



**2013 Annual Awards Entry Form**  
(Complete one for each entry.)

**Entry Name** Castle Square Tenants Organizations

**HFA** MassHousing

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Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013**.

Use this header on the upper right corner of each page.

HFA \_\_\_\_\_

Entry Name \_\_\_\_\_

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Federal Advocacy <input type="checkbox"/> State Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input type="checkbox"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> Multifamily Management <input checked="" type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs	<input type="checkbox"/> Special Achievement	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

## **Rental Housing – Preservation & Rehabilitation**

### **Castle Square Tenants Organization “Resident Empowerment through Joint Ownership”**

Although rare, sometimes in life you do get a second chance. In the world of affordable housing, this second chance is even rarer. But that’s exactly what happened at a development community named Castle Square Apartments. The development got a second chance; and it is a second chance that may change everything that comes after it.

Castle Square Apartments was originally built in the 1960s and by the late 1990s its age showed. The development is comprised of 25 buildings on an 11 acre site; four of the buildings are seven story mid-rises with the remaining all four story buildings scattered on the site. This 500-unit low-and moderate-income apartment complex in Boston’s South End featured a bland brick and concrete exterior – typical of affordable housing built at that time. The ventilation system inside the development meant that at best residents could smell everything that their neighbors were cooking and at worst they shared the cigarette smoke from a neighbor who lit up in another unit in the building.

Nevertheless, Castle Square was and is a valuable mixed-income housing resource in the City of Boston. Located in the heart of Boston, it is adjacent to the Back Bay and Downtown. It also had a distinct advantage that first came about in 1987 when the property was acquired by a new developer – Winn Development Company. At that time, Winn Development presented a proposal to provide residents a voice in the development and management of Castle Square. The Developer invited residents to articulate their goals for the future and then agreed to team-up with a newly created resident organization, Castle Square Tenants Organization (CSTO) on a rehabilitation of the property that was completed in accordance with the Emergency Low-Income Housing Preservation Act (ELIPHRA). This involved a complex deal of subsidy layering including tax-exempt financing from MassHousing and much hard work on the part of the tenants and the new owner to ensure long-term affordability.

Fast forward to 2009, as Castle Square reached the end of its tax credit compliance period. The Tenant Organization recognized that the capital needs of the 50-year old project were such that resident ownership of Castle Square would not be prudent without a significant infusion of capital to make substantial rehabilitation possible. The Tenant Organization also knew that it needed an experienced developer as its partner. Given its solid 15-year working relationship with Winn Development, CSTO selected Winn as its development partner and negotiated a detailed Project Redevelopment Agreement with the developer which resulted in CSTO serving as the managing partner of the joint venture and holding a majority of the financial interest. Working with an experienced developer was also very important as it would allow CSTO to pursue a redevelopment strategy that utilized bond financing and equity from the sale of 4% low-income housing tax credits.

This is where MassHousing comes in again. MassHousing also had developed a strong working relationship over many years with Winn Development and recognized that it was an entity that could do what it takes to get the job done – and to get it done right. As the plans evolved for the redevelopment of Castle Square – it became clear that this deal was not going to be a cookie-cutter, run-of-the mill rehab. The Tenant Organization had big plans for Castle Square and they needed a lender who would support them in that effort. That lender was MassHousing.

The plans evolved over time as plans do – and a development began to take shape that was changing the way everything had been done before. First – it is very uncommon for a property rehabilitation to include energy retrofits. This is almost always something that is achieved in new construction – but the CSTO and Winn Development identified this as an important goal of the rehabilitation at Castle Square and the results are remarkable.

MassHousing provided CSTO \$54 million in tax-exempt financing (\$43 million in construction/permanent financing and a bridge loan of up to \$11 million) to complete this total transformation of Castle Square.

The rehabilitation, which was budgeted at a very reasonable budget (by Boston real estate market standards) of \$65,000/unit worked to incorporate principals of “green development” in everything that was done. This included: a new, super-insulated building shell (this five and a half inch shell was laid directly over the building’s dated façade); high efficiency windows; lighting; appliances and mechanical systems; solar-heated hot water; an insulated reflector roof; and, aggressive air sealing.

One of the energy efficiency consultants who worked on the project said, “We wanted to create a precedent that showed how to create dramatic carbon savings in existing buildings. At the scale that we are at with Castle Square, there is no other building in the United States that is saving the type of energy we are at Castle Square.”

With the renovations completed, the mid-rise is expected to be the first building of its size to achieve energy savings of 72%. Natural gas consumption has fallen dramatically – as much as 71% for heat and 78% for hot water. Electricity usage is also expected to decrease by up to 60%.

Ultimately, these renovations mean that Castle Square represents the largest energy retrofit project that has been achieved anywhere in the country. As importantly, there have been significant quality of life upgrades for residents. Every apartment received a new kitchen and bathroom as well as an energy efficient window air conditioner. Air leaks were sealed between all units and the outside walls to improve air quality throughout the development. The development plan also included a new community center and an improved appearance to the site.

What had at one time been a run-down building is an attractive addition to the neighborhood. At the same time, an area of the property that at one time had become known as a drug alley has now been converted to a beautifully landscaped park. In fact, at the time of its dedication, *The Boston Globe* wrote that this green haven was “a little piece of heaven”. Area residents are also enthusiastic patrons of a newly renovated first floor that includes desirable retail shops and businesses that are Castle Square commercial tenants.

Additionally, management at Castle Square works closely with Harvard University and the Computer Museum to maintain a learning center for on-site computer training that the resident children of Castle Square take very seriously. This is just one of the very important programs that it supported by the expanded Community Center that this renovation made possible. Castle Square has become a model for what is possible in terms of community outreach and tenant services. It offers an extraordinarily wide and diverse number of programs and services for the residents of Castle Square – but as importantly – makes these programs available to neighbors in the surrounding community as well. Castle Square is not only an attractive neighborhood asset because of its physical appearance but also because of all of the ways it serves to improve the lives of other residents in the community.

As a practical matter, MassHousing’s financing meant that affordability was assured over the long term – including the renewal of Section 8 contracts for an additional 20 years. MassHousing’s financing has helped to stabilize and improve the property – both physically and financially. A tremendously important factor in this effort was MassHousing’s support for the groundbreaking effort of the original CSTO/Winn redevelopment effort. The resulting partnership proved extremely effective and it allowed for the residents to play an active role in the oversight and management of the development. In addition, CSTO has proven to be an exemplary owner, creating and managing numerous social service programs to benefit both residents of Castle Square and residents in the surrounding community. Castle Square is a unique, trailblazing partnership facilitating resident empowerment in a plan that has enabled the property’s residents to become savvy and responsible “affordable” owners.

At the groundbreaking event for this property, the excitement in the air was palpable. The event included Secretary Shaun Donovan, Congressman Michael Capuano and Boston Mayor Tom Menino. Everyone’s goal had been the same – to preserve Castle Square Apartments – but the result was so much more than that.

As MassHousing’s Executive Director, Tom Gleason said in his remarks at that day’s event, “Right now – we are standing at the edge of the future. And everyone who cares about housing should take note – that here on this day – we are entering a new phase of what is possible. Castle Square is the future of affordable housing.”

# CASTLE SQUARE AT A GLANCE



### *Other Funds:*

*HUD Green Retrofit Program \$6.75 million*

*Massachusetts Department of Energy*

*\$4.4 million*

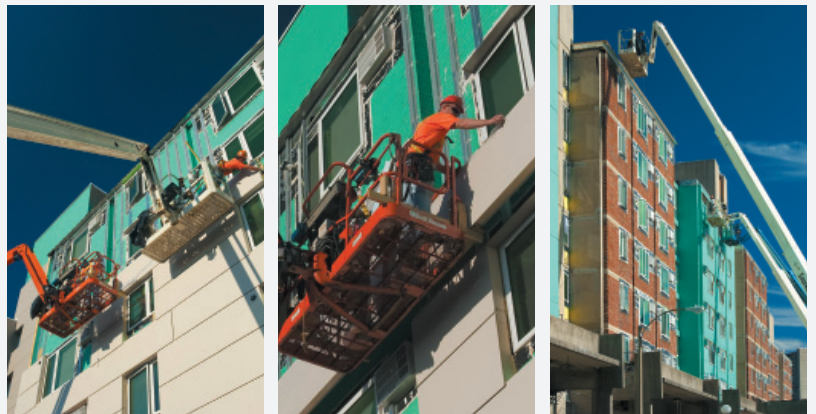
*National Grid rebates \$896,505*

Originally built in the 1960s, **Castle Square** is a 500-unit low- and moderate-income apartment community in Boston's South End.

MassHousing has provided \$54 million in loans (a \$44 million construction loan and a \$10 million bridge loan) to the Castle Square Tenants Association (the majority owner) and WinnDevelopment of Boston (the minority owner) to finance substantial renovations to the buildings that house a large and diverse population.

The size of the development coupled with cutting edge energy efficiency upgrades has led to its designation as **the largest deep energy retrofit in the United States**.

Once the renovation is completed, Castle Square's owners expect to realize reductions of up to 71% in the natural gas needed for heat and 78% for hot water. Electricity usage is also expected to decrease by up to 60 percent. The 192-unit Tremont Street midrise is expected to be the first building of its size to achieve energy savings of 72%. The savings will be achieved through a new, super-insulated building shell; high efficiency windows; lighting; appliances and mechanical systems; an insulated reflector roof and aggressive air sealing.



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