



LUMENT

LUMENT TEAMS UP WITH FREDDIE MAC AND GFI TO FINANCE TRANSITIONAL HOUSING IN NEW YORK CITY

When GFI Realty Services approached Lument on behalf of a client to refinance a transitional housing facility in New York City, Lument turned to Freddie Mac. The agency finances this asset class as part of its mission to expand affordable and workforce rental housing. Together, we structured a loan that fit the client's timetable—and set the stage for the client to create additional much-needed transitional housing.



BACKGROUND

In July 2024, there were about 350,000 people without homes in New York City, according to the Coalition for the Homeless. New York has always attracted a steady stream of newcomers who are drawn to the opportunities it offers, but it also has a shortage of affordable housing. To ensure these New Yorkers have a stable home while searching for permanent housing, New York City's Department of Homeless Services (DHS) partners with providers to maintain a network of transitional housing communities. Given the demand, each unit is precious.

THE CHALLENGE

For the owner of a seven-story, 44-unit transitional housing community in the Bronx, lining up financing that could take it to the end of the decade was critical. Its operating lease with a nonprofit organization that has an agreement with DHS to provide temporary housing and support for families was set for renewal as was the agreement with DHS. The owner also plans to build another transitional housing community on a nearby lot, get cash flowing, and ultimately merge the two operations and refinance them with a single loan. It required a loan that would cover the time needed to renew the lease and agreement and erect this new property.

With local banks decreasing their commercial real estate lending, the owner approached GFI Realty Services, one of the first brokers in New York City to focus on transitional housing, to find a lender. **Daniel Lerer**, GFI's director of investment sales and finance, had collaborated with Lument's **James Kelly** previously on a conventional multifamily transaction. He approached Kelly to see if Lument would consider providing a Freddie Mac execution for the property.



THE SOLUTION

Lument found Freddie Mac to be receptive. “We are interested in supporting transitional housing because it fits with our mission of expanding affordable and workforce rental housing for all, while increasing opportunities for renters, borrowers, and lenders,” said **Kentez Montgomery**, the Targeted Affordable Housing team producer who managed the transaction for Freddie Mac. “We understand that people need safe, stable places to stay while they search for an apartment.”

Freddie Mac began looking into the possibility of financing transitional housing before the pandemic. Its representatives conferred with its Optigo® lenders, affordable housing developers, and city officials

in major metropolitan areas that have programs to support transitional housing and decided to pursue these transactions.

It was also a natural fit for Lument. “Lument has been a Freddie Mac multifamily lender for decades and is one of the largest affordable housing lenders in the country,” Kelly said. “Transitional housing fits into our wheelhouse.”

The property was in good condition and well-operated. After careful consideration, Lument provided a \$5.2 million, five-year, fixed-rate loan to refinance the community. This fit the sponsor’s timeline while providing funds that it can use to create additional transitional housing.



THE IMPACT

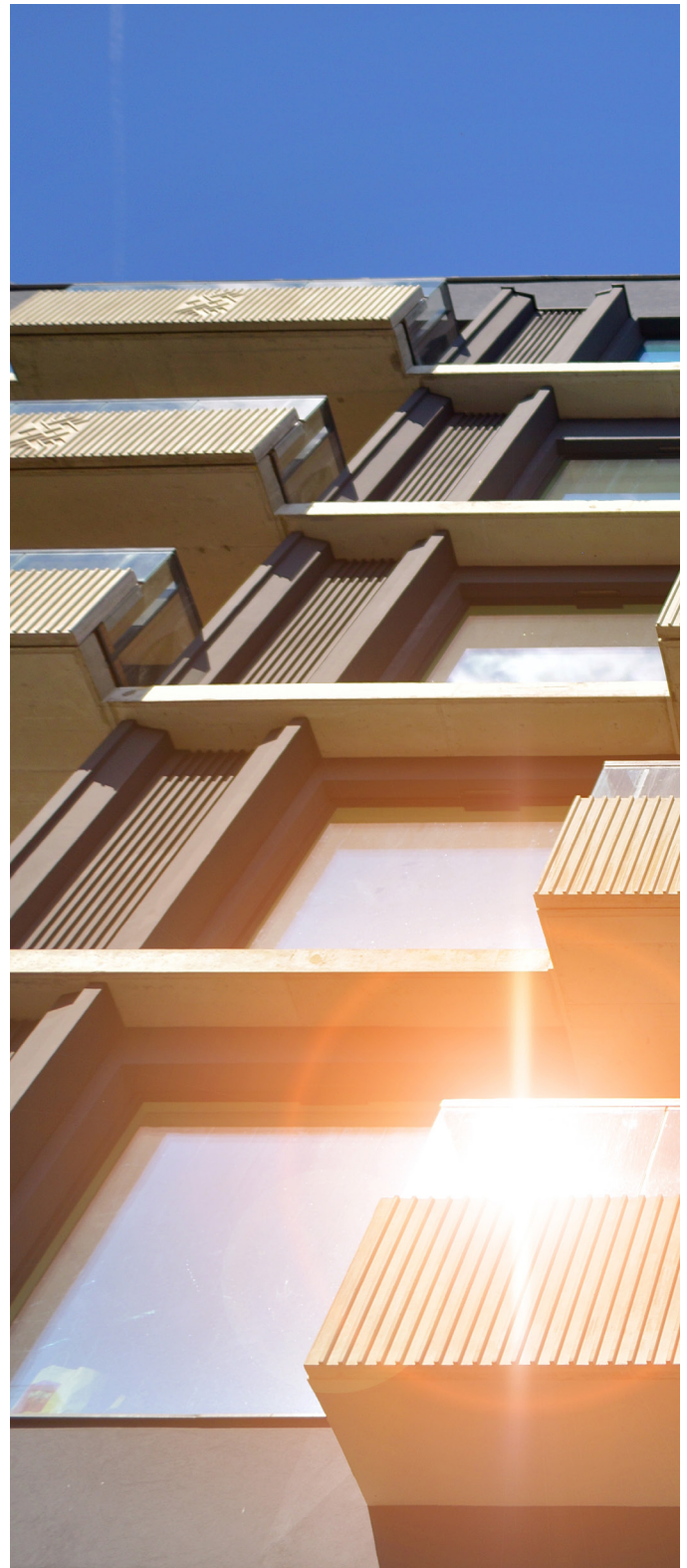
The transaction was a win for all concerned, for Freddie Mac, GFI, and Lument in addition to the sponsor and residents—and the three hope to do more transitional housing deals in the future. “With this deal and others like it, we hope to demonstrate to transitional housing owners in other cities that they can turn to Freddie Mac for financing that meets their needs,” Montgomery said.

And both Lument and GFI were pleased with the effectiveness of their coordinated efforts. “On the strength of this execution, we plan to show Lument all our transitional housing referrals going forward,” Lerer said. And this is the kind of support for families and working people that Lument wants to pursue. “We hope to be working together with Freddie Mac on this kind of transaction in the future,” Kelly says.

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KENTEZ MONTGOMERY
Freddie Mac



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