



# LINKAGE FEES AND PERSONAL PROPERTY RIGHTS

**L**inkage fees are charges to developers and are typically used as a funding source to pay for affordable housing through existing housing programs. There has been a surge in the use of linkage fee as a way to force private developers to fund homeownership programs.

Linkage fees are a way to help meet the housing needs that are often produced when new developments are proposed. For example, the development of a retail mall will create employment opportunities to the area. The jobs created will most likely be minimum wage jobs and these jobs do not pay enough to support a household that may want to work and live in the same area. Therefore, a Linkage fees is charged to developers based on the square footage of the project. The linkage fee is used to supplement an affordable housing program that is linked to the area or nearby area.

When the pool of affordable housing program funds are limited, or used up, some cities will elect to increase their linkage fees. One such linkage fee increase proposal was made in San Diego, California, and according to a report by the San Diego City Independent Budget Analyst the fee increase would be anywhere from 377% on developers of industrial and manufacturing projects to 744% for those developers who wanted to building warehouse or storage facilities. Such an increase would encourage developers to move their projects out of San Diego and into outlying cities where linkage fees were much lower. The consequences to the City of San Diego would be fewer jobs, less growth and a reduction in revenue to the city. The fee increase would adversely affect commercial and residential real estate sales and business in the city.

The fee increase was subsequently overturned when it was placed on the ballot and bought to the voters. Any fee that is linked to the sale of a property

has the potential of adversely affecting the real estate industry and personal property rights. For example, another fee currently being proposed in San Diego is named the Climate Action Plan. This plan would require home owners to install new windows, lighting, water heaters and other costly items, before the sale of a home. Installing energy efficient windows in a two-bedroom, one-bath home could cost a homeowner over \$4,000. This plan would require the seller to pay these out-of-pocket expenses before the sale. The mandates could prevent a homeowner from selling until they spent thousands of dollars to make the required improvements.

As real estate professionals it is our duty to preserve personal property rights and one way to do so is to get involved with your local real estate association. By being informed critical on personal property rights issues you will have the background



**By Mark Powell, MA. Ed.**

in information needed to educate your clients and the public. I encourage all real estate professional to take an active role in their local association as we are our best and often only advocates.

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