

Community Affordable Housing Equity Corporation
Replacement Reserve Withdrawal Request

A Replacement Reserve is established for the purpose of paying for the repair or replacement of capital assets. The Replacement Reserve should be funded monthly or quarterly from the operations of the project at the amount stipulated in the Operating Agreement (Partnership Agreement).

The Replacement Reserve is usually held on deposit in an interest-bearing Segregated Account, with any interest earned added to the amount of the reserve. Typically, the reserve may not be used for any expenditure costing \$2,000.00 or more without prior written consent from CAHEC.

Items traditionally accepted as *eligible* for use from this Fund include items such as (but not limited to):

- Replacement of refrigerators, ranges, and other major appliances in the dwelling units.
- Extensive replacement of kitchen and bathroom sinks and counter tops, bathroom tubs, water closets, and doors (exterior and interior).
- Major roof repairs, including major replacements of gutters, downspouts, and related eaves or soffits. NOTE: When replacing an entire roofing system, HUD encourages owners to seek energy efficient roofs and bonded roofs.
- Major plumbing and sanitary system repairs.
- Replacement or major overhaul of central air conditioning and heating systems, including cooling towers, water chilling units, furnaces, stokers, boilers, and fuel storage tanks.
- Overhaul of elevator systems.
- Major repaving/resurfacing/seal-coating (sidewalks, parking lots, and driveways).
- Repainting of the entire building exterior.
- Extensive replacement of siding.
- Extensive replacement of exterior (lawn) sprinkler systems.
- Replacement of or major repairs to a swimming pool.
- For certain projects, requests for capital improvements or enhancements to the property could be considered. For examples, a personal computer and some associated software could be purchased, or perhaps individual air conditioning units could be added to a project that was not air conditioned when it was built, or perhaps gutters and downspouts could be added where necessary. Some improvements may be eligible if such items:
 - a. Would result in enhancing the mortgage security.
 - b. Would upgrade the property and place the property in a more favorable competitive position in the rental market.
 - c. Would be necessary to comply with changes in local, state, or

federal laws.

- d. Would not inordinately deplete the Reserve Fund, i.e., the improvement must be affordable.

Items traditionally considered *ineligible* for use from this Fund include maintenance items such as (but not limited to):

- Repainting of interior areas of projects. Note: A separate interior painting reserve for this kind of work may be established by mutual agreement and consent of the concerned parties.
- Replacement of range burners, bibs, oven elements, controls, valves, wiring, etc.
- Replacement of dwelling unit air conditioning components such as fan motors and window unit compressors.
- Minor repairs to central air conditioning and heating systems such as valve replacements and the cleaning of boiler interiors.
- Minor roof repairs, including minor repairs to gutters and downspouts.
- Minor paving repairs.
- Caulking and sealing.
- Windows, blinds and screen repairs.
- Purchase of maintenance tools and equipment such as lawn mowers or snow blowers.
- Purchase of minor office equipment.
- Inspection/recharging/replacement of fire extinguishers.
- Other items generally considered to be routine maintenance.

If funds are withdrawn for emergency repairs without prior approval from CAHEC, written notice must be provided no later than three (3) days from the occurrence of the event.

Withdrawals

To obtain CAHEC approval for a withdrawal, the following procedure must be followed:*

1. Submit in writing the reserve request amount **prior** to work or purchase of said items!
2. Include a minimum of two, preferably three, **comparable** bids for the work or items needed.
3. Include a current copy of general liability and workman's compensation insurance coverage for all contractors under consideration.

*The permanent lender and/or the applicable tax credit allocating agency for the property may have more stringent requirements than CAHEC, and may also require notification and prior approval.