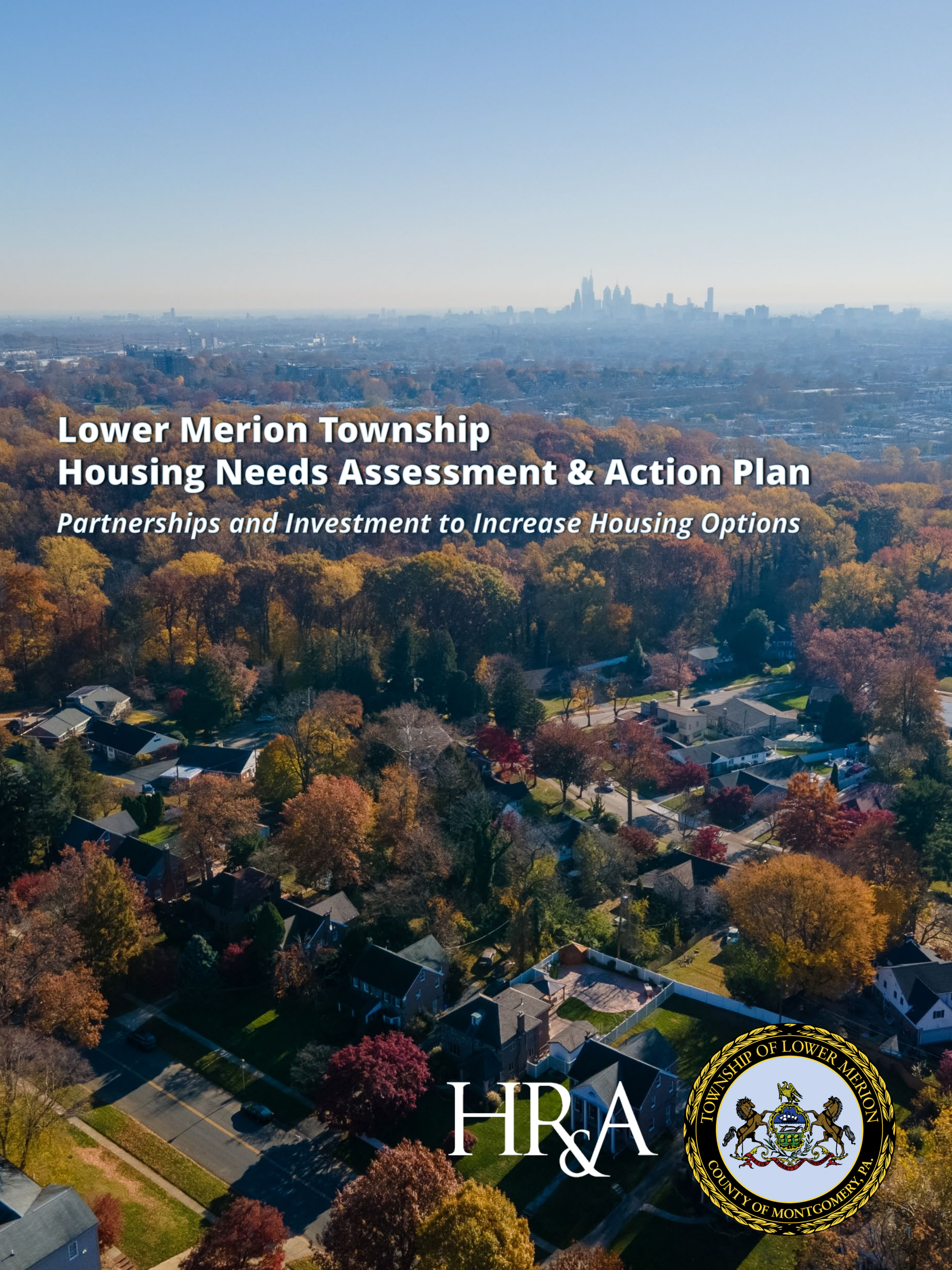
Lower Merion Township
Housing Needs Assessment & Action Plan

Partnerships and Investment to Increase Housing Options



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The Lower Merion Township Housing Action Plan was prepared for the Township by HR&A Advisors.

Introduction

Known for its exceptional schools, strong neighborhoods, and access to regional job centers, Lower Merion Township has long been one of the most desirable places to live in the Philadelphia region. That success, however, has created mounting pressure on the local housing market. Demand for homes has far outpaced supply, pushing prices upward and making it increasingly difficult for many who work, grew up, or hope to retire here to find a home they can afford.

To better understand these dynamics and chart a course forward, Lower Merion Township engaged HR&A Advisors to conduct a comprehensive Housing Needs Assessment and Market Analysis and to develop this Housing Action Plan. This Plan evaluates the Township's current housing conditions, identifies the key challenges driving its affordability pressures, and outlines practical, locally tailored strategies to expand housing options while maintaining the character and livability that define Lower Merion.

The analysis found that **job growth has outpaced housing production nearly three to one** over the past decade—an 18% increase in jobs between 2013 and 2022 compared with just 6.5% growth in housing supply. As a result, only **0.7% of homes in the Township were vacant and available in 2023**, one of the lowest rates in the nation. Median rents have climbed by more than 20% since 2018, and the typical home value **is out of reach for most households earning the Township's median income**. These trends threaten to limit who can live and work in Lower Merion, making it harder for essential workers, young families, and aging residents to remain part of the community.

Yet within these challenges lie real opportunities. **The Township's fundamental strengths—its location, economy, and quality of life—remain powerful drivers of sustainable demand**, and with thoughtful policy changes, that demand can be harnessed to deliver more diverse and attainable home choices. This Action Plan proposes targeted strategies to:

- **Enable a broader range of home types to be built**—such as duplexes, triplexes, and small apartment buildings—within existing neighborhoods, maintaining the Township's traditional residential scale while modestly increasing supply;
- **Expand opportunities for accessory dwelling units (ADUs)** to provide flexible, lower-cost homes for families, seniors, and residents seeking supplemental income; and
- **Leverage local and federal resources**, including Community Development Block Grant (CDBG), HOME, and Housing Trust Fund dollars, to create and preserve affordable homes in partnership with private and nonprofit developers.

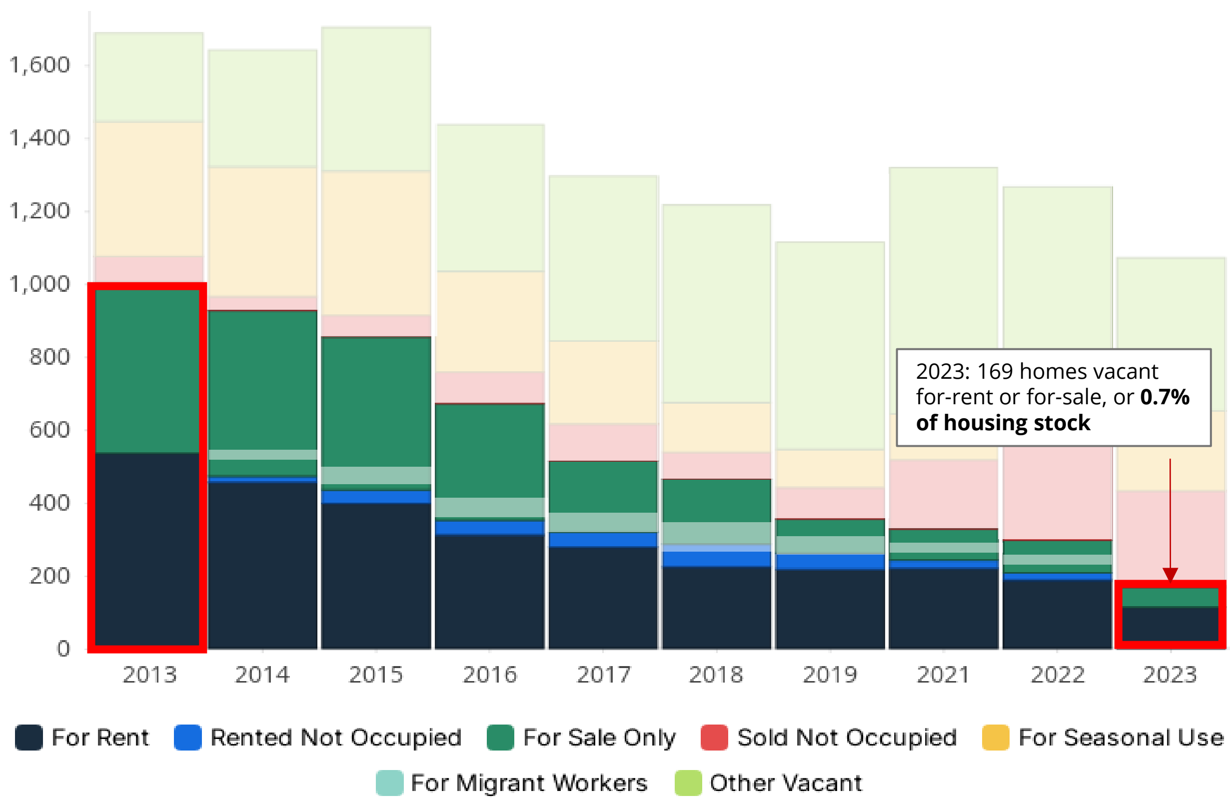
These actions are rooted in the understanding that **preserving the Township's character and expanding its housing opportunities are not competing goals—they are complementary ones**. By aligning land use, funding, and partnership strategies, Lower Merion can make room for the next generation of residents while sustaining the qualities that make it a special place to live.

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Demand consistently outpaces supply in the Township, driving up prices.

Lower Merion's housing market reflects the Township's status as an extremely desirable location to live and work. This translates to an acute shortage of available homes and upward pressure on rents and property values. While there are diverse drivers of demand in the Township (excellent schools, Main Line access, etc.) Lower Merion is also home to a growing job market, experiencing 18% job growth from 2013-2022 (source: OnTheMap) and just 6.5% growth in housing stock from 2013-2023 (source: American Community Survey). When a locality adds only one home for every 3 jobs added over a ten-year period, competition for homes bids prices upward. The share of homes that are vacant and available to occupy, shown in the graphic below, illustrates the cumulative effects of this issue over time. Planners consider 5% to be the target rate for a healthy market; **in Lower Merion, just 0.7% of all homes were vacant and available in 2023.**

A Dramatic Ten-Year Drop in Vacant and Available Homes
Homes in Lower Merion by Vacancy Status, 2013 - 2023



Source: American Community Survey (ACS), US Census Bureau. "Other Vacant" may include homes foreclosed on, in need of repair, or if the status is vacant and reason unknown. 2020 data was not published by the ACS owing to the COVID-19 pandemic.

Even in a nationwide housing shortage, Lower Merion is an outlier. The national average, for perspective, is 2.4% vacant and available, while the average for the Philadelphia Metro Area is 2.1%.

The effects of this shortage are felt by existing and prospective Lower Merion residents, who have seen a 24 percent increase in rents since 2018, according to Zillow data.

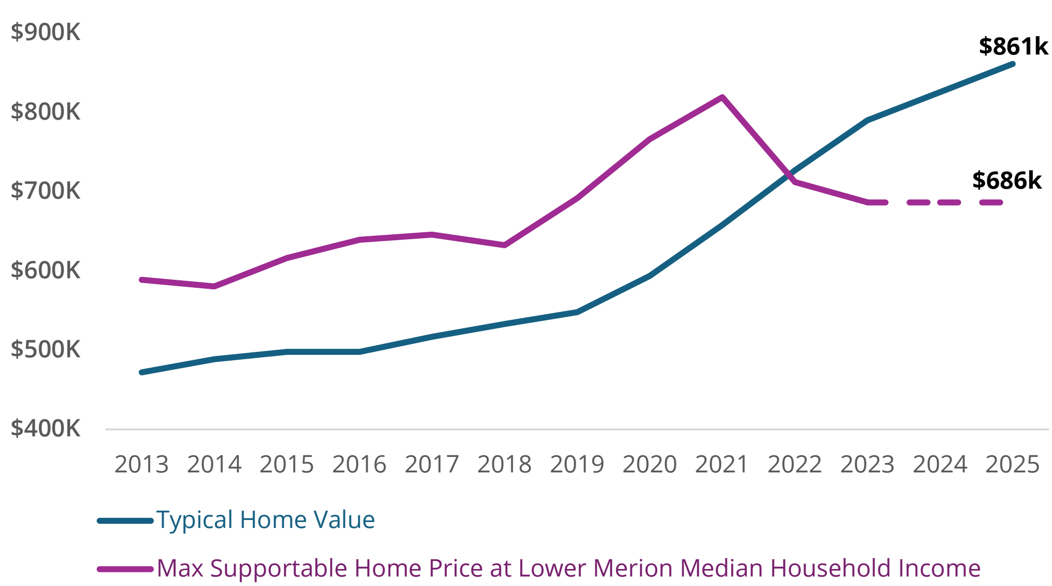
Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Demand consistently outpaces supply in the Township, driving up prices.

Demand for owner-occupied homes parallels immense demand for rentals in the Township, compounded by a challenging interest rate environment nationally. In 2019, the typical home in Lower Merion was worth $553,000, according to Zillow data. Meanwhile, a median income household in the Township was able to afford a home priced up to $690,000. Just six years ago, the typical home in Lower Merion was supportable by a household in the Township earning median household income.

The market has shifted dramatically since 2019. By May 2025, the typical home in Lower Merion was worth $861,000, or a 56 percent increase. Meanwhile, higher interest rates have reduced borrower purchasing power below the typical home price, as shown below.

Typical Home Price vs. Home Price Supportable to Median Income,
Lower Merion, 2013-2023



Data reflect the "typical" (35th to 65th percentile) value for all homes.
Dollar values are nominal; 20% down payment is assumed for Max Supportable Home Price.

Sources: Zillow, American Community Survey (ACS), US Census Bureau

Lower Merion has historically been a community where home values have exceeded regional averages. It has only recently become a community where the typical home is unaffordable to a household in the Township earning median household income.

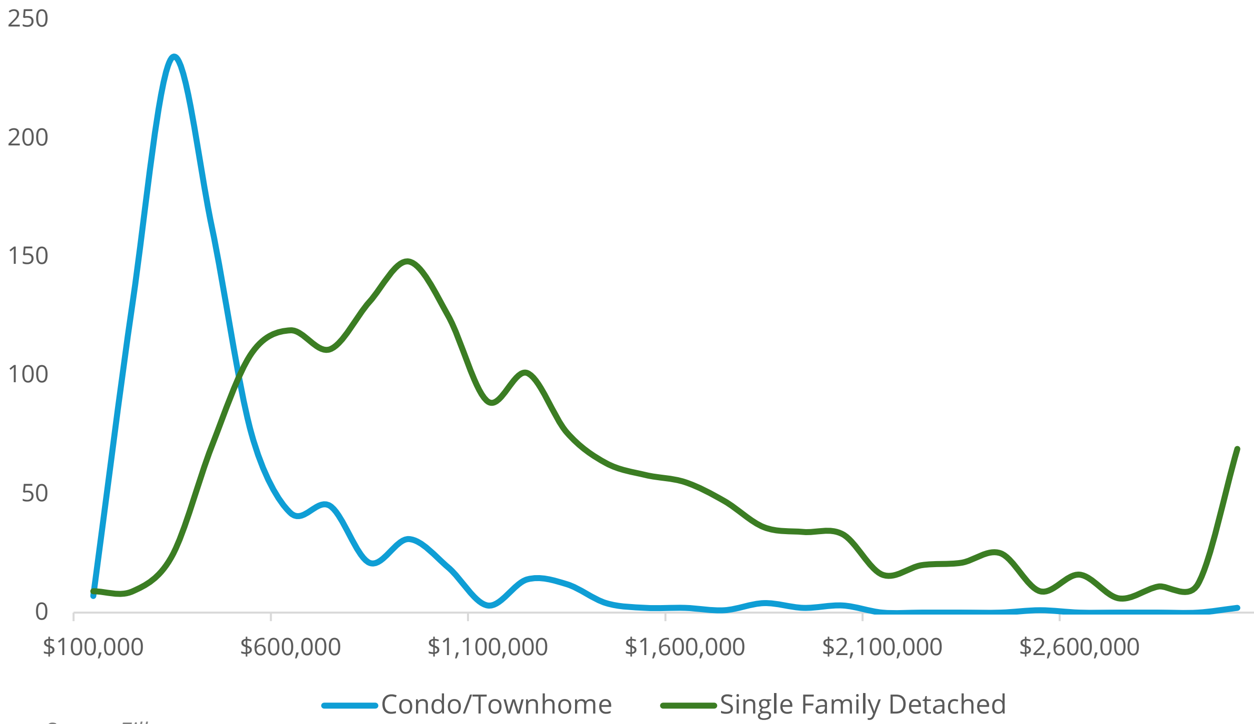
For-sale inventory is unlikely to remain at historic lows indefinitely. As interest rates decline, more homes will likely enter the market. Interest rate cuts, furthermore, will help bolster borrowing purchasing power. However, these developments are unlikely on their own to revert the homeownership market back to its 2019 equilibrium.

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Demand consistently outpaces supply in the Township, driving up prices.

To illustrate this point further, the last 3.5 years of home sales data show that the median income-earning household in Lower Merion, at ~$172,000, could afford just 1/4th of the Township's for-sale market. While condos represent a much more accessible form of homeownership within the Township, at an average sale price of $431,000, condo fees constitute an additional hurdle for homebuyers.

Homes Sold in Lower Merion By Type, 2022-2025



Source: Zillow

	Condo/ Townhome	Single Family Home
Homes Sold, 2022-2025	819	1,652
Average Sale Price	$431k	$1.2M
Income Needed to Afford	$204,000*	$310,000
Share Affordable to Median Income Household	40%	18%

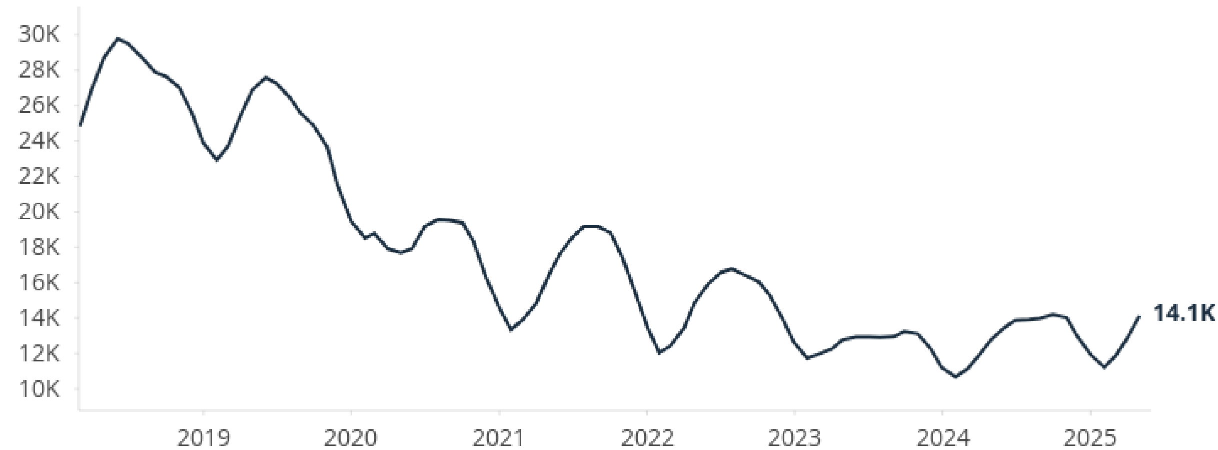
**assuming a condo fee of $1,500/month*

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Demand consistently outpaces supply in the Township, driving up prices.

One cause of escalating home values is a sustained multiyear fall in the number of homes listed for sale at any given point in time. With nationwide increases in interest rates, homeowners in the region are reluctant to sell their home, putting a crunch on available listings. Prospective homebuyers in the Philadelphia region are now competing for approximately one half the available homes for sale as they were in 2019.

Number of Homes Listed for Sale on Zillow
Philadelphia MSA, 2018-2025

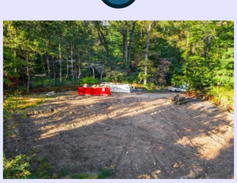


Sources: Zillow. Data on home listings are not available at the geographic granularity of the Township.

The handful of undeveloped lots that do remain in the Township have fetched extraordinary prices on the market in recent years, further underscoring the tremendous demand for housing in Lower Merion. The following four examples are included to illustrate this phenomenon; available lots have fetched between $1-2M per acre on the open market.

Lower Merion Recent Land Sales

July 2023



774 Conshohocken St Rd
Bala Cynwyd

Sale Price:
$2,095,000

$2.28M per acre

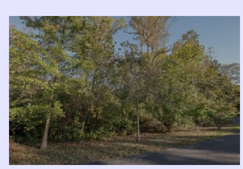
July 2023

649 Dodd Ln
Gladwyne

Sale Price:
$2,279,113

$0.95M per acre

April 2024

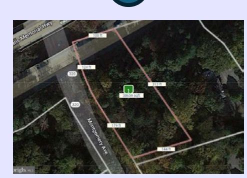


424 Devereux Drive
Villanova

Sale Price:
$749,000

$1.10M per acre

March 2025



1125 Ginkgo Ln
Gladwyne

Sale Price:
$2,900,000

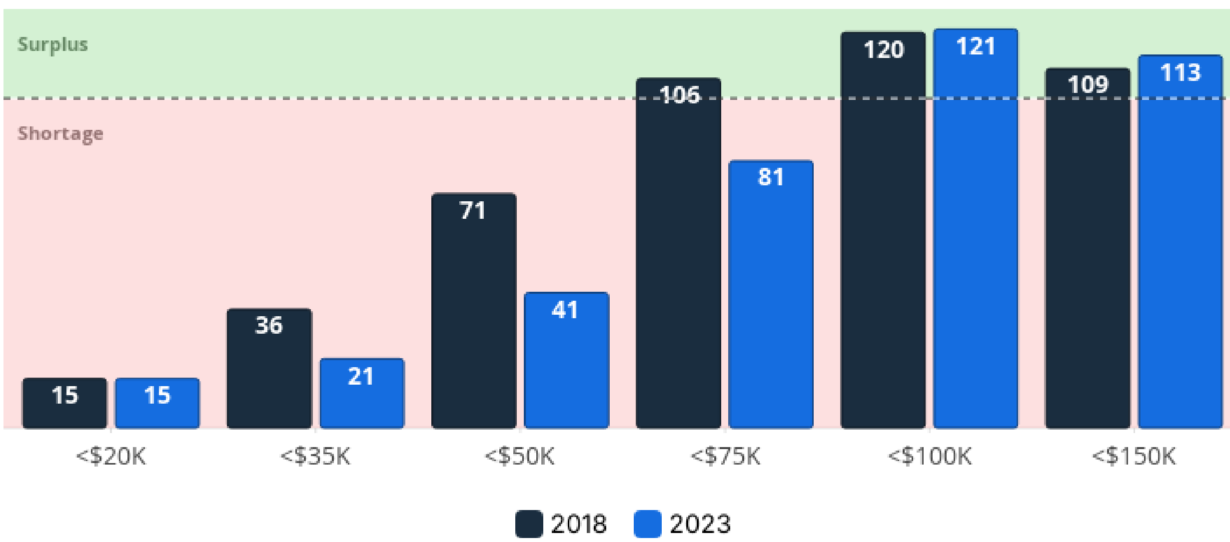
$1.16M per acre

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Rental home shortages create upward price pressure on rents.

Price pressure results from competition among renters for scarce available units. This competition increased from 2018 to 2023, even when accounting for a substantial Township-wide decline in renters earning between $35,000-$75,000.

Affordable Rental Homes in Lower Merion for Every 100 Renter Households, by Income
2018-2023



The end result is a rental housing market in Lower Merion that is experiencing some of the lowest availability in the country, mirroring other high demand suburban areas on the East Coast. Just 1.8% of rental housing stock in Lower Merion is both vacant and available (those listed for rent; e.g., not for seasonal use, or uninhabitable). Planners consider 5% to be the target availability rate for a healthy market.

Rental Vacancy Rate, Comparable East Coast Suburbs, 2023	
Brookline, MA	2.2%
Yonkers, NY	2.1%
Lower Merion	**1.8%**
New Rochelle, NY	1.5%
Haverford, PA	1.3%

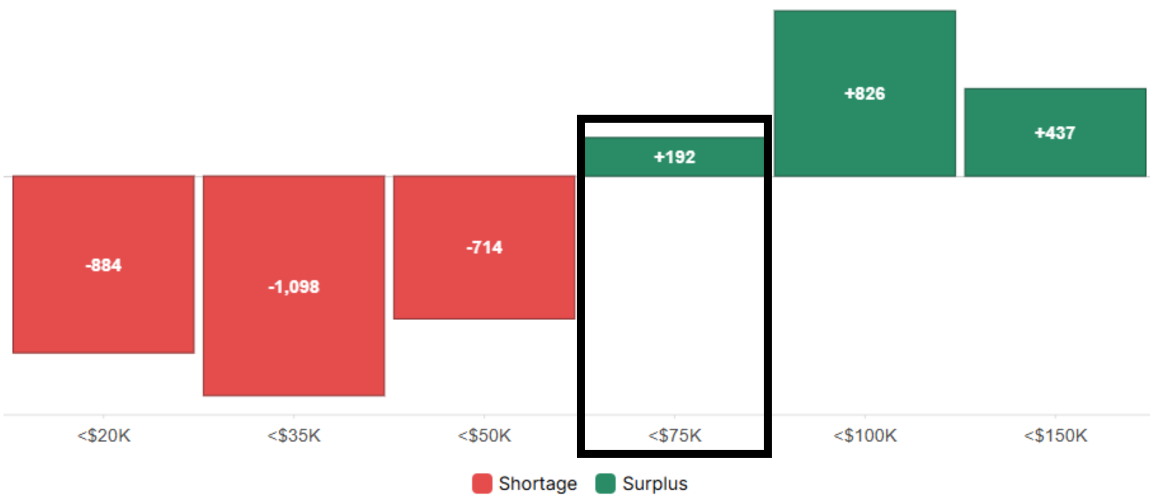
Sources: American Community Survey (ACS), US Census Bureau. Data on page 4 cover both owner- and renter-occupied homes, while this graphic illustrates renter-occupied homes only.

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

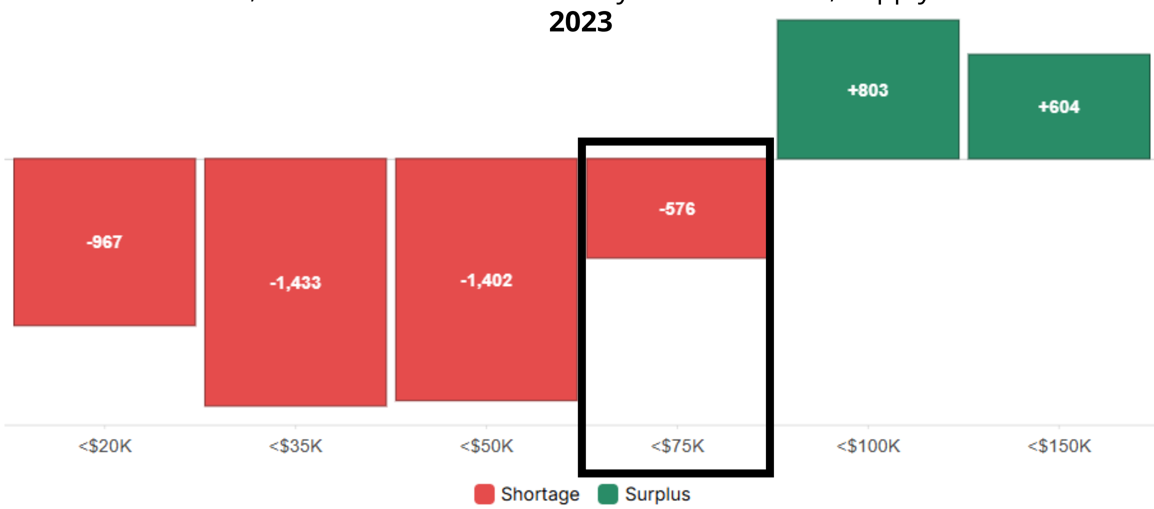
Housing the workforce remains a challenge for Lower Merion.

Rent growth and rental shortages impede the Township's ability to house its workforce and imperil longtime residents' ability to remain in Lower Merion. In 2018, renters in Lower Merion earning between $50 - $75k had a net surplus of available rental housing. **By 2023, this had turned to a shortage.**

Lower Merion, Affordable Rental Homes by Renter Income, Supply vs. Demand
2018



Lower Merion, Affordable Rental Homes by Renter Income, Supply vs. Demand
2023



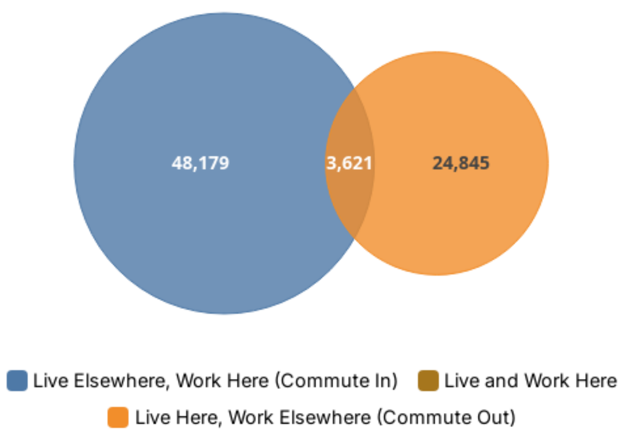
Sources: Public Use Microdata Sample (PUMS), US Census Bureau

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Lower Merion exists within a broader labor and housing market.

An additional driver of housing demand in Lower Merion is its status as an employment center. Twice as many workers commute into Lower Merion than out of the Township.

Lower Merion Commuting Patterns, 2022

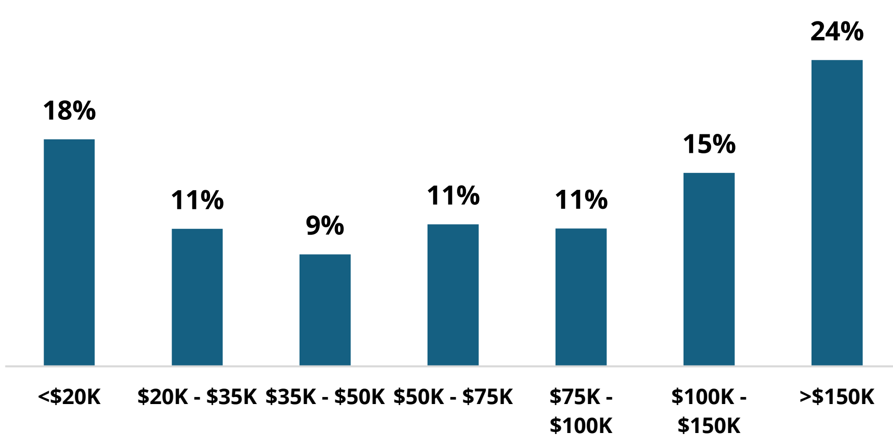


Origins of Commuters into Lower Merion	
Place	Workers Commuting Into Lower Merion
Philadelphia	14,600
Haverford	2,300
Upper Darby	2,100
Radnor	700
Upper Merion	600

Sources: Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics. Not all points of origin are available within the data; the "origins of commuters" table does not equal the 48,179 workers who live elsewhere, but commute into Lower Merion.

Lower Merion has typically relied on its neighbors to help house its workforce, and Lower Merion's renter population is much higher-income than many of the Township's peers. As of 2023, 24 percent of Lower Merion's renter households earned above $150,000. **However, 20% of Lower Merion's renters earn between $20,000 and $50,000**. And additional 18 percent earn less than $20,000; these are likely to be seniors on a fixed income.

Lower Merion Renter Household Incomes, 2023



Sources: American Community Survey (ACS), US Census Bureau. College students living in dorms are not included in the above tallies, but students living off-campus 6+ months of the year are included.

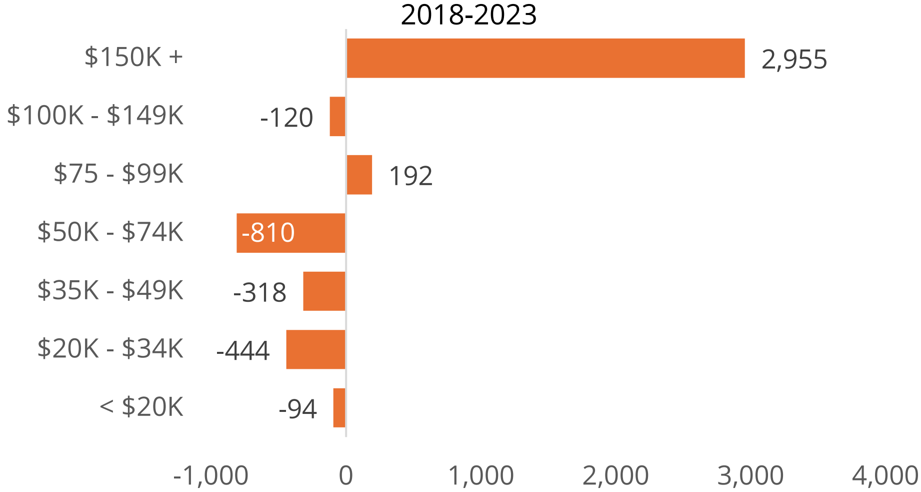
Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Housing the workforce remains a challenge for Lower Merion.

Lower Merion's housing shortage threatens to inhibit the Township's job market, due to difficulties housing the workforce. Much of Lower Merion's workforce cannot afford to live in the Township on a single income without being housing cost burdened.

The challenges of the rental market are contributing to a decline in households earning less than $75,000.

Change in Lower Merion Households, by Income,
2018-2023



Sources: American Community Survey (ACS), US Census Bureau.

Zillow data show an acceleration of rents within the Township to a median $2,370 per month; many occupations (based on regional wage data) are unable to afford housing with these rent increases.

Housing the Workforce: Wages vs. Rents, Select Occupations

Occupation	Annual Earnings, Philadelphia MSA	Rent Affordable	Median Rent, Lower Merion	Can Afford Lower Merion Rent?*
Auto Mechanic	$58k	$1,450	$2,370	No
Electrician	$74k	$1,850	$2,370	No
Median Renter Household, Lower Merion	**$78k**	**$1,950**	**$2,370**	**No**
Accountant	$84k	$2,100	$2,370	No
Registered Nurse	$99k	$2,475	$2,370	Yes

**based on 30% affordability metric.*

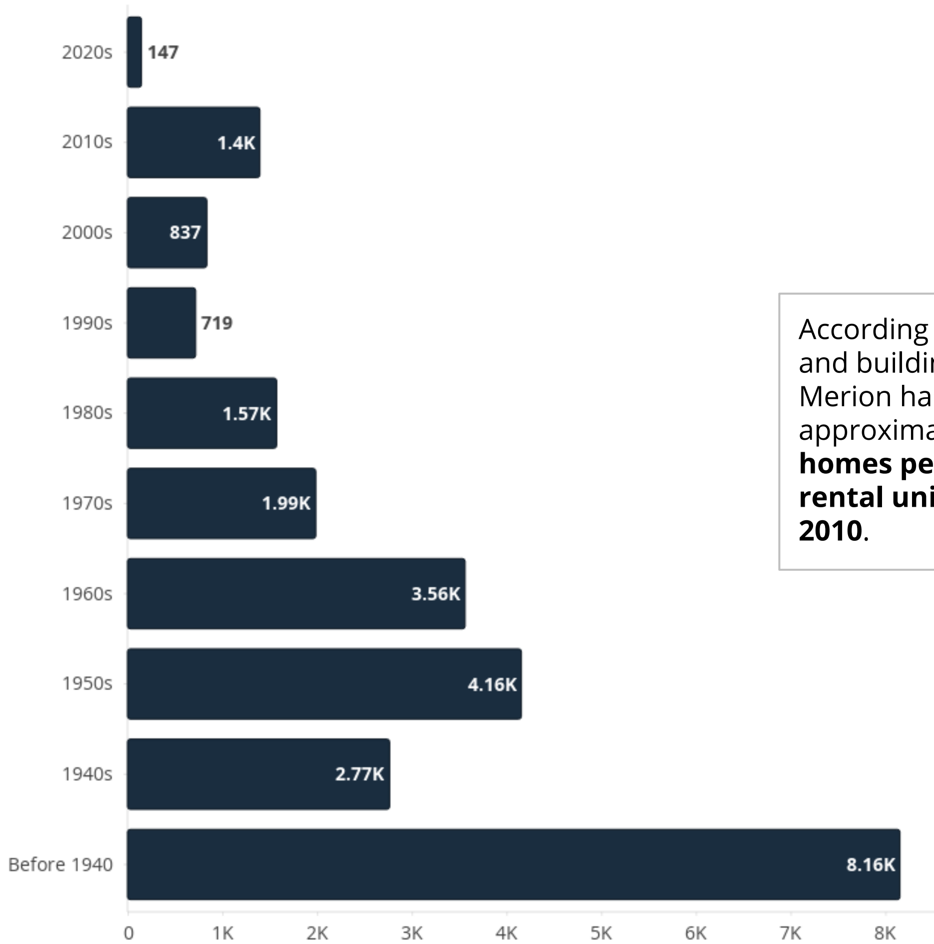
Sources: HR&A analysis of 2023 wage data from the Occupational Employment and Wage Statistics (OEWS), US Bureau of Labor Statistics (BLS). Zillow Research, 2023 Zillow Observed Rent Index (Smoothed): All Homes Multifamily Time Series

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Lower Merion has experienced modest housing development in the past 15 years.

Just 12 percent of Lower Merion's housing stock was built in the last 30 years. The 2010s, however, saw a relative uptick in development from the two decades prior. The new housing added during the 2010s amounts to 5.5% of the Township's aggregate housing stock. However, Lower Merion added more housing in the 1940s, 1950s, 1960s, 1970s, and 1980s than it did during the 2010s. The development of the last ten years is an uptick from the 20 years prior, but not a building boom.

Homes by Decade Built, Lower Merion



According to market research and building permit data, Lower Merion has permitted approximately **25 single family homes per year and 130 rental units per year since 2010**.

Source: American Community Survey (ACS), US Census Bureau
Building Permits Survey (BPS), US Census Bureau, accessed via the US Department of Housing and Urban Development (HUD), State of the Cities Data Systems (SOCDS)

The increase in homebuilding can be seen as developers' recognition of the demand for homes in Lower Merion, even before the onset of the pandemic. Occupancy data from the new deliveries, meanwhile, show that the market can support these newly constructed homes that developers are building, even if the rents and sale prices of these homes are on the higher end. The delivery of new homes in Lower Merion helps to alleviate a housing shortage, and should be seen as a net positive for the Township.

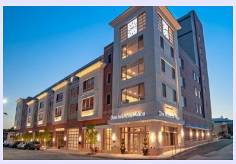
Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Lower Merion has experienced modest housing development in the past 15 years.

As noted earlier, occupancy data from new deliveries shows that the **market can support the new, higher-rent product that developers are building.**

Lower Merion Recent Rental Deliveries

2019



One Ardmore Place
Ardmore

110 units

1-BR Rent: $3,100
2-BR Rent: $4,400

Occupancy: 98.2%

2020

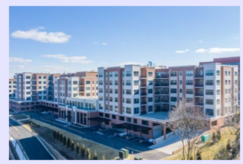
Cricket Flats
Ardmore

77 units

1-BR Rent: $2,800
2-BR Rent: $4,300

Occupancy: 98.7%

2020



335 at Bala
Bala Cynwyd

210 units

1-BR Rent: $2,150
2-BR Rent: $3,000

Occupancy: 95.7%

2021

The Cynwyd
Bala Cynwyd

205 units

1-BR Rent: $2,250
2-BR Rent: $2,950

Occupancy: 95.6%

Source: CoStar

New rental deliveries in most communities tend to price at the top of the market. Lower Merion is no exception to this rule. The above occupancy data show sub-5% vacancy for new, top-of-market product, underscoring the depth of demand for rental homes.

Analysis of CoStar data, detailed on the following page, illustrates this point further.

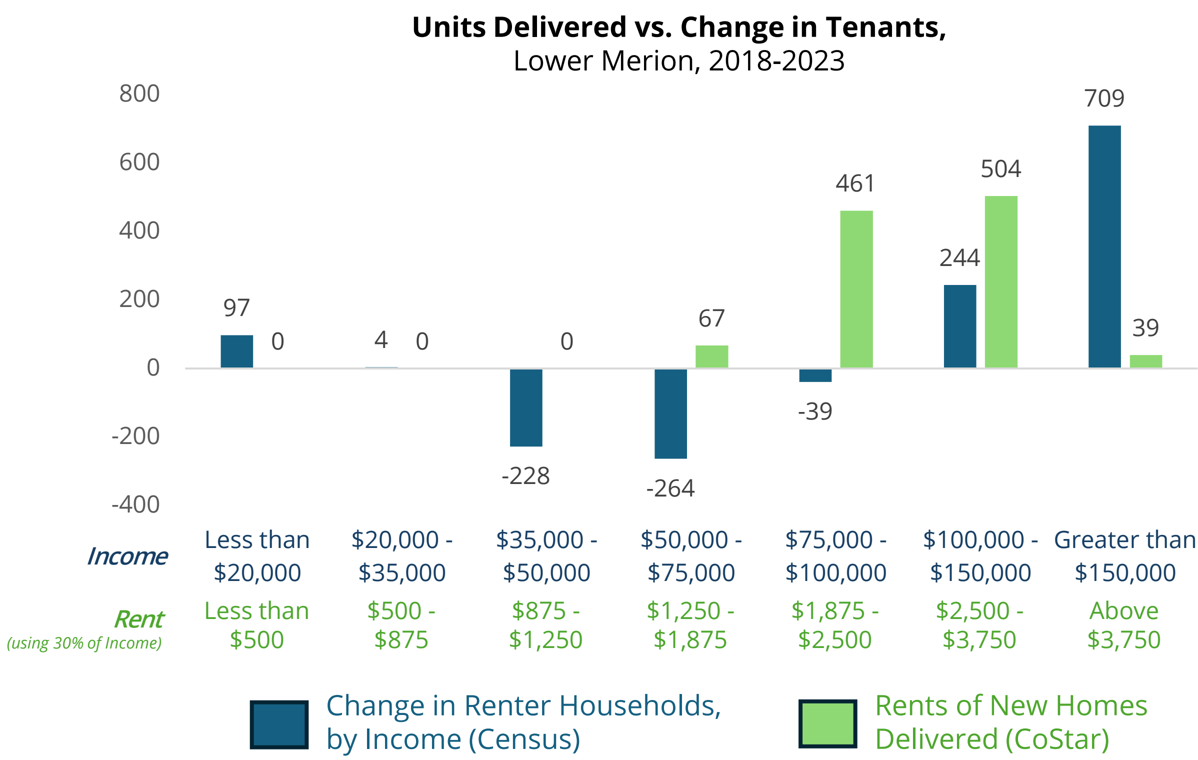
Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Lower Merion has experienced modest housing development in the past 15 years.

Not only can the market can support the new rentals being delivered in Lower Merion, but the data suggest demand amongst very high-income renters.

As illustrated in the below graphic, approximately one half of rental homes delivered from 2018 – 2023 are affordable to renters earning $100,000. However, Census data confirm that **the Township is losing renters at this income level.**

Instead, the Township has gained hundreds of renters earning over $150,000 over the past five years; **using the 30% rule of housing cost, the income of the Township's new renters exceeds the rents of the homes being added.**



**Affordable rent is calculated as 30% of income; the range affordable to renters earning $50k-$75k is $1,250 - $1,875*

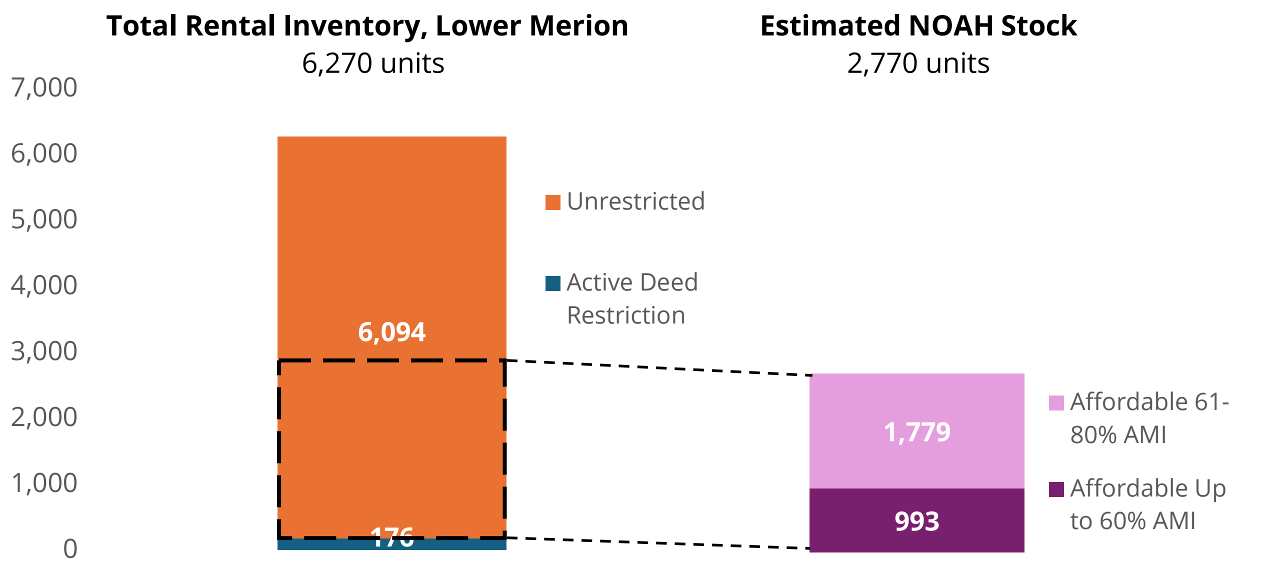
Sources: American Community Survey (ACS), US Census Bureau
CoStar

Where the market does not build new homes for very affluent renters ($150k +), **high income renters price out less affluent ones.** The implication is not that Lower Merion should ensure that more expensive market rate homes are built. The Township should, however, presume that not enough homes are being built overall.

Guiding the Plan: Challenges Faced by Lower Merion's Housing Market

Despite the upward price pressure on the Township's rental stock, Lower Merion retains a sizeable stock of Naturally Occurring Affordable Housing, or NOAH.

Up to **40%** of the Township's rental housing stock is affordable up to 80% AMI. While this offers affordable options now, these homes are often vulnerable to price increases.

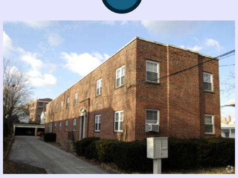


One challenge posed by NOAH is that it can be difficult for the public sector to guarantee that NOAH will remain affordable. Some governments attempt to stand up acquisition funds to buy NOAH properties and mandate affordability, but this is expensive.

Over the past four years in Lower Merion, approximately 9 NOAH buildings totaling 328 units were sold, for an average acquisition price of $179,000 per unit. **Acquiring NOAH at scale would be capital-intensive.**

Lower Merion Recent Example NOAH Transactions

Nov. 2021

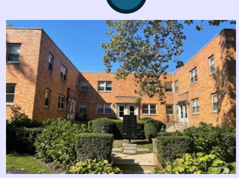


28 Llanfair Rd
Ardmore

8 units
Sale Price: $1.65M

$206,000 per unit

Sept. 2023

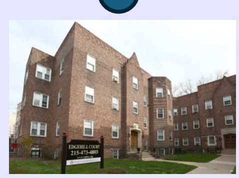


Sycamore Court Apts.
Merion Station

16 units
Sale Price: $3.4M

$212,500 per unit

Oct. 2024

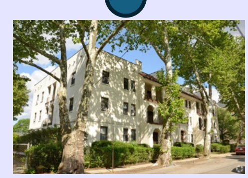


Edgehill Court Apts.
Bala Cynwyd

37 units
Sale Price: $6.3M

$170,00 per unit

Nov. 2024



Hardie House
Bala Cynwyd

28 units
Sale Price: $4.6M

$164,00 per unit

Source: CoStar

Guiding the Plan: Opportunities for Action

The Township has limited capacity to address these issues through funding, necessitating regulatory changes.

Lower Merion has an extremely tight housing market typically associated with some of the nation's largest, most expensive cities. **Unlike those cities, Lower Merion is less able to leverage economies of scale to finance affordable housing development.**

A larger community, for example, may have an established, regular pipeline of Low Income Housing Tax Credit (LIHTC) developments that a local government can increase with modest subsidy. Federal entitlement funds, such as HOME and CDBG, furthermore, correlate with population size, allowing these cities to support larger multifamily development.

Given its modest size, the Township's options for stimulating net new affordable homes will look different from those of larger communities. Lower Merion does not have an existing pipeline of LIHTC projects to attract or subsidize, while its federal entitlement funds (e.g. CDBG) are insufficient to independently catalyze large multifamily development.

Lower Merion's size is also a challenge when considering the Township's ability to acquire and preserve Naturally Occurring Affordable Housing (NOAH) at scale. Much of the Township's NOAH inventory is held within apartments or condominiums of 8-50 units. At an average acquisition price of $179,000 per unit, as detailed on the prior page, these units are too expensive for the Township to acquire at scale with limited funds. Partnering with an external entity (such as a Community Development Financial Institution, or CDFI), meanwhile, could help distribute the costs of acquiring NOAH, but would require a substantial upfront grant from the Township.

Finally, similar to many municipalities across the nation in 2025, the Township's fiscal environment is not conducive to assembling new public sources of funds or commitments to housing development. In a future fiscal environment where local funds are more readily available, the Township could generate some momentum by financing additional LIHTC projects or acquiring NOAH properties to maintain affordability. **This Action Plan, however, is geared towards what the Township can presently finance and achieve in the next 1 to 3 years.**

As a result, the Township will need to deploy land use tools to allow for lower cost homes to be built. A city's land use regulations set the **regulatory environment** in which developers and property owners make investment decisions and influence housing affordability by impacting the amount, type, location, and cost of new development.

There are two ways that land use and regulatory tools can support affordability:

1. **Direct tools** support the creation of affordable housing through incentives or requirements for the production of affordable units.
    - *e.g., expedited review for affordable housing projects, inclusionary zoning (IZ)*
2. **Indirect tools** increase the overall supply of housing and lower the cost of new housing.
    - *e.g., middle density homes, building code reform, accessory dwelling units (ADUs)*

Opportunities for Action: Overview

Despite the limitations described, there are clear opportunities for action.

The drivers of housing demand in Lower Merion—schools, transit access, employment, and quality of life—are sustainable. **This provides Lower Merion with an opportunity to catalyze additional private sector development.**

The principal tool for accelerating private sector housing development is the Township's land use policy. By allowing middle-density housing typologies and accessory dwelling units (ADUs) across a broader range of neighborhoods, the Township would legalize the creation of homes that can be built at a lower price point.

Finally, while the Township faces challenging fiscal headwinds, **it can make more effective use of its entitlement funds to stimulate affordable gentle-density development**, especially if it can begin using (a) federal HOME dollars and (b) its Housing Trust Fund dollars.

Goal 1: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Allow Accessory Dwelling Units (ADUs) in All LDR and MDR Zones

Allow More Home Types in Zones LDR4 & MDR 1-3

For example, the Township can:

- Legalize accessory dwelling units (ADUs) across low and middle-density residential zones
- Allow for duplexes and modest rear-lot cottages in LDR4 zones
- Allow for quadplexes and similar house-scale multiplexes in MDR1 zones
- Remove the minimum lot area per dwelling unit in MDR3 zones

Goal 2: Maximize the Town's Available Funding to Create New Affordable Homes

Create New Affordable Homes by Maximizing Federal Entitlements

Choose Between Several Uses for Housing Trust Fund Dollars

For example, the Township can:

- Prioritize property acquisitions that have the potential for increased density.
- Layer subsidies to enable low-income rental opportunities.
- Deploy the Housing Trust Fund on uses that will revolve or have a longer-term impact on supply, such as through pre-approved designs for ADUs.

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Strategy: Allow Accessory Dwelling Units (ADUs) in LDR and MDR Zones

The Township should broadly **legalize accessory dwelling units (ADUs**) across its low and middle-density residential zones. ADUs offer an additional means of **creating small homes that typically deliver at relatively affordable price points**, even without formal affordability requirements. They also **give homeowners flexibility**, whether to house family members, generate supplemental income, or remain in their homes as maintenance costs rise, which primarily benefits senior residents who are hoping to age in place.

In most places, the people who build accessory dwelling units are long standing homeowners rather than real estate developers. This reality has important consequences for policy. ADUs are one-time projects. They are financed and managed by people with limited experience in permitting, construction, or real estate. Furthermore, the nation's housing finance system is geared towards the purchase of a primary residence rather than the construction of a small secondary home, and it does not offer many products tailored to ADU development. Evidence from California illustrates this point clearly, where researchers surveyed over 800 California homeowners who built ADUs. Just 43 percent of these ADU builders utilized mortgage products; most relied on personal wealth or savings.*

ADU Limitations: Case Studies

Beginning in the 2010s, a growing number of states and communities began to embrace ADUs as a way to gently increase units per acre without rezoning whole neighborhoods for high-rise buildings. The experience of these jurisdictions illustrates how simply legalizing ADUs is insufficient to catalyze meaningful production.

In Arlington County, VA, for example, ADUs were first legalized in 2009.** However, a number of regulatory stipulations accompanied new, permitted, ADU development:

- Detached ADUs were not allowed
- The maximum size of ADUs was capped at 750 ft^2
- Owner occupancy was required for either the principal structure or the ADU itself

By 2020, Arlington County had issued just 45 permits for ADUs. In a county of over 230,000 people, this amounted to a pace of approximately 0.04% of housing stock per decade.

In Montgomery County, MD, similarly, ADUs were legalized in 2013, but with slightly more permissible regulations around what could physically be built:

- Detached ADUs were allowed
- The maximum size of ADUs varied based on existing homes, but was capped at 1200 ft^2
- No requirements around owner occupancy

By 2018, Montgomery County had built 133 ADUs. In a county of over 1 million people, this amounted to approximately 0.24% of housing stock per decade.

Philadelphia legalized ADUs in select neighborhoods in 2012, but data on ADU production is lacking. For reference, however, Philadelphia's policy allows for 800 ft^2 maximum size units, with an owner occupancy requirement—somewhere in between Arlington County, VA, and Montgomery County, MD in terms of regulatory permissiveness.

**Source: "ADU Construction Financing: Opportunities To Expand Access For Homeowners." USC Lusk Center for Real Estate & Terner Center for Housing Innovation, 2022. https://ternercenter.berkeley.edu/wp-content/uploads/2022/07/ADU-Paper-FINAL-July-7th.pdf*
***Source: "Designing Accessory Dwelling Unit Regulations." Urban Institute, 2020. https://www.urban.org/sites/default/files/2023-08/Designing%20Accessory%20Dwelling%20Unit%20Regulations.pdf*

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Strategy: Allow Accessory Dwelling Units (ADUs) in LDR and MDR Zones

The jurisdictions that have had the greatest track record of success in ADU production have gone several steps further than Arlington or Montgomery Counties. **In particular, jurisdictions that offer pre-approved ADU designs and reduced impact fees see the highest ADU production. Because most ADUs are effectively "mom-and-pop" developments by homeowners that proceed without mortgage products, procedural frictions and upfront fees are significant barriers.**

Accelerating ADUs: Case Study

Seattle offers a helpful case study for the potential scale of ADU production possible in Lower Merion. While a number of states on the east coast have begun to loosen ADU regulation—Maine in 2023, Massachusetts in 2024, and New Hampshire in 2025—these reforms are too recent to systematically examine for their impacts on ADU production. Seattle is instructive because it has had ADUs legalized for several decades, and because it significantly loosened its ADU policies in 2019 to great effect.

Seattle legalized attached ADUs citywide in 1994 and extended the policy to detached ADUs in 2010. But restrictive rules—minimum lot sizes, extra parking requirements, strict owner-occupancy, modest size limits—kept production modest. From 2010 through 2019, Seattle saw 1,868 ADUs permitted, which amounted to approximately 0.5% of the existing housing stock per decade.

In 2019, Seattle adopted a comprehensive ADU reform package, removing off-street parking and owner-occupancy mandates, eliminating minimum lot sizes for ADUs, allowing up to two ADUs per lot, and allowing ADUs to have a maximum size of 1,000 square feet. However, in 2020, Seattle took perhaps its biggest step with the launch of ADUniverse, which contained pre-approved ADU designs and allowed homeowners to view a step-by-step guide to permit an ADU on their property. Pre-approved designs accelerate ADUs by a) saving homeowners thousands of dollars on architecture and/or engineering fees, and b) reducing staff review time, which typically translates to reduced permitting fees. Since 2019 and the launch of ADUniverse, ADU development in Seattle has accelerated, with 3,182 ADUs permitted from 2020 – 2023. If this pace of building were to continue, it would amount to 2.3% of the housing stock per decade.

Forecasting the Pace of ADU Development

Jurisdiction	*Select ADU Policy Parameters*	*ADUs as % of housing stock, 10-year pace*
Arlington County, VA	Attached ADUs only, maximum size of 750 ft^2, owner occupancy requirement	0.04%
Montgomery County, MD	Detached and Attached ADUs allowed, maximum size of 1200 ft^2, no owner occupancy requirement	0.24%
Seattle, 2010 – 2019	Detached and Attached ADUs allowed, owner occupancy requirement, additional parking space	0.50%
Seattle, Post-2019	Introduced pre-approved ADU designs, no owner occupancy requirement, no parking requirement	2.30%

For more on Seattle's ADU experience, see the City of Seattle's annual report on ADUs: "Accessory Dwelling Units: 2023 Annual Report", City of Seattle, July 2024. https://www.seattle.gov/documents/Departments/OPCD/OngoingInitiatives/EncouragingBackyardCottages/OPCD-ADU-Report-2023.pdf

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Strategy: Allow Accessory Dwelling Units (ADUs) in LDR and MDR Zones

For Lower Merion to achieve meaningful production of ADUs it will need to address a series of decision points governing both the physical and procedural form of ADUs. The key regulatory parameters of ADU policies are described in greater detail below.

These recommendations include **the core changes needed to allow house-scale ADUs in Lower Merion**. More specific dimensional details can be developed during ordinance drafting with assistance from land use planners to ensure that the standards are both workable and consistent with the established neighborhood form.

Sample Recommended ADU Policies, Lower Merion Township		
Regulation of ADU Physical Form		
Regulatory Element	*Example Policies from Other Jurisdictions*	*Recommendation, Lower Merion*
Absolute Maximum Square Footage	Arlington County, VA: 750 ft^2 Philadelphia: 800 ft^2 Portland, OR: 800 ft^2 Massachusetts municipalities: Lowell, MA: 900 ft^2 Salem, MA: 900 ft^2 Lenox, MA: 900 ft^2 Seattle, WA: 1000 ft^2	800 – 1,000 ft^2
Height Limit	Seattle, WA: 18 – 23 ft Minneapolis, MN: 20 ft Denver, CO: 24 ft Newton, MA: 36 ft Philadelphia: None	20 – 25 ft; the Township could always choose to revisit this parameter 1-3 years after legalizing ADUs.
Minimum Lot Size	Portland, ME: None Philadelphia: 1,600 ft^2 Seattle, WA: 3,200 ft^2 New Haven, CT: 4,000 ft^2	None – allow impervious coverage requirements to serve as the operative constraint on lots that can support ADUs.
Owner Occupancy	Arlington County, VA: Yes Philadelphia: Yes Montgomery County, MD: No Portland, ME: No Seattle, WA: No	No owner-occupancy requirement – allow property owners to rent out both main dwelling and ADU if desired. More ADU-sized homes is a positive outcome, regardless of owner or renter occupancy.
Off-Street Parking Requirements	Lenox, MA: 1 space per ADU New Haven, CT: None Seattle, WA: None Portland, OR: None	1 space per ADU; the Township could always choose to revisit this parameter 1-3 years after legalizing ADUs. However, given the Township's overall reliance on off-street parking, 1 space per ADU is recommended to align with this norm.
Setbacks	N/A	Utilize accessory building setbacks already in Lower Merion's zoning code.

More procedural parameters are discussed on the following page.

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Strategy: Allow Accessory Dwelling Units (ADUs) in LDR and MDR Zones

For Lower Merion to achieve meaningful production of ADUs, it would likely need to pull one of two financial and procedural levers: 1) pre-approved ADU designs that shorten approval timelines, and 2) reducing impact fees associated with ADU development. The key regulatory parameters of ADU policies are described in greater detail below.

These recommendations include the **core changes needed to allow ADUs in Lower Merion**. More specific dimensional details can be developed during ordinance drafting with assistance from land use planners to ensure that the standards are both workable and consistent with the established neighborhood form.

Recommended ADU Policies, Lower Merion Township		
Regulation of ADU Process and Financing		
Regulatory Element	*Example Policies from Other Jurisdictions*	*Recommendation, Lower Merion*
Pre-Approved Plan Libraries	Most common in larger communities along the West Coast: Portland, OR; Seattle, WA, Los Angeles, CA	Lower Merion should pursue pre-approved ADU plans and communicate their availability to Lower Merion homeowners considering developing an ADU. Pre-approved designs accelerate ADUs by a) saving homeowners thousands of dollars on architecture and/or engineering fees, and b) reducing staff review time, which typically translates to reduced permitting fees. Additionally, pre-approved designs can help ensure that eventual ADUs are aesthetically conforming and acceptable to Lower Merion residents.
ADU Impact Fees	California State law exempts ADUs of 750 ft^2 or smaller from impact fees. Washington State law was revised in 2023 to cap ADU impact fees at 50% of what would be charged for their principal dwelling. Portland, OR stands out nationally for waving impact fees IF the homeowner signs a 10-year agreement not to list the ADU as a short-term rental.	To start, Lower Merion should not attempt to reduce or limit ADU impact fees; the Township can focus its efforts to stimulate production pursuing pre-approved plan libraries. If in 1-3 years, ADU permits are limited, the Township can explore modifications to its impact fee policy.

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Strategy: Allowing More Home Types in Zones LDR4 & MDR 1-3

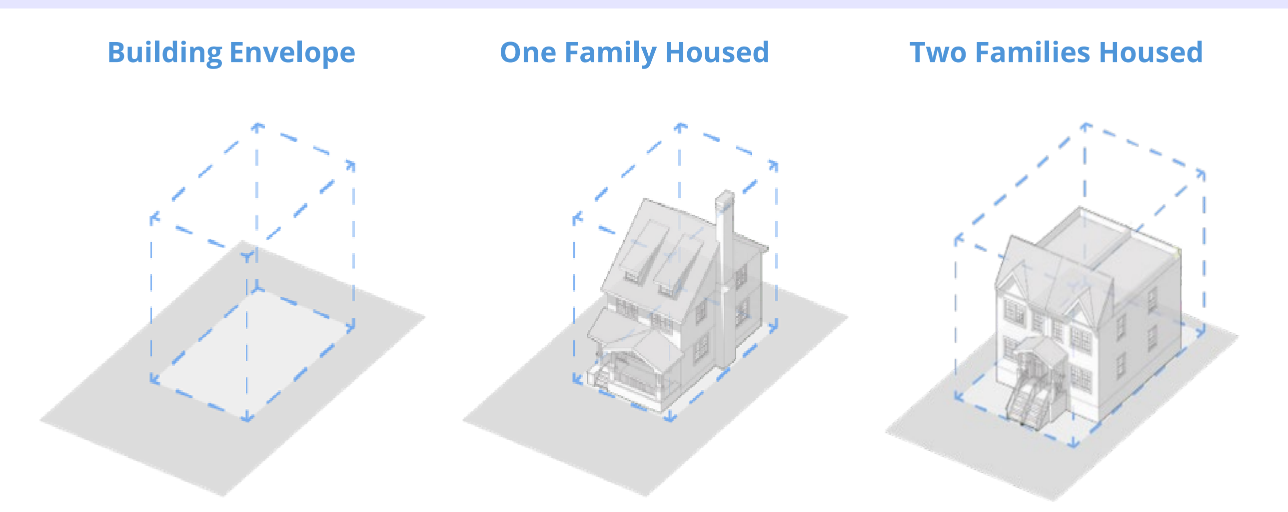
When housing demand dramatically exceeds supply, as it does in Lower Merion, the result is not simply higher prices—it is the gradual exclusion of the very people who make the community work: teachers, healthcare staff, service workers, young families, adult children of current residents, and aging residents who want to downsize but stay near their networks.

The Township's zoning code is its most direct tool for shaping where and how new homes can be added. In particular, the LDR4 and MDR1–3 districts offer the strongest opportunity to permit a broader range of small multi-unit buildings, commonly known as "missing middle" housing typologies, with good access to established transit lines. These are not large complexes, but rather house-scaled buildings that can blend into walkable residential blocks: duplexes, quadplexes, and 6-12 unit apartment projects. These housing forms were common in pre-1940 neighborhoods but were largely zoned out in communities across the U.S. after World War II. The "missing middle" is therefore not about new architectural styles; it is about re-allowing traditional small-scale building patterns that helped create and sustain vibrant neighborhoods.

The merits of middle density homes extend beyond design; they are both financial and fiscal, offering the potential to improve housing affordability and strengthen the Township's long-term fiscal base. When zoning allows two, three, or four homes on the same building footprint that would otherwise hold a single unit, the cost of land and infrastructure is shared across more households. This reduces the cost per home and enables more price points within the same neighborhood context. At the same time, allowing more homes overall expands the total supply of housing available in the Township, which is essential in a market where demand has outpaced production.

Impacts of Middle Density

Middle density allows more families to be housed within a single structure. By allowing for a slightly expanded building envelope, two families can be housed as opposed to one. **Adjustments like this to existing zoning following a land use analysis can gradually increase housing stock without changing neighborhood character.**



Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Sample Modifications to LDR 4 Zone

LDR4 can support duplexes and modest rear-lot cottages without disrupting neighborhood character by maintaining the current height and lot size standards while expanding the range of permissible home types. Allowing either an attached duplex or a second detached home behind the primary dwelling preserves existing street and yard configurations that define LDR4 neighborhoods. The result is more housing choice within the same scale, rather than larger buildings or higher densities. The table below describes the specific dimensional adjustments needed to enable these forms.

Sample Modifications to LDR 4 Zone		
Principal Recommended Changes: *Primary Obstacles to Building More Homes*		
Regulatory Element	**Current LDR4 Standard**	**Recommended Revision**
Permitted Building Types	One Single-Unit Detached Dwelling per lot	Add Two-Unit Attached Dwelling as a Permitted Building Type in LDR4; allow two Single-Unit Detached Dwellings per lot
Minimum Lot Area	7,500 sq ft per lot	Clarify that 7,500 sq ft applies per lot, not dwelling unit
Parking Minimums	Typically 2 spaces per dwelling	Allow tandem spaces and 1 shared driveway apron

The recommended modifications to LDR 4 are intended to establish the core dimensional adjustments needed to enable two-unit development in LDR4. Additional refinement, such as calibrating minimum lot width, side setbacks, and driveway placement, could be completed during ordinance drafting with support from a planning and land-use consultant to ensure the standards function smoothly in practice.

Additional Considerations: *Zoning Details that May Need Refinement*		
Regulatory Element	**Current LDR4 Standard**	**Potential Revisions**
Minimum Lot Width	60 ft minimum	May need to clarify allowable party walls in side-by-side duplexes; in cases of a second detached single family home behind an existing home fronting the lot, may need to clarify that minimum lot width applies only to street frontage-facing home.
Side Setbacks (Principal Building)	10 ft minimum each side	Introduce 0 ft at shared wall for side-by-side duplexes; may need to reduce side setback for second homes at the rear of lots.
Rear Setback (Principal Building)	25 ft minimum	Will likely need to add a Rear Setback specific to a Second Dwelling Unit (e.g. not an accessory building). Accessory building rear setbacks are currently 5 ft; this could suffice for a Second Dwelling unit.
Maximum Building Height	Principal: 3 stories / 35 ft	No change necessary
Impervious Surface / Lot Coverage	45–50%	No change necessary, but allow tandem and shared driveway access for lots with two units.

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Sample Modifications to MDR 1 Zone

The MDR1 district already permits house-scale residential buildings at two to three stories, so its existing height, setback, and impervious coverage standards are compatible with small multi-unit homes. **The primary barrier to additional homes in this zone is not the building envelope, but the limited set of allowed building types; current code allows single-unit and two-unit buildings, but not a three or four-unit attached dwelling.** By adding this building type and clarifying that the minimum lot area requirement applies per lot rather than per dwelling unit, MDR1 can accommodate quadplexes and similar house-scale multiplexes without changing the outward appearance of residential blocks. Because the dimensional standards of MDR1 already align with the scale of these buildings, the zoning changes required are minimal, rather than involving broader density or height increases.* The table below summarizes the specific code amendments needed to add this flexibility while maintaining neighborhood character and form.

Sample Modifications to MDR 1 Zone		
Principal Recommended Changes: *Primary Obstacles to Building More Homes*		
Regulatory Element	**Current MDR1 Standard**	**Recommended Revision**
Permitted Building Types	Single-Unit Detached; Two-Unit Attached (Twin/Semidetached)	Add “Four-Unit Attached Dwelling” and “Three-Unit Attached Dwelling” to the MDR1 Building Types table
Minimum Lot Area	4,000 sq ft per dwelling unit	Clarify that when using the Three- and Four-Unit Attached building type, the 4,000 sq ft standard applies per lot, not per unit
Parking Minimums	Typically 2 spaces per unit	Reduce to 1 space per unit. Allow tandem parking, shared driveways, and single curb cut
Impervious Surface / Lot Coverage	50%	Relax to 55% to provide developers and homeowners with additional flexibility for adding units or parking spaces.

These recommendations outline the primary zoning adjustments needed to allow three- and four-unit buildings in MDR1. The Township should consider a more detailed calibration on parameters like minimum lot width, shared driveway provisions, and façade/entry placement. These calibrations can be completed during ordinance drafting, ideally with support from a planning and land-use consultant to ensure that the standards function predictably on typical MDR1 lots.

Additional Considerations: *Zoning Details that May Need Refinement*		
Regulatory Element	**Current MDR1 Standard**	**Potential Revisions**
Height	2–3 stories / ~35 ft max	No change
Front (Predominant) Setback	Must match block frontage pattern	No change
Rear Setback	25 ft minimum	Will likely need to add a Rear Setback specific to a Second Dwelling Unit (e.g. not an accessory building). Accessory building rear setbacks are currently 5 ft; this could suffice for a Second Dwelling unit.

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Sample Modifications to MDR 2 Zone

Many neighborhoods currently zoned as MDR2 were historically developed with small apartment buildings containing 6–12 units, and its current height and setback standards still support that building form today. The primary barrier to reintroducing these multiplexes is the minimum lot area per unit requirement, not height, setbacks, or impervious cover. By creating a small apartment building type and replacing the per-unit lot-area calculation with a maximum units-per-building standard, MDR2 can allow 8–12 units on typical MDR2 lots without changing height or setbacks. This restores a building type that is already present in many MDR2 neighborhoods and consistent with their existing character. The table below summarizes the recommended amendments to enable this form.

Sample Modifications to MDR 2 Zone		
Principal Recommended Changes: *Primary Obstacles to Building More Homes*		
Regulatory Element	**Current MDR2 Standard**	**Recommended Revision**
Permitted Building Types	Single-Unit, Two-Unit, Rowhouse, Small Multifamily	Expand permitted building types to allow up to 12 units in a single structure. Additionally, ensure that language allows multiple dwelling structures per lot.
Minimum Lot Area / Unit	2,000 sq ft per unit	Replace per-unit lot area rule with a “Max Units Per Building” standard of up to 12 units, provided building fits envelope
Parking Minimum	Typically 1–2 spaces per unit	Set minimum to 1 space per unit. Allow tandem parking, shared driveways, and single curb cut.
Impervious Surface / Lot Coverage	50%	Relax to 55% to provide developers and homeowners with additional flexibility for adding units or parking spaces.

These recommendations include the core changes needed to allow house-scale apartment buildings of 8–12 units in MDR2. More specific dimensional details can be developed during ordinance drafting with assistance from a planning and land-use consultant to ensure that the standards are both workable and consistent with the established neighborhood form.

Additional Considerations: *Zoning Details that May Need Refinement*		
Regulatory Element	**Current MDR2 Standard**	**Potential Revisions**
Height	3 stories/40 ft (higher for LIMH-designated homes)	No height change necessary
Front (Predominant) Setback	Must align with neighboring buildings	No change necessary
Rear Setback	~25 ft	Could potentially reduce to 15-20 ft

Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types

Sample Modifications to MDR 3 Zone

Lower Merion's MDR 3 zoning regulations, on the surface, allow for considerable housing density. Large multifamily structures of up to 5 stories are allowed. However, MDR 3 is an example of a zone in which **minimum lot area per unit functions as the primary constraint on the creation of new homes**. At a minimum 2,000 square feet per dwelling unit, realizing a 3-5 story apartment building is functionally impossible without very large lots.

A sample lot in the MDR 3 zone of ~12,000 square feet, or around one fourth of an acre, demonstrates this limitation. At MDR3 impervious surface limits, building setback requirements, and with five stories allowable (three full-floorplate stories plus two stepped-back, smaller stories), 20 units averaging 950 square feet could fit in a compatible building envelope. However, with the 2,000 square feet per dwelling unit cap, just 6 units would be allowed on the site. As a result of this cap, **many standing apartment buildings in MDR 3 zones built in prior decades would now currently be illegal to build under current code.**

Example: Middle Density Homes Pre-Existing in MDR 3

Sycamore Court Apts
304 Old Lancaster Road
Merion Station

Built 2007
18 units
19,900 square feet lot

Not allowed to build under current zoning *– only 10 units allowed*

Pembroke East Apts
121 Montgomery Ave
Bala Cynwyd

Built 1961
20 units
25,400 square feet lot

Not allowed to build under current zoning *– only 12 units allowed*

To realize potential for middle density homes, Lower Merion should remove MDR 3's minimum lot area per dwelling unit regulation. If the Township wishes to retain an additional control against high-density development, it could do so by replacing the current minimum lot area per dwelling requirement with a maximum-units-per-building standard (e.g. no structures with greater than 50 units) and reducing parking minimums to reflect access to nearby transit. These changes would allow more, smaller homes to fit within the same building envelope already permitted in MDR3, avoiding any increase in height.

Sample Modifications to MDR 3 Zone

Regulatory Element	Current MDR3 Standard	Recommended Revision
Minimum Lot Area / Unit	2,000 sq ft per unit	Replace per-unit lot area rule with a "Max Units Per Building" standard of up to 50 units, provided building fits envelope
Parking Minimum	Typically 1–2 spaces per unit	Set minimum to 1 space per unit.
Impervious Surface / Lot Coverage	50%	Relax to 55% to provide developers and homeowners with additional flexibility for adding units or parking spaces.

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Strategy: Federal Entitlement Funds for Affordable Rental Homes

Lower Merion does not need to become an affordable housing developer to mitigate its affordability challenges. It should, however, explore every opportunity to maximize the efficacy of its scarce available funds for housing development. Lower Merion is a federal entitlement jurisdiction, eligible to receive Community Development Block Grant (CDBG) dollars to support affordable homes. At present Lower Merion uses its CDBG allocation but could likely access federal Home Investment Partnership Program (HOME) funds if it were to apply for them, similar to neighboring Abington. Additionally, the Township has existing dollars in its Housing Trust Fund, funded by in-lieu fees from the voluntary LIMH incentive. At present, approximately $800,000 of funds are available.

A larger city might opt to steer larger sums of money to catalyze single, large transactions of 100 units or more on moderately-sized lots. Often these transactions will use federal LIHTC. A Township of Lower Merion's scale may struggle to replicate this approach for two reasons: 1) a lack of a pool of developers consistently seeking LIHTC projects in the Township, and 2) Lower Merion's entitlement funds may be insufficient to plug financing gaps on 100+ unit projects.

Lower Merion receives roughly $1 million annually in CDBG funds, of which 35–50 percent is typically reserved for housing activities. Currently, these resources support two long-standing programs: the Home Purchase Program, which provides acquisition assistance for one or two single-family homes each year, and the Home Repair Program, which funds small-scale home rehabilitation projects of up to $35,000 per household for approximately 8–10 owner-occupied homes annually.

There are sound reasons to structure CDBG activities this way. For instance, improving housing quality for low-income households, as the Home Repair Program does, is administratively simpler on owner-occupied homes. Meanwhile, having a recurring pipeline of home repairs is an effective means of ensuring that funds get spent. While both programs deliver valuable individual outcomes, they have limited community-wide impact. Under the Home Purchase Program, for example, as much as $300,000–$400,000 in CDBG funds may be used to acquire and close on a single home. **This preserves affordability only for the current occupant and produces no net new homes—leaving the Township's overall supply unchanged despite a substantial upfront investment.**

Lower Merion should aspire to deploy its scarce housing funds towards activities that can increase the supply of affordable homes. The Township should aim to scale up what it already does with its Home Purchase program: acquire homes on small-to-medium-sized lots scattered across the Township. The Township can then partner with developers to secure HOME funds for construction and redevelop these sites as gentle density, 2-6 unit projects. **However, doing so in a context-sensitive way will require time and diligence on the part of Township staff. Not all acquisition opportunities offer the chance to redevelop with additional units. Lower Merion would be best served, then, continuing to pursue acquisition opportunities, prioritizing lots and homes with the chance to reposition or redevelop as 2-6 unit projects.** The Township can continue to fund Home Repair activities in an uninterrupted manner, provided that doing so does not inhibit funds from being used for strategic acquisitions.

The following pages describe two strategies the Township can employ to maximize its funding impact: 1) pairing CDBG funds with federal HOME funds to create new affordable rental homes, as indicated above, and 2) evaluating multiple pathways to deploying its Housing Trust Fund.

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Strategy: Create Affordable Rental Homes by Pairing HOME Funds with CDBG Funds

As discussed, Lower Merion currently spends its CDBG funds on two long-standing programs: the Home Purchase Program, which provides acquisition assistance for one or two single-family homes each year, and the Home Repair Program, which funds small-scale home rehabilitation for approximately 8–10 owner-occupied homes annually. The Township could continue to fund these activities moving forward, but doing so may forego opportunities to catalyze the development of additional homes.

The first step towards maximizing the Township's return on investment of CDBG funds is to strategize at the point of acquisition. Some homes are better strategic acquisitions than others, as illustrated below.

Comparing Strategic Acquisition Opportunities for Lower Merion CDBG Funds

Example: A Home Acquisition That Makes Sense for Home Purchase Program
Home Currently For Sale:
Ardmore

Built 1940, 1,040 square feet
2 beds, 1 bath
1,306 square foot lot

Listed for $276,000
No Potential for Additional Units

Example: Illustrative Acquisition With Potential to Add Context-Sensitive Homes
Home Sold in 2023:
Wynnewood

Built 1949, 1,750 square feet
2 beds, 2 baths
8,276 square foot lot

Sold for $280,000
Potential to add Rear Duplex

Examples of Strategic Acquisitions

A home currently listed as for-sale in Ardmore, on the lefthand panel of the above graphic, represents an affordable homeownership opportunity for a LMI household in Lower Merion, and a sound opportunity to acquire under the current Home Purchase program. However, the Wynnewood home, shown on the righthand panel, represents a more strategic acquisition. A lot with this depth, at 8,276 square feet, could accommodate an additional 1-3 homes behind the current dwelling structure if zoning statutes around gentle density were relaxed. The current home could even be reconfigured to a duplex at modest expense depending on its current layout.

Not every acquisition opportunity will have the same potential. But evaluating and acquiring a parcel will be the first step. The second step will be financing the creation of new homes. This is where partnering with an affordable housing developer and layering HOME subsidy will be key.

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Strategy: Create Affordable Rental Homes by Pairing HOME Funds with CDBG Funds

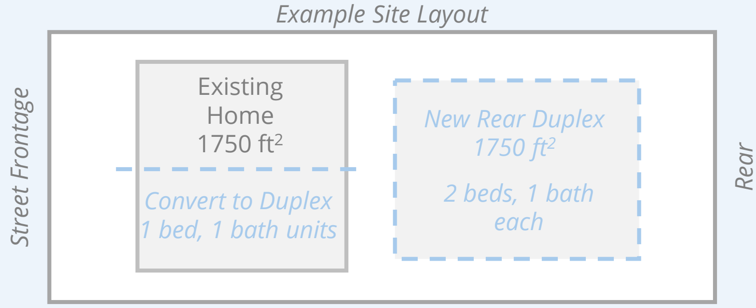
The second step towards maximizing the Township's ROI on CDBG funds is to finance the redevelopment of the site acquired. This will be a multi-phase process involving a) partnering with an affordable housing developer and b) layering in HOME subsidy to help cover construction costs.

There are good reasons not to deploy CDBG funds towards the physical construction of housing; using CDBG for home construction triggers Davis-Bacon wage requirements and additional rounds of cumbersome environmental review. The Township may be able to secure HOME funds that can be deployed towards construction without triggering the same regulatory requirements. Following acquisition of a site, the Township will need to entice the participation of an affordable housing developer through a) having subsidized the acquisition of the property with CDBG funds and b) applying for HOME subsidy through the Pennsylvania Department of Community & Economic Development.

Hypothetical Example: Creating 4 Affordable Homes Using CDBG and HOME Funds

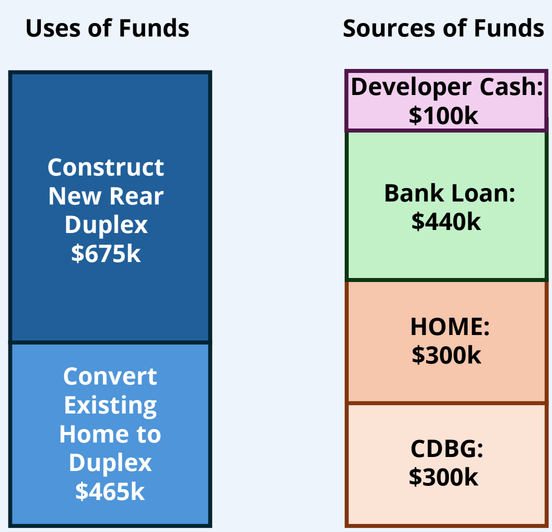
Example Site Layout

Step 1: Acquire Site and Create Plan



Acquire with $300,000 of CDBG Funds

Step 2: Partner with Developer and Apply for HOME



Township Outcomes

- *4 homes developed affordable at 60% AMI*
- *3 net new homes*
- *Public Cost per Home: $150,000*

Developer Outcomes

- *$100,000 Investment*
- *6.6% annual return on equity (a good result in affordable rental housing)*

A number of assumptions were made for the above scenario. The size of the project's bank loan is a key driver of feasibility, and is based on projections of the rental income generated from these four units. Rents are modeled using 2025 Philadelphia MSA 60% AMI income limits. Operating expenses are modeled at 35% of rents, and the bank loan's DSCR is assumed to be 1.20, for a 30-year loan at 6.5% interest.
Soft costs of development (non-construction costs required to build) are assumed to be 20% of construction costs.
The physical costs of construction are assumed as follows: $150 per square foot to convert the existing home to a duplex, and $250 per square foot to construct the new rear duplex.

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Strategy: Create Affordable Rental Homes by Pairing HOME Funds with CDBG Funds

Considerations for the Township When Pairing CDBG & HOME for Middle Density Development

1. **Acquisition opportunities may prove to be the operative constraint.** Since 2022, approximately 220, or 13% of the Township's homes sold, have transacted for less than $500,000, according to Zillow data. Some of these homes may have moved too quickly on the market for the Township to acquire. Others will have limited ability to reconfigure existing homes or add additional square footage. Others still will be constrained by what zoning allows. The market may continue to accelerate this trend, given home price appreciation in the past five years. If the Township finds acquisition opportunities too limited, it has two options to increase its purchasing power: 1) supplement CDBG funds with local funds, or 2) use two years of CDBG allocations to augment its funds. According to HUD regulations, a jurisdiction can keep up to two years' worth of its annual allocation on hand.

2. **Drawing in affordable housing developers with capacity will be critically important.** If the Township needs to take extra measures to attract developers from around the region, it can add supplementary local funds to a project, especially the first project, to make sure a developer is earning an above-average return. For a 4-unit development, $25,000 - $50,000 may be sufficient. Ensuring an adequate developer return in order to establish a valuable partnership would be well worth the investment.

3. **Receiving HOME subsidy is plausible but not guaranteed.*** When partnering with a developer on a middle density rental project, Lower Merion would need to reserve staff time to apply to the Pennsylvania Department of Community & Economic Development. The State will have its own scoring rubric that may evolve from year to year, but rental home development at 60% AMI will continue to be an eligible use of HOME funds. Other Montgomery County jurisdictions have secured HOME funds through applying to the State in this way; within the last year, Abington applied for and received $300,000 in HOME funds for owner-occupied home rehabs. If HOME subsidy is unavailable, Lower Merion could potentially pursue Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) funds; PHARE funds may require deeper affordability than HOME, but may prove to have fewer regulatory requirements than HOME dollars.

4. **If the Township pursues these projects in the next 1 to 5 years, unit production totals will be modest. The public cost per home produced, however, will be highly efficient.** The Township should appreciate the tradeoffs between these projects and larger LIHTC gap subsidy projects. Ardmore House II, for example, delivers 48 homes affordable to renters at 60% of AMI. It would take twelve transactions that deliver quadplexes to replicate this level of unit production. However, the Ardmore House II transaction required $20.2 million in public subsidy, or a cost of approximately $420,000 in public funds per home delivered. Middle density CDBG + HOME projects, as conceived in this study, are likely to require somewhere between $100,000 and $200,000 in public funds per home delivered. If the Township sets a goal of creating more affordable homes at a faster pace, more upfront funding, and more total public funds per home created, will be required to accelerate development.

**From a review of publicly available data, it is unclear how subscribed State HOME funds are. HUD data indicates that the State's HOME allocation in 2024 was up to $18.6M, while 2024-2025 awards on PA DCED's website show less than $6M of awards. This could indicate funding availability, but the Township may want to discuss further with PA DCED to understand current conditions and the structure of funding rounds.*

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Options for the Township's Housing Trust Funds

Many housing programs require dedicated funding. Lower Merion's Housing Trust Fund currently holds $800,000, or approximately $12.50 per capita. At its highest, the Trust Fund has held up to $1,500,000, which would put it on par with Trust Funds on the scale of Amherst, MA, or Stamford, CT, shown in the table below.

Lower Merion's Housing Trust Fund in Context | Select Local Trust Funds

City	Funding Commitment Size and Sources	Time Period	Population	$ Per Capita Per Year
Amherst, MA	$4M committed over five years	5 years	39,263	$20
Stamford, CT	$2.5M in revenue for FY26	Annual	135,470	$19
Charlottesville, VA	$70M in direct subsidy funding	10 years	50,000	$140
Richmond, VA	$80M from dedicating tax revenues from properties phasing out of partial tax exemption	10 years	230,000	$35
Washington, D.C.	$100M+ through housing trust fund, from transfer taxes and general fund	Annual	706,000	$146+
Pittsburgh, PA	$100M+ over a 10-year period. Housing Opportunity Fund annually receives $10M from real estate transfer taxes. Additional ARPA funding allocated from 2021–2023	10 years	300,281	$35

At current capitalization levels, the scale of Lower Merion's potential impact will understandably be limited. Nevertheless, the Township should contemplate how to use its Trust Fund, and either use existing funds to test out new activities, or maintain its current balance in an effort to grow the Fund when more fee-in-lieu payments can flow in.

How Lower Merion deploys its Trust Fund dollars depends on its goals. The subsequent section of this report discusses three options for the Township with its Trust Fund dollars:

1. ***Create an ADU demonstration program, focusing on creating pre-approved ADU designs to help scale uptake across the Township;***
2. ***Acquire small lots in partnership with affordable housing developers and develop workforce opportunities for homeownership;***
3. ***Grow the Trust Fund to gap finance a future affordable housing project, similar to the Township's approach with Ardmore Homes II.***

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Comparing Approaches to Using Trust Fund Dollars

With local funds, the Township can set its own program rules and goals for Trust Fund-supported housing activities. However, a number of common uses of Housing Trust Fund dollars do not make sense for Lower Merion:

Downpayment assistance is commonly utilized in markets with depressed home values or large cities with struggling neighborhoods. However, Lower Merion's homeownership market is not constrained by downpayment availability—it is constrained by a lack of homes, relative to demand.

Rental home rehabilitation programs can make sense for some jurisdictions. In some cities, it has incentivized small landlords to make needed repairs, keep rents low, and accept Section 8 vouchers. However, using local funds for rental housing programs can be tricky because of compliance requirements; the Township would need to reserve significant administrative funds and allot staff time towards annual unit inspections and/or tenant income certifications. With just $800,000 at present, scaling up a rental home rehab program and compliance infrastructure is probably unrealistic.

Naturally Occurring Affordable Housing (NOAH) preservation would serve a valuable need in Lower Merion Township. However, the constraint would be the price of acquisition. The Housing Needs Assessment produced as a part of this study examined recent NOAH transactions in Lower Merion. Over the last four years, approximately 9 NOAH buildings totaling 328 units were sold, for an average acquisition price of $179,000 per unit. At the Trust Fund's current balance, it could acquire just four NOAH units. A larger jurisdiction would likely seed a NOAH preservation fund with a $5M - $20M upfront contribution to a Community Development Financial Institution (CDFI) who would run the program. However, the Trust Fund is unlikely to reach this level of capitalization.

With $800,000 in available funds, the Township could consider the following three approaches:

Potential use of Trust Funds	Strengths of Approach	Weaknesses of Approach
Create an ADU Demonstration Program	• Maximizes the ability of the market to provide new, affordable homes.	• One-time use of funds.
Acquire Lots to Develop Workforce Homeownership Opportunities	• Eventual sale of homes allows funds to revolve back to the Trust Fund to support future projects. • Creates net new affordable homes. • 80-120% AMI buyers are shut out of homebuying market in Lower Merion.	• Land values are very high in Lower Merion, often $1M - $2M/acre. • Available lots may not sustainably appear on the market. • Without the right development partner, the Township would take on major risks.
Grow the Trust Fund for Future Gap Financing	• Preserves flexibility to support future deals. • Could allow the Township to support more new homes (e.g. 50+) than contemplated CDBG + HOME activities.	• Ardmore Homes II, for reference, required $7M of public funds. The Township is unlikely to grow the Trust Fund sufficiently to gap finance a comparable project.

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Option 1: Create an ADU Demonstration Program

ADU demonstration programs across the country have involved a wide array of activities. In Boston, City funds were used for low-cost ADU construction loans of up to $30,000; in Los Angeles, City funds were used to pilot ADU construction in a context-sensitive, cost-effective manner as a proof-of-concept.

With respect to ADUs, the most catalytic use of Lower Merion's funds would be to select an architect to help create a library of pre-approved ADU designs for use throughout the Township. Pre-approved designs accelerate the development of ADUs by a) saving homeowners thousands of dollars on architecture and/or engineering fees, and b) reducing staff review time, which typically translates to reduced permitting fees. The communities with the highest rates of ADU development have these pre-approved designs. In Seattle, the introduction of a pre-approved design library, coupled with additional reforms, resulted in a 4x acceleration in the scale of ADU construction.

The weakness of such an approach is that it is a one-time use of funds, but the potential to meaningfully expand the Township's housing supply is likely worth the cost.

Option 2: Pursue Workforce Homeownership Opportunities

If the Township used funds to support building affordable for-sale homes, the eventual sale of those homes can allow the Township's money to revolve back into the Trust Fund. Unlike federal funding sources, the Trust Fund is not renewed annually with a new disbursement. By structuring a for-sale home program, the Township will be in better position to recoup some of its upfront investment at the point of sale in 1-3 years, and have a chance to reinvest its funds in future projects.

Additionally, doing a homeownership program with local funds is easier to certify for affordability; a locally-controlled rental program would likely require annual income certifications and may even necessitate recurring inspections of units. A locally-funded homeownership program needs fewer economies of scale and would likely require income and purchase price certifications only at points of sale.

The market data show a clear gap in homeownership opportunities for households between 100% and 120% of AMI. A family of four at 120% of AMI earns approximately $144,000 annually in 2025, and in current macroeconomic conditions, could afford a home priced at $560,000. While this family would have ample homeownership opportunities elsewhere in the region, the home sales market has all but priced this family out of Lower Merion. Just 18 percent of homes sold in the Township since 2022 have priced at $560,000 or less, and most of the homes below this cutoff point occurred in 2022 or 2023. The new construction market for homeownership is well out of reach; the lowest-priced new home (built 2010 or later) sold in the past several years transacted for approximately $900,000.

The Township could use its funds to acquire small, irregular lots that the high-end homebuilding market is uninterested in building on. In Lower Merion, these lots could cost between $100,000 - $400,000. The Township would then place an affordability covenant on the lot, limiting occupancy to households at 120% AMI for 50 years, and then partner with an affordable housing developer to build and market the home. Assuming a home can be built and sold, the Township could recoup its acquisition costs at the point of sale, replenishing the Trust Fund.

Goal: Maximize the Town's Available Funding to Create New Affordable Homes

Option 2: Pursue Workforce Homeownership Opportunities (cont.)

However, the value of land in Lower Merion may simply be so high, and lots so scarce, that the Township would be assuming significant risk in the ability of sites with irregular configurations to support the development of for-sale homes. The Township would likely need to rely on its developer partner to make acquisition decisions.

Supporting workforce homeownership creation would meet a market need, create net new homes, and offer the ability to recycle finite Trust Fund dollars to support multiple projects. However, without cultivating a strong relationship with an appropriate developer partner and cultivating leads on multiple lots per year, such a use of funds is unlikely to be productive or worth the risk.

Option 3: Grow the Trust Fund for Future Gap Financing

As discussed earlier in this study, small rental infill projects backed by CDBG + HOME funds will support a very modest number of net new homes, relative to the Township's involvement in projects like Ardmore House II, which created 48 net new homes. The Township could opt to wait to amass a larger pool of funds from future fees-in-lieu through the Township's voluntary inclusionary housing incentive.

However, it is unclear how long the Township would have to wait to amass more fees-in-lieu. Furthermore, it is unlikely that the Trust Fund could scale to finance a project at the size of Ardmore House II. That project required $7,000,000 in funds from the Township and County, on top of federal LIHTC funds. If the Trust Fund approached $2.0 or $3.0 million, the Township could support a small affordable rental project or small condo project (10 to 20 homes).

To further complicate matters, financing affordable rental home projects typically requires LIHTC, which are typically used on projects with no fewer than 30 homes. The size of the project Lower Merion may be able to gap finance may not align with federal subsidy availability.

Summary Timeline & Implementation Framework

Summary Timeline and Implementation Framework

Strategy	Year 1	Years 2 – 3	Years 4+
Goal: Enable the Private Sector to Deliver a Greater Quantity and Range of Home Types			
ADU Legalization	• Modify land use regulations to allow ADUs • Make ADU regulations accessible for members of the public to view	• Evaluate statistics on ADU permits	• Consider reducing ADU impact fees if permitted totals are modest
Local Housing Trust Fund, Option 1: Support ADU PILOT	• Engage with architecture firm to create pre-approved ADU designs for use in Township	• Make pre-approved designs accessible and available for members of the public to view	
Allow More Home Types in Zones LDR4 & MDR 1 -3	• Modify land use regulations to allow broader home types	• Evaluate permitting activity for increased gentle density • Expect the market to respond slowly to policy changes	• If construction activity is insufficient, explore looser regulations around impervious surfaces and parking requirements.
Goal: Maximize the Town's Available Funding to Create New Affordable Homes			
Shift Use of CDBG Funds towards strategic acquisitions	• Pause Home Purchase acquisitions • Engage with affordable housing developers in region to gauge interest and capacity	• Pursue acquisition of sites with the potential to add homes • If acquisitions can be made, partner with developers and apply for HOME funds to supplement construction	• Undertake construction on existing acquisitions • Pursue future acquisitions
Local Housing Trust Fund, Option 2: Pursue Strategic Lot Acquisition for Workforce homeownership opportunities	• Engage with affordable housing developers in region to gauge interest and capacity	• Pursue irregular or smaller lots with the potential to build homes for homeownership	• Develop homes and use sales prices to replenish Trust Fund • Pursue future acquisitions
Local Housing Trust Fund, Option 3: Allow future fees to grow the Fund	• Pause activity and allow potential in-lieu fees to grow the Fund	• Pause activity and allow potential in-lieu fees to grow the Fund • If in-lieu fees grow the Fund, evaluate potential to support small (<20 units) projects	• If Fund does not grow, consider making a budgetary allocation

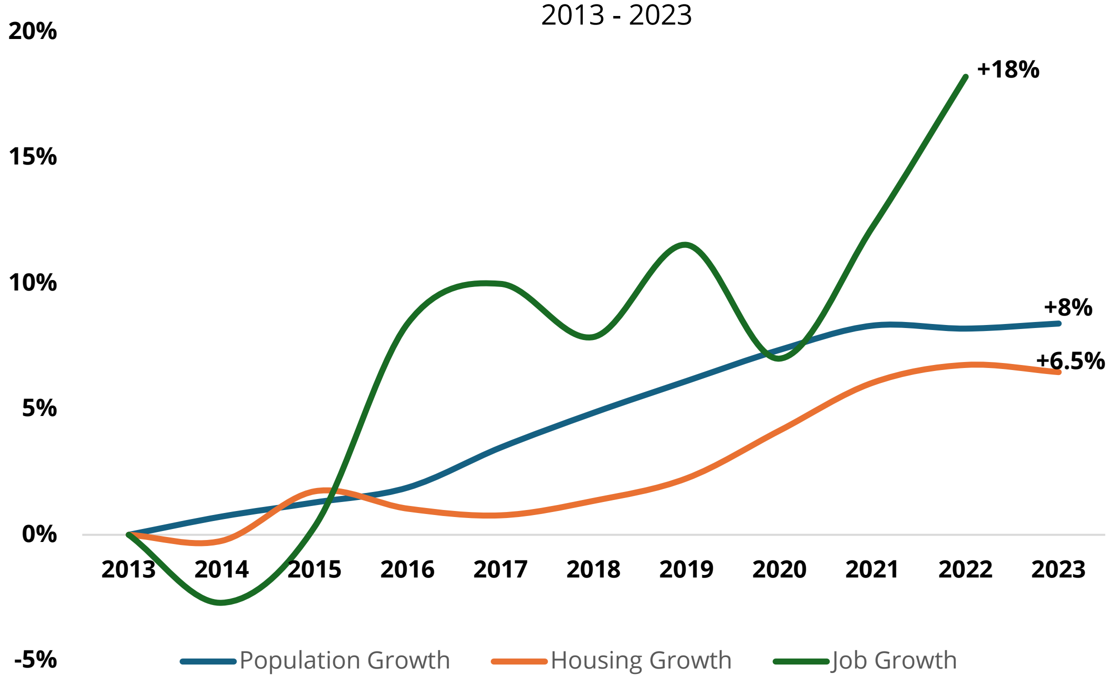
Appendix: Supplemental Housing Market Data

Housing vs. Job Growth

The data on employment and housing growth paint a picture of a Township experiencing a shortage of available homes.

Lower Merion's **housing inventory growth in the past decade has lagged substantially behind the Township's job growth**. Lower Merion is an outlier among neighboring Townships.

Job Growth vs. Housing Inventory Growth,
2013 - 2023



Sources: Population Estimates Program (PEP), US Census Bureau
American Community Survey (ACS), US Census Bureau
Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics

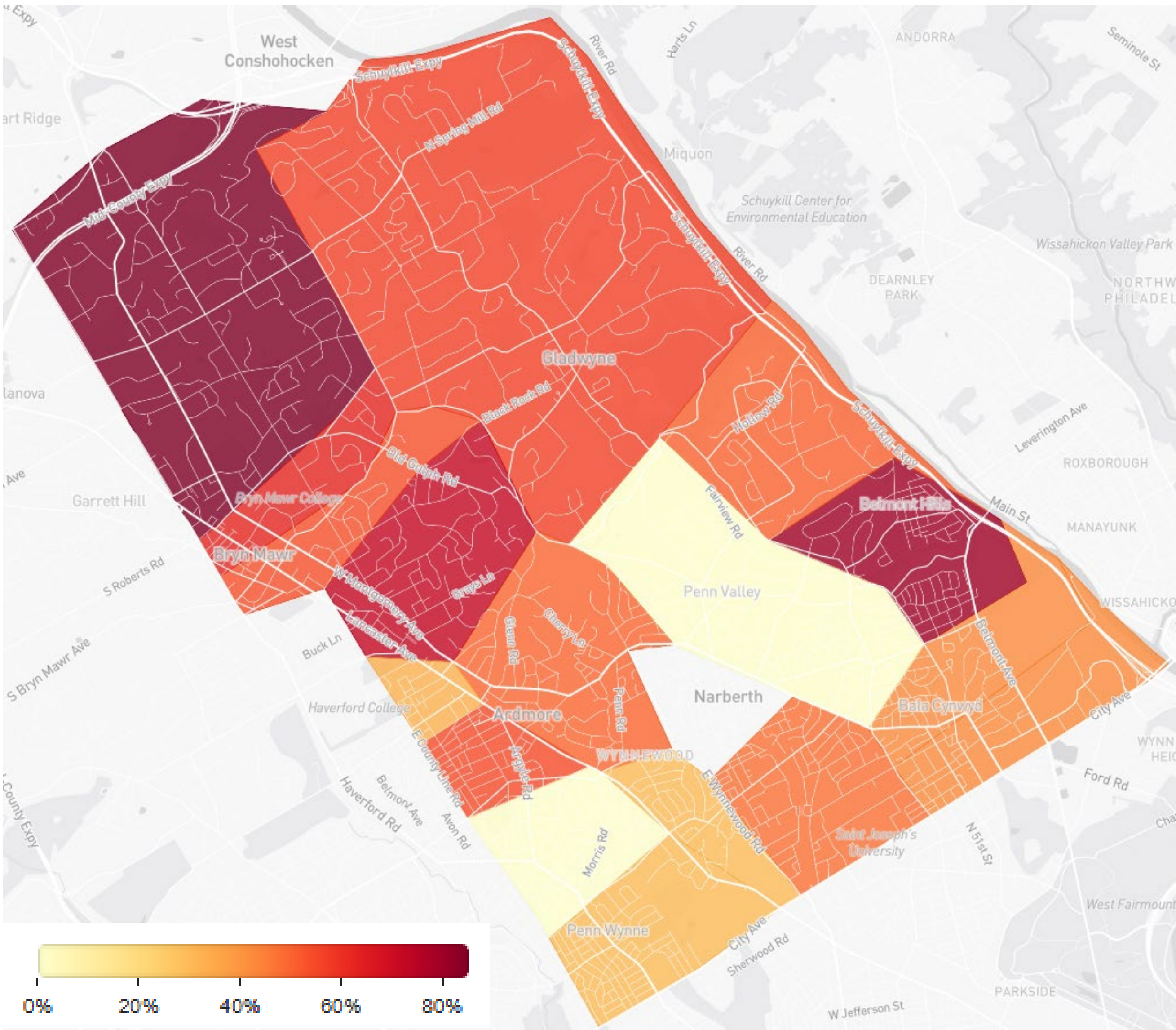
Jobs and Housing Growth of Townships in Region		
	Job Growth, 2013-2022	*Housing Growth, 2013-2023*
Lower Merion	**18%**	**6.5%**
Upper Merion	9%	26.5%
Haverford	4%	2.2%
Cheltenham	0%	-0.1%
Radnor	-7%	-2.1%
Abington	-12%	5.6%
Norristown	-15%	1.0%

Appendix: Supplemental Housing Market Data

Rental Housing Cost Burden

Housing cost burden occurs when a household spends more than 30% of its income on housing costs. Rental affordability outcomes look different across Lower Merion's neighborhoods and demographic groups. Senior households (71% cost burden share among senior renters) and single parent households (77% cost burden share among single parent renters) are particularly impacted by cost burden. 48% of renters across the Township are cost burdened.

Share of Renters that are Cost Burdened, by Census Tract
2023



Sources: American Community Survey (ACS), US Census Bureau
Public Use Microdata Sample (PUMS), US Census Bureau

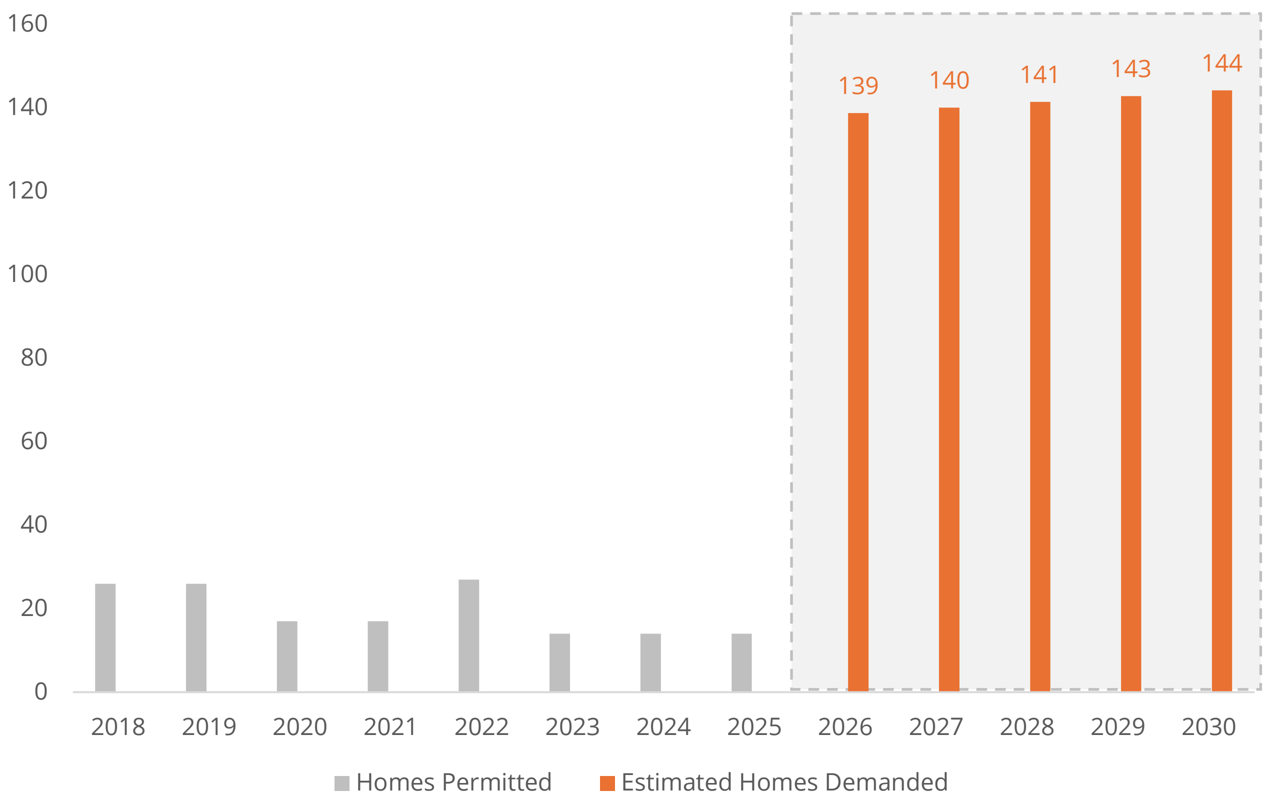
Appendix: Supplemental Housing Market Data

Quantifying Demand for Owner-Occupied Homes in Lower Merion

Because of Lower Merion's desirability, scarce land, and existing neighborhood configuration, it finds itself with much higher demand for for-sale home construction than it can feasibly meet in the near term.

Homes sold in Lower Merion over the past 3.5 years have averaged a sale price of $1.2M. Based on the number of households that are income-qualified to purchase this home, the rate at which these households purchase homes, and the Township's rate of population growth, HR&A estimates that the market could support roughly 140 new homes a year at this price point.

Single Family Homes Permitted and Forecasted Demand,
Lower Merion, 2018 - 2030



Sources: Zillow, Census Building Permits Survey

This analysis makes no assumptions around what homebuilders would be willing to build; homebuilders may prefer to build 20 homes priced at $2.0M rather than 100 homes priced at $1.2M. Rather, it is intended to express the immense demand for homeownership in Lower Merion.

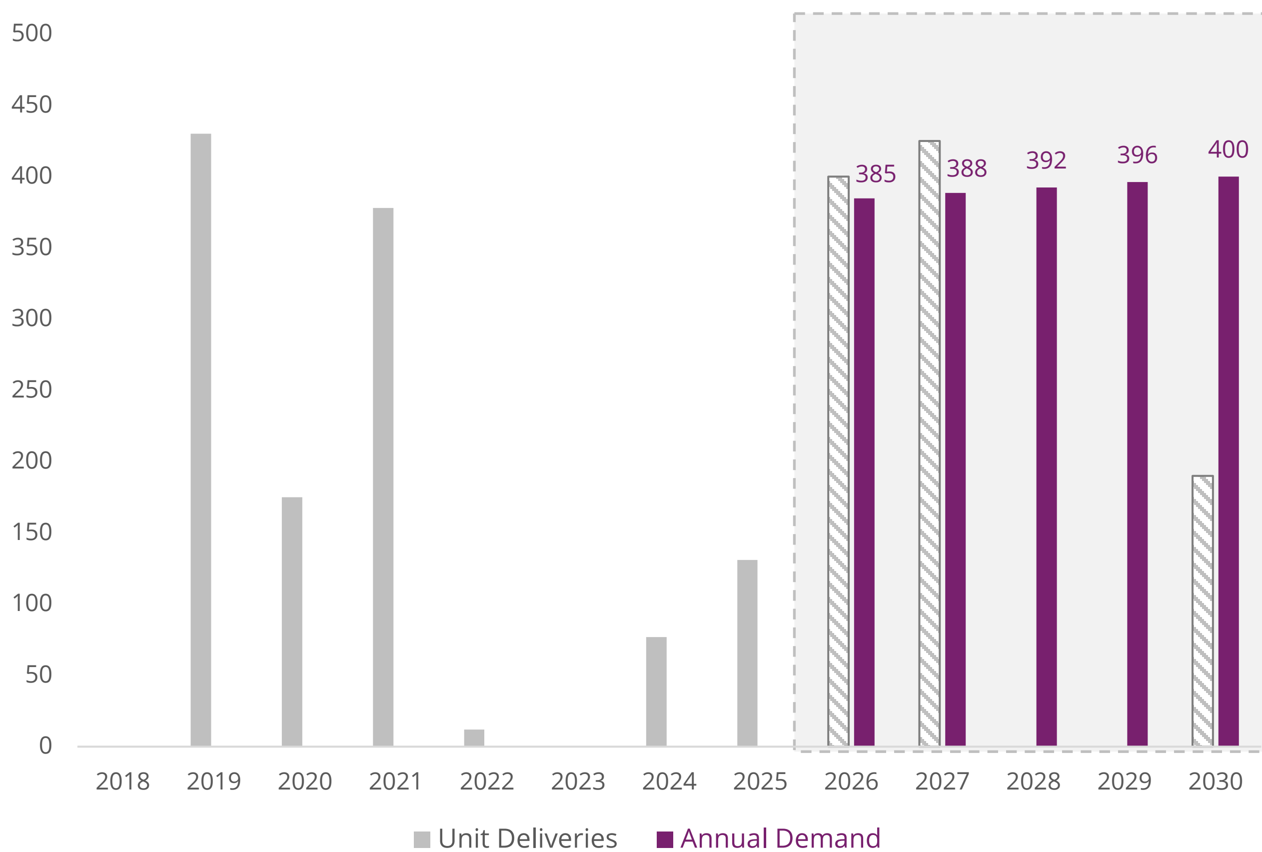
Appendix: Supplemental Housing Market Data

Quantifying Demand for Renter-Occupied Homes in Lower Merion

Given existing rents, recent unit absorption, and population growth, we estimate that Lower Merion could support at least 380+ new units of rental housing per year.

From 2026-2030, Lower Merion is estimated to have **demand for 1,962 new rental homes.** Referencing data on upcoming housing construction, the Township is estimated to have 1,015 new rental homes delivered in this timeframe, **addressing 52% of this five-year cumulative demand**. However, it is also worth noting that additional projects have the potential to be approved for construction, which would add to this number.

Rental Homes Delivered and Forecasted Demand, Lower Merion, 2018 - 2030



Sources: American Community Survey (ACS), US Census Bureau
CoStar