POLICY FRAMEWORK

Housing Capacity Parity

Creating a parallel pathway for the affordable housing we already have. America built financial architecture to produce new affordable housing and almost none to activate the housing capacity that already exists. This is a policy framework, and an invitation to pressure-test it.

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SUMMARY

America has sophisticated financial and policy infrastructure for **creating** new affordable housing capacity: tax credits, subsidies, construction and permanent debt, syndicated equity, insurance, guarantees, and regulatory credit for the institutions that take part. The Low-Income Housing Tax Credit alone attracted roughly **$28.9 billion in investor equity in 2024, about 80 percent of it from banks**.[1]

That works because the federal government did not simply declare affordable housing valuable. It manufactured an asset, defined the unit of production, set the compliance standard, and gave several parties a reason to participate.

There is almost nothing comparable for **activating** capacity that already exists. Activating one unused bedroom can address two housing problems in a single arrangement: the home seeker obtains affordable housing, and the home provider receives income that may preserve their own housing stability. Almost none of the financial architecture built for housing recognizes that outcome as housing production.

Housing Capacity Parity is the principle that affordable housing policy should recognize and appropriately incentivize verified housing capacity whether it is newly constructed or newly activated.

This is not an argument against building. Many households need independent, deeply subsidized, accessible, supportive or family-sized homes, and America needs substantially more construction than it is doing. Bedroom activation replaces none of that. The position is build, preserve, convert **and** activate.

1. The problem

The production pathway is fully built. The activation pathway is not built at all.

Our own research counted the physical capacity from Census microdata: **35 million spare bedrooms in homes owned by adults 65 and over**, against 4.5 million older renters spending more for housing than is recommended, a ratio of nearly eight to one.[7] Every state and the District of Columbia holds more spare bedrooms in older adults' homes than it has older renters in housing trouble.

What that count establishes is physical capacity, not shareable capacity. How much of it can realistically be activated has not been rigorously measured, and answering that is part of the work below rather than something we claim to have settled. What is already clear is that the constraint is not a shortage of rooms.

2. Two pathways

	PATH 1: BUILD CAPACITY	PATH 2: ACTIVATE CAPACITY
Starting point	A new bedroom or unit	An existing unused bedroom
Producer	Developer	Home provider
Recognized event	Unit placed in service	**No recognized event**
Capital	Construction and permanent financing	**Financing gap**
Incentive	Tax credits and subsidies	**Incentive gap**
Risk	Insurance, guarantees, reserves	**Risk infrastructure gap**
Regulatory value	Community Reinvestment Act consideration	**Recognition gap**
Measurement	Unit-years, housing starts	**Measurement gap**
Duration	Thirty-year use restriction	One year, renewable
Occupant protections	Fair housing, habitability inspection, income certification	**Protection gap**
Housing payment goes to	Owner or partnership	The home provider, directly
Others paid along the way	Developer, contractor, design professionals, lenders, investors, syndicators, property manager	Matching and verification infrastructure, insurer, mediation

The protection row is the one to read closely. The federal fair housing exemption for owner-occupied dwellings of four units or fewer describes most home sharing arrangements, and it is partial rather than total: the prohibition on discriminatory advertising, statements and notices still applies, and state and local fair housing law may be broader than the federal exemption.[2] Closing that gap is named in the research agenda below rather than assumed away.

The asymmetry is not an accident of markets. It is the result of choices about what public policy decided to make financeable.

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3. Who gets paid

A policy that creates no economic constituency does not survive a budget process. The production pathway works partly because many participants have a reason to want the next project built, and everyone in that chain can be doing socially valuable work while still holding an institutional interest in production.

The activation pathway is efficient precisely because most of the money reaches a household rather than a transaction chain. That is the point of it. But the same efficiency means it generates no large fee pool, so it cannot fund its own advocacy the way production finance can. Its constituency has to be built from home providers themselves, from insurers and verification providers, from health systems, and from jurisdictions that avoid downstream cost. That is why the design and evidence work has to be paid for deliberately, and why it will not emerge on its own.

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4. What already exists

The architecture is not missing entirely. Several load-bearing pieces are in place.

Federal housing policy already recognizes a bedroom in someone else's home as legitimate assisted housing. HUD regulation states plainly that "an assisted family may reside in shared housing."[3] The rules are fully worked out, down to separate leases and Housing Assistance Payment contracts, pro rata rent, space standards, and the participation of a resident owner. That this pathway exists and is little used is itself a finding. Determining whether the binding constraint is regulatory, financial, administrative or behavioral is the first question the research agenda has to answer.

Community development regulation does not require new construction. The Community Reinvestment Act definition of community development expressly includes affordable housing for low- and moderate-income individuals, with no construction requirement, and qualified investments expressly include grants to nonprofits serving low- and moderate-income housing needs and to community development intermediaries and funds.[4] It also does not name home sharing, and whether any specific activity qualifies is a question for each institution's examiners.

Local governments have begun paying for activation directly. The City of Portland's twelve-month home sharing pilot, launched February 2026 with $500,000 in city funding, pays a home provider $1,500 for the first qualifying room and $750 for each additional room after thirty days of successful rental through a qualified provider, and caps rent at $250 per week including utilities and fees.[5] In its first four months the pilot drew five applications. On 9 July 2026 the city raised both the grants and the rent cap. Whether that changes participation is exactly the kind of question a properly designed demonstration should be built to answer.

Operating infrastructure to identify, screen, verify and match participants already exists. The question is therefore not whether bedroom activation is possible. It is what infrastructure would allow it to operate as a recognized component of America's affordable housing system.

5. What needs to be built

Measure. Define the Affordable Room-Year: one verified bedroom offered at a qualifying affordable rent and occupied by an eligible household for one year. Define a recognized activation event, the equivalent of "placed in service" for real estate. Without a standardized unit, none of the rest is possible.

Incentivize. Determine the appropriate home provider, public and tax incentives for placing a bedroom into affordable service, and treat the home provider as what they functionally are: a micro-provider of affordable housing. Other countries exclude modest room rental income from taxation. Whether that or a credit is the right instrument is an open question.

Finance. Establish which existing mechanisms can support activation today, including Community Development Financial Institutions, program-related and mission-related investments, state housing trust funds, outcome-based public contracts, and Community Reinvestment Act qualified investment. The last of these is narrowing rather than widening, and the timing matters.[4]

De-risk. Develop standardized insurance, guarantees, mediation, legal assistance and relocation support, and clarify how room rental income interacts with means-tested benefits, which is currently a direct deterrent for the lowest-income home providers. Policy cannot simply ask people to rent a bedroom. It has to de-risk participation.

Verify. Build trusted infrastructure for identity, property, affordability, agreement, occupancy, duration and outcome. Investors and public payers finance standardized, verified assets, which is what the current evidence base is not.

6. The research agenda

We are not claiming to know the answers. HomeShare America proposes a national research and design initiative to answer one question:

What financial, regulatory, technological and risk infrastructure would be required to make existing residential capacity a measurable, financeable and scalable component of America's affordable housing system?

The evidence base is thin. A 2020 scoping review of home sharing outcomes for older adult home providers identified only six sources published through 2018, predominantly cross-sectional or qualitative and relying on self-report.[6] Building an adequate evidence base is part of the work, not a precondition we claim to have met.

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7. The invitation

HomeShare America is convening policymakers, housing finance experts, researchers, philanthropy and financial institutions to pressure-test and develop the Housing Capacity Parity framework. Our goal is not to prescribe the answer. It is to determine what would have to be true for America to financially recognize affordable housing capacity that is activated as well as capacity that is constructed.

Three questions we would put first:

- What is the true public subsidy per housing-year for an activated bedroom compared with other housing interventions, and who receives each dollar?
- What requires only regulatory interpretation, and what requires new legislation?
- What would have to be true for an activated bedroom to carry duration and occupant protections comparable to a restricted unit?

If you are working on these questions, we would like to hear from you. Write to the executive director at executivedirector@homeshareoregon.org.

Companion work

Who Can Actually Rent It is the evidence this framework rests on: run one older adult on the average Social Security benefit against all 2,644 HUD income limit areas and there is no area in the country where she both qualifies on income and clears a three times rent screen at the level most affordable homes are built. *Between the Ceiling and the Floor* draws the same two limits for any county. *The Rooms Already Exist* counts the bedrooms. *The Value of a Match* prices what one arrangement is worth to both households.

Sources and notes

1. CohnReznick, *2024 LIHTC Equity Market Volume Survey*, March 2025: approximately $28.9 billion in investor equity closed in 2024, with bank investors accounting for approximately 80 percent of the equity surveyed. The Congressional Research Service notes that LIHTC investors typically do not expect their equity investment in a project to produce income; their return comes from credits offsetting federal income tax liability, along with tax benefits associated with operating losses, interest and depreciation. Congressional Research Service, *An Introduction to the Low-Income Housing Tax Credit*, RS22389, updated 11 July 2025.

2. The Fair Housing Act exemption at 42 U.S.C. 3603(b)(2) covers "rooms or units in dwellings containing living quarters occupied or intended to be occupied by no more than four families living independently of each other, if the owner actually maintains and occupies one of such living quarters as his residence," which describes most home sharing arrangements. The exemption is partial rather than total: section 3603(b) exempts such dwellings from section 3604 "other than subsection (c)," so the prohibition on discriminatory advertising, statements and notices continues to apply. State and local fair housing laws may also be broader than the federal exemption, and occupants may hold reduced status under state landlord-tenant law. Closing this gap is named in the research agenda rather than assumed away.

3. 24 CFR 982.615(a): "An assisted family may reside in shared housing." See also 982.616, a separate lease and Housing Assistance Payment contract for each assisted family; 982.617, rent to owner capped at the pro rata share of the unit's reasonable rent, the pro rata share being bedrooms in the family's private space divided by total bedrooms in the unit, with the payment standard the lower of the standard for the family's unit size or the pro rata share of the standard for the shared unit, and the utility allowance likewise pro rata; 982.618, private space containing at least one bedroom per two persons and not fewer than the family unit size, with living, sanitary and food preparation facilities in private or common space, and zero and one bedroom units not eligible; and 982.615(b)(3), under which a resident owner may participate and may enter a Housing Assistance Payment contract, but assistance may not be paid on behalf of an owner, and an assisted person may not be related to a resident owner by blood or marriage.

4. 12 CFR part 25, Appendix G, sections 25.12(g) on community development and 25.12(t) on qualified investment, with parallel text at 12 CFR part 228 Appendix G for the Federal Reserve and 12 CFR part 345 Appendix G for the FDIC; and the *Interagency Questions and Answers Regarding Community Reinvestment*, 81 FR 48506, 25 July 2016. Community Reinvestment Act rulemaking is unsettled. The 2023 final rule was preliminarily enjoined in March 2024 and has never been applied, and banks are examined under the 1995-based framework preserved as Appendix G. On 31 July 2026 the OCC and FDIC, without the Federal Reserve, proposed revisions that would limit consideration for grants to those directly used by the recipient for a program with a primary community development purpose in the bank's local community, with a 15 percent indirect cost cap for banks over $10 billion. That proposal had not been published in the Federal Register as of 9 August 2026, so no comment deadline is stated here. Nothing in this document should be read as a representation that any activity qualifies for Community Reinvestment Act consideration.

5. Portland Housing Bureau, "Home Sharing Pilot Program," portland.gov, updated 9 July 2026, for grant amounts, rent cap and program terms; City of Portland FY2025-26 adopted budget amendment documents for the $500,000 appropriation; *Willamette Week*, 21 June 2026, for the application count. Prior to 9 July 2026 the grants were $1,000 and $500 and the rent cap was $200 per week. **Disclosure:** HomeShare America is one of four qualified home sharing providers under this pilot.

6. Martinez, L., Mirza, R. M., Austen, A., et al. (2020). "More than just a room: a scoping review of the impact of homesharing for older adults." *Innovation in Aging*, 4(2), igaa011. The review identified six sources, four peer-reviewed and two from gray literature, from an English-language search covering 1989 through December 2018 and limited to home providers aged 55 and over.

7. HomeShare America, *The Rooms Already Exist*, using American Community Survey 2023 1-Year public use microdata. Universe: owner-occupied households with a householder aged 65 or over. A spare bedroom is bedrooms minus household members, floored at zero, summed across households. It means possible capacity inside an occupied home, not proof that a room sits empty or that its owner would share it.