



Replacement Reserve Request Guidelines

Requirements for use of Replacement Reserves

- 1) To be eligible for Replacement Reserves (RR), the property must be in good standing with HDC and all loan document provisions, including, but not limited to, the timely submissions of audited financial statements, timely responses to HDC's Annual Physical Inspections (API) and clear of Mechanics and other liens. In the event the Borrower may seek or is seeking use of Replacement Reserves, the HDC standard Form of HDC Contract Rider shall be made part of the contract. See attached.
- 2) All work is required to meet the definition-of / test-for a capital improvement. Maintenance items, minor repairs, cleanings and fees associated with the work, are not reimbursable. For your reference, please refer to the eligible RR list of items which is included below. The contractor shall be provided with a copy of the NYS Department of Taxation and Finance (DTF) Certificate of Capital Improvement (ST-124) prepared by the owner. HDC will not authorize payment or reimbursement for NYS sales for capital improvements. However, HDC may allow capitolly eligible appliance purchases to receive sales tax reimbursement.
- 3) For developments with Low Income Housing Tax Credits, provide proof of approval from the tax credit investor for the use of RR prior to submission to HDC; approval conditioned on HDC's approval is acceptable.
- 4) HDC's protocol is that a minimum balance of \$1,000 / du should be maintained in the RR account, after accounting for the value of the requested work, unless expressly approved by HDC Asset Management.
- 5) A clear and accurate written scope shall be developed and provided along with the corresponding contractor bid(s). Three (3) bids are required for RR requests exceeding \$10,000. However, for developments that have received an overall rating of Satisfactory, Above Average or Superior during their most recent API, the 3-bid threshold is increased to:
 - o \$25,000 for developments containing 100 units or less
 - o \$50,000 for developments containing 101 and 250 units
 - o \$100,000 for developments containing 251 units or more

Note: Additional Bids may be requested, on a case-by-case basis, at HDC's sole discretion.

- 6) In the event the request for withdrawal from reserves will exceed \$100,000 or \$1,000/du/entity then the RR reimbursements may be paid/reimbursed based on progress payments. A milestone payment schedule must be presented in the request, and in no instance shall the progress payments be made on a more frequent basis than 1/month nor more than 6 payments/year.
- 7) If the project's cash-on-hand is insufficient to cover any reasonable and customary deposit requested by the lowest responsible bidder, please specify the total deposit amount being

requested from RR in the initial submission.

- 8) In the event the request is for reimbursement of work performed, the request must be made within two (2) years after the date the work was substantially performed.
- 9) The work shall be made available for HDC inspection, at HDC's discretion. HDC reserve the right to request pictures or other documentation of the work for our records.

Process

- 1) All requests are to be submitted electronically, please submit submissions with backup to rfrsubmissions@nychdc.com.
- 2) HDC will only process one (1) request every three month or a total of four for the calendar year. Emergency requests are excluded from this provision.
- 3) Provide an Excel spreadsheet listing of all work that includes: a description of the work, location where installed, date performed, vendor name, invoice number, reimbursement requested (\$), number of cancelled checks. Please note that the spreadsheet order should correspond with the electronic submission. An Excel template is provided below.
- 4) Invoices must clearly show where the work is to be performed and include the quantity for each item to be installed. Specifically, provide quantities and exact locations for the work items.
- 5) Submit scanned copies of the front and back of all cancelled checks for all invoices that payment is requested. If operating cash flows are insufficient and the project requires a down payment on the lowest proposal, please specify the amount and submit with the request.
- 6) Upon confirmation of receipt of a complete request, the borrower/agent shall inform the potential contractor(s) to e-mail Denise Kimball at: dkimball@nychdc.com with the following information the: project name, project address; work type (i.e. general contractor, electric work, low-voltage electric work, etc.), the principal(s) of the contracting firm's name(s), address(es) and SS#, Company Name, Company Address and EIN#.
- 7) HDC will endeavor to issue a determination of eligibility within 1 week of receipt of a complete request, and to issue payment within 1 month of receipt of an invoice for an eligible project.

Emergencies

HDC may deviate from some of the prescribed requirements or procedures if it determines there is an Emergency. To determine if, for purposes of accessing RR, the situation qualifies as an emergency, the owner/agent shall contact the HDC project manager within 48 hours of the incident. When contacting HDC the owner/agent shall indicate: if an insurance claim has been, or will be, submitted with the project's insurance carrier; the amount of the deductible if applicable / any; and if any emergency repairs are / will be undertaken for which reserve funds may be requested. HDC will attempt to determine if the event qualifies as an emergency on that same day. If determined to be an emergency, HDC will work with the borrower to determine the extent of the emergency and any relief that is appropriate.

Disclaimer: These are HDC's guidelines, others (i.e., additional lenders, mortgage insurer, investors, GSE, etc.) may have additional requirements, so please refer to the controlling document(s). These guidelines are subject to change at HDC's sole discretion.

ITEMS POTENTIALLY ELIGIBLE FOR REIMBURSEMENT FROM THE REPLACEMENT RESERVE ACCOUNT

Site

Parking lot

Sidewalk and Walkway Garages

Retaining Walls

Exterior Painting (Hallway painting is eligible for Mitchell-Lama projects if that provision was available through HPD prior to HDC funding)

Fencing Exterior lighting Swimming Pools Benches Landscaping Irrigation Exhaust fans

Exterior Building Envelope

Exterior Walls (brick, stucco, EIFS, siding) Windows

Roof

Metals (Gutters, leaders, flashing, cladding, lintels, fire escapes, fixed ladders)

Doors (entry, vestibule, and fire rated)

Mechanicals

Plumbing (All major components)

Heating and Central AC (All major components)

Electrical (All major components)

Security

Intercom (entry, gates, key fobs) CCTV

Parking/garage lot gates entry controls

Fire Protection

Fire Alarm System (All major components) Sprinkler System (All major components)

Elevator and Handicap Access Elevator (All major components)

Wheelchair lifts

Ramps

Automated opening doors Call for Aid Stations Generator

Apartments

Appliances (Stoves, Refrigerators, Dishwashers, Washer and Dryers, Garbage Disposal, Microwaves) *Building Issued only

Bathtub and Shower Body Flooring (VCT, Carpet, ceramic) Blinds Kitchen cabinets and Countertops Vanity Cabinets

Smoke Carbon Monoxide Detectors Asbestos and Lead Paint Remediation Lighting Fixtures

Energy Conservation Measures

Solar Panels (All Major equipment) Co-Generator Units

Computer Boiler Controls (Remote Readouts & Access)