



Commercial Linkage Fees

Commercial linkage fees are a form of impact fee assessed on new commercial developments or major employers based on the need for workforce housing generated by new and expanding businesses. Revenues generated by the fee are then used to help fund the development of affordable housing within accessible commuting distance to the employment center. Commercial linkage fees help to better tie economic growth with housing growth.

BACKGROUND

Commercial linkage fees build upon the relationship between commercial and residential development. They hinge on balancing the impact of growth in non-residential development by stimulating affordable residential development for workers or supporting demand for services.

Linkage fee schemes vary by the type of commercial development (generally, office, hotel, retail, or industrial). Different development types may be charged separate rates per square foot of development due to their differing levels of impact. A threshold size may also be established to exempt smaller developments.

Linkage fees may be structured to devote a percentage of the fee specifically to different public benefits. For example, a \$3.50 per square foot fee could provide \$3 for affordable housing and \$0.50 to support open space. Setting the correct fee level requires analyzing the types of jobs the development will create and the affordability of housing within a reasonable commuting distance of the development. This most often requires a nexus study to better understand the relationship between commercial and residential development.

TOOL PROFILE

Objectives

[Housing in Centers and Near Transit](#)

[Housing Options in Expensive Markets](#)

[Missing Middle Density](#)

[Mitigate Residential Displacement](#)

Type of Tool

Other Regulatory Tools

Project Type

Multifamily

Ownership

Rental

Affordability Level

**Most effective for units
<80% AMI**



A nexus study helps to better understand the effect that new commercial or residential market-rate development may have on a housing market and can help determine fees charged to the developer. If, for example, a development will create or stimulate lower paying service sector employment, the linkage fee may need to be higher to close the larger gap between income and nearby affordable housing. If the development will create higher paying jobs, in technology or engineering, for example, the linkage fee may be smaller. The size of the fee will also vary by jurisdiction, with more expensive markets having larger commercial linkage fees.

This tool requires a vibrant development climate to succeed. Depending on a community's needs, the fees collected can be applied to any type of affordable housing proposal or district. Commercial linkage fees can serve as a designated revenue stream for a local housing fund. This tool may be a particularly useful resource to address jobs-housing balance, as it directly ties new employment-related uses to housing affordability.

RESOURCES

Inclusionary Housing, Grounded Solutions Network: [Commercial Linkage Fees](#) (2020), [Fee First Programs](#) (2020)

Othering and Belonging Institute, Berkeley: [Affordable Housing Linkage Fees](#), page 48 (2020)

City of Seattle: [Seattle Affordable Housing Nexus Study](#) (2014)

