

dollars. With the assistance of Property Management personnel, we estimated the maintenance and operating cost of chanceries at 4% of the original cost, per annum. In the case of official residences and staff quarters we used 3% per annum. To these percentages we added an interest factor of 7% per annum making a total of 11% carrying cost for chanceries and 10% for other accommodation.

The average cost of constructing a chancery is estimated at \$40 per square foot of gross floor space plus a cost of \$6.40 per square foot of floor space for the cost of the land (16%, on average, of the cost of the building) making a total of \$46.40 per square foot. At 11% carrying charge per annum this works out to \$5.10 per gross square foot, compared to the current average rental rate of \$3.43. On the assumption that government built chanceries offer better than average accommodation we felt that we could justifiably use the \$5.10 figure in assessing your proposal.

The cost of providing interior parking space was estimated at \$23.00 per square foot including land cost, and the carrying cost at 2½% for maintenance and operation plus 7% for the cost of money. An annual rental rate of \$2.20 per square foot was used for assessment purposes.

The anticipated cost of building official residences is estimated at \$230,000 on average. This works out to an annual rental of \$23,000 at 10% per annum. Since this is about twice the average cost of the official residences the government is presently renting, we checked the validity of using this figure by making a rough estimate of what the official residences presently owned by the Government would cost on the basis of current market values and using the same carrying charge. The results of this analysis are shown in Exhibit 3 facing this page, and indicates that the average annual carrying charge for these residences would be \$23,600. It was therefore decided to use \$23,000 per year per residence in assessing your proposal.

The cost of acquiring one staff residence is estimated at \$30,000. At 10% this results in an annual carrying charge of \$3,000 which is very much in line with the current rental rate. This figure was used in assessing the proposal. It is interesting to note that the average estimated current market value of government-owned staff accommodation abroad is \$35,000 and approximately 50% of these are single dwelling units, which would lead us to believe that an average of \$30,000 per planned unit is reasonable.

In Exhibit 4, facing the next page, we have projected the rental income of the Department over each of the next ten years if all the accommodation it presently owns and plans to build during this period were rented at the rates discussed previously. The 1968/69 space and housing unit figures shown in the table represent the properties presently owned by the Government. The space available for rental purposes in subsequent years was obtained by adding to the existing space the facilities that will be created through acquisition or purchase as scheduled in the five year program review. Figures for the remainder of the ten years were estimated with the assistance of the Head of the Property Management Division. Capital budget figures were also obtained from the same sources.