correspondence between representatives of the host country and the Under-Secretary-General for Management**

#### **Letter dated 15 March 2005 from the Chargé d'affaires a.i. of the Permanent Mission of the United States of America to the United Nations addressed to the Under-Secretary-General for Management**

This letter serves as formal notification of the United States offer of a loan to the United Nations to finance the Capital Master Plan. As currently envisioned, the amount to be financed would total 1.2 billion U.S. dollars, to be provided in three annual installments of \$400 million per year over the first three years of the loan agreement. The UN would be required to repay the loan to the United States over thirty (30) years, including interest charged at the rate of 5.54 percent per annum. During the first five years, repayment would be required only on the interest charges. For years six through thirty, repayment of principal and interest would be required in equal annual installments.

Please note that, while the overall amount of the loan (\$1.2 billion) and the repayment period (thirty years) cited above are the maximum loan amount and repayment term, the United Nations may choose a lower amount or shorter term, as well as a different period for dispersal of the loan. Such changes will impact the interest rate; in general, the shorter the repayment period, the lower the effective interest rate. We have already provided additional information on how the repayment terms would be impacted by any such changes, and would be glad to provide additional information as required. Repayments will need to be made only if funds are actually disbursed to the United Nations.

This loan offer expires on September 30, 2005. Although the UN need not request disbursement of any of the loan by that point, if the UN and U.S. have not signed an agreement on the terms of the loan by that date, we will be required to withdraw this offer.

*(Signed)* Anne W. Patterson  
Chargé d'affaires, a.i.

**Letter dated 24 February 2005 from the Representative for  
United Nations Management and Reform of the Permanent  
Mission of the United States of America to the United Nations  
addressed to the Under-Secretary-General for Management**

I am writing to convey to you that the President's offer to provide a loan to the United Nations for the Capital Master Plan project was approved by the U.S. Congress. As the loan offer remains valid until September 30, 2005, a loan agreement between the United States and the United Nations will need to be signed no later than that date. Additional details about the terms of the loan offer will be forthcoming.

*(Signed)* Patrick F. **Kennedy**  
Ambassador

**Letter dated 20 February 2004 from the Representative for United Nations Management and Reform of the Permanent Mission of the United States of America to the United Nations addressed to the Under-Secretary-General for Management**

I have the honor to inform you that the U.S., as host country for the United Nations Headquarters in New York, extends a provisional offer to finance the UN's Capital Master Plan. As you are aware, the U.S. offer is provisional since it is subject to approval by the United States Congress.

The offer is a U.S. loan of up to \$1.2 billion dollars to renovate the UN Headquarters complex. The loan carries an interest rate of 5.54% that would be paid annually for up to thirty years on any advances received on the loan. All decisions concerning the rate of drawdown of the loan are negotiable between the UN and the United States. The U.S. will also make a payment of \$6 million dollars to cover default insurance on the loan. This amount will not need to be reimbursed to the U.S. There is a five-year grace period on the repayment of the loan principal. Therefore, UN Member States could defer repayment of the loan principal for up to five years if they so decided. If Member States wish to pay back the loan in less than thirty years, that is also a negotiable item.

The U.S. proposal is part of an overall package offered to the UN and includes offers by the City of New York and the State of New York to construct a new UN office building on the southeast corner of 42<sup>nd</sup> Street and 1<sup>st</sup> Avenue. That building would initially house displaced UN staff members during renovation of the UN Headquarters complex and would later serve as permanent offices for UN staff now working in buildings where rents are paid. The new building would be turned over to the UN at no additional cost after payment of below-market rent for thirty years. Also, the land on which the building would sit is to be provided in perpetuity without charge to the UN.

The United States will make a formal statement about the provisional offer of a financing mechanism for the Capital Master Plan at the first resumed session of the Fifth Committee in March. If Member States welcome the offer, we will work with the U.S. Congress to secure approval of the offer and you and your staff to assist in any way to make this sure this project is brought to fruition and becomes a success for the United Nations Secretariat and all of its Member States.

(Signed) Patrick F. **Kennedy**

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