

OREGON HOUSING AND COMMUNITY SERVICES

Housing Preservation Budget Note



Natasha Detweiler-Daby,
Director, Affordable Rental Housing Division

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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	• Change of ownership → Yes (full refinance)
	Yes, if rehabilitation included	• If rehabilitation includes full refinance or subordination → Yes • If adding as subordinate debt → No
Regulatory Expiration of Affordability	Yes, third-party acquisition	• Change of ownership → Yes (full refinance)
	Yes, if rehabilitation included	• If rehabilitation includes full refinance or subordination → Yes • If 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?

