

## SUBCOMMITTEE RECOMMENDATION

### **Housing and Community Services Department Preservation with XI-Q Bond Financing**

---

To: Ways and Means Full Committee  
From: Transportation and Economic Development Subcommittee  
Carrier: Representative Gomberg

---

On February 12th, the Transportation and Economic Development Subcommittee received a report from the Housing and Community Services Department on the use of Article Eleven-Q general obligation bonds to finance the preservation of affordable housing.

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. Up to this point, Article Eleven-Q bonds for housing have only been issued for affordable housing production.

The agency reported that to use Article Eleven-Q bonds to preserve affordable housing, the agency must meet constitutional requirements for an ownership stake in units being preserved. The agency must maintain first lien position on properties it finances with these bonds and impose operating restrictions in the form of income restrictions for tenants. The agency has concluded that preservation projects best suited to Article Eleven-Q bond financing are acquisitions of properties with expiring affordability covenants, which will be placed under new ownership; acquisitions of manufactured housing parks for

purposes of transferring ownership to a tenant cooperative or affordable housing developer; or rehabilitation to address physical or structural issues where there is a full refinancing of the project. Article Eleven-Q bonds are less suited to providing additional capital to affordable housing projects in financial distress.

The agency reports that it would take 12 to 18 months to develop program rules and processes and to engage other lenders. The agency would also need a dedicated position to operate the program and analyze transactions.

The Transportation and Economic Development Subcommittee recommends acknowledging receipt of the report.