

Date: August 29, 2025

Mr. Bobby Wilkinson
Executive Director
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Subject: Corrective Action Plan and Limited Participation Agreement

Dear Mr. Wilkinson,

Pursuant to discussions at the July 10, 2025, Board meeting, I am providing our corrective action plan to the Board and you. I am hopeful this satisfactorily addresses staff's and the Board's concern and, in particular, Mr. Holland's concern about trusting our company and me.

Policies and Internal Controls Enhancements

We conducted further internal reviews and identified specific policies and procedures to enhance the company's compliance function and ensure proper reporting to TDHCA. We have taken the following corrective actions:

1. Implemented a formal policy governing construction inspection report handling and submission to ensure reports are sent directly from the issuer to TDHCA Asset Management. See EXHIBIT A.
2. Established a verification process in which our Compliance Officer reviews all reports prior to CMTS submission. See EXHIBIT A.
3. Restricted file access to ensure that only owners may access original third-party reports and specifically prohibits access by other staff and consultants. See EXHIBIT A.
4. Implemented a procedure to ensure RISE has a construction inspection firm available for each project in the event a lender does not require a quarterly report. See EXHIBIT A.
5. Instituted a quarterly internal audit process to verify compliance with these procedures. See EXHIBIT A.
6. Adopted a Compliance Officer Policy to ensure adherence to applicable laws, regulations, policies, and ethical standards. See EXHIBIT B.

7. RISE has obtained signatures of all employees on the attached Policy Addendum: Third-Party Inspection Reports (see Exhibit C) regarding edits to third party reports. See the Acknowledgment to EXHIBIT C.

8. For completeness, we have submitted the original third-party construction inspection reports through CMTS for Q1, Q2, and Q3 of 2024 to ensure that accurate reports are on file in CMTS.

Limited Participation

I reviewed my new project activity with TDHCA over the last few years. The last tax credit award Rise received was in July 2022. Consequently, Rise and I have not received an award related to a new 9% tax credit project in the past 36 months. Rise's most recent tax credit applications were submitted in January 2025 for two 4% bond deals that timed out with no award. So, we have not received new project awards in three years.

As stated by staff in the Board Book for the July 10th Board meeting, the goal of debarment was to give Rise/me more time to focus on completing the projects we have underway. Effectively, that has already occurred and, therefore, one of staff's bases for recommending my debarment is already being satisfied without debarment being imposed.

Rise currently has only two projects, Lakeway Apartments and Austin Manor, under construction. Austin Manor received its last certificate of occupancy (CO) this week with only site work and amenities left to be completed. Lakeway is expected to be completed in Q1, 2026. Five projects are converting to permanent financing over the next twelve months.

At the July 10th Board meeting, it was mentioned that I've come before the Board quite often. Attached as EXHIBIT D is a synopsis of why I came before the Board each time. We have also noted the cost per unit and in-service dates to provide a more accurate depiction of the success of the developments thanks to the Department and actions resulting from those appearances.

Sincerely,



Melissa Fisher

Rise Residential Construction Riverside, LLC

Mfisher@RISE-Residential.com

972-701-5558

EXHIBIT A

TDHCA CONSTRUCTION REPORT HANDLING AND SUBMISSION POLICY & PROCEDURES

This policy establishes the procedures for the submission and storage of third-party construction reports to ensure compliance with Texas Department of Housing and Community Affairs (TDHCA) requirements. The process ensures that reports are accurate, timely, and securely stored.

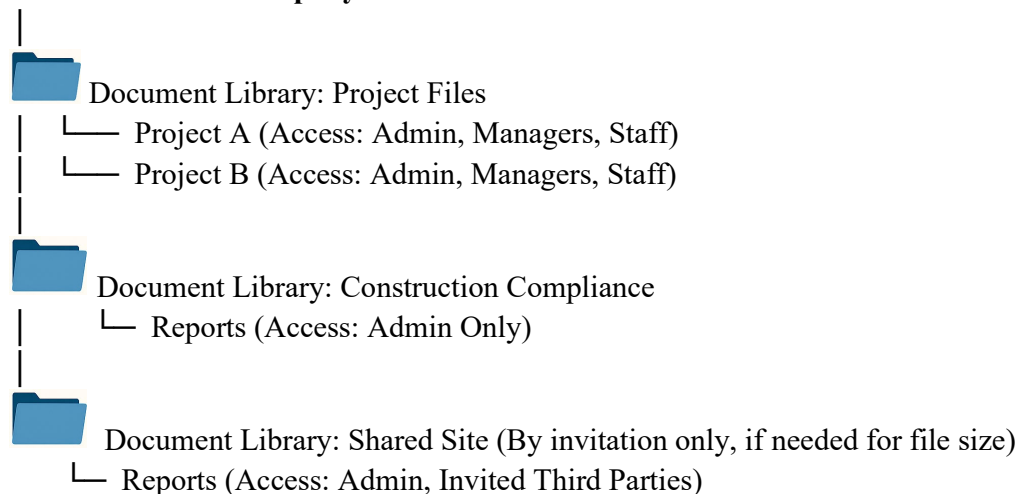
Submission Procedures

1. Third-party construction reports are sent directly from the issuer to TDHCA Asset Management via email at assetmanagement@tdhca.gov to ensure report authenticity. At commencement of a construction project, instructions to submit reports directly to TDHCA are given to third-party construction inspection firms. Instructions are included in contracts with inspection firms hired directly by RISE and its affiliates.
2. Upon receipt of the completed construction status reports from RISE, including a G702, G703, any supporting change orders, and any supporting photographs, the Compliance Officer reviews the information for completeness and accuracy. After verification, the Compliance Officer uploads the report to the Compliance Monitoring and Tracking System (CMTS) in a timely manner, following all applicable deadlines.
3. All third-party reports are stored in a secure compliance drive. The reports are maintained in a designated folder structure, with access restricted only to company owners.

File Storage Guidelines

The Company SharePoint site now has the following folder structure:

SharePoint Site: Company Portal



File Access Restrictions

Only company owners and the Compliance Officer may access the quarterly reporting files. No other staff members or outside consultants are permitted to access any files that may be used in reporting to TDHCA to ensure confidentiality and data integrity.

Software

Bluebeam and Adobe Pro will only be installed at the Project Manager, Development, and C-levels. Site team will not be equipped with software with pdf inline editing capabilities.

Quality Control

The Compliance Officer will verify that all reports received and uploaded match the originals provided by the issuer. Quarterly audits will be performed to ensure that all reports are submitted on time and stored securely.

Third-Party Inspections Source

- Lender-Retained Inspections

The lender's selected inspection firm will conduct periodic construction inspections and provide inspection reports in accordance with the lender's requirements.

- Company-Commissioned Inspections

In any quarter or for any project phase where the lender does not require a construction inspection report, but TDHCA does, the Company will commission an independent inspection from AEI Consultants or a similar qualified third-party inspection firm to comply with 10 TAC Sec. 10.401(b)(50).

Report Submission Checklist

Staff must complete the following steps for each report submission:

- ☐ Confirm that the report was received directly from the third-party issuer.
- ☐ Verify that the report is signed/certified by the issuer.
- ☐ Review the report for completeness and accuracy.
- ☐ Obtain Compliance Officer approval for submission.
- ☐ Upload the report to CMTS within required timelines.
- ☐ Save the report and confirmation of submission in the secure compliance drive.

CC

Construction Compliance

Private group

Email

View site

General

Activity

Membership

Settings

Owners

Members

Site admins

Site owners

Site members

Site visitors

About membership and permissions

+ Add members

Search all membershi...

<input type="checkbox"/>	Name	Email address
<input type="checkbox"/>	<div><div>MF</div><div>Melissa R Fisher</div></div>	mfisher@rise-residential.com

CC

Construction Compliance

Private group

Email

View site

General

Activity

Membership

Settings

Compliance Files

ⓘ

This site has a compliance policy set to block deletion.

Email

Privacy

☐ Let people outside the organization email this team

☒ Private

☐ Send copies of team emails and events to team members' inboxes

☐ Public

☒ Don't show team email address in Outlook

RISE

SharePoint

Search this library

Melissa R Fisher

CC

Construction Compliance

Private group

★ Following

1 member

Home

Conversations

Documents

Notebook

Pages

Site contents

Recycle bin

Edit

Return to classic SharePoint

+ New

↑ Upload

Edit in grid view

Share

Sync

...

All Documents

Details

Documents > TDHCA COMPLIANCE > QUARTERLY CONSTRUCTION STATUS REPORTING (CSR) > 2025

Name	Modified By	+ Add column
Q1 2025	Melissa R Fisher	
Q2 2025	Melissa R Fisher	
Q3 2025	Melissa R Fisher	
Q4 2025	Melissa R Fisher	

EXHIBIT B

COMPLIANCE OFFICER POLICY

I. Purpose

This Compliance Officer Policy sets forth the duties, authority, responsibilities, and accountability framework for the Compliance Officer of [Company Name] (“the Company”), in alignment with best practices and regulatory expectations, including guidance issued by the U.S. Department of Justice (DOJ) in its Evaluation of Corporate Compliance Programs (March 2023).

II. Position and Authority

1. Designation

The Company shall appoint a qualified individual to serve as the Compliance Officer, who shall lead the Company’s corporate compliance program and oversee the Company’s adherence to applicable laws, regulations, policies, and ethical standards.

2. Reporting Structure

The Compliance Officer shall:

- Report administratively to the [CEO or General Counsel], and
- Report functionally and have direct access to the [Board of Directors, Audit Committee, or Compliance Committee] on matters of significant compliance concern, including findings of material violations or system weaknesses.

3. Independence

The Compliance Officer shall operate with autonomy and independence from management functions that create actual or perceived conflicts of interest, including operations, finance, or legal defense functions.

III. Qualifications

The Compliance Officer shall possess:

- Demonstrated expertise in legal, regulatory, or risk management disciplines relevant to the Company’s operations;
- Professional experience in compliance, ethics, internal audit, risk, or regulatory oversight;
- and
- Sufficient stature, credibility, and knowledge to effectively lead a compliance program across the organization.

IV. Responsibilities

The Compliance Officer shall have the following responsibilities:

1. Compliance Program Management

- Develop, implement, and maintain the Company's written compliance program, including policies, procedures, codes of conduct, and training programs.
- Periodically review and revise compliance policies to reflect changes in legal and regulatory requirements.

2. Risk Assessment and Monitoring

- Lead the Company's periodic compliance risk assessments.
- Oversee compliance auditing, monitoring, and internal investigations.
- Ensure compliance with regulatory obligations and voluntary commitments.

3. Training and Culture

- Design and implement ongoing compliance training and awareness efforts for employees, contractors, and board members.
- Promote an ethical culture that encourages lawful conduct and deters misconduct.

4. Reporting and Escalation

- Maintain open lines of communication with the board or designated committee on significant compliance issues.
- Oversee and respond to internal reports of suspected misconduct, including operation of anonymous reporting channels or hotlines.

5. Third-Party Oversight

- Oversee compliance due diligence and monitoring with respect to vendors, contractors, and other third parties.

V. Resources and Access

1. Staffing and Budget

The Company shall ensure the Compliance Officer is supported with adequate personnel, budget, and access to technological tools to perform duties effectively.

2. Data Access

The Compliance Officer shall have timely and unrestricted access to operational, financial, transactional, and personnel data necessary to monitor compliance performance.

VI. Oversight and Evaluation

1. Board Access

The Compliance Officer shall have the right to meet in executive session with the Board or Audit Committee without management present.

2. Annual Evaluation

The [Board or designated committee] shall review the performance, authority, and resourcing

of the Compliance Officer annually and take corrective action, if necessary, to preserve independence and effectiveness.

3. Audit and Testing

The Compliance Officer shall participate in internal and external audits as appropriate and ensure that findings are remediated in a timely manner.

VII. Retaliation Prohibited

No officer, employee, or agent of the Company shall retaliate against any person for reporting a compliance concern in good faith or cooperating with a compliance investigation. The Compliance Officer shall ensure awareness and enforcement of this anti-retaliation policy.

VIII. Policy Review

This policy shall be reviewed by the Compliance Officer and the Board at least annually and updated as necessary to reflect evolving best practices or regulatory guidance.

EXHIBIT C

POLICY ADDENDUM: THIRD-PARTY INSPECTION REPORTS

This addendum outlines the acceptable methods for employees to provide comments or feedback on third-party inspection reports. The purpose of this policy is to ensure that all comments are documented in a clear, professional, and traceable manner, while maintaining an organized process for review and escalation.

As part of our construction quality and compliance expectations, all superintendents are required to communicate directly with the third-party inspectors each month. Superintendents must meet inspectors on site during inspections, review any identified issues in person, and work collaboratively to resolve them as quickly as possible. If issues remain uncorrected after these discussions, superintendents should document their concerns using the approved commentary methods and submit the marked-up report to their supervisor. The supervisor will then review and forward the report to the Vice President of Construction for escalation to ownership as needed.

Policy Guidelines

After working with the third party inspector, and you still find something in a third-party inspection report that you disagree with or wish to comment on, you must follow one of the approved methods below:

1. Use the commentary function in Adobe Acrobat or BlueBeam to add electronic comments directly to the report.
2. Print the report, make handwritten comments clearly and legibly, then scan the marked-up report into a PDF format.

Under no circumstances may an employee alter, edit, or delete the original wording of a third-party inspection report. It is unacceptable to make any changes to the report text itself. Comments may only be provided using the Adobe commentary function or handwritten notes as described above.

Submission Process

Once comments are added, you must email the marked-up report to your immediate supervisor for review. Supervisors will review the comments and determine whether they should be forwarded to the Vice President of Construction. The Vice President of Construction will review and, if necessary, share the report with ownership for further discussion.

Acknowledgment

By signing below, I acknowledge that I have read and understood this policy addendum and agree to follow the outlined procedures for commenting on third-party inspection reports. I further understand that changing the wording of a third-party report in any way other than by commentary or handwritten notes is strictly prohibited and **may result in disciplinary action up to and including termination.**

_____	_____
Employee Name (Print)	Date

_____	_____
Employee Signature	Supervisor Signature

EXHIBIT D

Synopsis of Board Appearances

This Exhibit provides a consolidated record of projects for which Melissa Fisher appeared before the Board over the previous two years. Staff recommended approval for each.

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1. Board Meeting: December 7, 2023, and September 5, 2024 – Woodcrest Apartments – Extension (Force Majeure)
2. Board Meeting: October 10, 2024 – Riverside Apartments – Supplemental Bond Request
3. Board Meeting: May 8, 2025 – The Manchester – Material Amendment
4. Board Meeting: May 8, 2025 – Lakeway Apartments – Material LURA Amendment
7. Board Meeting: May 8, 2025 – Lakeview Apartments – Material LURA Amendment

1. Board Meeting: December 7, 2023

Woodcrest Apartments – Extension (Force Majeure)

In-service date will be July of 2026.

- The transaction is using the HUD 504 process, one of only a handful of such transactions nationally, applying approximately \$16 million in housing tax credits to support the full demolition and new construction of a property originally built in 1965. Due to its limited use by HUD, HUD's execution has been slow because of its own lack of institutional knowledge about this process.

- The property is an 80-unit property in Odessa, Texas. More than 90% of the units are covered by a HUD Housing Assistance Payments (HAP) contract serving families seniors, and disabled individuals. The HAP contract extension preserves 20 years of rental assistance.

On December 12, 2024, HUD issued a loan commitment for the project under its 221(d)(4) program.

On December 19, 2024, HUD approved the 209 Transfer of Use Agreement that allows the property to officially be used for affordable housing.

On May 2, 2024, HUD approved the Housing Assistance Payments (HAP) contract that guarantees rental subsidy payments for the affordable units in its Multifamily Unison Model ("MUM") system.

2. Board Meeting: October 10, 2024

Legacy Riverside Apartments – Supplemental Bond Request

Placed in service in 2025.

- Our investor demanded all bond debt to be tax exempt, which would allow the permanent loan to be 100% tax-exempt as well. To satisfy our investor's demand, it required us to obtain additional bonds to increase the total amount of bonds to an amount equal to the permanent loan.

- To accomplish the investor's goal, we, as the developer, loaned the project \$2.5 million to keep the work moving forward, underscoring our commitment to seeing the project through to completion.

- A material amendment was required to increase the bond amount so that the project would be eligible for tax credits. To qualify for 4% tax credits, at least 50% of the project's eligible costs have to be financed with tax-exempt bonds (the "50% test"). Originally, the bond amount wasn't high enough to meet that threshold. To fix that, we had to increase the bond allocation. But because the bonds are tied into the property's Land Use Restriction

Agreement (LURA), the LURA itself had to be amended to restrict 27 units for families earning 30% or less of the area median income. That amendment is considered “material” because it changes the financing structure that governs affordability commitments.

- By receiving from TDHCA approval of the supplemental bonds, we were able to set aside an additional 27 units for tenants earning not more than 30% of the area median income.

- The all-in per unit construction costs including the general contractor fee, overhead, and general conditions were \$170,000 per unit. This project contains an elevator in each building, a full-size pool, an oversized clubhouse, laundry appliances, granite counter tops, dog park, etc.

3. Board Meeting: May 8, 2025

The Manchester – Material Amendment

Placed in service in 2025.

- Our investor demanded all bond debt to be tax exempt, which would allow the permanent loan to be 100% tax-exempt as well. To satisfy our investor’s demand, it required us to obtain additional bonds to increase the total amount of bonds to an amount equal to the permanent loan. The existing investor put more equity into the project in exchange for the additional tax credits.

- A material amendment was required to increase the bond amount so that the project would be eligible for tax credits. To qualify for 4% tax credits, at least 50% of the project’s eligible costs have to be financed with tax-exempt bonds (the “50% test”). Originally, the bond amount wasn’t high enough to meet that threshold. To fix that, we had to increase the bond allocation. But because the bonds are tied into the property’s Land Use Restriction Agreement (LURA), the LURA itself had to be amended to restrict 28 units for families earning 30% or less of the area median income. That amendment is considered “material” because it changes the financing structure that governs affordability commitments.

- By receiving from TDHCA an additional allocation of bonds, we were able to set aside an additional 28 units for tenants earning not more than 30% of the area median income.

- General contractor costs, including general contractor fees and overhead, remained well below \$195,000 per unit, reflecting strong cost efficiency in the Austin market.

4. Board Meeting: May 8, 2025

Lakeway Apartments – Material LURA Amendment

In-service date will be in Q1 of 2026.

- The development experienced significant delays and increased costs due to a five-year jurisdictional conflict involving Travis County, the City of Austin, WCID 17 (a non-profit public water and wastewater service utility in Travis County), and the City of Lakeway Municipal Utility District (MUD). The jurisdictions have had trouble coordinating and agreeing on certain requirements which caused significant delays and increased costs.
 - A material amendment was required to increase the bond amount so that the project would be eligible for tax credits. To qualify for 4% tax credits, at least 50% of the project's eligible costs have to be financed with tax-exempt bonds (the "50% test"). Originally, the bond amount was insufficient to meet that threshold. To satisfy the 50% test, we had to increase the bond allocation.
 - The largest cause of delay was due to our being forced to install a sewer main much larger than originally approved, and it has been a struggle to coordinate approvals from all parties for each iteration of the new plans.
- WCID 17 Conditional Approval Received 08/18/2020
 - City of Austin Site Development Permit Issued 08/21/2020
 - Travis County Development Permit issued 09/04/2020
 - City of Lakeway approved the off-site work in their jurisdiction 01/08/2021
 - Had to make revisions to City of Lakeway Permit due to the work by the school is actually in their Jurisdiction and those revisions were approved on 08/11/2021
 - Original Site Permit from the fire marshal issued 02/28/2022
 - Original Building Permit from fire marshal issued 02/28/2022
 - We reached out to the City of Lakeway on 06/20/2022 to find out when our permit with them expires as nothing is listed on the permit. They said they should have expired it before now. We then started working with them to have sewer main lines in the subdivision due to construction constraints as designed. We had to hire replace the original Civil Engineer declined to do the work. They have been working on that for the past two years to get that resolved and finally submitted to TxDOT and the City of Lakeway on 08/05/2024. This included discussions also with WCID 17.
 - Meeting at WCID 17's office to discuss issues 10/04/2023

- On 02/16/2024 when we tried to get our Building Permits extended like we have done since 2020 and since they had updated their code requirements, they would not allow us to renew without updating to the current code. This forced us to make all of our buildings National Fire Protection Association (NFPA) 13 standard (the most comprehensive fire sprinkler system standard) instead of NFPA 13R (for residential buildings up to 4 stories). We now had to sprinkle the attics and we had to do full blown-in insulation in the ceiling spaces between floors which increased our costs.
- Received revised Building Permits from the fire marshal on 03/28/2024
- WCID 17 Plumbing Permits were finally issued on 05/28/2024
- Finally, were allowed to start going vertical 06/07/2024
- WCID 17 off-site sewer line approval still pending as of 8/28/25
- Construction completion of the project was also adversely impacted by a TXDOT condemnation of a portion of FM 620 Ranch Road, increasing costs and affecting the development timeline.
- By receiving from TDHCA approval for the amended LURA, we were able to set aside an additional 18 units for tenants earning not more than 30% of the area median income.
- The all-in per unit construction costs including general contractor fee, overhead, and general conditions were \$211,000 per unit. This project contains an elevator in each building, laundry equipment in every unit, impervious cover restrictions, and massive post-plan approval utility requirements.

5. Board Meeting: May 8, 2025

Lakeview Apartments – Material LURA Amendment

Placed in service in 2024.

- In December 2020, during construction, a fire destroyed one residential building and the clubhouse. The fire marshal determined the cause to be Oncor's miswiring of a transformer. The Fire Marshall would not allow us in the fire-damaged building for several months following the fire, until it was determined to be safe. That combined with insurance inspections and rebuild plan approvals with the city, demolition was not allowed to begin until July 2021. Demo continued slowly and controlled by the insurance company and city Fire Marshall until July 2022. Reconstruction began in August of 2022 and lasted until December 2024.

We completed the remaining buildings in November of 2022.

- Fire damage reconstruction costs exceeding \$9 million were financed directly with our own funds, covering one of the three buildings.

- A material amendment was required to increase the bond amount so that the project would be eligible for tax credits. To qualify for 4% tax credits, at least 50% of the project's eligible costs have to be financed with tax-exempt bonds (the "50% test"). Originally, the bond amount wasn't high enough to meet that threshold. To fix that, we had to increase the bond allocation. But because the bonds are tied into the property's Land Use Restriction Agreement (LURA), the LURA itself had to be amended to restrict 28 units for families earning 30% or less of the area median income. That amendment is considered "material" because it changes the financing structure that governs affordability commitments.

As an aside, we are unclear why this project was included in the July 2025 Board meeting write-up as a "repeated enforcement occurrence." As required by TDHCA rules, we filed the request for final inspection of the project in January 2025. We do not know why staff initiated a final inspection in mid-2024, especially considering that the rebuild necessitated by the fire was still in process. If the final inspection had occurred following our request to TDHCA as the rules provide, we would not have been adversely written-up as we were.

- By receiving from TDHCA approval for the amended LURA, we were able to set aside an additional 28 units for tenants earning not more than 30% of the area median income.

- The all-in per unit construction costs including general contractor fee, overhead, and general conditions were \$162,000 per unit. This project contains the post-fire rebuild, laundry appliances, granite countertops, and a dog park.