



City of Portland

Office of the
City Administrator
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Office of the City Administrator Raymond C. Lee III, City Administrator

Memo: Portland Housing Bureau Unbudgeted Balances

Date: February 6, 2026
From: Raymond C. Lee III
To: City Council
CC: Mayor Wilson
 Chief Financial Officer Jonas Biery
 Deputy City Administrator Donnie Olivera

This memo provides an overview of City of Portland housing fund balances as we begin budget development and continue to work together to stabilize the city's finances – while continuing our essential work to create stable, long-term housing opportunities for Portlanders. Some of this information has been released over the past several months; other information is newly available. Taken together, it provides a clearer picture of the resources available within the Portland Housing Bureau. We are selecting outside counsel to conduct an independent investigation of the City's housing funds.

This moment reflects the City's ongoing shift from bureaus and offices developing budgets independently to the City of Portland managing its finances holistically under our new form of government. I am prepared to support the Council, as the City's legislative body, in making fully informed decisions.

A total of approximately \$106 million has been identified as previously unbudgeted housing funds.

This figure includes the \$20.7 million in unbudgeted fund balances that City finance and Housing Bureau staff identified and confirmed in fall 2025; these funds are in the Rental Services Office sub-fund within the Housing Investment Fund

The total above also includes a more recently identified and confirmed \$24.9 million unbudgeted in other sub-funds within the Housing Investment Fund, as described in the pages that follow. Within these sub-funds, approximately \$19.7 million in the Short-Term Rental sub-funds have flexibility in determining usage related to affordable housing and homelessness. However, decision-making should consider existing legislation and restrictions in these sub-funds, as described herein and in prior communication from the City Attorney's Office. Sub-funds within Housing Investment Fund may have some amount of legal flexibility but with other potential costs, risks or trade-offs. Lastly, the total above includes \$62.1 million of unbudgeted dollars in four other Housing Bureau funds that have more stringent restrictions around future uses, which are also described in this memo.

The following sections outline:

- A brief timeline of recent events
- A summary of the Housing Investment Fund structure
- Summaries of sub-funds within the Housing Investment Fund
- Information about other Portland Housing Bureau funds
- Status of expected Housing Bureau funds and sub-fund balances for Fiscal Year 2026-27
- Table showing budgeted Housing Bureau fund balances across two fiscal years
- Table showing intended uses of Housing Bureau fund balances for Fiscal Year 2026-27
- Recommendations and next steps

Timeline of Recent Events

In fall 2025, the Portland Housing Bureau and City Budget Office began examination of balances in the Housing Investment Fund budget, with support from the Chief Financial Officer. Initially, in September 2025, a fund balance of approximately \$12 million was identified as not having been properly budgeted in the Rental Services Offices sub-fund within the HIF. This triggered review of the facts regarding the Rental Services sub-fund, and the results of that review were presented at City Council briefings in late October and early November 2025.

On Nov. 17, Housing communicated to leadership that the Rental Services sub-fund included an additional \$9 million that had not been previously budgeted, resulting in a total Rental Services sub-fund unbudgeted balance of \$20.7 million. That information was communicated to city councilors the same week.

Due diligence continued by the Housing Bureau, Budget Office and City Attorney's Office teams, alongside preliminary development of FY 2026-27 budget scenarios per the Mayor's guidance as published Nov. 21. On Dec. 1, the Budget Office provided guidance to the Housing Bureau to identify and include all fund balances to ensure that no fund balances were left unbudgeted. The "current service level" budget information for the upcoming fiscal year was provided to the Budget Office Jan. 23. That submission included additional unbudgeted amounts in other sub-funds within the Housing Investment Fund. This triggered concern and uncertainty, due to the complexity of the underlying information.

Subsequently, the CFO, Budget Office and Housing Bureau began a comprehensive review of all Housing Bureau funds and fund balances, which identified previously unbudgeted balances in the remaining Housing Investment Fund sub-funds and in four additional Housing Bureau Funds. As described below, these additional fund balances are subject to specific legal limitations on their allowable uses.

The results of that additional effort are described in the "*Status of Expected Fiscal Year 2026-27 Housing Bureau Fund Balances*" section below.

Summary of the Housing Investment Fund

The Housing Investment Fund (HIF), tracked as "Fund 213" in budget and accounting systems, includes seven sub-funds as described below with distinct revenue sources and expenditure purposes. Established by [Ordinance 188175](#) in 2016, the HIF tracks financial activity related to multi-family housing property operations. Revenues include a combination of General Fund resources, grants, rental fees and a portion of the City's transient lodging taxes. Each of the

seven HIF sub-funds receives a combination of revenue sources and supported different categories of expenditures, consistent with applicable revenue restrictions and/or existing legislation.

Sub-funds within the Housing Investment Fund – Purpose and Restrictions

HIF/Local Housing Trust Fund (213000)

In 1994 Council adopted [Ordinance 168388](#), thereby appropriating \$660,000 in General Funds to establish the Local Housing Trust Fund, to be held in the HIF sub-fund. The ordinance authorized use of funds to provide gap financing for housing projects aligned with the goals of the Livable City Housing Council. That council no longer exists, but program income from repayment of the legacy HIF loans continues to support these goals by supporting Housing Bureau staffing and overhead costs not covered by the City's General Fund. Program income is variable and averages approximately \$300,000 per year. Program income is restricted for the Housing Bureau's use in accordance with the original ordinance. Program income is derived from unrestricted General Funds; Council could choose to change the use of the sub-fund for any allowable General Fund use, through ordinance.

Risk Mitigation Pool (213002)

In 2006 Council established the Risk Mitigation Pool by [Ordinance 179938](#) to support and offset landlord damage claims resulting from the operation of permanent supportive housing units. The fund does not generate its own revenue; instead, the Housing Bureau transfers approximately \$352,000 annually from the General Fund allocation to maintain the pool balance. The program and funds are administered by the Housing Development Center through a subrecipient contract. Once transferred into the Risk Mitigation Pool, use of the resources is restricted to reimbursing subscribed landlords for eligible damage claims. The resources, however, derive from General Funds; Council could choose not to appropriate them to the Housing Bureau in the future.

Homeless Management Information System (HMIS) (213008)

Historically, the City Bureau of Housing and Community Development operated the Homeless Management Information System under a federal mandate (See [Ordinance 182211](#), 2008), with funding provided from other jurisdictions via cost-sharing agreements and funding received directly by the City from U.S. Housing and Urban Development (HUD) grants. These funds must be used in accordance with the terms of the grant and have historically supported operation of the Homeless Management Information System and continuum of care services. Absent evidence to the contrary, it should be assumed that remaining revenue in the HMIS fund is restricted grant revenue and used in a manner consistent with HUD's restrictions.

Short-Term Rental (0-60 Nights) (213020)

In 2018 Council adopted [Ordinance 189031](#), adding Portland City Code Chapter 6.09, which established a nightly fee on short-term rentals. The stated purpose of the fee is to "fund affordable housing and homelessness initiatives in the Portland area." Revenues from this fee are deposited into the Short-Term Rental 0-60 sub-fund and are used by the Housing Bureau to support direct personnel and programing costs. The broad purpose statement allows the City to use the revenue for any "affordable housing and homelessness initiative," beyond the Housing Bureau's current intended uses. Council could legally appropriate revenue in this fund for all uses identified in [Resolution 2025-478](#) and [Green 01](#), without amending the purpose of the sub-fund (\$5.6 million to Prosper for Broadway Corridor, \$1 million for Williams and Russell, \$1.5 million for

Self Enhancement affordable homeownership, \$750,000 for affordable housing portfolio stabilization, and \$8.1 million for rent buy-down).

There are legal restrictions around the use of revenues from the short-term rental nightly fee. The City must ensure that the fee will not be construed as an unintended tax. For example, these funds could not be used for General Fund purposes by the City; any changes to the intended “affordable housing and homelessness” use must be adopted by ordinance in a manner related to the regulation of short-term rentals.

Short-Term Rental (2%) (213021)

The Short-Term Rental 2% is funded from the Transient Lodging Tax, imposed on transient lodgers pursuant to Portland City Code Chapter 6.04. City Code does not restrict the City’s use of the tax. City Charter Section 7-113 authorizes the City’s imposition of the Transient Lodging Tax and states that “revenues from such taxes shall be credited to the General Fund of the City and used for general City purposes, as the Council may find appropriate, which may include provision for and the acquisition, construction, operation and maintenance of recreational, cultural, convention or tourist-related facilities or services.”

In 2016, Council adopted [Resolution 37170](#), intended to mitigate the impact of short-term rentals on the City’s vacancy rate. The resolution directed the Budget Office to establish an ongoing appropriation to the Housing Investment Fund of \$1.2 million annually to be used by the Housing Bureau PHB “for development and preservation of affordable housing in Portland or to help low-income individuals and families access affordable housing.” Council has historically allocated this revenue to the Housing Bureau through the annual budget process. Use of resources in the fund is restricted in accordance with the resolution, however, such resolution is not binding on this Council and it could choose not to allocate this to the Housing Bureau in the future. Currently, this revenue could be used for all of the intended uses in [Resolution 2025-478](#) and [Green 01](#).

Rental Services Office (213040)

In July 2018, Council adopted [Ordinance 189086](#) establishing the Residential Rental Registration Program and Portland City Code Section [7.02.890](#). On August 7, 2019, Council adopted [Ordinance 189650](#) establishing the \$60 rental registration fee (subsequently increased to \$70) and directing that “revenue from the [rental registration] fee, net of Council-approved Revenue Division collection costs, shall be directly deposited as it is collected into the Housing Investment Fund and used to fund the Housing Bureau’s Rental Services Office.” The Ordinance findings list the Rental Services Office’s role as “contracting out funding for fair housing and landlord tenant services, developing code and administrative rules associated with local landlord-tenant law, processing exemptions to local mandatory relocation assistance, and providing technical assistance and information (in person, via email, and over the phone) to renters and landlords on general landlord-tenant law.

The Housing Bureau must use the revenue in this fund for Rental Services Office programs in accordance with the ordinances. Restrictions and options for lawful use of this revenue is detailed in the January 27, 2026, memorandum from the City Attorney’s Office.

The dollars in the Rental Services Office sub-fund 213040 have been the subject of significant Council deliberations and public discussion in recent months.

Multnomah County Affordable Housing Development (213030)

Funds supplied by Multnomah County for the redevelopment of the City-owned Westwind

Apartments (now Central City Concern-owned Starlight Apartments). Restrictions may apply and appropriations for any other projects should be discussed with the Housing Bureau, Budget Office and City Attorney's Office.

Bond Compliance Fees (213050)

Staffing costs associated with ongoing compliance of Portland GO Bond and Metro Bond Projects. Resources are program income from the bonds and are restricted to bond eligible uses.

Other Portland Housing Bureau Funds

In addition to dollars in the Housing Investment Fund, recent budget submissions and financial due diligence identified additional unbudgeted dollars in the Inclusionary Housing Fund, Tax Increment Fund, Housing Property Fund and Affordable Housing Development Fund, all of which have legal restrictions as described below.

Inclusionary Housing Fund (Construction Excise Tax sub-funds) (Fund 225)

The Construction Excise Tax (CET) sub-funds within the Inclusionary Housing Fund hold revenue from the City's Construction Excise Tax. City Code Chapter 6.08 established the local tax and restricts CET revenue as follows: 1) 4% administrative fee retained by Portland Permitting & Development; 2) 15% remitted to the Oregon Department of Housing and Community Services; 3) 50% of net revenue transferred to the Housing Bureau to fund finance-based incentives for programs that require affordable housing (such as Inclusionary Housing); and 4) 35% transferred to the Housing Bureau for affordable housing production and preservation of units at or below 60% median family income.

These restrictions are consistent with state law that authorizes cities to impose a CET and restricts the City's use of the CET revenue. See ORS 320.195 and ORS 320.171. The City has flexibility to define "affordable housing" – and did so in Portland City Code 6.08—but otherwise does not have discretion to use the tax revenue in a manner inconsistent with the adopted Code and applicable statutes.

Council could use revenue from this fund for the other "affordable housing development" projects and the "affordable housing stabilization" uses identified in [Resolution 2025-478](#) and "rent buy-down" identified in [Green 01](#). Council could also transfer resources from this fund to Prosper for affordable housing development at Broadway Corridor but must ensure (through an IGA) that the units are restricted at 60% median family income or below.

Tax Increment Fund (Fund 221)

The City receives Tax Increment Financing (TIF) revenue from Prosper Portland in accordance with applicable TIF Plans, TIF Action Plans, and IGAs with Prosper Portland identifying revenue that will be transferred and the City's use of that revenue for specific affordable housing projects. Use of revenue in the TIF Funds is generally restricted under this structure. The City Attorney's Office, the Budget Office, and the Housing Bureau can prepare and separately provide a more detailed analysis of specific project budgets within the sub-funds upon request.

Housing Property Fund (Fund 226)

The fund was created in 2016 as a contingency fund designed as a resource for current and future repair and maintenance of City-owned multi-family housing properties: Ellington, Headwaters and East Burnside. The resources in the sub-fund for each property are operating revenues from those properties, held for reinvestment into the property. The Ellington and East

Burnside were purchased with Portland Bond funds, therefore, the income from these properties is restricted and any use beyond what is intended by the fund would require legal analysis. The resources associated with Headwaters came from an inflow of debt issuance in 2019 to cover repair costs of a roof collapse, and the debt covenants require the property to hold capital reserves of \$1.6 million through 2025. Any reallocation of these resources outside of this fund would require further discussions with the City Attorney's Office, the Budget Office, and Housing Bureau to ensure all debt obligations are met without negatively impacting the General Fund.

Affordable Housing Development Fund (Fund 230)

This Fund holds revenue from the Portland Housing Bond administrative fee and is intended to pay for Portland Housing Bond program administration, program delivery costs, including direct and indirect staff time, bureau indirect costs (through the indirect cost model), bond issuance costs, and General Fund Overhead related to bond project delivery. Costs are recovered through a fee of up to 7% charged to recipients of the bond funds as part of all bond projects. The funds are highly restricted for use in accordance with the Portland Housing Bond and must be used to administer the bond.

Status of Expected Fiscal Year 2026-27 Housing Bureau Fund Balances

The first table below summarizes amounts that were reflected in the current year (Fiscal Year 2025-26) Adopted Budget, as amended by the Fall Technical Adjustment Ordinance in November 2025, in comparison to amounts that are expected to be included in the Fiscal Year 2026-27 Proposed Budget as identified by the Housing Bureau in January 2026 in preparation for budget development.

It is important to note that many of the funds and sub-funds below collect revenues that are limited or restricted in use – meaning that revenues in those funds cannot be legally repurposed for uses outside those restrictions without additional legal considerations and/or Council legislative adjustments.

Budgeted Housing Bureau Fund Balances across two fiscal years

Fund/Subfund Names	FY 2025-26 Budgeted Balance (as adjusted)	FY 2026-27 Expected Budgeted Balance	Status
Housing Investment Fund (Fund 213)			
HIF/Local Housing Trust Fund (213000)	--	\$2,958,593	Restricted per ordinance (see above), subject to Council decision-making.
Risk Mitigation Pool (213002)	--	\$1,081,088	Restricted within the fund (see above) but Council could choose to limit future GF transfers.
HMIS (213008)	--	\$1,118,637	Likely restricted for uses consistent with the HUD grants received by the City (pending further City Attorney review).
Short-Term Rental (0-60 Nights) (213020)	--	\$11,109,897	Restricted for "affordable housing and homelessness initiatives." (see above)
Short-Term Rental (2%) (213021)	--	\$8,604,587	Limited use as directed by resolution for affordable housing (see above) but Council could limit future transfers into the sub-fund.
Rental Services Office (213040)	\$1,784,343*	\$18,915,657	Under consideration via currently proposed legislation.
MultCo Affordable Housing (213030)	--	\$46,148	Funds provided by County for Westwind Apartments. Further research needed before these resources could be allocated to other projects.
Bond Compliance Fees (213050)	--	\$35,020	Restricted to legally eligible bond-related expenses (see above).
Tax Increment Fund (Fund 221)	\$1,666,320	\$30,570,069	Restricted geographically within individual TIF districts and in compliance with approved TIF Action Plans.
Inclusionary Housing Fund (Fund 225)	\$4,565,187	\$26,361,034	Restricted to eligible uses under State law and City Code.
Housing Property Fund (Fund 226)	--	\$4,881,130	Reserved for specific City-owned properties to ensure continued long-term operational sustainability.
Affordable Housing Development Fund (Fund 230)	--	\$6,515,292	Restricted to projects in conformance with the Portland Housing Bond requirements.

* A budget adjustment of \$1,784,344 was made in the 2025 Fall Technical Adjustment Ordinance to carry over resources that had been budgeted in FY 2024-25. This amount is already appropriated in FY 2025-26 but is available to be repurposed for other uses.

Intended Uses of Fund Balances

The information in the table below reflects the intended uses (as identified by the Housing Bureau) of the Fiscal Year 2026-27 Expected Budgeted Balances identified above, as well as potential risks of adjusting those funds for other purposes.

Funds & Uses	FY2026-27 Expected Expenditures	Expected Future Expenditures (FY 2027-28 – FY 2031-32)	Risks of Altering Planned Expenditures
Housing Investment Fund (Fund 213)			
HIF/Local Housing Trust Fund (213000)	\$393,399	\$2,565,194	Potential staffing impacts and inability to cover required interagency/overhead costs.
Risk Mitigation Pool (213002)	\$540,544	\$540,544	No contingency for extraordinary costs of operating Permanent Supportive Housing (PSH) units.
HMIS (213008)	--	\$1,118,637	Potentially available for uses consistent with HUD restrictions.
Short-Term Rental (0-60 Nights) (213020)			
Spring 2027 Preservation NOFA	--	\$11,109,897	Fewer resources for PHB to issue planned NOFA for rehab projects combining PHB and PCEF funds.
Short-Term Rental (2%) (213021)			
Spring 2027 Preservation NOFA	--	\$8,604,587	Fewer resources for PHB to issue planned NOFA for rehab projects combining PHB and PCEF funds.
MultCo Affordable Housing (213030)	\$46,148	--	Could be repurposed consistent with restricted use.
Rental Services Office (213040)	Under consideration via proposed legislation		
Bond Compliance Fees (213050)	\$35,020	Compliance risks for Portland Housing Bond and Metro Housing Bond.	
Tax Increment Fund (Fund 221)			
Awarded to specific project	\$8,748,477	\$5,095,531	Existing projects will not have complete funding.
Anticipated for acquisition, new construction, or preservation	\$16,726,061	--	Could be repurposed in a way that is consistent with TIF agreements/fund restrictions.
Inclusionary Housing Fund (Fund 225)			
Awarded to specific project	\$6,815,579	--	Existing projects will not have complete funding.
2027 Preservation NOFA	--	\$698,698	Fewer resources for rehab projects combining other funds/dollars.
2028 NOFAs	--	\$10,057,518	Fewer resources to make available for new affordable projects.
Contingency for production/preservation pipeline	\$1,000,000	\$5,000,000	Fewer contingency resources to allocate for new affordable housing projects or rehab of existing projects.

Ongoing program costs	\$563,656	\$2,225,583	Insufficient resources to staff and manage the inclusionary housing program.
Housing Property Fund (Fund 226)	\$4,881,130	--	Fully committed to operation of three City-owned buildings and legally must be spent on those properties.
Affordable Housing Development Fund (Fund 230)	\$6,515,292	--	Non-compliance with financial closings and funding for the administration of the Portland Bond.

Recommendations and Next Steps

While the information above has undergone significant due diligence, it is possible that the numbers presented in this memo could continue to evolve around the edges as we progress through the upcoming Fiscal Year 2025-26 Spring Technical Adjustment Ordinance and the Fiscal Year 2026-27 budget development process.

I remain committed to sharing critical information with Council as it becomes known to us, whether that be at a natural next step in the legislative or budget conversations, or via separate communication.

Additionally, I am recommending the following actions:

- Prioritize continued oversight and monitoring of bureau budgets, including:
 - Selecting outside counsel to conduct an independent investigation of housing funds.
 - Systematic review of all funds in City to confirm that budgeted fund balances reflect actual existing contingencies and reserves.
 - Confirming that proposed and adopted budget balances are cross-checked against prior year audited financials.
 - Ensuring that published financial plans regarding use of reserves and contingencies align to the audited/budgeted Fund balances and proposing updated financial policies to codify these expectations.
- Take action to separate the HIF sub-funds into separate Funds.
- There are unique circumstances around Housing Bureau funds that suggest this is an isolated incident and is not indicative of a broader Citywide practice of underbudgeting fund balances. We will still move forward with a process to evaluate other city funds to ensure this issue doesn't exist.

I want to thank both the finance team and the housing team, who have worked tirelessly to gather this information and to serve Portlanders. The administration is committed to providing accurate information to support Council deliberations and decision-making about these funds specifically, the broader budget, and the City's long-term financial health.