



OREGON HOUSING *and*
COMMUNITY SERVICES

Affordable Rental Housing Preservation Program Manual Draft v1.1 - May 1, 2026

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Preservation Overview

Oregon Housing and Community Services' (OHCS) preservation efforts are based on the foundational assumption that keeping existing rent-restricted housing affordable, financially viable, and well-maintained over the long term is as important as building new affordable housing. Preserving the housing we already have is generally more cost-effective than building new housing. But most important, these efforts protect tenants from housing that could fall into disrepair, become unsafe, or simply be lost due to financial and market forces.

Although we refer to the state's efforts to maintain the multi-family affordable rental housing stock as a preservation program, efforts are really two-fold, with distinct resource allocations made available for both preservation and stabilization. While there is some overlap in these, generally preservation means periodically investing in the physical condition of existing affordable projects as they age, in return for extending the rent restrictions attached to the property. A key related preservation priority includes renewing federal rent assistance contracts attached to specific properties.

Stabilization refers primarily to addressing an immediate threat to a property's financial viability. This is largely achieved through using public funds to buy down private lender debt to ensure properties have a positive cash flow. When projects face financial challenges, they can fall behind on maintenance and critical repairs. Thus, there can be overlap between preservation and stabilization.

This manual describes OHCS' preservation program as well as its stabilization efforts. While supporting the preservation of [manufactured home communities](#) as long-term affordable housing options is also a key agency goal, this manual is limited to describing our efforts on behalf of multi-family affordable rental housing.

“Oregon Housing & Community Services is committed to not only developing more affordable housing but preserving current affordable housing to ensure diversity, resilience, and a sense of belonging within a community can last for generations.”

-Andrea Bell, OHCS Executive Director

Preservation Program

OHCS adopted its first [Preservation Strategy Framework in 2023](#). The framework identified the key types of preservation that the agency supports. Funding is intended to address multi-family affordable rental housing that falls within specific categories that put properties at risk of loss. These are:

- Expiring affordability restrictions;
- Physical condition issues; and/or
- Expiring federal project-based rental assistance (PBRA).

Since the release of the original framework, market conditions have changed and costs have escalated dramatically. These, along with property and asset management capacity challenges, pose new risks to the operational stability and even the viability of properties and portfolios. Financial risk of loss was included in the original framework and is now addressed by offering private lender debt buydown through the agency's Property Stabilization Investments resource. However, there are situations where this solution would be insufficient to prevent loss, and some owners are exploring the disposition of portfolio properties. The department is available for consultation and technical assistance in these instances. On a case-by-case basis and if funding availability allows, OHCS may elect to support the acquisition of a property where a purchaser can ensure viability and offer a stable tenant experience.

Preservation is not one specific thing. Housing partners can propose varied approaches to address these risk categories, including acquisition of a property; acquisition followed by rehabilitation; or rehabilitation only, with no change in ownership. Similarly, rehabilitation needs are highly variable and OHCS does not prescribe the project scope. However, OHCS intends for preservation funding in this area to focus on replacement or repair of major systems in aging buildings, beyond what rent revenues and replacement reserves can cover.

The agency addresses the risk of loss of Manufactured Home Parks, which are often a naturally occurring type of affordable housing, through its Preservation of Manufactured Dwelling Park Program.

Statutory Background

Oregon Revised Statute (ORS) 456.559 describes the duties of OHCS, including to “encourage and assist in the rehabilitation and conservation of dwelling units for persons and families of lower income.” In the 2025 legislative session, Senate Bill 51 amended this statute to formally direct the department to establish and maintain an

affordable housing preservation program, including identifying properties at risk of loss and taking action to promote housing stability. This program manual is in support of the Oregon Administrative Rule (OAR) 813-028-001 through 813-028-0090 that implements that statute. Readers are directed to the ORS and OAR references for the guiding language.

Funding for preservation and stabilization efforts has in recent years been made possible through lottery revenue bonds that are issued by the State Treasurer (set forth by ORS 285B.551). Other funding sources such as Elderly and Disabled bonds (OAR 813-030-0005 through 813-030-0070), Local Innovation Fast Track (LIFT OAR 813-135-0010 through 813-135-0060) (when acquiring a project that is less than seven years old, for the purposes of preventing it from becoming a market rate property), the General Housing Account Program (GHAP OAR 813-055-0001 through 813-055-0085), Article XI-Q General Obligation Bonds or other sources may also be dedicated to preservation, depending on legislative allocation and department priorities set each biennium.

The department updates its webpages and releases technical advisories to housing partners as new resources are made available, providing information to reflect the amounts that will be dedicated to preservation and stabilization from specific sources in the current biennium. Knowing both the amounts available and any limitations of sources can help potential applicants to plan accordingly.

Eligible Applicants

Preservation funding applications for multi-family properties are open to many types of entities, including nonprofit agencies, nonprofit corporations, local governments, Tribal Nations, housing authorities, and private individuals or corporations as developers. These are defined as follows:

- A nonprofit corporation established under ORS chapter 65;
- A housing authority established under ORS 456.055 through 456.235;
- A local government as defined in ORS 197.015;
- A for-profit entity;
- A Native-American tribe; or
- An individual.

Preservation applicants must meet OHCS' standard prequalification requirements that are in effect for all applicants. These relate to portfolio performance, developer experience and legal standing. Where preservation prioritization criteria relate to

culturally specific organizations or other factors, these also align with standard OHCS definitions that are found in the [Oregon Centralized Application \(ORCA\) manual](#).

While a manufactured dwelling park cooperative is eligible to receive funding through OHCS, those resources, along with technical assistance for park owners are managed by OHCS' Homeownership Division, with its own criteria and process.

Eligible Project and Property Types

To preserve affordability, OHCS will accept applications for preservation of the following preservation project types. All projects must be for multi-family properties with affordability restrictions in place. Any of these projects may have federal project-based rental assistance (PBRA):

- Acquisition only;
- Acquisition with rehabilitation; or
- Rehabilitation of a currently owned property.

Properties seeking OHCS preservation resources do not need to be currently in OHCS's existing multi-family rental property portfolio. Converting a market rate property to an affordable property is not considered preservation.

Existing affordability restrictions may originate from a variety of sources. Examples are:

- U.S. Department of Agriculture (USDA) Rural Development mortgage;
- Federal project-based rental assistance (e.g., U.S. Department of Housing and Urban Development (HUD) Housing Assistance Program contracts, HUD Section 811, USDA Section 515);
- Federal funds such as HOME or Housing Trust Fund;
- OHCS resources, including the GHAP, LIFT, or other state programs that attach affordability;
- Low-Income Housing Tax Credits (LIHTC), Oregon Affordable Housing Tax Credits (OAHTC), Publicly Supported Housing (PuSH) Seller's Tax Credit, or other tax credit programs; or
- Other state, regional, county or city programs, such as bond funds, so long as the funding attaches an affordability restriction.

Preservation project applications are accepted for any multi-family rent-restricted affordable housing in any location in Oregon. There are no standing geographic or

community type set-asides for preservation; annual technical advisories on the department's funding allocation will make clear if set-asides are in effect.

There is typically a set-aside in the state's [2025 Qualified Allocation Plan \(QAP\)](#) for applicants seeking to use 9% LIHTC (in 2025 this set-aside was 25%). Each annual QAP will specify set-asides and other important information for applicants seeking to use 4% or 9% LIHTC for preservation.

Since some preservation projects need to achieve economies of scale for work, applicants are permitted to submit scattered site project applications. (See Appendix A for policy details).

Excluded Project and Property Types

Preservation gap funding historically relies on a specific legislative allocation for preservation (and stabilization). Because preservation gap funding is limited, OHCS has targeted these resources to support affordable multi-family properties of a certain size (more than five units) and has excluded types of properties which are less common, as well as those that often have other funding resources available to them, such as healthcare related facilities, transitional housing and shelters. Although OHCS has funded each of these types of properties with other resources in the past, they are not eligible for preservation gap funding. Details on properties excluded from preservation funding are listed in the Excluded Property Types policy in Appendix A.

Eligible and Ineligible Costs

The preservation program follows the agency's [General Policy and Guideline Manual \(GPGM\)](#). The department expects applicants to be prudent stewards of public preservation resources. To that end, a key principle is that owners should regularly maintain properties, use and replenish replacement reserves, prioritize which of their properties are brought to OHCS for preservation funding, and leverage LIHTC whenever possible.

Generally, the goal of rehabilitation is to extend the useful life of the asset, return a damaged asset to a safe and habitable condition, and/or make other improvements. The department has discretion to determine what is within the bounds of this definition and therefore what is an eligible cost.

A key tool used to evaluate a proposed rehabilitation project is a capital needs assessment (CNA). A CNA helps OHCS be sure that the scope of work and cost estimate supports the critical needs that are identified. The CNA is required early in the ORCA application process, during what is known as the Impact Assessment phase. The requirements for the CNA are detailed in the department's [Core Development Manual \(CDM\)](#), in the Rehabilitation Supplement. The CNA must

specify “critical needs” and “immediate/two-year needs” to assist in identifying scope of work items for OHCS funding.

Funding Source Considerations and Constraints

Preservation can be accomplished with an array of sources in a project's capital stack. The department encourages applicants to think creatively about funding resources, including LIHTC, OAHTC, Elderly & Disabled Bonds, Agricultural Worker Tax Credits, and flexible gap funding. Because gap funding is extremely limited, when funding is allocated by the legislature for preservation, the department will release details on which sources are available for specific categories of preservation, and in what amounts. Limitations may be in effect, such as geographic set-asides, caps on gap funding, and/or requirements to show leverage of other non-gap resources.

Most applicants can expect to be required to show leverage of other non-gap resources, particularly if the project involves a financial transaction such as an acquisition-rehab. If a project is unable to meet a leverage requirement, the applicant will be required to demonstrate that investors, lenders, or other sources were unwilling to fund the project.

Depending on the project type and funding source(s), there may be varying considerations on cost eligibility and deal structure. For example, lottery revenue bonds do not support operating costs as an [eligible use of funds](#). Lottery revenue bonds are otherwise a very flexible source for preservation projects, and do not constrain other eligible costs or dictate specific financial transaction structures.

If Article XI-Q general obligation bonds are used for preservation, there are some constraints. First, OHCS must be in a shared first lien position, possibly shared with another lender, necessitating reconsideration of the original terms to have shared controls in place in the event of default. That means that using these bonds requires, at minimum, subordination by existing lenders, and potentially a full financial restructure. The latter can be most easily accomplished when a financial transaction is in play, such as in the case for an acquisition or acquisition-rehabilitation. Another scenario would be when an owner seeks to refinance existing debt alongside completing a rehabilitation project.

As noted above, details on sources and projects that may be eligible to apply for those will be released ahead of a preservation decision window. The department's [ORCA Affordable Housing Pipeline webpage](#) will maintain an up-to-date listing of the preservation resources available, by source, so that partners seeking funds will be able to know whether their project is a fit with the funding types available. In addition, when an application window is opened (see Application Process –

Requests for Preservation Gap Funding section), a technical advisory will provide information on which funding source(s) are being made available and will highlight any limitations.

Eligible Beneficiaries

Affordable housing preservation can serve people considered to have extremely low incomes ($\leq 30\%$ of area median income (AMI)), very low incomes ($\leq 50\%$ of AMI), and/or low incomes ($\leq 80\%$ of AMI), depending upon the subsidy source. Subsidy cannot be applied to units intended for or occupied by people with incomes over 80% AMI, and applicants should request funds on a pro rata basis for affordable units only.

When preservation gap funding is requested, the department uses unit rent levels as a factor in setting the project's priority for funding; therefore, these rent levels must be maintained (as a maximum; lower rent levels are permissible) if the project is funded.

Some tenants would face more challenges than others if they were faced with losing their current affordable housing. For that reason, when defining "risk of loss" for two of the three categories of risk – Expiring Affordability Restrictions and Physical Condition Issues– OHCS prioritizes preservation resources that will benefit the most vulnerable tenants, which are defined as those that meet both of the following:

- Households that have Very Low Income (earning $\leq 50\%$ of AMI), and
- One or more of the following is true of at least one household member:
 - Is a person with disabilities
 - Identifies as a member of a particular cultural community that has faced housing discrimination
 - Is a child under age 18
 - Is 62 years or older

Tenant vulnerability appears in the criteria that are detailed in the following section, so that applicants can understand how their tenant population make-up may affect their preservation rating when seeking gap funding.

Preservation Priority Rating: Categories and Criteria

While the Preservation Strategy Framework is a high-level guide to OHCS's philosophy and goals for preservation, available funding levels fluctuate. New models and best practices may emerge, and partners provide valuable feedback about their real-world preservation experiences and current needs. Any of these may change OHCS'

funding approach. OHCS aims to balance predictability for partners with nimbleness where necessary. For that reason, the criteria below that inform the priority rating are revisited annually and are a critical item that partners should scrutinize before applying.

The criteria are applied for any resources that are limited, including all gap resources and 9% LIHTC applications (even when not requesting gap). If the department were to reach its private activity bond cap or Oregon Affordable Housing Tax Credit limit, it reserves the right to apply these criteria to those resources; a technical advisory would be released in that instance.

1) Properties with Expiring Affordability Restrictions

Risk of loss is defined as:

- The latest affordability restrictions expire within seven years; and
- Applicant owns or plans to purchase an affordable rental property; or
- A property was already acquired on short-term bridge financing within the 24 months prior to application, with the intent to preserve the property;

All rural projects are ranked critical. For urban projects:

Table 1: Urban Expiring Projects Criteria and Definitions

	Critical Priority	High Priority	Medium Priority
Affordability relative to market	<p>50% or more units are rent-restricted to $\leq 50\%$ AMI or have PBRA attached</p> <p>-or-</p> <p>25% or more units are rent-restricted to $\leq 30\%$ AMI or have PBRA attached</p>	<p>25% or more units are rent-restricted to $\leq 50\%$ AMI or have PBRA attached</p> <p>-or-</p> <p>Project includes <i>any</i> units rent-restricted to $\leq 30\%$ AMI or have PBRA attached</p>	All other urban projects expiring in the next 7 years will be ranked as medium priorities
Potential impact on tenants:	33% or more of tenant households are vulnerable	33% or more of tenant households are vulnerable	

2) Properties with Federal Project-based Rent Assistance (PBRA)

Risk of loss is defined as imminent risk to rent assistance, specifically:

- The maturity date of a USDA RD mortgage; or
- An application for pre-payment has been submitted. (Note this is not eligibility for prepayment); or
- The expiration date of HUD Project-Based Rental Assistance (PBRA) contracts; or
- The expiration date of any other type of federal rental assistance.

Table 2: Properties with PBRA Criteria and Definitions

	Critical Priority	High Priority	Medium Priority
Imminent risk to rent assistance:	PBRA is at risk in the next 2 years	PBRA is at risk in the next 5 years	PBRA is at risk in the next 7 years
% of units with PBRA	At least 50% of units have PBRA	At least 50% of units have PBRA	-

For a property with PBRA, it will usually be advantageous to apply under this category. Thus, if acquiring or rehabilitating a property with PBRA, applicants are encouraged to look at the criteria to determine the best category to submit under.

3) Physical Condition Issues

Risk of loss is defined as the degree to which the project has critical and/or immediate/two-year needs that cannot be covered by rent revenues and/or replacement reserves. These will be verified in the CNA during Impact Assessment.

There are no limitations placed on the time since constructed or last rehabilitated, but applicants seeking funding for a property newly constructed or rehabilitated within the past 20 years will make the owner ineligible for new OHCS funding for a period of two years (from the date of initial intake). Thus, all partners are encouraged to steward their replacement reserves and prioritize projects carefully. OHCS will consider exceptions if there is an extenuating circumstance such as a construction defect, natural disaster or unusual system failure that is a life and safety risk. For these issues, the request for funds must be for the portion that is not fully covered by insurance and/or where private lenders are unwilling to assist.

Table 3: Physical Condition Issues Criteria and Definitions

	Critical Priority	High Priority	Medium Priority
Applicant:	CSO*	CSO or CRO	-
Risk of Loss:	Project is currently at-risk	At risk within the next 5 years	At risk within the next 7 years
Potential Impact on Tenants:	66% or more of tenants vulnerable	33% or more of tenants vulnerable	33% or more of tenants vulnerable

*CSO (culturally specific organization) and CRO (culturally responsive organization) per ORCA manual

Application Process

Preservation funding is made available through [OHCS' ORCA process](#), which provides a continuously available online portal to receive initial intakes to start the application process. The process differs depending on whether the project is seeking 9% LIHTC, 4% LIHTC/Private Activity Bonds (or other tax credits), or whether preservation gap funds are being requested (whether in conjunction with tax credits or alone). Applicants should indicate which funding sources are being sought when they submit an intake.

Any preservation project – with or without gap funds – will move through the ORCA application through a standard stepwise process that helps the department to assess the project, measure its impact, and determine its financial eligibility. The main difference is that when requesting gap funds in their capital stack, there is an extra step on the front end to help prioritize these very limited resources. The [Qualified Allocation Plan \(QAP\)](#) provides additional guidance on 4% and 9% LIHTC requirements.

Preservation applications in the ORCA process do not count toward the two project per applicant ORCA limit.

Requests for 4% LIHTC/PAB and/or OAHTC - No Preservation Gap Request

ORCA Project Intake Forms for 4% LIHTC or OAHTC preservation projects are accepted at any time, and would only be unavailable in the unlikely event that the state hit its private activity bond cap. If no gap funding is requested, then the project is not part of a preservation decision window and can be submitted and advance at any time. In addition, with no gap requested, there is no preservation priority rating and hence, no priority assessment materials are collected. The project moves directly into the next ORCA phase, which is Impact Assessment.

Requests for 9% LIHTC – With or Without Preservation Gap Request

The department's most recent [QAP](#) provides a 25% set-aside for preservation projects for the agency's 9% LIHTC allocation. The 9% LIHTC opportunity is offered as an annual competitive funding round. The agency releases a technical advisory each year explaining the timeline and required submissions. Note that the round is competitive for all applications, new construction and preservation alike, with or without gap requested.

When preservation gap funding is requested to be paired with the tax credits, the prioritization criteria and rating steps described in this manual are used. Projects not selected under the 9% LIHTC round are held for a maximum of six months, in the event that projects selected for funding are withdrawn from consideration. After six months, the projects are removed from the ORCA application process. The QAP provides additional details on how the 9% round works and is a good resource for prospective applicants.

Requests for Preservation Gap Funding – With or Without LIHTC

Due to highly constrained gap resources, preservation projects seeking to use these gap funds will be evaluated using a decision window process. The decision window date range will be announced each year. The frequency of these windows will depend on funding availability. A technical advisory will be released announcing when the window will open and close.

Preservation project intakes are accepted at any time, all year. Applicants will be assigned a WorkCenter in OHCS' application software interface known as Procorem. This is where applicants provide all submissions.

For the priority rating, the items that are required to be uploaded into the Procorem WorkCenter for the step known as "Preservation Priority Rating" include:

- Preservation priority narrative that:
 - Describes the project site, tenant community, building features, partnerships and overall vision;
 - Identifies any culturally specific or culturally responsive developers who are attached to the project;
 - Indicates which of the categories of "risk of loss" the project aligns with;
 - Describes the rehabilitation elements in the project, known challenges, and why these cannot be addressed through existing reserves or cash flow.
- History of when the project was placed in service and last rehabilitated;

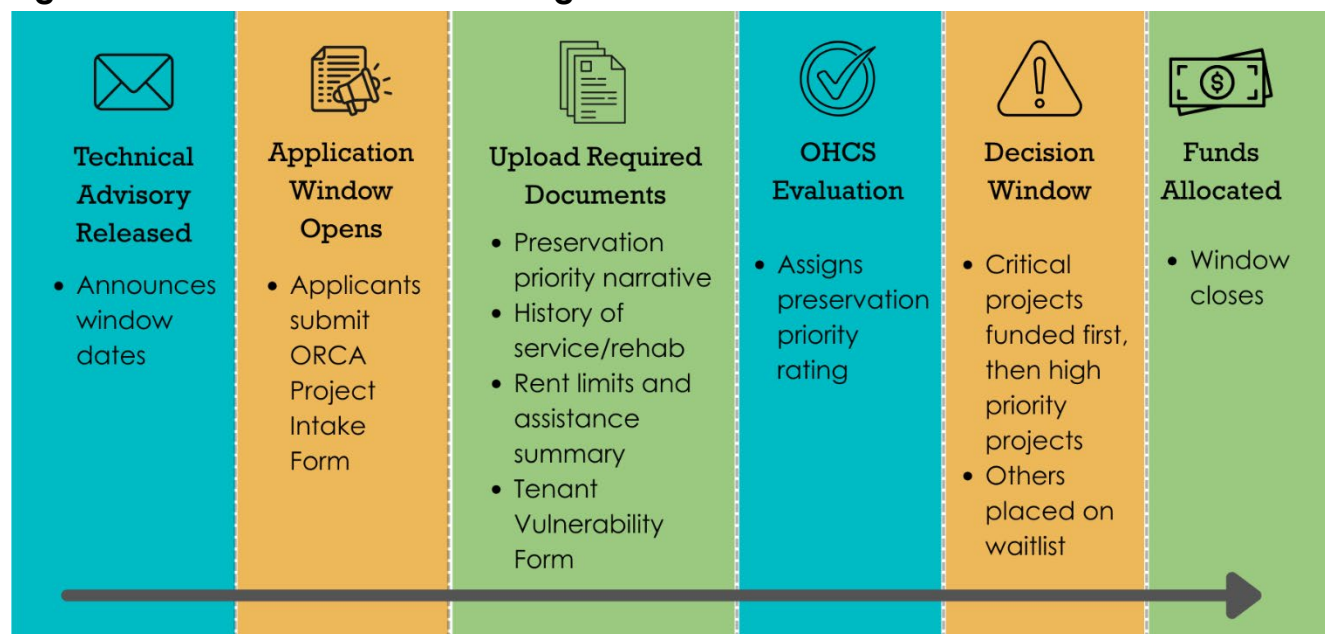
- Current rent limits and summary of rental assistance; and
- Tenant Survey, used to calculate a tenant vulnerability score.

These submissions are evaluated by the department to inform a preservation priority rating that will be assigned to each project. The purpose of the rating is to ensure that OHCS investment aligns with the department’s highest priorities, as reflected in the criteria.

During the decision window, intakes that have come in at any time are pooled and the cohort of projects are evaluated all at once. Any projects that have received a rating of “critical” will move forward first, then projects rated “high,” until all funds available during that window are accounted for. A technical advisory will describe tiebreakers in the event that there are more projects than funds available. All other projects will go onto a wait list.

In summary, the steps in the application window process for when gap funds are requested are illustrated below.

Figure 1: ORCA Preservation Funding Process



Preservation Waitlist

After the decision window closes, projects that are not among those that move forward into Impact Assessment will be placed on a preservation wait list.

Projects are put on the wait list under the rating that they received (critical, high, or medium). They stay on the wait list unless applicants notify the department that they should be withdrawn. The waitlist is maintained in accordance with ORCA processes

that require updates to materials at certain intervals (see Appendix A – Application Update Requirements). So long as the applicant’s materials are current, the project will automatically be included for consideration in the next decision window to be evaluated alongside other applications in the pool. Note that by updating materials, applicants may see their rating change (e.g., the expiration of PBRA or affordability restrictions becomes more imminent with time and could move a project from “high” to “critical”).

At the department’s discretion, if additional funding comes available before the next decision window, the department may elect to move one or more projects forward.

At any time, applicants can go to OHCS’s [Currently Available Development Resources](#) page to understand how much preservation funding remains, and how many projects are currently on the waitlist.

Award Process and Notifications

Aside from using the preservation application window, preservation projects that are prioritized to move forward otherwise proceed using the typical ORCA process. This begins with successfully completing the Impact Assessment phase in order to be recommended for a funding commitment by the agency’s decision-making body, the Housing Stability Council (HSC). If HSC approves the project, it is a conditional commitment of funds. The project’s applicant will then receive a Letter of Intent to fund that outlines all conditions that must be met. Applicants then must complete the Financial Eligibility phase in their Procorem WorkCenter before the project can receive a binding commitment in the form of a Reservation of Funds.

Funding Terms and Conditions

The ORCA manual defines current subsidy limits for acquisition/rehabilitation. (Note that the term “acquisition/rehabilitation” encompasses all of the types of preservation that are allowed, and should read as acquisition and/or rehabilitation.)

Preservation applicants should carefully review the categories to distinguish between projects that are gap-only and projects that seek to use LIHTC plus gap funding, and between limits for urban and rural projects. In the ORCA manual (Version 2.2), rural includes projects designated to be in the small city/suburban geography. Applicants should check the current ORCA manual on the [How to Apply](#) webpage for any updates to definitions.

All preservation gap funding deals are loans at 1% interest. Loans of 0% interest are considered on request for projects demonstrating special circumstances of financial

need, such as having a preponderance of 30% of AMI units. No preservation deals are grants. All deals receive a loan agreement, promissory note and regulatory agreement.

Loan terms are 30 years. Interest accrues annually during the term and is payable in full on the maturity date of the loan.

Preservation loans are disbursed according to standard agency practice requiring a draw request with supporting documentation showing costs, as well as requirements for Equity in Contracting (Minority, Women, Veteran-owned, and Emerging Small Businesses (MWESB)) performance, prevailing wage, and/or other regulatory requirements that may be applicable. Change orders over \$50,000 must be approved by the department.

The regulatory agreement for preservation deals requires that units be restricted for a period of 60 years. Units are restricted at no more than 60% of AMI rents. On a project-by-project basis owners may be required to align with the prioritization criteria that the project was rated under.

Program Requirements

Preservation projects must adhere to the following standard OHCS requirements during construction:

- Construction and development standards, found in the [Core Development Manual](#);
- The [General Policy and Guideline Manual](#); and
- The [Equity in Contracting Manual](#).

Post-Award Requirements

In addition to the loan terms and affordability requirements described above, a preservation project must maintain compliance with additional funding terms and conditions for all applicable periods, including but not limited to:

- Continued use of the project for the identified tenant group;
- Continued compliance with applicable reporting and monitoring requirements;
- Continued maintenance of the project in a safe and sanitary condition; and

- Continued provision of supportive services.

Stabilization

Historically, a combination of prudent management, adequate reserves, and carefully planned rehabilitation (with or without additional subsidy) was able to keep properties operational throughout their term of affordability. However, with unprecedented increases in inflation, owners have seen insurance and other operating costs rise substantially in recent years. In response, OHCS developed its Property Stabilization Investments (PSI) resource to bring financial stability to properties with serious challenges to covering their existing debt service payments, and support owners as they aim to continue to operate affordable housing. As with preservation efforts, the ultimate goal is to protect tenants.

PSI is not a formal OHCS program guided by Oregon Administrative Rules. This section does not provide a full program manual for PSI and instead outlines basic requirements of this resource offering. Interested applicants who wish to investigate complete details to understand whether this opportunity may be applicable to their project are directed to the most recent [PSI Instruction Guide](#).

Eligible Projects

For PSI, projects must be in the existing OHCS multi-family affordable rental housing portfolio. Other factors for eligibility include several financial criteria, chief among them debt coverage ratios (DCR). Projects must demonstrate a history of inadequate DCR ratios but also show that these and other factors can be stabilized to within the standards of a PSI award without raising tenant rents over a maximum threshold.

Eligible Costs

Debt buydown (or full payoff, if applicable) is the primary use of funds and is required. Additional uses are optional:

- Debt buydown or loan payoff
- Repairs, namely those that are due to deferred maintenance and/or offline units that the owner has been unable to address due to cash flow issues
- Administrative fee

Operating costs are not eligible. Note that repairs are capped, as PSI is not intended to fund major rehabilitation.

Application Process

Like preservation, stabilization efforts are possible when funding is allocated by the Oregon legislature. As funding allows, OHCS will open a PSI decision window. The PSI offering will be announced through the release of a technical advisory. Potential applicants are encouraged to [sign up to receive technical advisories](#).

When the window is opened, PSI intakes will be accepted through the ORCA portal. Applications that pass initial eligibility are assigned a Procorem WorkCenter, similar to other OHCS resource offerings. However, the PSI process differs in that it is meant to be more rapid, with fewer rounds of applicant document submission and one round of OHCS review prior to being initially recommended or declined for funding.

Because financial instability is a critical risk to project viability, and since eligibility factors age rapidly, decision windows are only open for a short time and OHCS does not maintain a stabilization wait list. Funding awards under \$1 million are brought before the OHCS Finance Committee for consideration, and funding awards over \$1 million will go to HSC for consideration.

Note that it is possible to pair PSI with:

- LIHTC
- OAHTC
- Preservation gap funds (i.e., a property needs financial stabilization along with rehabilitation that is beyond the limited repairs allowed by PSI)

Funding Terms and Conditions

PSI funding deals are loans at 1% interest. Loans of 0% interest are considered on request, for projects demonstrating special circumstances of financial need, such as having all 30% of AMI units. No PSI deals are grants.

Loan terms are 30 years. Interest accrues annually during the term and is payable in full on the maturity date of the loan. PSI does not add any years of affordability unless the property is within five years of its existing affordability restrictions expiring at the time of the PSI loan. In that case, five years of affordability are added.

Once a PSI loan closes, the debt buydown is made immediately available in escrow. If there are repairs, they are handled according to standard agency practice requiring a draw request with supporting documentation showing costs, as well as requirements for MWESB performance, prevailing wage, and/or other applicable regulatory requirements.

Appendix A: Preservation Policies and Provisions

As noted in this manual, the GPGM shares relevant uniform policies and guidelines for allocation of any OHCS resource. Applicants are directed to review the GPGM for overarching policies on topics such as fair housing, MWESB contracting, historic preservation, environmental assurance, and other topics. Applicants using other funding overlays such as federal resources or LIHTC are responsible for meeting those requirements as well. This appendix includes the following references to preservation:

- Scattered site policy
- Excluded property policy
- Treatment of rental assistance in the PBRA risk of loss category
- Application update requirements
- Treatment of missing tenant data

Scattered-Site Policy

Scattered-site preservation applications will be considered where:

1. The sponsor describes a need to bundle properties together in a single application to make the project viable. For projects seeking to use LIHTC, this can include the need to combine properties needing gap funding with one or more sites that are not requesting preservation gap funds.
2. The sites are all within reasonable proximity to each other, defined as no property being further than 120 miles from any other of the sites in the application.
3. The sites all have the same property management company, and one entity will be responsible for reporting on the compliance and performance of the scattered-site project.
4. For projects that include LIHTC resources (either as part of the preservation package or as part of the initial funding) these scattered sites must be combined into one project, reflected as such by checking "yes" in box 8b of the new IRS Form 8609 that is submitted, and otherwise in compliance with IRS Section 42. IRS Code requirements supersede any scattered site requirements found here.

Preservation criteria for scattered-site applications will be evaluated on the following parameters:

1. The application will be evaluated on the one category selected by the applicant (PBRA, At Risk for Physical/Financial Loss, or Expiring Affordability Restrictions). The majority of units must be aligned with that category, but not all units need to be. (e.g., For a scattered-site application with three sites that all need rehabilitation, and where two of which are PBRA and make up the majority of the units, OHCS will evaluate those two sites under PBRA criteria and the third site under Physical Condition Issues criteria to ensure the latter meets at least medium priority – see #3 below).
2. Where a LIHTC application is requesting gap funding for some, but not all, of the property sites, only the sites that are requesting preservation gap funds are evaluated against the preservation priority criteria, and only those units inform the overall rating of the application. Where sponsors apply with such a mix of sites, they must provide a written request at the point of the preservation half-step. The request should describe the rationale that demonstrates the need for the proposed structure, including evidence that the project is not otherwise feasible without including all sites, and that any one site would not be feasible if submitted independently.
3. All properties that are requesting gap funds are evaluated against the preservation priority rating criteria and must meet at least the criteria for Medium priority in the respective preservation category.
4. Each site is evaluated separately and given a rating, and all of the units in that site have that rating. Then, if a majority of the units meet the criteria for Critical priority, the entire application will be ranked as Critical; if not, but a majority meet the criteria for High priority or greater, the entire application will be ranked as High; otherwise, the application will be ranked as Medium priority.
5. If a majority of the units in the scattered sites qualify as rural (or any other favorable geographic category OHCS establishes), the entire application will be evaluated as rural.

For additional clarification, note that scattered site applications do not need to:

1. Serve the same tenant populations at all sites. However, individual sites must work with their legal counsel to ensure fair housing laws are met.
2. Have the same kind of rental assistance, or rental assistance generally, at all sites.

For exceptions to any of the above requirements, sponsors should:

1. Provide a written request at the point of the preservation half-step. The request should describe what aspect of this preservation scattered site policy the applicant is seeking an exception to, the rationale, and the likely consequences of denying the exception. The explanation should include evidence that the project is not otherwise feasible without the exception being granted.
2. This request is forwarded to an OHCS internal management approval committee.

Excluded Property Types Policy

The following property types will be excluded from eligibility for OHCS preservation gap funding resources:

1. Properties with fewer than five units.
2. Oregon licensed community-based care facilities, including residential care facilities; assisted living facilities; intensive intervention communities; and adult foster homes, **except** properties of these types that OHCS funded in the past **and** that now meet the following conditions:
 - a. The property is no longer actively licensed; and
 - b. The property continues to be under an OHCS affordability restriction and houses income-eligible tenants (note that only affordable units will be assisted).
3. Shelters
 - a. Congregate; and
 - b. Non-congregate.
4. Transitional housing, **except** where:
 - a. Residents are tenants with at least a six-month signed lease; and
 - b. Tenants are not required to participate in any services in exchange for housing.

Treatment of Rental Assistance in PBRA Applications

The definition of expiring rental assistance defines “Imminent risk to rent assistance” by the date at which a USDA Rural Development (RD) mortgage matures; the

proposed date of prepayment of the RD mortgage; or the expiration date of a current PBRA contract.”

OHCS does not distinguish between types of rental assistance that a preservation project must have – only that it is federal rent assistance, attached to the property, and is not tenant-based.

For projects funded under the PBRA category, OHCS will execute an instrument to require renewal of rental assistance, starting with the maximum term available to the sponsor and continuing for the 30-year period of affordability, so long as the rental assistance is available.

OHCS portfolio compliance will collect information on the current status of rent assistance as part of annual sponsor reporting.

Application Update Requirements

OHCS will request applicants to update the following items based on the indicated amount of time elapsed since initial application:

- Percent of tenants vulnerable – update the tenant vulnerability form at the one-year mark, in line with ORCA general requirements
- Expiration date of rental assistance – provide an update on current date of expiration of project-based rental assistance at the one-year mark, in line with ORCA general requirements
- Percent of units with project-based rental assistance – provide an update on the current percent of units with PBRA at the one-year mark, in line with general ORCA requirements
- Recency of Capital Needs Assessment (CNA) – Update as needed in line with the CDM policy requiring CNA to be less than two years old, or less than three years if there has been a desk update after year two. As the CNA ages out, applicants are required to provide the desk update or a new CNA, per the intervals noted.

Treatment of Missing Tenant Data

If tenant data are missing from an ORCA application received for preservation gap funding, the applicant will be given 10 business days as a cure period to either get tenant data or provide supporting documentation that would be accepted in lieu of tenant data. After the cure period, applications with missing data are treated as follows:

- If a unit(s) is offline or vacant for any reason at the time of application, this unit(s) is removed from the calculation. The tenant survey should show the unit as vacant.
- If a unit(s) is occupied but the applicant is not submitting tenant information, this unit is counted as not vulnerable.
- The exception is if the unit has a program restriction to serve a household that is defined in accordance with one of the factors that we count as vulnerable. This restriction could be from a local, state or federal program. These include:
 - Programs that have both the <50% AMI income restriction and serve one of the populations identified as vulnerable. Examples are PSH and HUD Section 811 and 202 housing for the elderly and people with disabilities.
 - Programs that serve one of the populations identified as vulnerable but are not restricted to <50% AMI, only if they can show income of tenants in individual units as being <50% AMI. An example is GHAP Veterans housing.
 - The applicant needs to show unit numbers of restricted units and unit numbers of unrestricted units in their tenant vulnerability form.

Qualified Allocation Plan: 9% LIHTC and Tiebreakers

The [Qualified Allocation Plan](#) is the overarching reference document for those interested in applying for LIHTC funding. Potential applicants are directed to consult the current QAP and watch for announcements sharing details about the next annual 9% competitive funding round.

Preservation projects that meet all threshold requirements for a 9% LIHTC application will go on to be rated under the preservation criteria for the category that was selected for the application. If there are multiple projects rated as “critical” under the preservation criteria tiebreakers will be used to identify the ranking of projects. If funding permits, multiple “high” priority projects will be ranked using the same tiebreakers. The following are the tiebreaker criteria, in the order listed below (with criteria 1. being the first considered and criteria 4. being the last) if all else is equal:

- 1) Projects in the Federal Project-Based Rent Assistance category;
- 2) Projects in the Expiring Affordability Restrictions category (ranked in order of date of expiration of latest expiring restrictions, from soonest to latest);

- 3) Projects located in ZIP codes with the highest fair market rate rents for a one-bedroom unit, as published by HUD; and
- 4) Projects that would preserve the greatest number of rent-restricted units.

Appendix B: Definitions and References

- ORS 456.559 [ORS 456.559 – Powers and duties of department](#)
- [OAR 813-028-0001- 813-028-0090 Housing Preservation Fund Program](#)
- ORCA – How to Apply page (includes ORCA manual): [Oregon Housing and Community Services : How To Apply : Oregon Centralized Application : State of Oregon](#)
- ORCA pipeline and currently available resources: [Oregon Housing and Community Services : ORCA's Affordable Housing Pipeline : Oregon Centralized Application : State of Oregon](#)
- OHCS Preservation Development Resources: [Oregon Housing and Community Services : Preservation Development Resources : Development Resources : State of Oregon](#)
- OHCS Property Stabilization Investments: [Oregon Housing and Community Services : Property Stabilization Investments : Development Resources : State of Oregon](#)

Accessibility Statement

Oregon Housing and Community Services is committed to ensuring that all individuals have equitable access to our services, resources, and programs. If you have a disability and require assistance to read this document or would like this information/form/publication in a different language, please email Language.Access@hcs.oregon.gov.