



Linkage Fees: A Vehicle for Financing Affordable Housing

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The ultimate goal of a [linkage fee](#) (sometimes called an impact fee) is to maximize the positive impact of upcoming real-estate developments on a community. What distinguishes linkage fees from other policy interventions mentioned in this briefing is their ability to fund public services. Linkage fees offer an opportunity to benefit the local economy by enabling a jurisdiction to raise resources for [affordable housing stock](#). This policy recommendation, if implemented within St. Louis County communities such as Webster Groves, Clayton, and Richmond Heights, would be leveraged to generate and supplement funding for equitable residential-housing development.

Why Linkage Fees?

Affordable housing is often replaced by developments that are significantly more expensive. Linkage fees are taxes or fees to combat the negative externalities of these new real-estate developments.

In addition, linkage fees are a vehicle by which new developments [contribute to affordable housing funds](#). This is done by requiring developers to pay the fee if they plan on building in specified areas.

Finally, linkage fees are used to help fund essential government functions, and no government function is more important than providing an inclusive environment via affordable housing.

Recommendations

Conduct a Nexus Study

A nexus study, per the [Grounded Solutions Network](#), “examines the effect of commercial or residential market-rate development on the need for affordable housing in a given housing market and establishes the maximum supportable fee charged to

developers.” Used to gauge the impact a linkage fee policy may have in generating revenue for public services, a nexus study could be conducted at the municipal level or by a consortium of municipalities.

Engage the Community

An essential component of policymaking, community engagement offers a path to public support for affordable housing initiatives in general and linkage-fee policies in particular.

- By hosting town halls and forums, jurisdictions can inform residents about linkage fees and best practices in affordable housing production, garnering support for such initiatives.
- By presenting results from nexus studies, impact reports, fiscal notes, and cost estimates for policy implementation, jurisdictions can generate resident input that could be incorporated into the policy.

Decide on a Formula

Implement a linkage-fee policy based on a specific formula. We note three options among many:

- Establish a formula based on the square footage of the new development.
- Establish a formula based on the fees assessed on a per-unit basis.
- Establish a formula based on a percentage of the sale price (for owner-occupied residential developments).

In closing, the process of crafting linkage fees is undoubtedly complex. Thankfully, technical support may be available from the Grounded Solutions Network or similar organizations. We encourage municipal leaders to explore these potential part-



nerships toward the goal of developing new revenue sources for the fundamental human need of housing.

Suggested Citation

Murphy, L., Cooper, S., & Beckham, R. (2023, February). *Linkage fees: A vehicle for financing affordable housing* (CSD Policy Brief No. 23-11). Washington University, Center for Social Development. <https://doi.org/10.7936/r0g8-kr48>



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