Note: highlight and underline added to the original LC opinion

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STATE OF OREGON
LEGISLATIVE COUNSEL COMMITTEE

May 29, 2025

Senator Khanh Pham
900 Court Street NE S407
Salem OR 97301

Re: Use of Q bonds for housing preservation purposes

Dear Senator Pham:

You asked whether bonds issued under Article XI-Q of the Oregon Constitution (Q bonds) can be used for a new housing preservation program, similar to the existing Local Innovation and Fast Track Housing Program (LIFT program), under which the state would use Q bond revenue to acquire existing properties, repair and remodel existing housing and newly acquired buildings, and refinance properties.

As you know, Article XI-Q, section 1, of the Oregon Constitution, provides that Q bond revenue may be used only to finance the costs of "[a]cquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property that is or will be owned or operated by the State of Oregon" and to refinance specified indebtedness. Thus, whether Q bonds can be used for the housing preservation program depends on (1) whether the intended uses fall within the permissible actions and (2) whether the properties are or will be owned or operated by the state.

Acquiring, repairing and remodeling properties are all within the list of permissible actions. For properties to be acquired, repaired or remodeled, the question is then whether the State of Oregon would own or operate the properties. As we understand it, the state would not have an ownership interest, but would acquire an "operational interest" in the properties similar to the interest it maintains under the LIFT program. Thus, we think Q bond revenue may be used to acquire, repair or remodel properties to the same extent they can be used for the LIFT program.

We do not think, however, that Q bond revenue can generally be used to refinance properties. Refinancing is specifically addressed, and limited, by Article XI-Q, section 1 (2). Under that subsection, Q bond revenue may only be used to refinance earlier-issued Q bond debt, or debt incurred prior to December 2, 2010, for "costs described in subsection (1)" (that is, costs for which Q bonds can permissibly be used).

Those limited circumstances in which Q bonds can be used for refinancing do not include refinancing existing affordable housing properties, except to the extent that the bonds are merely refinancing outstanding Q bond debt.

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Very truly yours,

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By
David Fang-Yen
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