

State Density Bonus Law (SDBL)

State Density Bonus Law (SDBL) gives developers the right to build additional dwelling units and obtain flexibility in local development requirements, in exchange for building on-site affordable or senior housing. To support the development of affordable and senior housing, projects can receive “waivers” and “concessions” to modify applicable regulations. This includes standards such as height, setbacks, parking and ground-floor retail requirements.

Palo Alto Municipal Code Chapter 18.15

As required by State Law, the City’s zoning ordinance includes a code section detailing how State Density Bonus Law will be implemented in Palo Alto. Where the local ordinance is in conflict with State law, State law takes precedence.

SDBL vs. City Inclusionary Ordinance

In order for a for-sale project to satisfy both SDBL and the City’s inclusionary housing requirements, units would need to remain affordable for at least 99 years.

Rental projects pay a fee in-lieu of the on-site inclusionary housing requirement. However, under SDBL, a rental project must place units on-site and therefore, generally, will be not be subject to the fee

| | PAMC Ch. 16.65: Affordable Housing Requirements | State Density Bonus Law |
|-------------------|--|---|
| For-Sale Projects | 15% on-site inclusionary requirement (moderate income level) 99-year term | Very-low, low, and moderate income options 55-year term |
| Rental Projects | Fee payment in-lieu | 55-year term |

The SDBL offers developers the ability to modify certain development standards by requesting either waivers or concessions from the local jurisdiction.

The City cannot require submission of reports of studies that are not otherwise required by State law. The burden is on the City to demonstrate that a requested concession or waiver is inconsistent with State law.



Pro Tip:

A project sponsor is not required to take advantage of a density bonus. If a project qualifies for State Density Bonus Law because of the City’s inclusionary housing requirement, it can still take advantage of the flexible development standards by requesting waivers and concessions.

| WAIVERS: | CONCESSIONS: |
|--|--|
| Projects can request waivers, which are generally used to modify physical standards affecting the building envelope. | Projects are eligible for between one to five concessions, which are generally used to modify land use or design requirements that add to the cost of development. |

How Many?

| | |
|-----------|---|
| Unlimited | 1 to 5, depending on level of affordability |
|-----------|---|

Which Standards?

| | |
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| Development standards that would physically preclude the construction of the development at the density permitted by SDBL. | Other regulations, where modifications would result in identifiable and actual cost reductions to provide for affordable housing costs |
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Common Examples

| | |
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| <ul style="list-style-type: none">• Height limits• Daylight planes• Setbacks | <ul style="list-style-type: none">• Ground-floor retail requirements• Undergrounding utilities• Public or private open space requirements |
|--|---|

FURTHER READING:

- [Government Code Section 65915](#)

MORE REQUIREMENTS AND EXAMPLES >

BASIC DENSITY BONUS ACHIEVABLE

The density bonus and concessions achievable scale in proportion to the level of affordability and percentage of affordable units provided. The more affordable units and more deeply affordable those units are, the more a project can exceed local density standards.

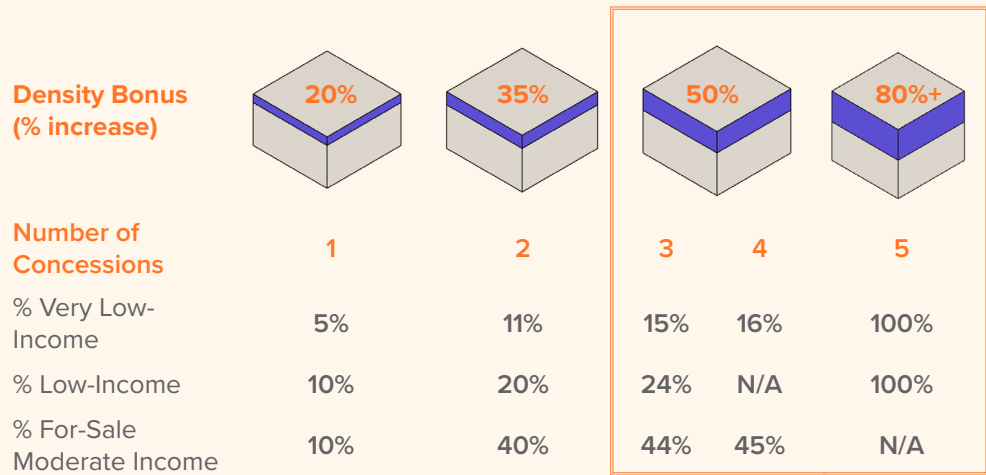
Various scenarios of affordability qualify, including the following minimum thresholds.

| SDBL Eligible Project Types | Minimum Affordability Percentage (Area Median Income) |
|---------------------------------------|--|
| Very-Low Income | 5% at <50% AMI |
| Low-Income | 10% at <80% AMI |
| Senior Housing | None |
| Moderate Income (For Sale only) | 10% at <120% AMI |
| 100% Affordable | Up to 20% at <120% AMI; at least 80% at <80% AMI |
| Special Populations | 10% at <50% AMI |
| Student Housing | 20% low-income (30% of 65% AMI for single room occupancy room) |
| Childcare Facility + Any of the Above | See eligibility above |
| Land Donation | 10% at <50% AMI |

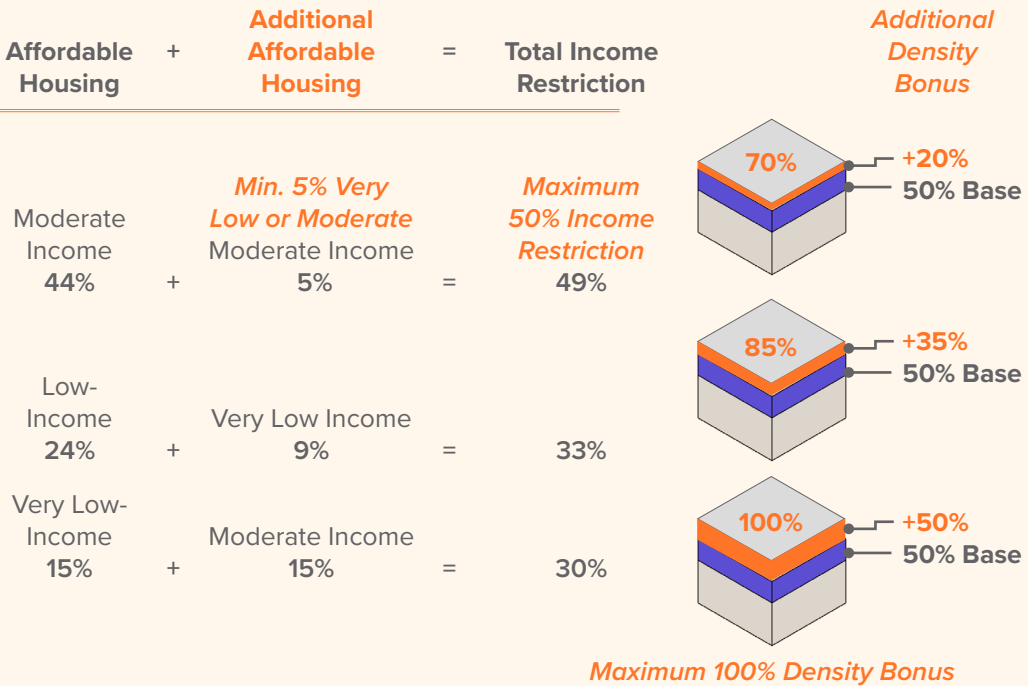
ADDITIONAL DENSITY BONUS

- Recent changes in SDBL allow an additional density bonus.
- Projects that achieve the maximum 50% “basic” density bonus are eligible for additional density bonus, up to a 100% total bonus.
 - Projects must provide at least 5% additional units restricted to very-low or moderate income households.
 - The resulting development may not income restrict more than 50 percent of the total units.

BASIC DENSITY BONUS BASED ON AFFORDABILITY



ADDITIONAL DENSITY BONUS



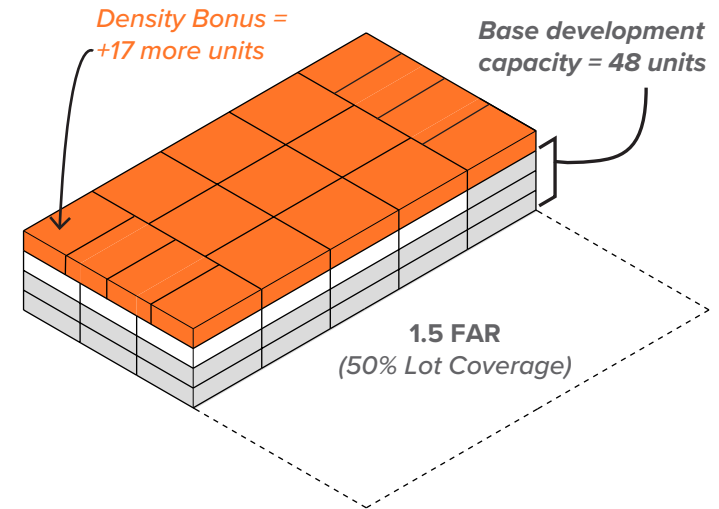
CALCULATING DENSITY (WITHOUT DU/ACRE DENSITY STANDARDS)

- For sites/zoning districts where maximum dwelling units per acre is not regulated, project sponsors must calculate “base” density by determining the realistic development capacity based on the combination of FAR, site coverage, building height, and other physical standards.
- The density bonus is then granted as additional floor area/FAR in proportion to the number of bonus units. Therefore, FAR cannot be granted as a waiver.

| | |
|-----------------------|--|
| Lot Size | 200 feet x 200 feet = 40,000 square feet |
| Base Floor Area | 40,000 square feet x 1.5 FAR = 60,000 square feet |
| Average Unit | 40 feet x 25 feet = 1000 sq. ft per unit |
| Common Space | 25% x 1000 sq. ft. = 250 sq. ft. per unit |
| Average Area per Unit | Average Unit + Common Space = 1250 sq. ft. feet per unit |

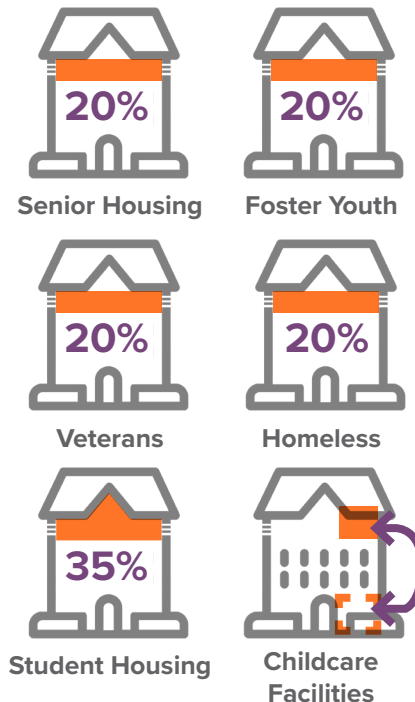
$$\text{Base Development Capacity} = \frac{\text{Base Floor Area}}{\text{Average Area per unit}} = \frac{60,000 \text{ square feet}}{1250 \text{ square feet per unit}} = 48 \text{ units}$$

$$\text{Density Bonus} = \text{Base Development Capacity} \times 35\% \\ 48 \text{ units} \times 35\% = 16.8 \text{ rounded up to 17 units}$$



DENSITY BONUS FOR SPECIAL POPULATIONS

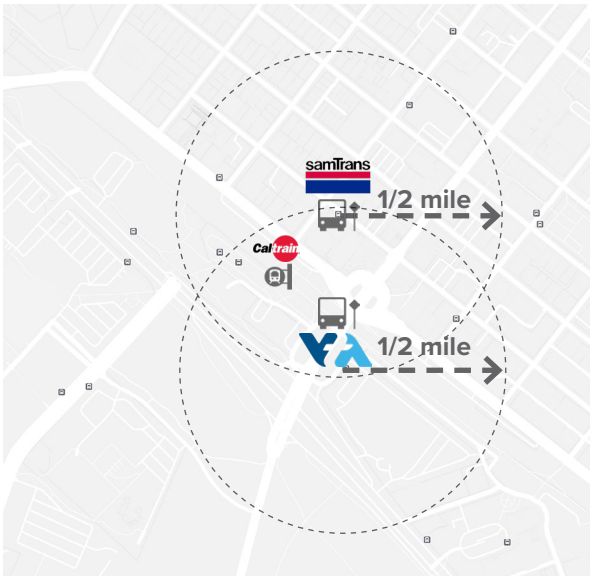
- Projects housing seniors, foster youth, veterans, or homeless persons, are entitled to a density bonus equal to 20% of the target population units.
- Affordable student housing projects are entitled to a density bonus equal to 35% of the student housing units.
- Projects that include on-site childcare facilities may be entitled to an additional density bonus equal to the square footage of the childcare facility, as well as a concession or incentive that contributes to the economic feasibility of the facility.



Replacement Unit Requirements

- Projects proposed with SDBL must replace any existing units that are rent-restricted or occupied by lower income households at the same income levels.
- If household income is unknown, units are presumed to be occupied by lower income households in proportion to the percentage of lower income renters citywide.
- For vacant or demolished units, look at affordability/occupancy in the past 5 years.
- Replacement means equivalent size (at least the same number of bedrooms).
- Replacement units count toward density bonus qualification.
- SB 330 ([Gov Code. Section 66300.6](#)) includes replacement/relocation provisions for protected units that may also apply to a project.

DENSITY BONUS AROUND MAJOR TRANSIT STOPS (AS OF MAY 2024)



100% affordable housing projects within 1/2 mile of a major transit stop are eligible for

- 5 concessions
- 3 extra stories/additional 33 feet in height
- Unlimited density bonus
- No additional waivers (unless the City agrees to them)

Major Transit Stops

- Caltrain stations
- Intersecting bus lines with headways < 15 mins (SamTrans ECR, VTA line 22, and Marguerite line P, X, and Y)
- Bus rapid transit stop (none in Palo Alto)

PARKING REQUIREMENTS

State Density Bonus law sets a maximum parking standard that the City can impose on projects depending on unit sizes and distance to public transit.

| Project Types | Maximum Ratio |
|--|---|
| Any | 1 space for each studio/1-bed 1.5 spaces for each 2-bed/3-bed 2.5 spaces for each 4+bed |
| 20% low-income or 11% very low-income; and within ½ mile of a major transit stop | 0.5 spaces per bedroom |
| 100% affordable housing, supportive housing, and senior housing projects within ½ mile of a major transit stop | No parking required |

STATE DENSITY BONUS LAW (SDBL) PROJECT EXAMPLES

Small Lot 15% Very Low-Income SDBL Rental Project

Example: 10,000 sq. ft. site, FAR = 1.5:



Typical Project
+ in-lieu fee payment
(15,000 GFA @1,500 sf/unit)



SDBL Project (50% Density bonus)
Includes 2 on-site Very-Low Income units
(50% bonus x 15,000 GFA = 22,500 sf @1,500 sf/unit)

In 2024, a two-person household with a maximum income of \$73,750 is eligible for a Very-Low Income unit. Their maximum rent for an apartment unit, or monthly costs for a for-sale unit, would be approximately \$1,850.

Medium Lot 20% Low-Income SDBL Rental Project

Example: 1 acre site, Density = 30 du/ac



Typical Project
+ in-lieu fee payment
(45,000 GFA @1,500 sf/unit)



SDBL Project (35% Density bonus)
Includes 6 on-site Low Income units
(61,500 sf @ 1,500 sf/unit)

In 2024, a four-person household with a maximum income of \$146,100 is eligible for a Low Income unit. Their maximum rent for an apartment unit, or monthly costs for a for-sale unit, would be approximately \$3,650.