

OREGON HOUSING AND COMMUNITY SERVICES

Housing Preservation Budget Note



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Joint Committee On Ways and Means Subcommittee On Transportation and Economic Development



Purpose of Report

HB 5006 (2025) budget note directs OHCS to report on the feasibility of using Article XI-Q general obligation bonds to support affordable housing preservation projects.

This report includes:

- Benefits of allowing this use
- Constraints
- Recommendations of the types of preservation project investments best and least suited to be funded with Article XI-Q bonds



Why Preservation Matters?

Keeping existing rent-restricted housing affordable and well-maintained over the long term is as important as building new affordable housing.

OHCS 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
5. Loss of naturally occurring affordable housing in manufactured home parks through market shift





Article XI-Q Bonds for Housing Investments

Article XI-Q of the Oregon Constitution:

- Authorizes the state to issue general obligation bonds backed by Oregon's full faith and credit.
- Funds can be used for acquiring, constructing, remodeling, repairing, equipping or furnishing property owned or operated by the state.

Affordable housing investment:

- In 2015, the legislature created a path to use XI-Q bonds for housing.
- Led the Local Innovation & Fast Track (LIFT) program for new affordable housing for both rental and homeownership development as well as permanent supportive housing.





Article XI-Q Bonds: Preservation Use and Structure

Uses: Funds can be used for **acquiring**, constructing, **remodeling**, repairing, equipping or furnishing **property owned or operated by the state**.

Acquisition
and/or Rehabilitation
included in the scope of work



Refinance (vs adding)
must be loaned in First Position,
may be shared with other
primary lenders.



Article XI-Q Bonds: Preservation Use and Structure

Preservation Scenario	Fit with eligible use under XI-Q	Fit with XI-Q Legal Structure
Federal Project-Based Rental Assistance (PBRA) Expiration	Yes, third-party acquisition	<ul style="list-style-type: none">Change of ownership → Yes (full refinance)
	Yes, if rehabilitation included	<ul style="list-style-type: none">If rehabilitation includes full refinance or subordination → YesIf adding as subordinate debt → No
Regulatory Expiration of Affordability	Yes, third-party acquisition	<ul style="list-style-type: none">Change of ownership → Yes (full refinance)
	Yes, if rehabilitation included	<ul style="list-style-type: none">If rehabilitation includes full refinance or subordination → YesIf adding as subordinate debt → No



Article XI-Q Bonds: Preservation Use and Structure

Preservation Scenario	Fit with eligible use under XI-Q	Fit with XI-Q Legal Structure
Physical Condition	Yes, rehabilitation included	<ul style="list-style-type: none">• If rehabilitation includes full refinance or subordination → Yes
Financial Distress	No, where only reducing current debt	<ul style="list-style-type: none">• n/a
	Yes, if includes rehabilitation and/or change of ownership	<ul style="list-style-type: none">• Change of ownership → Yes (full refinance)• If rehabilitation includes full refinance or subordination → Yes• If adding as subordinate debt → No
Manufactured Dwelling Park	Yes, includes rehabilitation and change of ownership	<ul style="list-style-type: none">• Change of ownership → Yes (full refinance)



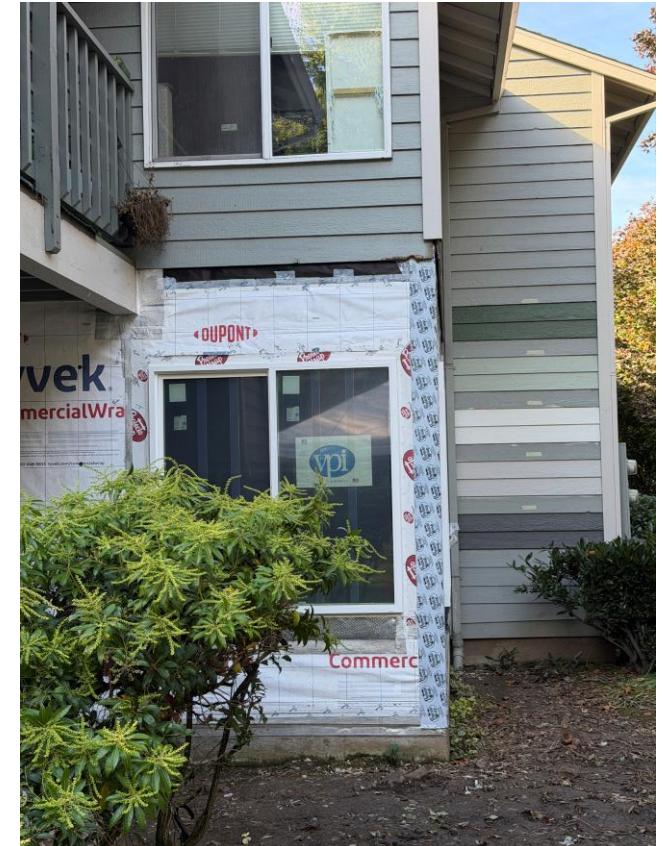


Conclusion

Article XI-Q bonds work best when preservation requires full refinancing, particularly for acquisitions and major rehabilitation

Structural requirements

- Full refinancing
- Restructuring of project debt to allow subordination of existing lender controls



Woodspring Apartments Renovation, Tigard, OR

Questions?

