PROSPER PORTLAND

DATE: September 9, 2026

TO: Board of Commissioners

FROM: Cornell Wesley, Executive Director

SUBJECT: Report Number 25-27

Update on Middle-Income Housing Preservation Strategy

Brief description of information item

No action is requested; information only.

At the September 9, 2026, Prosper Portland Board of Commissioners (Board) meeting, staff will provide an overview of the agency's Middle-Income Housing Preservation Strategy (the Strategy), which provides an investment framework for acquiring multifamily housing assets intended for permanent public ownership using a limited-profit cost-recovery model.

Staff will be presenting the first potential asset acquisition under this strategy as an action item during the September meeting.

Strategic alignment and outcomes

The Strategy will deliver on several Advance Portland Objectives and Outcomes, including Outcome 3.8: Address housing production across a continuum of affordability; and Outcome 4.3.1: Improve connections between residential and employment centers by encouraging supply of mixed-income housing at high-access locations with good transit access to employment centers and with a positive impact on affordability issues.

The Strategy will guide acquisition investment decisions to deliver on policy priorities identified in the Portland City Council (Council)-adopted 2045 Housing Needs Analysis.

Additionally, the Strategy is designed to further Prosper Portland's Financial Sustainability Plan by focusing on high-occupancy, low-maintenance properties that have strong net operating income track records and supportive underlying fundamentals. This focus on performing assets will enable the Strategy to become partially self-funded over time, relieving financial pressure on other Prosper Portland budgetary needs and critical agency programs.

Background and context

Municipal agencies across the region are exploring new models to reshape local housing systems through non-market, cooperative, and publicly stewarded approaches, reflecting recognition that conventional market-driven development cannot fully close the affordability gap. Through the Council-adopted Tax Increment Financing (TIF) Affordable Housing Set Aside, an aggregate set aside minimum of 45% of TIF revenue is allocated to the Portland Housing Bureau for investment in low-income housing, with inclusionary requirements capping affordability at 60% to 80% Area Median Income (AMI). No public subsidies in Portland currently target multifamily housing for households earning between 80% to 120% AMI in Portland, leaving an unserved bracket in the affordability continuum. Meanwhile, private developers have struggled to procure financing and deliver new multifamily housing for this income group due to high development costs including land acquisition, construction labor and materials, permitting, system development charges, and prolonged approval timelines which together erode profit margins and prevent private market investment in this product type.

Prosper Portland, as the City of Portland's economic and urban development agency, has developed a Middle-Income Housing Preservation Strategy designed to complement existing programs such as the State of Oregon's Middle-Income Revolving Loan Fund, and the agency's Middle-Income Construction Loan Program. In December 2025, the Executive Director approved the Strategy, establishing criteria for acquiring multifamily assets in Portland.

The Strategy establishes a framework for acquiring newer, institutionally maintained multifamily assets along Inner East Portland's transit corridors to pilot a permanently owned, publicly stewarded middle-income housing portfolio. The Strategy targets newer-generation (5-15 years old) Class B+/A properties affordable to households at 80% to 120% AMI, located along primary transit corridors. Once acquired, the assets will be operated under a limited-profit cost-recovery model that covers operating costs, capital reserves, administration, and reinvestment margin through rents alone, without ongoing public subsidy.

The limited-profit cost-recovery model establishes rents at levels that cover true acquisition cost, operating costs, capital reserves, administration, and a modest limited profit reinvestment margin without requiring market-rate pricing over the long term. This has the potential to create a permanently middle-income housing portfolio that is financially self-sustaining without ongoing public subsidy, and affordable to Portland's middle income employment base, while providing housing stability independent of future market fluctuations.

The Board approved $9,500,000 for multifamily asset acquisition (see Attachment A) through the Strategic Investment Fund (SIF) for Fiscal Year (FY) 2026-27 Adopted Budget. The Strategy is intended to guide investment subject to SIF availability. All acquisition requests will come to the Board for final approval.

Attachments

A. Strategic Investment Fund Financial Summary

Strategic Investment Fund

Strategic Investment Fund	Revised FY 2025-26	Adopted FY 2026-27	Forecast FY 2027-28	Forecast FY 2028-29	Forecast FY 2029-30	Forecast FY 2030-31
Resources						
Beginning Fund Balance	48,886,037	32,903,574	11,018,210	5,705,540	3,831,504	5,257,972
Revenue						
Interest on Investments	1,222,151	847,416	302,648	171,613	126,536	165,151
Loan Collections	1,186,390	2,633,777	8,919,051	2,523,864	2,342,910	1,546,901
Rent and Property Income	2,579,705	3,117,600	3,117,600	3,117,600	3,117,600	3,117,600
Transfers In	29,897	2,000,000	7,000,000	-	265,915	-
Total Revenue	**5,018,143**	**8,598,793**	**19,339,299**	**5,813,077**	**5,852,961**	**4,829,652**
Total Resources	**53,904,180**	**41,502,367**	**30,357,509**	**11,518,617**	**9,684,465**	**10,087,624**
Requirements						
Economic Development						
Community Economic Development						
A00448-Neighborhood Prosperity Opportunity	864,437	-	-	-	-	-
Business Lending						
A00217-Small Business Lending-SBL	2,282,358	3,000,000	1,217,642	-	-	-
Economic Development Total	**3,146,795**	**3,000,000**	**1,217,642**	**-**	**-**	**-**
Property Redevelopment						
Commercial Property Lending						
A00750-Predev & Construction Loans-RELF	1,000,000	1,000,000	1,500,000	1,500,000	-	-
A00772-Middle Income Housing-RELF	200,000	4,000,000	4,000,000	1,300,000	-	-
Real Estate Management						
A00290-Station Place Parking-RVD	962,626	808,330	808,330	808,330	808,330	786,400
A00307-84 NE Weidler-CNV	-	34,800	34,800	34,800	34,800	34,800
A00310-Hotel Garage Operations-CNV	1,673,204	1,671,430	1,671,430	1,671,430	1,671,430	1,671,430
A00350-Cascade Station Parcel G-NOI	55,605	52,134	52,134	52,134	52,134	52,134
A00545-Cascade Station Parcel E-NOI	51,924	49,140	49,140	24,300	24,300	24,300
A00547-Cascade Station Parcel D-NOI	49,118	52,470	52,470	52,470	51,470	51,470
A00558-9th & Naito Small Lots-RVD	14,011	14,011	14,011	14,011	14,011	14,011
A00871-Block 33-NOI	112,550	117,700	114,300	114,300	114,300	114,300
Real Estate Acquisition						
A00871-Block 33-NOI	7,260,000	-	-	-	-	-
A00895-Multi Family Units-NOI	-	9,500,000	-	-	-	-
A00752-Real Estate Investments-NOI	-	5,600,000	5,640,000	-	-	-
Real Estate Predevelopment						
A00752-Real Estate Investments-NOI	-	-	600,000	500,000	-	-
A00584-100 NE Multnomah-CNV	10,600	-	-	-	-	-
Real Estate Disposition						
A00584-100 Multnomah-CNV	8,000	-	-	-	-	-
A00547-Cascade Station Parcel D-APW	100,000	500,000	-	-	-	-
Property Redevelopment Total	**11,497,638**	**23,400,015**	**14,536,615**	**6,071,775**	**2,770,775**	**2,748,845**
Total Program Expenditures	**14,644,433**	**26,400,015**	**15,754,257**	**6,071,775**	**2,770,775**	**2,748,845**
Personnel Services	977,093	1,108,586	948,856	807,669	827,859	147,789

Total Fund Expenditures	**15,621,526**	**27,508,601**	**16,703,113**	**6,879,444**	**3,598,634**	**2,896,634**
Interfund Transfers - Indirect Charges	859,842	975,556	948,856	807,669	827,859	147,789
Interfund Transfers - Cash Transfers	4,519,238	2,000,000	7,000,000	-	-	-
Reserved For Future Expenditures	32,903,574	11,018,210	5,705,540	3,831,504	5,257,972	7,043,201
Total Fund Requirements	**53,904,180**	**41,502,367**	**30,357,509**	**11,518,617**	**9,684,465**	**10,087,624**