Dedicated revenue sources overview

A dedicated revenue source for affordable housing provides an ongoing committed stream of revenue for affordable housing, often deposited into a housing trust fund.

While the amount of funding raised by a dedicated revenue source can fluctuate from year-to-year, a dedicated source can be helpful in increasing the total funding available for affordable housing and reducing the risk associated with reliance on annual appropriations decisions. There are many revenue streams that can be tapped to support housing affordability. Common dedicated revenue sources tend to be related to real estate development and include a percentage of real estate transfer tax or document recording fee revenues; developer fees, such as linkage fees; and demolition taxes in towns, cities and counties where teardowns are common. (Some of these sources are discussed in more detail elsewhere on this website.) Other potential sources include proceeds from permit fees, lodgers’ taxes on hotel stays, interest on government accounts, taxes on legalized medical or retail marijuana, taxes or fees on luxury housing, and taxes or fees on short-term rentals through companies like Airbnb. [1]

A dedicated revenue source does not guarantee program funding. Some revenue sources are likely to dry up just when the need for affordable housing is greatest. In an economic downturn, for example, new development activity and related permit fee revenues are likely to decline. In a tight budget environment, dedicated revenue sources may also be diverted by city councils or state legislatures looking to fill budget gaps. However, to the extent that a town, city or county has determined housing affordability is a priority worth supporting, establishing a dedicated revenue source can help to mitigate the risks associated with reliance on annual appropriations decisions and provide a higher level of total funding for affordable housing programs.

• See the Center for Community Change Housing Trust Fund Project’s “Revenue Sources” web page for more ideas here.

Dedicated revenue sources are often established as a mechanism to fund affordable housing trust funds. Click here to learn more about housing trust funds.