

# The Economic Impact of the United Nations Community on New York City

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## EXECUTIVE SUMMARY

New York City Economic Development Corporation (NYCEDC) has analyzed the economic and fiscal impact of the United Nations on the New York City economy. Included in the analysis is the activity of the United Nations Headquarters itself (“UN”) and organizations that are assumed to operate in New York City only because it is the location of the UN Headquarters – namely UN-affiliated specialized agencies, programmes, funds, and other entities (“Agencies” and “Affiliates”) and Missions to the United Nations (“Missions”). Collectively, these organizations are referred to as the UN Community in this report. This study does not speculate about the highest and best use of the UN-affiliated properties or analyze alternative uses of the sites because it was outside the scope of this analysis.

New York City realizes economic benefits from the UN Community by way of employment, earnings associated with those jobs, increased output and value added, and tax revenue. Total benefits attributable to the UN being headquartered in New York City were estimated as follows for 2014:

- Approximately 25,040 full- and part-time jobs are estimated to be supported by the UN Community.
  - o The UN, Agencies and Affiliates, and Missions directly account for an estimated 15,890 of those employees, approximately 76% of whom also live in New York City (12,110).
- An estimated \$1.98 billion in earnings was paid to local workers.
  - o Staff employed directly at the UN, Agencies and Affiliates, and Missions earned \$1.64 billion, of which approximately \$1.25 billion was paid to the New York City resident workers.
- The UN Community accounted for an estimated \$3.69 billion in output and \$3.03 billion in value added.
- An estimated \$56 million in net fiscal benefits accrued to the City: \$110 million in fiscal revenue minus direct costs of \$54 million (the revenue figure is already net of the value of tax exemptions on real property owned by the UN Community and personal income tax and sales and use tax exemptions that some UN Community employees qualify for).

New York City also incurs costs associated with the UN Community's presence, in both the form of direct expenditures related to security, education, and operations of the Mayor's Office for International Affairs (estimated to be \$54 million) and forgone tax revenue (estimated to be \$99 million).

- In federal fiscal year 2014, New York City incurred costs of \$8 million for security costs that were not reimbursed by the federal government (despite being eligible).
- The cost of providing an assumed 4,090 UN-affiliated children with a New York City public school education was estimated to be \$80 million per year (inflated to 2014 dollars), of which \$45 million was paid for by City funds.
- Annual payroll for the Mayor's Office for International Affairs is approximately \$1 million. The analysis assumed that if the UN Community were not present in New York City, this office as structured would be different.
- Real property that is owned by the UN, foreign governments, or the United States government is exempt from taxation. In fiscal year 2015, approximately \$72 million in potential real property tax revenue was unrealized by New York City due to the UN Community's exemption status.
- An estimated \$26 million in local personal income tax revenue was unrealized in 2014 because a large proportion of staff members within the UN Community are not US nationals and are therefore exempt from paying personal income tax.
- About 2,000 diplomatic agents are entitled to personal sales tax exemption cards, which resulted in an estimated \$1 million of forgone sales and use tax revenue to New York City in 2014.

The following are detailed results of the economic impact analysis, as well as a discussion of the methodology used to obtain those results.<sup>i</sup>

## BENEFITS TO NEW YORK CITY

### Employment

The UN Community directly and indirectly supports an estimated 25,040 full- and part-time jobs in New York City.

The UN, Agencies and Affiliates, and Missions employed an estimated 15,890 people in New York City in 2014. 76% of those employees, or approximately 12,110 workers, were estimated to be living within the five boroughs.<sup>ii</sup> Those who live in the City spent their earnings locally, supporting nearby businesses and an additional 5,390 jobs.

Employment is further supported in New York City by way of the UN Community's annual operating expenditures that are made locally. The UN, Agencies and Affiliates, and Missions incur costs associated with property rental, utilities, maintenance of systems and equipment, purchases of supplies and equipment, insurance, telecommunications, and other items necessary for conducting daily operations. Costs incurred locally and paid to private vendors in 2014 have been used to estimate that an additional 2,550 jobs were supported in the industries from which the UN Community made purchases (i.e., jobs in the final demand industries), the local firms that supplied those industries and subsequent rounds of business-to-business spending (i.e., direct and indirect jobs), and the induced jobs supported by the household spending of those final demand, direct, and indirect employees.<sup>iii</sup>

Just as organizational spending creates jobs in New York City's economy, so does visitor spending. The UN issued 30,983 accreditations in 2014 for visitors attending meetings and conferences. These visitors included high-ranking government officials and VIPs, as well as delegates. On average, these visitors were in the City for fourteen days during the year, over which time they incurred expenses related to lodging, food and beverage purchases, shopping, entertainment, and transportation. The total number of jobs supported in New York City by the visitors' spending was estimated to be 1,210.

Employment impacts of the UN Community are summarized in Table 1 below.

**Table 1. Estimated Employment Impacts of the UN Community in New York City**  
*Figures reflect full- and part-time jobs.*

	<b>Direct Employment in the UN Community (NYC Residents &amp; Non-residents)</b>	<b>Employment Outside of the UN Community</b>	<b>Total NYC Employment Supported by the UN Community</b>
UN	7,870	3,480	11,350
Agencies and Affiliates	3,030	960	3,990
Missions	4,990	950	5,940
Operating Expenditures	N/A	2,550	2,550
Visitor Spending	N/A	1,210	1,210
<b>Total</b>	<b>15,890</b>	<b>9,150</b>	<b>25,040</b>

## Earnings

As shown in Table 2, total earnings paid to New York City workers associated with employment and operations of the UN Community were estimated to be \$1.98 billion in 2014.

The 15,890 individuals whom the UN Community directly employed in New York City in 2014 earned an estimated \$1.64 billion, with an estimated 12,110 of those employees who also resided in the five boroughs earning approximately \$1.25 billion of that total figure. Earnings associated with the 5,390 jobs supported by UN Community employees' household spending were estimated to be \$208 million in 2014. The 3,760 workers supported by the organizations' local operating expenditures and incremental visitor spending were estimated to have earned \$129 million.

**Table 2. Estimated Earnings of New York City Workers Supported by the UN Community**  
*Figures reflect annual impacts in millions of 2014 dollars.*

	<b>Payroll of Staff Employed by the UN Community (NYC Residents &amp; Non-residents)</b>	<b>Earnings Associated with Jobs Outside of the UN Community</b>	<b>Total Earnings Paid to NYC Workers Supported by the UN Community</b>
UN	\$1,068	\$134	\$1,202
Agencies and Affiliates	\$300	\$37	\$337
Missions	\$276	\$37	\$313
Operating Expenditures	N/A	\$89	\$89
Visitor Spending	N/A	\$39	\$39
<b>Total</b>	<b>\$1,645</b>	<b>\$336</b>	<b>\$1,981</b>

## Output and Value Added

The UN Community contributed an estimated \$3.69 billion in total output and \$3.03 billion in total value added to the New York City economy in 2014 (summarized in Table 3).<sup>iv,v</sup>

Of the total \$3.69 billion impact on output, \$2.71 billion was derived from the earnings paid to staff of the UN, Agencies and Affiliates, and Missions, and the effects of household spending by those employees who reside in New York City.

\$820 million in output resulted from the organizations' local operating expenses that are paid to private entities and the resulting multiplier effects. The UN Community made payments of \$654 million to local vendors in 2014 to cover such expenses; the associated final demand change to New York City's economy due to that first level of spending by the UN, Agencies and Affiliates, and Missions was \$643 million. Multiplier effects could only be calculated for \$390 million of that total because information was not available as to the industries in which the remaining \$253 million was spent. The direct, indirect, and induced output associated with the \$390 million in final demand that could be categorized was estimated to be \$177 million.

\$166 million in total output was attributable to visitor spending by the 30,983 accredited government officials, VIPs, and delegates who traveled to New York City in 2014. Daily spending per visitor was assumed to be \$258 dollars (with an average length of stay in the City of fourteen days), resulting in aggregate spending of \$112 million with an associated final demand change in the local economy of \$99 million in 2014.<sup>vi</sup> The direct, indirect, and induced output estimated from that final demand change was calculated to be \$67 million.

\$2.30 billion of the total \$3.03 billion impact on value added was estimated to be from the earnings of workers at the UN, Agencies and Affiliates, and Missions, plus the impact of the New York City-resident employees' household earnings. Approximately \$632 million in value added resulted from the organizations' local operating expenses.<sup>vii</sup> \$96 million in value added was estimated from visitor spending.

**Table 3. Estimated Output and Value Added Impacts of the UN Community in New York City**  
*Figures reflect annual impacts in millions of 2014 dollars.*

	Total Output	Total Value Added
UN	\$1,752	\$1,492
Agencies and Affiliates	\$490	\$418
Missions	\$464	\$392
Operating Expenditures	\$820	\$632
Visitor Spending	\$166	\$96
<b>Total</b>	<b>\$3,692</b>	<b>\$3,029</b>

## Fiscal Impacts

The UN Community contributed an estimated \$110 million in fiscal revenue to New York City in 2014, gross of direct costs incurred by the City. That figure is net of the value of tax exemptions on real property owned by the UN Community, personal income earned by non-US nationals, and sales of goods or services to personnel holding sales tax exemption cards.

The UN is a tax-exempt organization that does not pay local business income taxes, real property tax on parcels that it owns, or sales and use tax for official purchases. The same was assumed to be true for Agencies and Affiliates and Missions; however, individuals who work at the UN, Agencies and Affiliates, and Missions are still responsible for paying personal taxes. Staff members who reside in New York City were assumed to generate fiscal revenue to the City in the form of sales and use tax on personal purchases, property-related taxes on residences, and other miscellaneous taxes. New York City-resident staff members who are US nationals also pay local personal income tax on their earnings. Taxes estimated to be generated by non-US nationals living in New York City were adjusted downward to reflect the fact that approximately 2,000 high-ranking diplomats at the UN and Missions hold personal sales tax exemption cards.<sup>viii</sup> As shown in Table 4, \$62 million in fiscal revenue was estimated to be generated in New York City in 2014 by the staff of the UN Community residing within the five boroughs.<sup>ix</sup>

**Table 4. Estimated New York City Fiscal Revenue Associated with the UN Community**  
*Figures reflect annual impacts in millions of 2014 dollars.*

	<b>From Staff Employed Directly by the UN Community (NYC Residents Only)</b>	<b>From Activity Outside of the UN Community</b>	<b>Total NYC Fiscal Revenue Supported by the UN Community</b>
UN	\$41	\$17	\$57
Agencies and Affiliates	\$11	\$5	\$16
Missions	\$10	\$5	\$14
Operating Expenditures	N/A	\$17	\$17
Visitor Spending	N/A	\$6	\$6
<b>Total</b>	<b>\$62</b>	<b>\$49</b>	<b>\$110</b>

An additional \$49 million in taxes was estimated to be generated in 2014 by the local spending of UN Community staff's household earnings (\$26 million), the organizations' costs paid locally to cover operating expenses (\$17 million), and the economic activity in New York City supported by visitors (\$6 million). The estimate of tax revenue generated outside of the UN Community reflects business income and sales and use taxes paid by the private establishments whose businesses are supported by the UN Community's local spending, as well as personal taxes paid by the workers at those establishments.

## **Additional Benefits**

The benefit to New York City derived from visitors to the UN is a conservative estimate. There are thousands of other visitors for which insufficient information was available to estimate the economic impacts.

- Guests generally accompanied the 30,983 accredited visitors, but the size of those traveling parties and their length of stay in the City are unknown.
- The UN issued 212,421 temporary passes in 2014 (valid for one to four days) for a variety of cultural events, non-governmental organization seminars, and Model United Nations conferences. It is unknown, however, whether the recipients of these temporary passes already live in, work in, or planned to travel to New York City, or whether the primary purpose of their trip was to attend an event at the UN.

In addition to the staff members actively employed at the UN, many retirees continue to live in New York City. Pension payments to these retirees who once worked for the UN totaled \$80 million in 2014.<sup>x</sup> These residents spent their retirement income locally, supporting an estimated 346 induced jobs that were associated with approximately \$13 million in earnings. The economic impacts associated with UN retirees were not included in the overall results because they are not bound to reside in the same location as the UN Headquarters. If the UN were to relocate its headquarters facility outside of New York City, the current retirees living locally may continue to do so. Since their presence here is not contingent on the UN's location, their economic activity cannot be considered incremental and was therefore excluded from the estimate of overall benefits to the City that are tied to the UN Community.

**COSTS TO NEW YORK CITY**

New York City incurs costs to support the UN Community through both direct expenditures and forgone tax revenue. Direct expenditures totaled an estimated \$54 million in 2014 and included costs associated with security, providing a public school education to children of UN Community staff residing in the five boroughs, and the payroll budget of the New York City Mayor’s Office for International Affairs. Forgone tax revenue was estimated to be \$99 million per year due to exemptions that the UN Community receives on real property taxes, personal income tax on earnings of staff who are non-US nationals, and sales and use tax for those employees holding personal sales tax exemption cards. Costs to the City are summarized in Table 5.

**Table 5. Estimated Costs to New York City**  
*Figures reflect annual impacts in millions of 2014 dollars.*

<b>Direct Expenditures</b>		<b>Forgone Tax Revenue</b>	
Security	\$8	Real Property Tax	\$72
Education	\$45	Personal Income Tax	\$26
Mayor’s Office for International Affairs	\$1	Sales & Use Tax	\$1
<b>Total</b>	<b>\$54</b>	<b>Total</b>	<b>\$99</b>

**Direct Expenditures**

**Security**

New York City incurred costs of approximately \$8 million in federal fiscal year 2014 (October 1, 2013, through September 30, 2014) for security associated with foreign affairs, most of which funds activity related to the UN Community.

Routine police work around the UN Community (for which no estimate of costs was available) is paid for by the City. Any additional costs are subject to reimbursement by the federal government under the Protection of Foreign Missions and Officials program (including fringe benefits and personnel costs for people involved in protecting dignitaries). While the allowable expenses submitted by the New York City Police Department (NYPD) to the US Department of State (DOS) for reimbursement may largely be attributable to the UN, they do cover all foreign affairs in New York City (for example, they may include costs associated with a Papal visit).

All or some of these expenses may be reimbursed by the federal government in any given year. The federal budget includes an annual appropriation for the Protection of Foreign Missions and Officials program that covers events in New York City and elsewhere in the country (although the majority of funds are budgeted for New York City).<sup>xi</sup> If that budgeted amount has been expended and there are insufficient federal funds to cover additional expenses, New York City ultimately pays for those incurred costs that exceed the appropriation. Given that the UN General Assembly meets in September at the end of the federal fiscal year, sometimes the federal appropriation has already been depleted and New York City must incur those security costs without reimbursement.

## **Security continued**

In federal fiscal year 2014, New York City requested reimbursement of approximately \$31 million from the DOS for allowable expenses. The federal government reimbursed \$22 million (73%), leaving the City with an expense of \$8 million (the reimbursed plus unreimbursed amounts do not sum to the total requested due to rounding). Over the past fifteen years, the percentage of billed expenses that were reimbursed by the federal government ranged from a low of 23% in federal fiscal year 2008 to 100% occurring in eight of those years, most recently in federal fiscal year 2013.<sup>xii</sup> On average over that time period, 77% of the expenses submitted to the federal government were reimbursed annually, resulting in an average annual unpaid amount (i.e., cost to New York City) of \$6 million (in 2014 dollars).

## **Education**

New York City must provide a public school education to all children residing in the City, including those of UN Community staff members at an estimated cost of \$45 million annually.

Specific information regarding the number of children of UN-related staff attending New York City public schools was not available for this analysis. Instead, data on the number of staff residing in the City along with United States Census Bureau data and information from the New York City Department of Education (DOE) was used to estimate costs associated with providing education to the families of the UN Community.

According to the United States Census Bureau, there were approximately 0.34 children enrolled in New York City public schools per household in 2014. Applying that figure to the estimated 12,110 UN-affiliated staff residing in the five boroughs results in an estimate of 4,090 children from the UN Community attending public school in the City.

According to DOE data for fiscal year 2012 (July 1, 2011, through June 30, 2012), per student operating expenses were \$18,571 (excluding costs associated with adult education). New York City funded 56% of that amount. The remainder of funding came from New York State (37%), the federal government (6%), and other categorical grants (1%). The cost of providing the assumed 4,090 UN-affiliated children with a New York City public school education was therefore estimated to be \$80 million (inflated to 2014 dollars), of which \$45 million was paid for by City funds.

## **Mayor's Office for International Affairs**

The Mayor's Office for International Affairs employs thirteen direct staff with an annual payroll of \$1,164,000.<sup>xiii</sup> As the liaison between New York City and the diplomatic community, it is assumed that if not for the UN's headquarters being located in New York City, this office could be smaller and the payroll expenses incurred by the City would be less.

## Forgone Taxes

### Real Property Tax Exemptions

An estimated \$72 million in potential property tax revenue to New York City was unrealized in fiscal year 2015 (July 1, 2014, through June 30, 2015) due to the UN Community's exemption status.

Property owned by the UN is exempt from real property taxes per Section 416 of New York State Real Property Tax Law. Properties occupied by Missions that are owned by government entities are also exempt per Sections 400 (United States) and 418 (foreign governments). Despite the exemption status of such properties, New York City Department of Finance (DOF) still provides assessment data for them.

Based on DOF's publicly available real property assessment roll database, the market value of properties owned by the United Nations, United Nations Development Corporation (UNDC), and Missions was estimated to be \$1.63 billion in fiscal year 2015 (as shown in Table 6). The taxable assessed value (AV) of those properties was reported to be \$693 million, of which \$673 million was exempt from real property tax. Applying the fiscal year 2015 Class 4 real property tax rate of 10.684% to the assessed values indicates that the UN Community incurred a tax liability of \$2 million on the non-exempt properties and the value of exemptions cost New York City \$72 million in forgone real property tax revenue.

**Table 6. New York City Department of Finance Real Property Tax Data for Fiscal Year 2015**

*Figures reflect millions of dollars.*

Property	Actual Market Value	Taxable AV Gross of Exemptions	Exempt AV (Taxable)	Taxable AV Net of Exemptions	Tax Liability	Forgone Taxes (Tax Liability on Exempt AV)
<i>UN Campus and UNDC Buildings:</i>						
UN Headquarters Campus	\$698	\$312	\$312	\$0	\$0	\$33
1 UN Plaza (Office Unit)	\$79	\$32	\$32	\$0	\$0	\$3
2 UN Plaza	\$152	\$56	\$41	\$15	\$2	\$4
3 UN Plaza	\$54	\$22	\$22	\$0	\$0	\$2
<i>Other Properties Occupied by the UN Community that are Exempt from Full or Partial RPT:</i>						
FF Building	\$81	\$30	\$30	\$0	\$0	\$3
United Nations	\$8	\$3	\$3	\$0	\$0	\$0
Foreign Missions	\$391	\$164	\$160	\$5	\$1	\$17
US Mission	\$167	\$73	\$73	\$0	\$0	\$8
<b>Total</b>	<b>\$1,630</b>	<b>\$693</b>	<b>\$673</b>	<b>\$20</b>	<b>\$2</b>	<b>\$72</b>

## **Personal Income Tax Exemptions**

An estimated \$26 million in local personal income tax revenue was unrealized in 2014 due to the fact that a large proportion (75%) of employees in the UN Community are not US nationals and are therefore exempt from paying personal income tax.<sup>xiv</sup>

Of the approximately 5,800 UN employees who reside in New York City, about 1,620 are US nationals and 4,180 are non-US nationals with estimated earnings of \$612 million in 2014 that were exempt from New York City personal income tax. The value of forgone personal income tax revenue associated with those earnings was estimated to be \$16 million. Among the Agencies and Affiliates included in this analysis, approximately 1,520 of the 2,290 New York City resident staff members are non-US nationals with earnings of approximately \$167 million in 2014, resulting in estimated unrealized personal income tax revenue of \$4 million. The corresponding figures for Missions were an estimated 3,350 non-US national employees residing in the City (of 4,020 total New York City resident staff) who earned an estimated \$180 million and would have generated \$5 million in personal income tax revenue for New York City if not for their exempt status (the unrealized personal income tax estimates reported individually for the UN, Agencies and Affiliates, and Missions does not sum to the total reported due to rounding).

The estimated fiscal benefits to New York City derived from employees of the UN, Agencies and Affiliates, and Missions (presented above) already accounts for the personal income tax exemptions of non-US nationals.

## **Sales Tax Exemptions**

Unrealized sales and use tax revenue was estimated to be \$1 million in 2014 due to approximately 2,000 accredited diplomatic agents holding personal sales tax exemption cards.<sup>xv</sup> The fiscal benefit figures presented above already account for the sales and use tax exemption privileges of the roughly 2,000 cardholders.

## **Other Considerations to New York City**

### **Parking Fines**

During fiscal year 2014 (July 1, 2013, through June 30, 2014), New York City collected \$231,527 in parking fines from vehicles possessing diplomatic plates or decals; the value of outstanding parking tickets at the conclusion of the fiscal year was \$49,266. Only 0.04% of all summonses issued in the City during that fiscal year were to vehicles with parking decals in accordance with the diplomatic parking program or diplomatic license plates.<sup>xvi</sup>

### **Traffic Congestion**

Added security and street closures that result from meetings at the UN, including the annual UN General Assembly, create traffic congestion for New Yorkers. Analyses of marginal costs associated with increased congestion and potentially longer commute times were outside the scope of this study.

## METHODOLOGY

### Data Provided by the UN Community for the Calculation of Benefits to New York City

Surveys were distributed to the UN, Agencies and Affiliates with offices in New York City, and Missions to gather the input variables needed for the economic impact analysis.<sup>xvii</sup>

The UN provided data related to its headquarters campus.

Benefits attributed to Agencies and Affiliates were based on data received from ten organizations: United Nations Children's Fund, UN Development Programme, UN Volunteers, UN Capital Development Fund, United Nations Population Fund, UN International School, UNAIDS, UN Women, International Civil Service Commission, and UN Environment Programme. It was assumed that these organizations would not have offices in New York City if the United Nations were headquartered elsewhere. This is not an all-inclusive data set. Several other agencies with liaison offices in New York City either provided no data at all or incomplete data that could not be used. Given the relatively small size of these additional offices, their impact is expected to be marginal.

Survey data was collected from 21 of 195 Missions – an overall response rate of 11%. Of all Missions, 48% were classified as “small” (1-9 employees per the UN Blue Book), 37% as “medium” (10-19 employees), and 15% as “large” (20 or more employees).<sup>xviii</sup> The response rate varied by Mission size: 6% for small Missions, 11% for medium Missions, and 24% for large Missions. Estimated inputs for the total Mission population were extrapolated from the survey responses and weighted by Mission size.

The data collected in the survey included the number of employees who work in New York City for the UN, Agencies and Affiliates, and Missions, as well as their earnings. Basic details on residency (New York City resident or non-resident) and nationality status (US national or non-national) were also indicated. The UN Community provided a list of operating expenses that were incurred locally and paid to New York City vendors.<sup>xix</sup> The UN supplied data on the number of accredited visitors primarily in the City to attend UN meetings or conferences and their average length of stay, as well as the value of pension payments paid to UN retirees living in New York City.

## Calculation of Benefits

The input data noted above was used to estimate final demand changes in New York City's economy. Multiplier effects were then calculated using the RIMS II Input-Output Model produced by the US Bureau of Economic Analysis. Industry-specific 2010 Type II multipliers for New York City were used in the analysis to estimate direct, indirect, and induced impacts.<sup>xx</sup>

Employees of the UN Community who also reside in New York City spend much of their earnings locally, thus supporting additional employment, earnings, output, and value added in the local economy. These induced impacts generated by the household spending of UN Community staff members were estimated using the RIMS II household multiplier for New York City.

To estimate the multiplier effects of the UN Community's operating expenses paid to local vendors, the input data was reviewed and adjusted when necessary in order to err conservatively. The following adjustments were made:

- Staff salaries and benefits were excluded to avoid double counting, since multiplier effects were applied to the earnings figures using the household multiplier as documented above.
- Undefined travel expenses and expenditures made for air travel were excluded from the analysis. It is unknown if those costs were paid to local companies, particularly airlines that may not be headquartered in New York City.
- Payments to public entities in the form of rent or real estate taxes were excluded.
- Property rental expenses paid to entities based outside of New York City were excluded.
- Utility expenses associated with properties located outside of the City were excluded.
- Grants and other transfers were excluded under the assumption that the recipients spend the money on projects outside of New York City.
- Costs for conferences and entertainment indicated by the Missions were excluded because it was unclear if those expenditures are made locally or budgeted for sending staff to conferences outside of New York City. By excluding these costs, the model also avoids potentially double counting with the visitor impact calculation.
- Educational allowances for staff's children are excluded since it is unknown whether those children are sent to school within New York City.
- Depreciation and finance costs were excluded.
- Expenses assumed to be paid to local retail merchants were discounted to account for the local retail margin share. A retail margin share of approximately 50% was applied to expenses for supplies and equipment, fuel, and other undefined retail costs.

After cleaning the input data, industry and City-specific RIMS II multipliers were applied to estimate final demand, direct, indirect, and induced employment, earnings, output, and value added impacts of the UN Community's local operating expenditures. In instances where operating costs were not categorized by the industry in which expenditures were made, multiplier impacts could not be calculated.

## Calculation of Benefits continued

Aggregate visitor spending attributable to the UN Community was estimated by multiplying total visitor days (the product of the number of attendees to UN meetings and conferences and their average length of stay) by assumed per person daily spending of \$258. The daily spending assumption was based on NYC & Company's 2014 data on meeting and convention delegate travel to New York City, which shows that international delegates spent an average of \$1,550 per person for a six-day trip. Total aggregate spending was then distributed into expenses for lodging (28%), food and beverages (20%), retail shopping (22%), entertainment (12%), and transportation (18%). The spending distribution was also based on 2014 data provided by NYC & Company. Industry and City-specific RIMS II multipliers were applied to the categorized visitor spending figures to estimate the final demand, direct, indirect, and induced employment, earnings, output, and value added impacts of incremental visitors attributable to the UN Community.

The fiscal impacts on New York City associated with the UN Community were estimated by multiplying average taxes-to-earnings (t/e) ratios to the earnings data provided by the UN, Agencies and Affiliates, and Missions for New York City resident employees as well as the total earnings estimates generated by the RIMS II model. The t/e ratios are proprietary NYCEDC assumptions that were derived from publicly available DOF Taxes per Worker data, Quarterly Census of Employment and Wage data from the New York State Department of Labor, and New York City Office of Management and Budget data on local tax collections.

The average t/e ratio for all private workers was applied to the earnings of employees at the UN, Agencies and Affiliates, and Missions because t/e data is not available for the public administration sector (including international affairs). The value for all private workers was deemed an appropriate proxy because only the portion of the total t/e ratio that could be attributed to personal taxes was included when applied to earnings of employees in the UN Community; all commercial-related taxes were excluded. Industry-specific total t/e ratios (reflecting all New York City business and personal taxes) were applied to final demand earnings estimated to be paid to workers in the industries affected by the UN Community's local operating expenditures and visitor spending. The specific industries in which direct, indirect, and induced jobs and associated earnings are created is unknown, so the t/e ratios applied to those earnings figures reflect an average for all private workers in New York City.

## **Assessment of Costs to New York City**

### **Security**

NYPD provided data for federal fiscal years 1999 through 2014 (including the UN Millennium Summit in 2000) on the total allowable expenses submitted to the DOS for reimbursement under the Protection of Foreign Missions and Officials program.<sup>xxi</sup> The breakdown between reimbursed and unpaid amounts was also provided. There is significant variation in the unpaid amount from year to year and reporting only the figure for federal fiscal year 2014 could be misleading. Therefore, the average annual unpaid amount (in 2014 dollars) over the past fifteen years was also reported in this study. The unpaid amount in each of the past fifteen years was inflated to 2014 dollars using the Consumer Price Index for all urban consumers in the New York metropolitan region (from the United States Bureau of Labor Statistics).

### **Education**

Specific information was not available from the UN, Agencies and Affiliates, or Missions on the number of employees' children who attend New York City public schools. Thus, that figure was estimated using the number of UN Community staff estimated to be living in the five boroughs (previously reported to be approximately 12,110) and information from the United States Census Bureau. According to the American Community Survey (one-year estimates), in 2014 there were 3,148,067 households in New York City and 1,063,238 children in households aged 3-17 who were enrolled in public school, or 0.34 public school attendees per household. Assuming that each UN, Agency and Affiliate, or Mission employee residing in New York City is part of a separate household and that his/her family structure and children's school enrollment status is comparable to that of the average New York City household, it was estimated that 4,090 children from the UN Community are enrolled in the City's public schools. The number of students was multiplied by per capita school expenditures and the percentage of education costs funded by New York City to estimate the cost of providing a public school education to children within the UN Community. Per capita school expenditure data was extracted from the DOE's publicly available School Based Expenditure Reports for 2011-2012 (FY 2012).<sup>xxii</sup> Data on funding sources was provided by DOE.

### **Real Property Taxes**

Real property tax data was extracted from DOF's publicly available real property assessment roll database. Properties occupied by the UN Community were identified based on information provided by the UN itself, a list of relevant owned and leased properties (as of 2012) provided by the United Nations Development Corporation, and a search of DOF records. In addition to the buildings known to house UN-related activity (i.e., the headquarters campus; 1, 2, and 3 UN Plaza; the FF Building; and the site of the United States Mission), DOF records were selected if the building classification code is listed as Z4 (Foreign Government) or Z5 (United Nations) and the exemption reason is listed as "Foreign Mission" or "Foreign Consulate/Foreign Mission." Also included in the figures were the values of properties on tax blocks known to house other UN-related organizations for which a foreign government is listed as the owner and the exemption reason is indicated to be "Foreign Mission." Specifically, properties on blocks 1336, 1337, and 1339 in Manhattan were identified in this manner. Most of those properties have building classification codes indicating office use or commercial (office) condominiums. A total of 82 properties were identified as having UN-related exemptions on real property tax. The list of properties included in the analysis is likely not all-inclusive. There may be other sites owned and used by the UN Community that are not easily identifiable in the publicly available DOF records; however, the figures presented in this analysis are believed to be a reasonable approximation of the value of properties owned by the UN Community and fully or partially exempt from property taxes.<sup>xxiii</sup>

## **Real Property Taxes continued**

The market value figures presented in this report reflect total land and building value for fiscal year 2015 as indicated by DOF.

Taxable assessed value (and corresponding exemption value) was estimated for each property and then aggregated when applicable for reporting purposes (i.e., for multiple condominium units in a single building such as the FF Building, or across all foreign missions). Consistent with DOF procedures, taxable assessed value is the minimum of the actual or transitional assessed value reported in the real property assessment roll database (actual assessed value is 45% of market value for Class 4 properties, which is the tax class reported for all UN-related properties in the sample.<sup>xxiv</sup> Transitional assessed value reflects DOF's five-year phase-in of changes to a property's actual assessed value<sup>xxv</sup>).

Tax liability and forgone tax values were calculated by multiplying the taxable assessed value net of exemptions and the exempt assessed value figures (respectively) by New York City's fiscal year 2015 Class 4 real property tax rate of 10.684%.

## **Personal Income and Sales Tax Exemptions**

The UN and the DOS provided information regarding UN Community staff members who received personal income tax and sales and use tax exemptions. Those exemptions were accounted for and valued using the t/e ratios described previously to calculate fiscal impacts on New York City.

The personal income tax portion of the total t/e ratio was multiplied by the value of earnings paid to non-US national employees of the UN who reside in New York City to estimate the unrealized local personal income tax revenue associated with the relatively high proportion of foreign staff members.

Forgone sales and use tax was valued by multiplying the personal sales tax portion of the total t/e ratio by the earnings of approximately 2,000 non-US national staff members to account for those employees who are entitled to sales tax exemption cards.

## **Other Considerations to New York City**

### **Parking Tickets**

The Mayor's Office for International Affairs supplied data (which it had received from DOF) on the number of parking summonses issued to the diplomatic community in fiscal year 2014, along with the amounts paid and due. DOF data was provided for Missions and Staff where staff members were indicated to be "members of the mission, consulate or embassy who are not entitled to the Diplomatic Parking Program but are assigned license plates by the State Department."<sup>xxvi</sup>

Additional information on the Diplomatic and Consular Parking Programs is available on the Mayor's Office for International Affairs' website.<sup>xxvii</sup>

i The individual rows and columns within all tables included in this report may not sum to the total values that are presented due to rounding.

ii Approximately 5,800 of 7,870 UN employees were New York City residents (74%); approximately 2,290 of 3,030 Agency and Affiliate employees were City residents (76%); and an estimated 4,020 of 4,990 Mission employees were City residents (81%). Thus, total New York City-resident employment in the UN Community was 12,110.

iii As described later in the sections on "Output and Value Added" and "Methodology," employment estimates derived from local operating expenditures are conservative because multiplier impacts were not able to be calculated for expenditures that were not categorized in an industry. Of the final demand change of \$643 million, multiplier effects were unable to be calculated for \$253 million.

iv Output is a measure of sales in the economy. The United States Bureau of Economic Analysis RIMS II Handbook defines gross output as follows: "Total market value of industry output (sales). It equals intermediate inputs plus value added. Gross output is not the same as gross domestic product (GDP), which only includes value added."

v The United States Bureau of Economic Analysis RIMS II Handbook defines value added as follows: "Total value of income generated from production. This income consists of payments to labor (compensation of employees), payments to government (taxes on production and imports), and returns on investment (gross operating surplus). It is equivalent to gross domestic product."

vi The number of accredited visitors and average length of stay was provided by the UN. Average daily spending of \$258 is based on the assumption that all visitors are international and NYC & Company's 2014 factsheet on Meeting & Convention Delegate Travel to New York City.

vii For the \$253 million in local operating expenses that could not be categorized by industry, value added was assumed to be equal to the \$253 million final demand change.

viii The number of personal sales tax exemption cards granted to the UN Community was provided by the United States Department of State. It was assumed that those employees holding sales tax exemption cards reside in New York City.

ix Employees of the UN, Agencies and Affiliates, and Missions who reside outside of New York City were excluded from the analysis of estimated fiscal benefits. They would not be subject to New York City personal income tax or property-related taxes, and while they may make some local purchases that would generate sales and use tax, it is assumed that the majority of sales tax they pay would be near their residence outside of the City.

x Figures reflect former UN staff only. Information on Agency and Affiliate and Mission retirees was not available.

xi Information is based on a conversation with NYPD that occurred in October 2015.

xii NYPD's costs for federal fiscal year 2008 were high relative to other years because they included a Papal visit that accounted for costs of approximately \$7 million that was billed to the United States Department of State, but unpaid.

xiii This information was provided directly from the Mayor's Office for International Affairs. Local costs associated with other operating expenses were not provided.

xiv Based on information received via phone call with the UN in April 2015, staff members of the UN who are not United States citizens do not pay personal income tax. It was assumed that employees of the Agencies and Affiliates and Missions who do not have United States citizenship are also exempt from local personal income tax. Although not all United States nationals are citizens in reality, they are treated as such in this analysis.

xv The number of personal sales tax exemption cards held by members of the UN Community was provided by the United States Department of State. Each cardholder's spouse and qualified children (aged 18-21, and 21-23 if enrolled in school) are also entitled to cards that provide exemptions from paying sales and use tax on personal purchases. The value of exemptions associated with cards held by family members is not included in this analysis.

xvi Information on parking violations was provided by the Mayor's Office for International Affairs based on data it received from DOF.

xvii Consulates were excluded from the analysis because foreign countries would likely have a consular office in New York City even if the UN were headquartered elsewhere. UN-accredited nongovernmental organizations (NGOs) based in New York City solely because the UN is headquartered here were also excluded due to difficulty in obtaining the necessary input data.

xviii The classification of Missions by size was provided by the Mayor's Office for International Affairs.

xix While the overall response rate for Missions completing the survey was 11%, 5 of those that responded to the survey refused to provide data on operating expenses. Thus, the data on operating expenses for Missions was based on an 8% response rate.

xx The RIMS II model uses terminology that differs from some other input-output models. As defined in the RIMS II User's Guide available on the United States Bureau of Economic Analysis' website ([http://www.bea.gov/regional/pdf/rims/RIMSII\\_User\\_Guide.pdf](http://www.bea.gov/regional/pdf/rims/RIMSII_User_Guide.pdf)), a final demand change refers to a "change in the purchases of goods or services by final users." Impacts from the first round of business-to-business spending are referred to as "direct" and impacts from all subsequent rounds of business-to-business spending are referred to as "indirect." Other input-output models use the term "direct impact" for what RIMS II defines as the final demand change, and the term "indirect impact" for what RIMS II labels direct and indirect. In both cases, induced impacts refer to those generated by workers spending their earnings.

xxi While these expenses may largely be attributable to the United Nations, they do cover all foreign affairs in New York City. For example, if the Prime Minister of England were to visit the City, the costs of the security detail needed to protect him during his visit would be included in the figures that were provided by the NYPD.

xxii Fiscal year 2012 data was the most recent available at the time of analysis. Figures were inflated to 2014 dollars using the Consumer Price Index for all urban consumers in the New York metropolitan region (from the United States Bureau of Labor Statistics).

xxiii In addition to the properties owned by the UN Community and exempt from real property taxes, there are also private buildings in which it occupies space. These include the following: Alcoa Building (866 UN Plaza), Falchi ARMS Warehouse, Daily News Building, Innovation (300 East 42nd Street), Court Square (24-01 44th Road, Queens), Albano Building, 1 Dag Hammarskjold Plaza, 605 Third Avenue, Chrysler Building, and Mobil Building. These are all privately owned buildings for which DOF records do not indicate any UN-related exemptions, so these properties were not included in this analysis.

xxiv Class 4 includes commercial and industrial properties, as well as other properties that are not primarily residential or utilities.

xxv The five-year phase-in does not apply to assessed value changes that result from physical modification of a property.

xxvi This definition was provided by the Mayor's Office for International Affairs via email based on information it received from DOF.

xxvii <http://www1.nyc.gov/site/international/services/diplomatic-and-consular-parking-program.page>

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