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April 1, 2009

Representative Bill Stoltze, Co-Chair
Representative Mike Hawker, Co-Chair
Alaska State House Finance Committee
State Capitol
Juneau, AK 99801

Dear Representatives Stoltze and Hawker,

In 1995 AHFC acquired approximately 4.3 acres of unimproved land located in midtown Anchorage and entered into a contract to construct an office/warehouse facility on the site. At the direction of the Knowles administration, AHFC cancelled the contract. In 1997 AHFC entered into an agreement to lease office space and parking located at 4300 Boniface Parkway in Anchorage. In 1999 AHFC sought legislative approval to acquire this property. The bill passed the House 38-1 but died in the Senate Finance Committee, thus enabling Tatitlek Native Corporation to purchase the building and become AHFC's new landlord. If AHFC had been able to acquire the facility, the cost of owning and maintaining the property would have been significantly less than the lease payments AHFC continues to make.

AHFC is seeking legislative approval to enter into negotiations with Tatitlek Native Corporation for the purchase of the office building and parking area located at 4300 Boniface Parkway in Anchorage. The purchase of the existing office space and parking area or the construction of an office building for its use will stabilize the costs associated with housing AHFC's operations, minimize future increases in annual lease payments, and, finally, build equity to both AHFC and the State of Alaska. This should also result in a small increase in AHFC's dividend to the State.

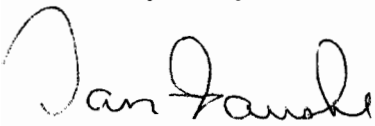


"HOUSING FOR ALASKANS"



AHFC estimates that the purchase of the building will save the Corporation approximately \$7.5 million in net present value using very conservative assumptions.

Thank you for your consideration.

A handwritten signature in black ink that reads "Dan Fauske". The signature is written in a cursive style with a large initial "D".

Sincerely,

Dan Fauske, CEO/Executive Director
Alaska Housing Finance Corporation

Discount Rate 6.500%
 Inflation Rate 3.000%

Net Present Value Cost 30,359,259 **Net Present Value Cost** 22,825,076
 57,800 sq. ft

Lease **Purchase** *** 14,500,000
 Base 1,224,627 \$ 1.76 per square ft.
 2017 \$ 3.50 per square ft. 550,000 Operating Expenses

Yr	Payment	Inflation	Total Lease	Yr	Maintenance	Total Cost
1	1,224,627	11,022	1,235,649	1	550,000	550,000
2	1,235,649	11,121	1,246,769	2	566,500	566,500
3	1,246,769	11,221	1,257,990	3	403,495 **	403,495
4	1,257,990	11,322	1,269,312	4	415,600	415,600
5	1,269,312	11,424	1,280,736	5	428,068	428,068
6	1,280,736	11,527	1,292,263	6	440,910	440,910
7	1,292,263	11,630	1,303,893	7	454,137	454,137
8	2,427,600 *	21,848	2,449,448	8	467,761	467,761
9	2,449,448	22,045	2,471,493	9	481,794	481,794
10	2,471,493	22,243	2,493,737	10	496,248	496,248
11	2,493,737	22,444	2,516,181	11	511,135	511,135
12	2,516,181	22,646	2,538,826	12	526,469	526,469
13	2,538,826	22,849	2,561,676	13	542,264	542,264
14	2,561,676	23,055	2,584,731	14	558,531	558,531
15	2,584,731	23,263	2,607,993	15	575,287	575,287
16	2,607,993	23,472	2,631,465	16	592,546	592,546
17	2,631,465	23,683	2,655,148	17	610,322	610,322
18	2,655,148	23,896	2,679,045	18	628,632	628,632
19	2,679,045	24,111	2,703,156	19	647,491	647,491
20	2,703,156	24,328	2,727,484	20	666,916	666,916
21	2,727,484	24,547	2,752,032	21	686,923	686,923
22	2,752,032	24,768	2,776,800	22	707,531	707,531
23	2,776,800	24,991	2,801,791	23	728,757	728,757
24	2,801,791	25,216	2,827,007	24	750,620	750,620
25	2,827,007	25,443	2,852,451	25	773,138	773,138
26	2,852,451	25,672	2,878,123	26	796,332	796,332
27	2,878,123	25,903	2,904,026	27	820,222	820,222
28	2,904,026	26,136	2,930,162	28	844,829	844,829
29	2,930,162	26,371	2,956,533	29	870,174	870,174
30	2,956,533	26,609	2,983,142	30	896,279	896,279
31	2,983,142	26,848	3,009,990	31	923,167	923,167
32	3,009,990	27,090	3,037,080	32	950,862	950,862
33	3,037,080	27,334	3,064,414	33	979,388	979,388
34	3,064,414	27,580	3,091,994	34	1,008,770	1,008,770
35	3,091,994	27,828	3,119,822	35	1,039,033	1,039,033
36	3,119,822	28,078	3,147,900	36	1,070,204	1,070,204
37	3,147,900	28,331	3,176,231	37	1,102,310	1,102,310
38	3,176,231	28,586	3,204,817	38	1,135,379	1,135,379
39	3,204,817	28,843	3,233,661	39	1,169,441	1,169,441
40	3,233,661	29,103	3,262,764	40	1,204,524	1,204,524

Assumptions:

* Lease at current rate plus increments for inflation. Rate increases to current market at the end of the lease in 2017.

** Purchase includes \$550,000 per year in operating costs, reduced by anticipated \$180,000 energy savings and in-house management from improvements to HVAC and lighting systems in year 3.

***The purchase price is a not to exceed amount and includes \$2 million for deferred maintenance.