Linkage fees/affordable housing impact fees overview

Linkage fees and affordable housing impact fees are policy tools that generate revenue to support the creation of affordable housing by charging a fee on new development.

These policies work best in towns, cities or counties that are experiencing, or expect to experience, substantial commercial or residential growth. The fee is often justified as a way to meet the demand for housing caused by newly created jobs associated with this growth.

Linkage fees can be assessed on all new non-residential development, including retail centers, industrial or manufacturing facilities, and other commercial projects. These facilities stimulate the creation of low-wage jobs, but ordinarily do not include an affordable housing component for workers in those jobs. The need to meet the demand for affordable housing created by new growth provides the legal justification for charging linkage fees, which are used to preserve or create affordable housing near the jobs that are created. The fee amount is typically based on the square footage of the building, with proceeds deposited in a housing trust fund for disbursement in accordance with local needs and priorities.

Affordable housing impact fees function like linkage fees, but are assessed on market-rate or luxury residential development on the assumption that an influx of new residents will generate increased demand for services and, in turn, low-wage jobs to fulfill that demand. The revenue from affordable housing impact fees can then be used to help provide housing affordable to these workers. Affordable housing impact fees may be assessed on a per-unit or per-square foot basis, typically with different rates for different housing types (single-family homes, townhomes or condominiums, rental apartments).

NOTE: There are other types of impact fees that communities charge to address the impacts of new development—for example, on the need for basic infrastructure—that are not addressed here. For a general overview of impact fees, see Development Impact Fees: A Primer.