

TSAHC Replacement Reserve Guidelines

The guidelines below are intended to provide a framework for the administration of any replacement reserve accounts (“Replacement Reserve”) held by the Texas State Affordable Housing Corporation (“TSAHC”) in conjunction with loans provided by TSAHC. The Replacement Reserve for a multifamily housing development is intended to pay the cost of major repair and replacement of building systems and components over a considerable number of years.

These guidelines are intended to work in conjunction with any Replacement Reserve agreements in effect for any particular loan transaction, and if any conflict arises, the applicable agreement would govern. Replacement Reserve agreements are typically more general in nature and give considerable discretion to TSAHC to determine the proper use of the Replacement Reserve. TSAHC is putting forth these guidelines to create clear expectations for its loan customers as to how that discretion will be exercised.

Eligible Replacements

- Schedule A sets forth the eligible replacements, such as replacing a large number of appliances, reroofing buildings, residing buildings, replacing gutters, painting buildings, or resurfacing parking lots, just to name a few. Individual repairs will not be considered, but rather a Program for Replacement of a number of appliances or a major replacement, such as replacing the roof of a building, will be eligible.

Ineligible Repairs

- Routine maintenance and repairs should be anticipated and included in yearly operating budgets and will not be considered for withdrawal from Replacement Reserve.
- The repair and replacement of individual items on Schedule A, such as making repairs to a few dishwashers, replacing a few microwave ovens, or replacing parts on an air conditioning system, are considered routine maintenance items and are thus not eligible for withdrawals from Replacement Reserve.

Requests for Withdrawal

TSAHC will generally consider two types of requests for withdrawals from the Replacement Reserve—**Program for Replacement** and **Emergency**.

(1) Program for Replacement Withdrawals

- Withdrawal Requests for Programs for Replacement must be made in advance of the anticipated Replacement (please allow 30 days for TSAHC to review the request) and before contracts are signed contemplating the use of Replacement Reserve funds.
- Requests for pre-approval of funds from the Replacement Reserve should be as specific as possible, including a detailed description of the anticipated

replacement work, specific estimated costs, specific amounts of money for labor and materials, and the exact location for the intended replacement, including building number and unit number.

- Once approved and work completed, requests for reimbursement must be accompanied by paid invoices for all the approved, completed replacement work and must include the detailed work description, specific amounts of money for labor and materials, and the exact location of the replacement, including building number and unit number.

(2) Emergency Withdrawals

- Withdrawal requests from the Replacement Reserve should be submitted for pre-approval. However, in the case of an emergency, such as roof damage, water damage, and other instances that adversely affect the physical condition of the property or the health and safety of residents, major repair costs may be reimbursed from the Replacement Reserve without pre-approval.
- For emergency repairs, the request for withdrawal from the Replacement Reserve must include a description of the emergency event and its consequences and a copy of the paid invoice, which should be as specific as possible, including a detailed work description, specific amounts of money for labor and materials, and the exact location of the replacement, including building number and unit number.
- For emergency repairs, requests related to items more than one year old will not be considered.

Physical Needs Assessment

- The owner must have a physical needs assessment performed by an engineering firm on the property every ten years if not specified in the loan documents, or per the loan documents, at the expense of the owner. The owner may pay for the physical needs assessment out of the Replacement Reserve.

Form of Request

- All Requests should be submitted to the TSAHC Asset Oversight and Compliance Manager.
- The total cost of any request for funds from the Replacement Reserve must be at a minimum \$1,000.

Inspections

- At the discretion of TSAHC, an inspection may be performed before or after the release of funds. If during any inspection it is found that repairs are unnecessary, incomplete, inadequate, or excessive, the owner may be denied funds or may be responsible for reimbursing the Reserve.

Schedule A

Appliances:

Ranges
Refrigerators
Dishwashers
Washer and Dryers
Garbage Disposals
Exhaust Fans
Air Conditioners

Interior:

Carpet
Flooring (tile/vinyl)
Blinds
Cabinet Replacement

Exterior:

Doors
Windows
Roof Replacements
Gutter/Downspout Replacement
Full Exterior Paint
Irrigation Replacement
Siding Replacement

Balconies
Stair Wells

Plumbing Systems:

Toilets
Bathtubs
Sinks and Fixtures
Kitchen Sinks and Fixtures
Laundry Tubs and Fixtures
Water Heaters
Furnaces
Boilers

Miscellaneous:

Elevator Replacement/Repair
Seal Coating Asphalt
Resurfacing Asphalt
Concrete Work
Swimming Pool Repair
Office Computers
Health and Safety Items (Smoke Alarms,
Fire Alarms, Call Systems)