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October 25, 2011

Alaska State Legislature  
Capitol Building  
Juneau, Alaska 99811

Dear Legislators:

At our September 29, 2011 Board of Directors meeting, we directed management to seek legislative approval to extend the maximum Alaska Railroad property lease term from 55 to 95 years.

As state-owned entity, the Alaska Railroad has a mandate to foster and encourage economic development for Alaskan communities and the state as a whole. We believe the 95-year lease term extension is in line with this directive and will create sizeable investments opportunities which in turn will contribute to economic growth and jobs for Alaskans.

The decision to request legislative approval for the ability to issue longer leases resulted from many meetings in 2011 with our real estate customers and professionals in the real estate industry. The opportunity for a 95-year lease would accommodate existing and potential Alaska Railroad real estate customers who have repeatedly expressed desire for a longer lease term.

Prior to the transfer of the Alaska Railroad to the State of Alaska, lease terms could be as long as 99 years under federal ownership. After 1985, state restrictions limited lease terms to 35 years until 2002, when the State Legislature approved a maximum term of 55 years.

Real estate developers and lending institutions agree that large multi-million-dollar developments require a level of financial security afforded by longer leases. High-value building construction comes with the expectation that builders will be able to recoup their substantial investments through subsequent sales. When millions of dollars are at stake, investors require sufficient time to sell and ensure a marketable property exists for refinancing and for future buyers.

In making this request for legislative approval, I would like to assure legislators that the Alaska Railroad would make prudent use of a longer maximum lease option. A 95-year lease would not be the standard lease. Rather, it would be available for those infrequent opportunities when a developer or business is seeking to make considerable capital improvements and infrastructure investments. The Alaska Railroad will look closely at the economic life of proposed improvements and investments before making a 95-year long-term commitment to the use of railroad land.

Thank you for considering this important economic opportunity initiative.

Sincerely

A handwritten signature in blue ink that reads 'Linda Leary'.

Linda Leary  
Board Chair, Alaska Railroad Corporation