

Commercial Linkage Fee

Summary and Benefits:

A portion of jobs created by new commercial development – hotel, retail, office, etc.- are low-paying and the new employees cannot afford market-rate housing. With commercial linkage fees – also known as job-housing linkage fees - developers are expected to ameliorate some of the housing impacts generated by such projects. This impact is measured through a Job-Housing Nexus Analysis that shows the connection between the construction of new commercial buildings, employment, and the need for affordable housing. They are usually performed by consulting firms that have specialized in this type of analysis.

Methodologies vary, but in most cases the analysis begins with an estimation of the number of employees for a prototypical 100,000 sq.ft. building and ends with the cost per-square foot for that building to provide housing for those employees who would live in that locality but could not afford to live there. Consultants routinely recommend fee levels much lower than the maximum. Given that, depending on the land use, there are different concentrations of employees per area of buildings, fee levels vary, with office usually the highest, and warehousing the lowest. Some localities, heavily impacted by specific types of development, might exact fee from only those uses, as is the cases in some Silicon Valley cities targeting the high tech industry.

Commercial linkage fees are adopted at the local level, and as such they reflect the diversity of each locality's economic, political and cultural traits. Linkage fees can vary by development type, fee level, exemptions, options/thresholds, terms of payment, and results. About twenty cities in California have enacted commercial linkage fees. Compared to the number of localities with inclusionary housing programs, the number of localities with commercial linkage fees is rather low. A possible explanation is fear of discouraging economic growth. However, reasonable fees enacted in areas experiencing high levels of economic growth and strong demand for commercial space should not negatively affect the rate of commercial development. This is especially true if one considers that the additional costs to developers will bring about a readjustment of land prices in a period of a few years, i.e., the landowner will pay the additional cost of development through a reduction of the price of land. (See below, Jobs-Housing Nexus Study Prepared for the City of San Diego by Keyser Marston associates, Inc. August 2013, page 62).

Potential Policies:

- Some cities in the Bay Area already have commercial linkage fees. Those cities experiencing high levels of growth should consider increasing their existing fees. In some cases there are no provisions for inflation adjustment, as in Berkeley. The City of San Diego passed legislation last year to increase their fees to reflect the failure in adjusting their fees since 1990, the date of adoption of their program. Finally, cities without commercial linkage fees but experiencing high rates of commercial growth should consider adopting a commercial linkage fee program.

Model Ordinances/Useful Sources:

- City of Menlo Park Commercial Development Fee - Zoning Code Chapter 16.96.030, Link: <http://www.codepublishing.com/CA/menloPark/?MenloPark16/MenloPark1696.html>
- City of Oakland Jobs/Housing Linkage Fee - Building Code Chapter 15.68. Link: http://library.municode.com/HTML/16308/level2/TIT15BUCO_CH15.68JOHOIMFEAFHOTR_FU.html#TOPTITLE

- City of Oakland Jobs/Housing Linkage Fee Nexus Study and related reports. Link: <http://www2.oaklandnet.com/Government/o/hcd/s/Data/DOWD008692#linkage>
- Jobs- Housing Nexus Study Prepared for the City of San Diego by Keyser Marston associates, Inc. August 2013:
[http://sdhc.org/uploadedFiles/Real_Estate/Best_Practices_Task_Force/SDHC%20Job%20Housing%20Nexus%20Study%202013\(1\).pdf](http://sdhc.org/uploadedFiles/Real_Estate/Best_Practices_Task_Force/SDHC%20Job%20Housing%20Nexus%20Study%202013(1).pdf)
- City of San Jose, Housing Needs and Strategy Study Session Follow-up Administrative Report, Link: <http://sanjoseca.gov/DocumentCenter/View/12862>
- San Mateo County 21 Elements, Development Impact Fee 21 Jurisdiction Grand Nexus Study, Link: *To be added in 2014 to www.21elements.com.*