

## 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/selectbk.cgi](http://www.hudclips.org/sub_nonhud/cgi/selectbk.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](http://www.hud.gov)

Institute of Real Estate Management

[www.irem.org](http://www.irem.org)

Local Initiatives Support Corporation

[www.lisc.org](http://www.lisc.org)

Minnesota Housing Finance Agency

[www.MHFA.state.mn.us](http://www.MHFA.state.mn.us)

# ORIENTATION GUIDE

## BOARD OF DIRECTORS



This Orientation Guide is one of a series of five  
compiled by the  
Minneapolis Office  
Multifamily Housing Division  
U.S. Department of Housing and Urban Development



## RESERVE FOR REPLACEMENT (R4R)



# 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.



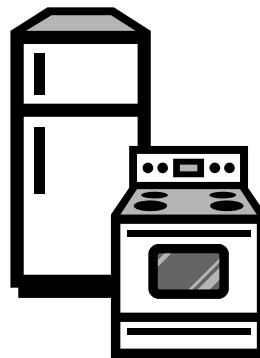
## What is the Reserve for Replacement?

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?”