Managing the R4R Account

Withdrawal requests should be submitted by the Management Agent to HUD in Accordance with HUD Handbook 4350.1, Chapter 4.

Invoices cannot be over a year old.

In the case of large R4R withdrawals, a bid authorization request should be submitted to HUD for pre-approval and include three contractor bid proposals.

A three-year minimum balance in the R4R Account must be maintained for emergency items.

Owners and management agents should establish a maximum threshold under which the management agent can submit withdrawal requests to HUD without obtaining the Board’s prior approval.

Resources

HUD Publications
Handbook, 4350.1 Chapters 4
www.hudclips.org/sub_nonhud/cgi/selecthbk.cgi

LISC Publications
Occasional Paper Series No. 3
A Guide to the Roles & Responsibilities of an Asset Manager
Exhibit 8 and 9
A Guide Comprehensive Maintenance Repair
Chapter 5 - Long Range Planning

Websites
U.S. Department of Housing and Urban Development
www.hud.gov
Institute of Real Estate Management
www.irem.org
Local Initiatives Support Corporation
www.lisc.org
Minnesota Housing Finance Agency
www.MHFA.state.mn.us
RESERVE FOR REPLACEMENT (R4R)

Goal
To establish and maintain a Reserve for Replacement Account (R4R) for the purpose of providing a source of capital available to the owner to help defray costs for replacing the structural elements and mechanical equipment of the project.

What is the Reserve for Replacement?
HUD Business Agreements, such as the Regulatory Agreement, Use Agreements, and/or project subsidy contracts may require the owner to establish a R4R Account and make monthly deposits into that account.

Withdrawals from this account must be authorized in writing by HUD.

Building components fall into two categories:

- Capital items are generally repair/replacement expenditures that are capitalized and are eligible for payment from the R4R Account. Eligible capital items include (but are not limited to) replacement of appliances, carpet/vinyl, siding, windows, and roof.

- Routine maintenance items are not eligible for payment from the R4R Account. These include (but are not limited to): minor repairs, carpet cleaning, interior painting, and window repair.

Long Term R4R Planning
Owners should analyze the amounts in the R4R Account periodically. A Reserve Analysis should be prepared by the Management Agent and identify the project’s replacement needs for the next 5-10 years.

The Reserve Analysis should answer the questions

- “Does the project have adequate funds to cover replacement items or should monthly deposits into the R4R be increased?”

- “Will there be adequate capital available for replacing structural elements and any other rehabilitation needs?”