



Oregon

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To: Partners of Oregon Housing and Community Services

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RE: Replacement Reserve Analysis for 2011 Consolidated Funding Cycle

The purpose of the replacement reserve exercise is to get sponsors focused on their projects' long-term viability as high-quality housing. To that end, the spreadsheet is designed to frame the general question "How are you going to handle your project's capital needs over the next 30 years?" Sponsors should feel free to design a plan that doesn't stay exactly within the parameters of the spreadsheet, so long as they have a credible plan that is clearly shown on the spreadsheet and explained in narrative form. Examples of acceptable modifications to the sheet are:

- Showing recapitalization with 4% LIHTC's between year 15 and 20.
- Deferring the replacement of major systems that currently have a maximum life of 25 years to year 30 recapitalization event, if consistent with actual experience.
- Removing items that lenders and equity investors often disallow as replacement reserve eligible items (interior painting, mini-blinds, flooring, and certain appliances).
- Work with contractor and architect to modify the expected useful life of systems within the improvement.

For more details and application, visit our website at:

http://www.ohcs.oregon.gov/OHCS/HRS_CFCApp.shtml, under Application Excel Spreadsheets, Part 9: 30 year Replacement Reserve Schedule, instructions tab.