



**GEORGIA DEPARTMENT  
*of* COMMUNITY AFFAIRS**

## **ASSET MANAGEMENT**

### **REPLACEMENT RESERVE (RR) POLICY**

**February 2025**



## **I. INTRODUCTION**

The Home Investment Partnerships Program (HOME) is a federally funded housing program established in 1990, and the Georgia Housing Finance Authority (GHFA) is the designated administrator and designer of Georgia's HOME Program. GHFA has developed the HOME Program into a loan program for the production of new construction, residential rental housing for the low to moderate income families of Georgia. Under HOME regulations, all new construction projects funded with HOME must meet per loan term.

GHFA has established specific requirements for the replacement reserve (RR) accounts to safeguard the availability of funds for capital needs as the project will require for maintaining a viable project throughout the loan term. The replacement reserve account is established by the borrower(s) at the time of the HOME loan closing and must be maintained for the entire loan term. GHFA will monitor all account balances from the time of the closing of the HOME loan to the end of the 20-year affordability period. All withdrawals from the replacement reserve account must be approved by GHFA.

Therefore, GHFA has also established specific guidelines for requesting and receiving approval of withdrawing funds from the replacement reserve account. These guidelines are not all inclusive and, therefore, may not address every situation requiring a request to withdraw funds. However, the procedures and general guidelines contained in this policy must be followed to obtain an approval from GHFA to withdraw funds from the replacement reserve account.

## **II. DEFINITION**

Replacement Reserve (RR): An amount set aside from net operating income to pay for the eventual replacement of short-lived assets according to the loan documents. The funds in the replacement reserve shall only be used to replace capital items or make capital improvements to the Premises (as defined below). Prior to submitting a request for reserve funds, Borrower must notify Lender in writing, explain the need for the withdrawal and receive Lender's approval of the withdrawal, which approval will not be unreasonably withheld.

When all monies due, according to the Loan Documents, are paid in full or when the Compliance Period has expired, whichever is later, in accordance with the loan documents, the DCA (the 'Escrow Agent') shall release to the Borrower the amount remaining in the RR.

As used in this section, "capital improvements" means improvements to the premises, such as roof replacement, structural repairs, or major projects to replace or upgrade existing equipment, or fixtures, but not including replacement of individual appliances or minor repairs.

### III. CAPITAL EXPENDITURES THAT WILL BE ELIGIBLE, BUT NOT LIMIT TO:

- Replacement of appliances, such as: refrigerators, ranges, and other major appliances in the dwelling unit.
- Extensive replacement of kitchen cabinets, counter tops, bathroom vanities, bathtubs, toilets, sinks, and doors (both interior and exterior)
- Roofing - Major roof repairs, including roof replacements, major replacement of gutters, downspouts, and related eaves or soffit.
- Major plumbing and sanitary system repairs (Water piping that appears to be something other than routine maintenance)
- HVAC - Replacement or major overhaul of central air conditioning and heating systems including heating towers, water chilling units, furnaces, stokers, boilers, fuel storage tank, and hot water tanks.
- Overhaul of the elevator systems
- Major repaving/ resurfacing, stripping /seal coating/ installation of (sidewalks, parking lots, and driveways) Painting and pressure washing of building exterior and/common areas
- Repainting of the entire building exterior
- Extensive replacement of siding
- Extensive replacement of the exterior (lawn) sprinkler systems
- Extensive replacement of interior fire sprinkler systems
- Replacement of or major repairs to a swimming pool and replacement of major recreational equipment.
- Items necessary to comply with changes in local, state, or federal laws.
- Extensive electrical work (i.e. replacement of the project's main electrical service)
- Extensive facade work (i.e. replacement of and/ or extensive repair work performed on the parapet walls)
- The replacement of mailboxes (complete component replacement required)
- Window replacement
- Extensive replacement of smoke detectors
- Extensive replacement of fire extinguishers
- Installation / Extensive replacement of carbon monoxide detectors
- Carpet & flooring replacement for entire apartment

### IV. POSSIBLE EXCEPTIONS

- Other repairs may be approved in advance of expenditure if a property is considered "Watch", "Troubled" status or on DCA's Special Project Team portfolio.
- Significant costs to correct accessibility, or make reasonable modifications
- Mass replacement of appliances, blinds, faucets etc. throughout the property.
- For significant costs, payment may be considered on a percentage basis, commensurate with progress.
- Judgement call

## **V. CAPITAL EXPENDITURES NOT ELIGIBLE TO BE PAID FROM REPLACEMENT RESERVE, BUT NOT LIMIT TO:**

- Replacement of range burners, bibs, oven elements, controls, valves, wiring, etc.
- Replacement of dwelling unit air conditioning components such as fan motors, window unit compressors.
- Minor repairs to central air conditioning (coils, etc.) and heating systems such as valves replacements, the cleaning of boiler interiors, and annual inspections and testing
- Minor roof repairs, including minor repairs to gutters and downspouts
- Minor paving repairs
- Caulking and sealing
- Window, screen repairs and window treatments (mini blinds)
- Purchase of maintenance tools and equipment such as lawn mowers and snow blowers.
- Office - Purchase of office equipment (computers, copiers, printers, computer software, furniture, painting, decorations, and pictures.
- Inspections/recharging of fire extinguishers and mass smoke detectors/alarms
- Termite treatments
- Other items generally considered to be routine maintenance (i.e. minor repairs)
- Supplies. (i.e. janitorial, office, etc.)
- Replacement of physical fitness equipment.
- Landscaping materials (ex: mulch, straw, sod)
- Towel bars, small fixtures
- Ice makers

## **VI. SUBMISSION PROCESS**

- Need more information "How it is going to be reviewed on the website.
- Completion of Georgia DCA Replacement Reserve Request Form
- Minimum Request \$2,500
- Any additional supporting documentation
  - Copies of invoices
  - Check copies reflecting payment of invoices
  - Signatures on work completed

## **VII. ASSET MANAGEMENT PROCESS**

- Asset Management enters request into the Master Tracking Sheet in Share point.
- Reviews and approves are done twice a month between 15<sup>th</sup> and 30<sup>th</sup>.
- Within 30 days of receipt, the request is either approved, denied or determined to be incomplete.
- Once completed and approved by the Asset Manager, the Office Director signs

off on disbursements up to \$50,000, the Division Director signature is required for disbursements from \$50,001 - \$100,000, the Deputy Director signature is required for single disbursements above \$100,000.

## **VIII. HOW REQUEST IS PROCESSED AFTER APPROVAL**

- Once approved, the Funds Transfer Form is completed by Asset Management.
- Asset Management submits Funds Transfer Request Form to Treasury Coordinator in Accounting via emails and cc: Senior Accountant, GHFA Accounting Manager and Multifamily Loan Servicing Administrator.
- Treasury Coordinator submits request to Federated Bank.
- When request has been executed the Treasury Coordinator processes (Trade Journal), and emails confirmation to Asset Management, Multifamily Loan Servicing Administrator, and cc: Senior Accountant, GHFA Accounting Manager.
- Multifamily Loan Servicing Administrator forwards the request (Trade Journal) to Investor Accountant.
- Services will continue their normal process.
- Asset Management files documents in Project Review Folder.

## **IX. TIMELINE**

- Asset Management reviews and process all the information received within 30 days.
- Approvals for Asset Management are submitted on the 15<sup>th</sup> and the 30<sup>th</sup>.
- Loan Servicing process and mail the check request(s) are one to two days.