

JOBS-HOUSING LINKAGE PROGRAMS

What are “Jobs/Housing Linkage Programs”?

“Jobs/Housing Linkage Programs” are fees or other requirements that local governments place on new industrial, commercial and office developments to offset the impact that new employment has on housing needs within a community. In the same way that local governments require residential developers to offset the school impacts caused by their development, businesses are required to mitigate the new housing needs created by their new job development.

Most Jobs/Housing Linkage Programs require a business to contribute fees to mitigate its housing impacts, but some, such as Milpitas, require business developers to actually provide market-rate and/or affordable housing directly. Sometimes local governments provide the developer with regulatory relief (e.g. density bonuses or reduced parking requirements) to offset the cost to the developer of providing linkage requirement.

Local governments have the authority to adopt linkage ordinances, after they conduct a study (often called a “nexus study”) required by Proposition 218 which demonstrates the need for such fees and determines an appropriate amount to be charged that is reasonably proportional to a business development’s impact. Local governments then use the linkage fees collected to support affordable housing development within their own jurisdictions. Creative solutions, including mixed use development are often possible.

Linkage fees vary widely—both by jurisdiction and by business type. The nexus study helps determine what that difference should be by business type. The fee should be designed to adjust to inflation, typically done by indexing the fee to the Consumer Price Index. Many jurisdictions have a threshold minimum project size that triggers the policy.

When are linkage fees most successful?

Linkage fees are most successful in jurisdictions that expect to attract substantial new business development and have land available for such development. Linkage fees can provide a substantial boost to the production of affordable housing. The total revenue generated by the San Francisco ordinance is estimated at \$18 million a year

Also, because linkage fees directly link new job creation with the provision of appropriate workforce housing, they help create a better “jobs-housing balance” with the resulting benefits of less traffic congestion and reduced smog. Employees who can afford to live near where they work spend less time commuting and have more time for their families and their community.

What jurisdictions currently have linkage fees or are considering them?

Below is a partial list of cities with linkage fees. Many other communities are in the process or considering adopting a policy. For example, Mountain View, Folsom, and Fremont are all considering the creation of a linkage fee program. To give a sense of the impact that linkage fees can achieve, the nexus study for Mountain View recently concluded that the maximum fee they could charge ranged from \$7.64 to \$17.44 per square foot for office/high tech, \$6.29-\$10.43 per square foot for hotels and \$8.43-\$14.45 per square foot for retail and entertainment. And Menlo Park is considering raising their fee from \$1.92 a square foot to at a minimum \$10 per square foot.

Jurisdiction	Fee
San Francisco	\$11.34 /sq. ft. of commercial office (\$14.96 on 1/1/2002), \$8.50 per s/f for hotel (\$11.21 in 2002) \$10.57/sq.ft. for entertainment/ retail (\$13.95 in 2002) \$7.55 s/f for research and development (\$9.97 in 2002).
Cupertino	Office &Industrial \$2
Menlo Park	Range from \$.76 to \$1.92
Palo Alto	Commercial & Industrial \$4.03
Sunnyvale	Industrial & Office \$7.14
Pleasanton	Commercial \$.50
Napa, County & City	Range from \$.20 to \$1.40
Livermore	Range up to \$.81
Sacramento, Cnty & City	Ranges from \$.27 to \$.99

What are the primary objections to linkage fees? How do supporters respond?

- Argument:** Linkage programs will reduce a city’s competitiveness for business.
Response: Increasingly in the Bay Area, businesses look at multiple factors in deciding where to build a new office or factory, including the availability of affordable housing. Businesses have learned that the availability of housing affordable to their workers affects their bottom line in several ways, including the costs of repetitively hiring and training employees due to high turnover rates.
- Argument:** Even if they do not have a negative effect on business development during boom times, in leaner economic times linkage fees will hurt the local government by dissuading new businesses from coming to those cities.
Response: Linkage fees and even property taxes represent such a small factor/cost in a business decision on where to locate or develop.
- Argument:** Linkage fees are unfair because they force businesses to solve the broader “social problem” of lack of affordable housing.
Response: Every sector of society needs to shoulder its part in dealing with the need for affordable housing. New jobs do attract new people into a community, and these people need a place to live. If employers cannot pay their workers enough to enable them to buy or rent housing near their work, it is unfair for businesses to require other cities to build the housing, and to force the rest of the region to bear the additional traffic congestion, pollution and other environmental costs caused their workers’ long commutes. Many leading businesses have recognized their civic responsibility to play a constructive role in addressing the affordable housing needs of their workers.

For more information on this policy and other ways to address the affordable housing crisis in your community, contact your local non-profit housing organization or NPH at 415-989-8160 (www.nonprofithousing.org).