# ANALYSIS

**Housing and Community Services Department**

**Preservation with XI-Q Bond Financing**

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**Analyst:** Michelle Deister

**Request:** Acknowledge receipt of a report from the Housing and Community Services Department on the use of Article XI-Q general obligation bonds for affordable housing preservation.

**Analysis:** SB 51 (2025) directed the Housing and Community Services Department (HCSD) to establish and maintain an affordable housing preservation program, coordinate affordable housing preservation efforts, and incentivize the analysis and preservation of affordable housing (including manufactured dwelling parks). The measure directed the agency to collect data on properties at risk of loss, analyze operating expenses of properties it finances, and update and publish a preservation strategy. The measure also directed the agency to aggregate available sources of funding and financing, including proceeds from Article XI-Q bonds.

A budget note in HB 5006 (2025) directed the HCSD to report on the feasibility of using Article XI-Q general obligation bonds to fund affordable housing preservation projects. The text of the budget note reads as follows:

> **BUDGET NOTE:** The Housing and Community Services Department is directed to report to the Legislative Assembly during the 2026 legislative session on the feasibility of using Article XI-Q general obligation bonds to support affordable housing preservation projects. The report shall include findings regarding the benefits and constraints of Article XI-Q bonds as a possible funding source for affordable housing preservation, and recommendations regarding the types of preservation projects best and least suited to be funded with Article XI-Q bonds. The Department shall include a summary of changes to program rules and project review processes that may be required, and the estimated cost of implementing possible changes.

Previously, housing preservation projects have been financed through General Fund appropriations or lottery bond proceeds. Article XI-Q bonds have been used since 2017-19 to increase the supply of affordable housing through the Local Innovation and Fast Track (LIFT) Homeownership Program. The Oregon Constitution authorizes the state to use this financing tool to acquire, construct, remodel, repair, equip, or furnish real or personal property. The state must have an ownership interest in the property being financed. For LIFT, this has been interpreted to mean first lien position, usually shared with a private lender, and operating restrictions imposed by the state in the form of income restrictions for tenants. HCSD reports that for preservation projects, HCSD would need to assume sole first lien position to meet the ownership interest standard.

HCSD prioritizes the following categories of preservation projects:

- Extension or renewal of long-term project-based federal rent assistance contracts
- Affordable properties at risk of converting to market rate as rent or income restrictions expire
- Affordable rent-restricted properties at risk of loss due to physical or financial challenges
- Manufactured home parks owned or being acquired by a residents' cooperative or a nonprofit
- Acquisition of manufactured dwelling park properties that are for sale, enabling purchase by affordable housing operators or tenant cooperatives

HCSD's report concludes that Article XI-Q bond proceeds for preservation projects are best suited to the following scenarios:

- Acquisition of property with expiring regulatory or affordability covenants and placement of it under new ownership as part of the preservation transaction
- Rehabilitation to address physical conditions where there is full refinancing of the project

Article XI-Q bonds are less suited for providing additional capital for affordable housing projects in financial distress, unless they are fully refinanced and ownership transferred, resulting in the state having first lien position.

The agency's 2025-27 legislatively adopted budget included $50 million in lottery bond proceeds approved for preservation. Of that total, $38 million has been dedicated to the financial stabilization of 24 projects in the current affordability portfolio that are at risk of loss due to restricted rents not covering operating costs and debt service. The average investment was $1.2 million per project (about $20,000 per unit) and resulted in a targeted investment that encouraged property owners to engage with existing private lenders to "recast and right size debt" rather than fully refinance. A similar approach could not be used for Article XI-Q bonds, as they could only be used to fully refinance a property so that the state receives first lien position.

HCSD estimates that the cost of using Article XI-Q bonds for financially struggling properties is between $60,000 and $120,000 per unit due to the more comprehensive nature of the assistance provided for a full refinancing. Because the majority of 2025-27 preservation funding has been set aside for financial stabilization, HCSD has approved three projects comprising 185 units that will be preserved with $4 million of lottery bond proceeds designated for preservation that might have otherwise qualified for Article XI-Q financing. By way of comparison, in the 2023-25 biennium, 14 of 20 total projects comprising 968 units would have qualified as candidates for funding with Article XI-Q bonds.

Given that Article XI-Q bond proceeds are not applicable to all existing preservation scenarios—particularly those in which targeted investments are made rather than a full refinancing of the entire project—it is likely that HCSD would still request that the state appropriate General Fund as the most flexible source of financing, or allocate lottery bond proceeds for projects not suited for funding by Article XI-Q bonds.

The Legislative Fiscal Office notes that state debt capacity is limited, and the State Debt Policy Advisory Committee targets General Fund Debt Service to account for no more than 5% of General Fund revenue. Besides affordable housing, the state utilizes Article XI-Q bonds for correctional facilities, higher education facilities, and state agency buildings and facilities.

If HCSD were to be provided with Article XI-Q bonds as a financing tool, before any preservation projects could be approved, the agency anticipates needing 12 to 18 months to develop program rules and processes, including other lender engagement, a dedicated position to operate the program and to analyze transactions, and costs associated with legal review of proposed transactions.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Committee on Ways and Means acknowledge receipt of the report.

**Request**: Report on the feasibility of using Article XI-Q general obligation bonds to support affordable housing preservation by the Oregon Housing and Community Services Department.

**Recommendation**: Acknowledge receipt of the report.

**Discussion**: House Bill 5006 (2025) was accompanied by a budget note that required the Oregon Housing and Community Services Department (HCSD) to submit a report to the legislature by February 2026, outlining the feasibility of using Article XI-Q general obligation bonds for affordable housing preservation projects. The budget note stated that HCSD shall:

> **Budget Note**:
> *"Report to the Legislative Assembly during the 2026 legislative session on the feasibility of using Article XI-Q general obligation bonds to support affordable housing preservation projects. The report shall include findings regarding the benefits and constraints of Article XI-Q bonds as a possible funding source for affordable housing preservation, and recommendations regarding the types of preservation projects best and least suited to be funded with Article XI-Q bonds. The Department shall include a summary of changes to program rules and project review processes that may be required, and the estimated cost of implementing possible changes."*

Benefits and Constraints of Using Article XI-Q Bonds

Article XI-Q allows the state to finance the cost of "acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property." Given the allowable uses of resources, projects must be evaluated to determine whether preservation projects meet the criteria for being funded using Article XI-Q bonds. This financing mechanism provides state-required controls on oversight and execution of the project.

While Article XI-Q bonds may be a financing mechanism to support housing preservation, they are not the only funding source utilized to finance projects. Many projects are also funded through private lenders. Private lenders financing these projects require sole first lien position and the right to foreclose on projects. However, in many cases, projects are funded with multiple revenue sources. In those cases where projects are funded using Article XI-Q bonds or through the Local Innovation Fast Track (LIFT) program, which are sourced using Article XI-Q bonds, the state has to be in first lien or share first position.

Recommendations for Best and Least-suited Preservation Projects

The scenarios for which XI-Q bonds could be used for affordable rental housing preservation projects are:

- An acquisition of the property by a new ownership entity as part of the preservation transaction, or
- The rehabilitation of the property to address a physical condition need.

For Federal Project-Based Rent Assisted preservation projects and Regulatory Expiration of Affordability projects, projects under this category are generally allowed to be funded with Article XI-Q bonds under certain conditions requiring the state to maintain lien primacy. For projects where an investment includes a change of ownership, full project refinancing is expected to keep the state in first lien position. In cases where there is not a change of ownership, funds could only be used for rehabilitation. For Physical Condition projects, rehabilitation is an allowable use of bond funds for refinancing or initial financing of the project to again maintain the state in the first lien position. For Financial Distress projects, some projects would be allowed to be supported with Article XI-Q bonds, as long as a full refinancing occurs. Lastly, Manufactured Dwelling Park sites are eligible for Article XI-Q bonds if projects are changing ownership in order to secure financing.

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# Using Article XI-Q General Obligation Bonds to Preserve Affordable Rental Housing and Manufactured Home Parks

## to the Interim Committees of the Legislative Assembly Related to Housing

January 14, 2026

## Purpose of the Report

HB 5006 (2025) budget notes directed Oregon Housing and Community Services (OHCS) to report on the feasibility of using Article XI-Q general obligation bonds to support affordable housing preservation projects. This report includes findings regarding the benefits and constraints of Article XI-Q general obligation bonds as a possible funding source for affordable housing preservation, and recommendations regarding the types of preservation projects best and least suited to be funded with Article XI-Q bonds.

## Background: Housing Need

The Legislature and the Governor have identified expanding the supply of housing across Oregon as a central priority in recent years. Production of housing has not kept up with demand; the Oregon Housing Needs Analysis identifies a current shortage of 95,937 units across the state. While housing across all income levels is needed, the lack of affordable housing is especially acute, and the preservation of existing affordable housing is also critically important. Preservation efforts can help the state avoid losing ground in the total units of housing that are available. Keeping existing rent-restricted housing affordable and well-maintained over the long term is as important as building new affordable housing.

## Preservation Risk Categories

Properties can be at risk of loss of affordability for a variety of reasons. OHCS' preservation work currently focuses on five main types of risk to affordable housing supply:

1. Expiration of federal project-based rent assistance in affordable rental housing projects;
2. Expiration of other project affordability restrictions in regulated affordable rental housing;
3. Physical conditions challenges that threaten properties' long-term viability as affordable housing;
4. Financial challenges that threaten properties' long-term viability as affordable housing; and
5. Loss of naturally occurring affordable housing in manufactured home parks through market shift.

The loss of affordable housing that can result from each of these risk categories represents substantial impacts to tenants and communities across the state. Where federal rent assistance contracts expire, the properties will revert to the market and long-term ability to provide affordable and stable housing to tenants is diminished. Where regulatory requirements for other affordable rental housing properties expire, though the state has adopted a safe harbor to support the transition for tenants, the property is no longer required to keep rents and rent increases within the purview of the public finance tool requirements, and the units are lost from communities’ affordable housing supply. Tenants of formerly affordable federally-subsidized or state-regulated properties may find themselves displaced or rent-overburdened, further straining existing affordable housing resources and supports.

Manufactured parks residents have gained some protections through new statutory limits on increases to space rents established through 2025 HB 3054. However there is a risk of loss of affordable manufactured home park housing through conversion of property to another market use or population. When owners sell or otherwise develop a property, in addition to the impact to current tenants there is also reduction to the overall affordable housing supply. Such loss of units disrupts housing stability and increases the supply-side housing needs.

**Quantifying Risk of Loss**

*Expiration Risk*: Properties at risk of loss due to the expiration of either federal assistance (HUD / USDA-RD) or other state and local regulatory controls are subject to the state’s Publicly Supported Housing Preservation (PuSH) regulations. The PuSH data shows that over the next ten years, there are 87 multi-family rental properties with 2,737 units at risk of loss of federal project-based rent assistance, and another 100 properties with 5,209 units at risk due to the expiration of other affordability restrictions.

*Physical / Financial Risk*: Isolating the number of units at a risk of loss in affordable rental housing due to physical and financial challenges is more difficult, given the dynamic nature of operations and financial performance. However, based on OHCS Portfolio Risk Assessment data, OHCS identifies 38 properties with 2,350 units that have serious property maintenance issues and capital needs that threaten long-term viability. Furthermore, in its July 2025 Portfolio Financial Report Study, OHCS identified 273 properties with a debt coverage ratio of less than 1.1, which means that those properties do not have adequate cash flow to cover their monthly debt payments and are currently at risk due to financial challenges. Though historical financial challenges at properties have primarily occurred in connection with related physical condition issues, in recent years the compounding impacts of stagnant revenue and rapidly rising costs since COVID have created persistent operating deficits that have greatly exacerbated financial risk of loss. In response, in 2025 OHCS focused a targeted Property Stabilization Investments (PSI) funding tool to buy down and re-cast debt to stabilize and allow for ongoing operations of affordable rental housing properties. Immediately after launching PSI, OHCS received 59 requests totaling $78.3 million for 4,122 units.

*Manufactured Parks:* Quantifying the risk of loss of naturally occurring affordable housing within manufactured home parks (also known as manufactured dwelling parks) is also difficult. There are currently 67,413 homes in 1,205 parks across the state, according to legislatively mandated reports from owners to OHCS. Manufactured home parks are seen as naturally affordable by virtue of low rent rates for spaces and lower purchase prices for manufactured homes, though there is no assurance of affordability where there are no associated regulatory controls. At the same time, park infrastructure and homes are aging: the average park in Oregon was built in 1970, and 80 percent of homes were built prior to 1995. Decades of deferred maintenance and deteriorating homes leave many residents vulnerable to unsafe living conditions with few alternatives. Adding to these challenges, a growing trend of private investment acquisitions threatens to displace residents and further erode this critical source of naturally occurring affordable housing.

## Article XI-Q Bonds for Housing Investments

Article XI-Q of the Oregon Constitution authorizes the state to issue general obligation bonds, using the state's full faith and credit to finance the costs of *acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property that is or will be owned or operated by the State of Oregon.*

Beginning in 2015, the Legislature created a path for investing XI-Q bonds in the creation of new affordable housing through the Local Innovation & Fast Track (LIFT) program. LIFT has become one of the state's largest Article XI-Q investments and has established pathways for leveraging the funding source to expand housing supply. This resource allows the state to generate funds through a bond sale (Article XI-Q bonds can be sold within taxable and tax-exempt structures) and to invest the proceeds up-front. As true debt that the state takes on, the state general funds are then dedicated to paying back the debt and associated returns over the term of the bond sale agreement.

The legal structure adopted to allow for the Article XI-Q bonds to be invested for affordable rental housing is different from traditional OHCS gap subsidy investments in a couple ways. Most notably, the state's investment of Article XI-Q bonds for affordable rental housing requires investments to be structured in first lien position. The first position lender has priority for repayment of a loan before all other creditors, which lessens risk. OHCS has built existing Article XI-Q bond programs to allow for private lending on the projects through an allowance for the state to share first position with another primary lender for the project. Legal rights and remedies between the two parties are structured in the legal documents to provide the private lender the ability to foreclose in the case of financial default, which most lenders require, while preserving the state's operating agreement and affordability controls in the event of a private lender foreclosure.

In the case of manufactured park preservation, typically a nonprofit will acquire financing to purchase the park and either operate it as a community land trust or work with residents form a cooperative wherein the property is collectively owned by park residents. While park preservation would differ from LIFT conceptual focus on creating new units, the LIFT Homeownership program has implemented various structures for Article XI-Q bond investments which demonstrate ability to ensure the necessary operational controls to meet constitutional requirements within a cooperative or community land trust homeownership model.

## Benefits and Constraints of Article XI-Q bonds in Preservation Scenarios

Any use of Article XI-Q bonds to support preservation investments should be made through the new statutory program established in the 2025 Legislative Session through Senate Bill 51 (SB 51). While the existing LIFT program is funded with Article XI-Q bonds, the program's focus on *expanding the state's supply of affordable housing* does not allow that program to be used for preservation investments. Accordingly, this analysis has been built with an assumed use of the preservation program established through 2025 SB 51.

To understand the areas of potential for use and impact to support needed Preservation investments, we've pursued two central areas of inquiry to understand the implications of this funding source related to its use for preservation: what are the eligible uses of the Article XI-Q resources, and what is the required legal structure for Article XI-Q bond project investments.

### Eligible Uses for Resource

Article XI-Q authorizes the state to finance the costs of *acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property.* Accordingly, the scenarios for affordable rental housing preservation that would allow the resource to be used are circumstances where there is:

- An acquisition of the property by a new ownership entity as part of the preservation transaction, or
- The rehabilitation of the property to address a physical condition need.

Notably, this means Article XI-Q bonds can only be used to refinance project debt if it includes a rehabilitation scope of work and application of state required controls, which is likely to require a new financial structure. This means that for each of the affordable rental housing risk areas, assessing whether Article XI-Q bonds are feasible requires **evaluating whether the scope of resource use is allowable and how the investment is structured to accomplish the intended impact to the project.**

### Resource Structure Applicability

The required legal structure discussed above, which gives the state stronger controls than in traditional gap financing programs, has impacts on private lenders' ability to provide private debt to Article XI-Q funded projects. Private lenders that engage in affordable housing financing in the state have traditionally required sole first lien position and corresponding ability to foreclose liens and affordability restrictions. This is true even where the public investment is larger than that of the private lender. While such foreclosure events are rare, challenging markets and unique project circumstances do put private and public investments at risk.

LIFT investments, with the required Article XI-Q bond requirements included, have demonstrated where private lenders are able to share such controls.  In the case of LIFT, the private lender shares first lien position with the state and retains the corresponding ability to foreclose the state investments, while the state can retain needed affordability controls in the case of loan default.

As such, the Article XI-Q bond requirements for lenders to share controls and limit the ways in which they can mitigate the risk of loan default is a substantial area of active effort with current programs. Given these limits, whereas traditional gap funds for preservation efforts could be added to existing finances without reconsideration of the initial terms, the shared controls necessary for Article XI-Q financing will require at a minimum a subordination by existing lenders and potentially a full refinancing that puts the state in a first lien position.

**<u>Article XI-Q bonds Use and Structure impacts to Preservation Uses</u>**

The following table summarizes the impact of Article XI-Q eligible uses and required legal structure across the identified preservation priorities for affordable rental housing and manufactured park preservation.

*Table 1. Article XI-Q Eligible Uses and Legal Structure by Preservation Categories*

| Preservation Category | Fit with Article XI-Q Eligible Uses | Fit with Article XI-Q Legal Structure |
|---|---|---|
| *1. Federal PBRA Expiration of Assistance* | Yes, generally.<br><br>Most federal project-based rent assisted project preservation includes rehabilitation scopes of work which allows for Article XI-Q use; 4% LIHTC requires a rehab scope.<br><br>All third-party acquisitions are allowable. | Where the investment includes a change of ownership, a full refinancing is expected and would be aligned with funding source requirements.<br><br>Where there is not a change of ownership, it would need to rely on rehabilitation to use the resource. And such a rehab oriented investment would need to be invested, generally, as full debt refinancing for the project (as lenders are unlikely to subordinate to new requirements). This means that it would not be feasible to add the preservation funds as subordinate debt just for the rehab but instead require a full financing package for the project.<br><br>The preservation of projects with USDA Rural Development financing needed to retain associated rent assistance will need additional time for implementation; understanding that OHCS has not to-date had opportunity to negotiate the balanced controls with RD lending financing. |

(Table continues on following page)

| Preservation Category | Fit with Article XI-Q Eligible Uses | Fit with Article XI-Q Legal Structure |
|---|---|---|
| *2. Regulatory Expiration of Affordability (Expiry)* | Yes, generally.<br><br>Most expiry preservation projects include rehabilitation scopes of work which allows for Article XI-Q use; 4% LIHTC requires a rehab scope.<br><br>All third-party acquisitions are allowable. | Where the investment includes a change of ownership, a full refinancing is expected and would be aligned with funding source requirements.<br><br>Where there is not a change of ownership, it would need to rely on rehabilitation to use the resource. And such a rehab oriented investment would need to be invested as full debt refinancing for the project (unless existing lenders are willing to subordinate to new requirements, which is less likely). This means that it would not be feasible to add the preservation funds as subordinate debt just for the rehab but instead require a full financing package for the project. |
| *3. Physical Condition (Rehab)* | Yes, rehabilitation is allowable. | And such a rehab oriented investment would need to be invested, generally, as full debt refinancing for the project (unless existing lenders are willing to subordinate to new requirements, which is less likely). This means that it would not be feasible to add the preservation funds as subordinate debt just for the rehab but instead require a full financing package for the project. |
| *4. Financial Distress (PSI)* | Sometimes, though not for the current strategy for Property Stabilization Investments, which focus solely on financial distress-related risks to the project's ability to continue to serve as affordable rental housing do not include needed aspects of significant rehab or transfers of ownership that would be eligible for Article XI-Q bond resources.<br><br>However, with shifts to investment focus, where projects have an associated rehabilitation need or the financial distress is resolved through a change in ownership, financially distressed projects could be supported with the resource. | Where the investment includes a change of ownership, a full refinancing is expected and would be aligned with funding source requirements.<br><br>Where there is not a change of ownership, it would need to rely on rehabilitation to use the resource. And such a rehab oriented investment would need to be invested as full debt refinancing for the project (unless existing lenders are willing to subordinate to new requirements, which is less likely). This means that it would not be feasible to add the preservation funds as subordinate debt just for the rehab but instead require a full financing package for the project. |

(Table continues on following page)

| Preservation Category | Fit with Article XI-Q Eligible Uses | Fit with Article XI-Q Legal Structure |
|---|---|---|
| *5. Manufactured Dwelling Park* | Yes.<br><br>Manufactured Park preservation investments function by acquiring the park as naturally occurring affordable housing and doing the needed rehabilitation to bring the property condition to sustainability. | Includes a change of ownership and so would require full project financing to allow the state XI-Q investment structure. |

## Required Policy and Process Updates

The 2025 Oregon Legislature SB 51 established the statutory preservation program and ability to seek Article XI-Q bond funding from DAS to finance preservation projects that meet the constitutional requirements. If the legislature allocates Article XI-Q bonds for preservation, OHCS would follow the procedures outlined by DAS in the Agency Guide to Financing Capital Projects with Article XI-Q Bonds. For best execution as a dedicated preservation resource, new statutory language should create a Preservation Program Fund[1].

## Estimated Cost of Implementing Changes

Financing preservation with Article XI-Q bond resources adds complexity to project investments and structures that have not been navigated to-date in other state use of these funds for housing investments. To steward this resource addition, OHCS would incur legal and staffing costs. While OHCS does retain a preservation initiative dedicated position that could focus on needed diligence to develop and align the program structure to the allowable use and structures of Article XI-Q bonds, the long-term program needs to both maintain the legal and contractual

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[1] Potential language for statutory addition of the account is: (1) The Preservation Program Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned on moneys in the Preservation Program Fund shall be credited to the fund.
(2) The fund consists of
  (a) Proceeds and interest earnings from general obligation bonds authorized for issuance by the Oregon Department of Administrative Services under Article XI-Q of the Oregon Constitution and deposited into the fund;
  (b) Moneys appropriated, allocated, deposited or transferred to the fund by the Legislative Assembly;
  (c) Moneys deposited into the fund under ORS XXXX.
  (d) Moneys from loan and interest repayments; and
  (e) Moneys pledged or contributed to support eligible preservation uses,
(3) Moneys in the fund are continuously appropriated to the Housing and Community Services Department for:
  (a) The purposes described in ORS XXXX;
  (b) Payment of the costs incurred by the department to administer the fund;
  (c) Payment of bond-related costs, as defined in ORS 286A.816

needs for this resource. In addition to existing roles, the increased program complexity for individual transactions will warrant a dedicated PA3 program role. Legal costs will be incurred to finalize the program structure and to develop legal templates, however that will leverage all current expertise and understanding for housing-side investments. No other significant costs are anticipated.

Implementation timelines would be variable, however OHCS estimates this work could be stood up within 12-18 months depending on the scale of resources and variability of uses for allocation. If resources are invested for preservation from Lottery Backed Bonds or General Funds, which are more flexible funds, the Article XI-Q bond funds could be focused on narrower areas of program development where it is a natural fit. This could expedite engagement and legal investment needed to finalize associated program updates.

## Conclusion

Article XI-Q bonds have become an engine for ongoing affordable housing development across the state despite market challenges that have continued to stall out development nationwide. This funding source adds complexity and challenges to transactions, which OHCS has navigated with private lenders to have an operational program for new construction that continues to find willing financial partnership. While lending analysis differs in the case of preservation versus new construction, in the current market lenders are seeing housing as higher risk and as a standard do require sufficient controls to ensure debt repayment. Where preservation resources are made available using Article XI-Q bond funds, it is likely that lenders will participate. While there is added complexity in the controls needed for Article XI-Q bonds, lenders are likely to participate as long as their risk is mediated and the lender retains controls sufficient to have comfort over the debt repayment.

**Preservation investment types that are most aligned with the Article XI-Q bond fund source uses and structure are those where there is a comprehensive rehabilitation and / or where the property is being acquired by a new owner to preserve affordability. Both approaches would need to incorporate full refinancing and restructuring of project debt to incorporate needed subordination of controls by existing lenders.** While most preservation investments could be structured to accomplish full refinancing, it is not the most efficient strategy for all types of preservation needs.

The areas where this approach does not inherently align with identified preservation strategies are where the investments could be more surgically focused than would be needed if funded through Article XI-Q bond funds. In many cases that could be where there is a risk of loss from a physical condition issue that requires rehabilitation investment (such as could be the case with building envelope, roof, and internal systems) investments could focus on the rehab investment scope directly instead of needing to trigger a full project refinancing. It would also not work within the current Project Stabilization Investment (PSI) structure, which is targeted to address projects where the operating budgets are 'upside down' and the project no longer has sufficient resources to cover the costs of regular operations. PSI as currently operated requires lender continued engagement to agree to re-cast and right-size existing debt in a way that does not meet the Article XI-Q bond eligible uses and currently does not focus on full rehabilitation scopes of work or full project refinancing.

While the lighter-touch financial interventions are not feasible with Article XI-Q bonds, there is also need for investments in preservation that could leverage preservation fund investments to secure long-term affordability for critically at-risk affordable properties.  Projects with physical rehabilitation needs, and projects that are being sold to preserve affordability are good-fits for preservation investments using Article XI-Q funds.

Stewarding the critical Article XI-Q funding requires legislative balance across priorities and consideration of impact to the state. With severe unmet housing needs, preserving affordable housing is a critical component of needed investment, and we provide this report for insight and understanding of the ways in which this resource could be considered to have impact in preservation.