



SECTION 3 POLICY

FOR

Lake County Housing Authority

33928 North US Highway 45
Grayslake, IL 60030

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SECTION 3 POLICY

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I. EXECUTION STATEMENT

This policy is developed for the Lake County Housing Authority for the exclusive use of the agency, hereafter referred to as LCHA, its contractors, subcontractors, bidders, developers, sub-grantees, related affiliates, or instrumentalities, collaborating local government entities, and any other sub-recipients of covered funding in partnership with LCHA. The funding type and program/grant names may change over the years; however, the intent of this policy is to encompass all applicable funding from the U.S. Department of Housing and Urban Development (HUD). All hiring and contracting must meet any conflict of interest requirements set forth in federal, state, or local laws, regulations, or policies and comply with the internal LCHA hiring policies.

II. BACKGROUND ON THE SECTION 3 REGULATION

The purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended by Section 915 of the Housing and Community Development Act of 1992, is to “ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.”

Consistent with 24 CFR Part 135, as a recipient of HUD Public Housing funding, the Lake County Housing Authority (LCHA) requires fulfillment of Section 3 obligations on all contracts that make use of that assistance.

These policies are implemented regardless of the contract amount, whether it is designated as housing construction, housing rehabilitation, or other public construction project, or whether it is any other non-construction expenditure resulting from the use of covered operating funding, modernization funding, or development funding from HUD .

LCHA works to ensure the provision of employment, training, contracting, and other economic opportunities to its residents and other low-income persons. In doing so, LCHA utilizes Section 3 as a means of promoting stability and self-sufficiency to Section 3 Residents. Implementation procedures may be amended periodically by LCHA to ensure that the policy requirements are being met and/or to enhance the efficiencies of compliance.

III. APPLICABILITY

Section 3 requirements apply to all projects and activities funded in whole or in part with covered funds. If any HUD funding is used for the project/activity, then the entire project budget is then subject to Section 3 regulations.

Section 3 requirements do not apply to projects and activities of LCHA that do not receive any HUD funding, such as non-subsidized market rate developments owned by LCHA.

Section 3 requirements do not apply to any agreement or contract for the purchase of supplies and materials only.

IV. DEFINITIONS

Please refer to the 24 CFR 135.5 for a full list of prevailing definitions found in the regulation.

RECIPIENT: Any entity which receives Section 3 covered funding, directly from HUD or from another recipient and includes, but is not limited to, any State, unit of local government, Public Housing Authority, Indian Housing Authority, Indian Tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee, or transferee of any such recipient, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.

CONTRACTOR: Any entity which contracts to perform work generated by the expenditure of section 3 covered assistance, or for work in connection with a section 3 covered project.

SUBCONTRACTOR: Any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of Section 3 covered assistance, or arising in connection with a section 3 covered project.

NEW HIRES: Full-time employees for permanent, temporary, or seasonal employment opportunities.

EMPLOYMENT OPPORTUNITIES GENERATED BY SECTION 3 COVERED ASSISTANCE: All employment opportunities generated by the expenditure of Section 3 covered funding (i.e. operating funding, Development funding, and modernization funding) and with respect to Section 3 covered housing and community Development funding, all employment opportunities arising in connection with Section 3 covered projects, including management and administrative jobs (including architectural, engineering, or related professional services and jobs directly related to administrative support of these activities) connected with the Section 3 covered project.

SECTION 3 RESIDENT: A Section 3 resident is:

- A. A public housing resident or Housing Choice Voucher holder; or
- B. An individual who resides in the metropolitan area in which the Section 3 covered assistance is expended, and is a low-income person or a very low-income person.

METROPOLITAN AREA: The metropolitan area means a metropolitan statistical area (MSA) as established by the U.S. Office of Management and Budget. For LCHA, the MSA area determined by HUD is the "Lake County Housing Authority MSA" which includes residents of Jefferson County.

LOW-INCOME PERSON: Families (including single persons) whose incomes do not exceed 80% of the median income for the area as determined by HUD.

Please refer to www.huduser.org/portal/datasets/il.html for current, local Income Limit information.

- ❖ Select current year.
- ❖ Select "Access Individual Income Limit area"

- ❖ Select “click here for FY XXXX IL Documentation” (where XXXX is the current fiscal year)
- ❖ Select State & County

VERY LOW-INCOME PERSON: Families (including single persons) whose incomes do not exceed 50% of the median family income for the area as determined by HUD.

SECTION 3 BUSINESS CONCERN: A Section 3 business concern is one:

- A. That is fifty-one percent (51%) or more owned by Section 3 residents; or
- B. Whose permanent, full-time employees includes persons, at least 30 percent of whom are current Section 3 residents, or within three years of the date of first employment with the Section 3 business concern were Section 3 residents; or
- C. That provides evidence of a commitment to subcontract a minimum of 25 percent of the total contract award amount (including any modifications) to Section 3 business concerns that meet the requirements described in A or B. Example: If the Contract Amount is = \$1,000,000, contractor must subcontract at least 25% or \$250,000 to Section 3 business concern(s) as defined in A or B in this part.

RESIDENT-OWNED BUSINESS (ROB): As described in 24 CFR Part 963, a resident-owned business is a business concern owned or controlled by public housing residents. “Owned and controlled” means a business (a) at least 51% owned and operated by a public housing resident; and (b) whose management and daily business operations are controlled by one or more such individuals. If for a specific procurement, LCHA decides to elect the alternative procurement process found in 24 CFR Part 963 for a limiting the solicitation only to ROBs, the ROB must also meet the additional eligibility and other requirements described in the regulations.

SECTION 3 CLAUSE: The contract provisions set forth in 24 CFR 135.38 and which must be included in all Section 3 covered contracts.

SECTION 3 COVERED ACTIVITY: Any activity that is funded by Section 3 covered funding.

SECTION 3 COVERED ASSISTANCE: With respect to public housing authorities, Section 3 covered assistance means HUD assistance to which the obligation to provide training, employment, contracting, and other economic opportunities under Section 3 apply, including: (1) Public housing development assistance; (2) Public housing operating assistance; (3) Public housing modernization assistance; and (4) any other HUD funds, regardless of HUD program, utilized for the operation, modernization, or rehabilitation of public housing properties or developments as defined under statutes.

SECTION 3 COVERED CONTRACT: A contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of Section 3 covered assistance or for work arising in connection with a Section 3 covered project. “Section 3 covered contracts” do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a “Section 3 covered contract.”

SECTION 3 COVERED PROJECT: The construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development funding.

SECTION 3 JOINT VENTURE: An association of business concerns, one of which qualifies as a Section 3 business concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the Section 3 business Concern:

- Is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and
- Performs at least 25% of the work and is contractually entitled to compensation proportional to its work.

V. SECTION 3 GOALS AND PREFERENCES

It is LCHA's policy to achieve Section 3 goals by providing opportunities in one or more of the following areas:

A. Training and Employment Opportunities for Section 3 Residents:

When the Section 3 regulation is triggered by the need for new hires, LCHA and its contractors and subcontractors will make every effort within their disposal to the greatest extent feasible to attempt to hire Section 3 residents amounting to at least 30% of the aggregate number of full-time new hires.

When hiring opportunities are offered and all requirements are met and remain equal, LCHA, contractors and subcontractors shall direct their efforts to hire Section 3 residents in the order of priority preference provided below:

1. Residents at the housing development or developments where the work is being performed (Category 1 residents).
2. Residents of other LCHA public housing developments and holders of housing choice vouchers (Section 8 rent assistance) managed by LCHA (if applicable) (Category 2 residents).
3. Participants in Youthbuild programs being carried out in the metropolitan area in which the Section 3 covered assistance is expended (Category 3 residents).
4. Other Section 3 area residents (Category 4 residents).

B. Contracting Opportunities for Section 3 Business Concerns:

When the Section 3 regulation is triggered by the need for subcontracting a portion of the work to another business, LCHA and its contractors and subcontractors will make every effort within their disposal to the greatest extent feasible to attempt to subcontract:

- A. **Building Trades:** At least 10% of the total dollar amount of all Section 3 covered contracts or purchase orders for building trades work maintenance, repair, modernization, or development of public housing to Section 3 business concerns.

- B. **Other contracts (non-building trades):** For other Section 3 covered contracts or purchase orders that are not building trades work covered above, the goal is to subcontract at least 3% of the total dollar amount to Section 3 business concerns. This includes professional service contracts such as legal, architects, engineers, consultants, or any other contract or purchase order for services that are not building trades work.

When contracting opportunities are offered and all requirements are met and remain equal, LCHA, contractors and subcontractors shall direct their efforts to contract/subcontract with Section 3 business concerns in the order of priority preference provided below:

1. Business concerns that are 51 percent or more owned by residents of the housing development or developments for which the section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 1 businesses).

2. Business concerns that are 51 percent or more owned by residents of other public housing developments or developments managed by LCHA or by holders of housing choice vouchers managed by LCHA, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 2 businesses).

3. Youthbuild programs being carried out in the metropolitan area (or non-metropolitan county) in which the section 3 covered assistance is expended (category 3 businesses).

4. Business concerns that are 51 percent or more owned by other section 3 residents, or whose permanent, full-time workforce includes no less than 30 percent section 3 residents (category 4 businesses), or that subcontract in excess of 25 percent of the total amount of subcontracts to business concerns identified in paragraphs 1 and 2 above.

VI. SELF-CERTIFICATION OF SECTION 3 RESIDENTS AND SECTION 3 BUSINESS CONCERNS

In order to receive preference as a Section 3 resident or a Section 3 business concern, the resident or business must self-certify that they meet the eligibility requirements. LCHA has developed self-certification forms for both Section 3 residents and Section 3 businesses and which are included as Section 3 Form #4 and Section 3 Form #2, respectively.

A Section 3 resident seeking preference in employment must fulfill the requirements/qualifications of the sought position. If asked, they also must provide evidence of their Section 3 status (e.g., receipt of public assistance, address of residency, etc.).

A Section 3 business concern seeking preference in contracting must submit evidence to demonstrate that they are responsible firms and have the ability to perform successfully under the terms and conditions of the proposed contract. If asked, they also must provide evidence of their Section 3 status.

It is important to note that all persons and/or business concerns are self-certifying their eligibility under Section 3 to LCHA and to HUD, and that severe civil and/or criminal penalties may apply for false certifications.

VII. CONTRACTOR RESPONSIBILITIES IN MEETING SECTION 3 GOALS

All contractors are held to the same Section 3 compliance requirements of LCHA as listed in Section V above (Section 3 Goals and Preferences). The LCHA Section 3 policy requires that when the Section 3 regulation is triggered by a need for new hires or by a need to subcontract a portion of the work, every effort within the contractor's disposal must be made to the greatest extent feasible to direct all available employment, training and contracting opportunities to Section 3 residents based on the priorities described in Section V.

Contractors must also proactively facilitate compliance with Section 3 subject to the definition of a Section 3 Covered contract. Contractors will have fulfilled their responsibility when they can provide evidence that the following have occurred in the case of every hiring, contracting, solicitation and recruitment effort:

- A) Extra or greater efforts in notifying Section 3 residents of opportunities through posting job openings in the offices of procurement, in the local media, and on the LCHA website;
- B) Conveying that the hiring/contract work is a Section 3 Covered opportunity in any advertisement for bids and proposals by placing the following language in each advertisement/public notice and website, **"This job/project is covered under the requirements of Section 3 of the HUD Act of 1968"**
- C) Notifying subcontractors in each pre-bid meeting of the Section 3 requirements;
- D) Incorporating the full HUD mandated Section 3 clause directly into all contracts and subcontracts;

- E) Providing “Section 3 Resident Self-Certification Forms” for employment at the contractor/subcontractor business offices and allowing applications to be submitted at appropriate local locations;
- F) Encouraging the training of Section 3 residents by the subcontractors;
- G) Facilitating an opportunity or job fair for the contractor and subcontractor to meet interested Section 3 residents for possible employment. A list can be developed as a resource for contractors when seeking to hire Section 3 workers in the future;
- H) Facilitating an opportunity fair annually for small contractors to meet large prime contractors interested in bidding work awarded by LCHA;
- I) Documenting actions taken to comply with Section 3 requirements including all results and impediments using the LCHA prescribed mechanism or form;
- J) Reporting on its efforts regarding Section 3 implementation using the LCHA prescribed mechanism or form;
- K) Refusing to award contracts to businesses or persons who have previously violated Section 3 requirements;
- L) Posting all job sites funded by LCHA with a location or phone number of whom and how to apply for any opportunities for employment, training or contracting. The sign should be no smaller than 24” x 24” in Black ink and specifically read: **“This project is covered under Section 3 of the HUD Act of 1968 which requires that any new opportunities be directed to low- and very low income persons in this community. Please contact (list the contact person name and number) for information on any Employment, Contracting, and Subcontracting opportunities.**
- M) Including the LCHA Section 3 Policy in every Section 3 covered procurement.
- N) All Section 3 covered procurements must be communicated to current and potential Section 3 contractors and residents as part of the bid process before final bids or applications are submitted to LCHA and its contractors.
- O) Any contractor or subcontractor self-certifying itself as a Section 3 business concern must maintain that status throughout the life of the contract. Any change in status must be reported to the Section 3 Coordinator immediately.
- P) Exercising all efforts indicated below regarding notice, encouragement, and facilitation as indicated below.

| REQUIREMENTS <i>Applicable to all awards and contracts DESPITE AMOUNT</i> | ADDITIONAL INFORMATION | WHEN EXECUTED |
|--|--|---|
| <p>NOTICE – Extra or greater efforts must be undertaken to make the low and very low-income persons in the project area aware of the existence of the opportunity before it is filled with non-Section 3 persons or businesses. This means the notice MUST be given in multiple methods (See Part VII of this policy for a list of methods) and documentation saved for audit purposes.</p> <p>As an example, contractors, sub-contractors and developers cannot simply call their normal service providers and contractors for bids without including a host of notices to other low-income people, groups and organizations locally and beyond before committing to any contracts or potential contracts.</p> <p>Remember to keep every document and record demonstrating your efforts for audit and verification. If there are no records verifying the efforts made, it will be assumed there were none. The contractor, sub-contractor, and developer will also have access to the LCHA Section 3 Business Concern and Resident Listings as indicated in Part VI above.</p> | <p>This applies to all contracts using Section 3 covered assistance from HUD and begins prior to the securing of the first contract service related to the proposed project including, professional services such as legal, architecture, engineering, consultants, etc.</p> | <p>Give notice to residents and businesses before or while soliciting bids/proposals/employees</p> <p>Notice must be provided prior to the execution of any contracts via: publication, flyers, posters, social media, email, letters, web-postings and any other such method elected</p> |
| <p>ENCOURAGEMENT - Contractors, sub-contractors and developers must be able to document they did something to encourage low-income people, the businesses they own and the businesses that substantially employ them to apply for their opportunities before filling them with non-Section 3 people or businesses. This includes activities such as hosting opportunity fairs for contracting and employment, informational sessions on how to achieve Preference in consideration or other verifiable methods designed to enhance participation by these groups.</p> <p>LCHA requires that contractors, sub-contractors, and developers review and consider the listings of self-certified Section 3 residents and business concerns both initially and if new opportunities open during the contract life. However, , contractors, subcontractors and developers should also do other encouragement and outreach efforts to the extent that new Section 3 persona and businesses can be attracted and secured if qualified. There is no requirement to hire or contract any unqualified person or business.</p> | <p>These shall be in the form of: Opportunity Fairs, Meetings, Presentations, Inducements such as Transportation or Child Care Assistance, etc.</p> <p>Most importantly you must use the attached forms when bidding and you must often mention Preference during meetings</p> | <p>This is executed prior to every major contract and annually for all small purchases but definitely before awarding any contracts or employment</p> <p>It's important this be done early so the contracting phase can begin immediately after confirmation of award</p> |
| <p>FACILITATION - Contractors, sub-contractors, and developers must be able to provide documentation in the form of actual signed agreements or commitments to contract and employment verification like payrolls or offers of employment they facilitated in compliance with the actual award of contracts and/or employment based on what opportunity was available.</p> | <p>Because there are various phases of contracting in a project, this step must be central to the award of contracts</p> | <p>This must be completed at every step in the contracting and employment phase from pre-award through the life of the project.</p> |

As LCHA does not execute subcontracts, LCHA is reliant upon the compliance of its general contractors to execute an aggressive Section 3 initiative. If the overall Section 3 goals above cannot be met by the contractor, other training and economic opportunities may be provided to Section 3 residents and

contractors when such opportunities are mutually beneficial to LCHA and the specific group. These opportunities may be exercised only with written LCHA prior agreement and satisfactory documentation explaining why employment or contracting respectively could not or should not be met.

However, contractors are expected to do everything possible and feasible to ensure all opportunities are directed to LCHA residents first. This requirement includes all labor-regulated agreements with union contractors. Examples include:

1. Distributing or posting flyers advertising positions to be filled
2. Review and consider the Section 3 Resident List provided by LCHA prior to making new hires. If those hired are not Section 3 residents, or are in a lower preference category, the Contractor must explain in writing the qualifications that those on Section 3 Resident List lacked, or other reason for non-hire (e.g., job offer declined).
3. Notify the local workforce development board about open positions
4. Holding job informational meetings for residents, contractor, etc.

Additionally, LCHA expects that contractors shall, to the greatest extent feasible, ensure that Section 3 new hires work approximately the same number of hours as other new hires in similar positions on the project.

Contractors must submit with any bid or proposal the prescribed forms describing the implementation of Section 3, including:

- Section 3 Form 1: Section 3 Clause
- Section 3 Form 2: Section 3 Business Concern Self-Certification form (for prime contractor and sub-contractors)
- Section 3 Form 3: Contractor Section 3 Assurance of Compliance and Action Plan

Contractors and subcontractors must keep on file all completed Section 3 Form 4: Section 3 Resident Self-Certification and Skills Data form for any and all applicants for positions you are hiring for related to the LCHA project and for all Section 3 new hires.

In the absence of evidence to the contrary, a contractor that meets the minimum numerical goals set forth in this section will be considered to have complied with the Section 3 Preference requirements.

In evaluating compliance under this part, a contractor that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. Contractors also can indicate other economic opportunities, such as those listed below, which were provided in its efforts to comply with Section 3 and the requirements of this part.

Contractors must also report the following information to LCHA regarding any new hires by contract or subcontract: (1) name of new hire; (2) position or title; (3) number of hours worked; (4) whether the new hire is a Section 3 resident; (5) which Section 3 priority preference category the Section 3 resident

belongs to; (6) if the new hire is not a Section 3 resident or is a lower category Section 3 resident, the number of all Section 3 resident applicants passed over in favor of the non-Section 3 hire or the lower-category Section 3 hire.

VIII. OTHER ECONOMIC OPPORTUNITES TO ACHIEVE CONTRACTOR COMPLIANCE

A. A contractor may provide one or more of the following "other economic opportunities" under this subsection:

i. Training and Employment: "Training and Employment" related opportunities would be designed to train and/or employ Section 3 residents at a minimum rate of 3% of total contract value. Only in such cases as a contractor will or has triggered the regulation by doing hiring of employees or subs, will this option become available. Then only with the express written approval of the agency can this option be leveraged. A detailed plan for training should be described in a written narrative and provided for LCHA review. Contractors seeking to provide training may identify a qualified training firm that has the proper experience working with low-income and public housing residents in particular. The contractor may procure the training firm/individual at its expense to provide direct recruitment and solicitation to LCHA residents for employment related training. Verification of the agreement between the contractor and training firm/individual must be provided to LCHA's Section 3 Coordinator.

ii. Other Results-Oriented Economic Opportunities: "Other Results-Oriented Economic Opportunities" are results-oriented and quantifiable programs designed to provide economic opportunities to Section 3 residents, including, but not limited to: Section 3 joint ventures, teaming agreements or combination of other economic opportunities. A contractor must submit to LCHA a plan detailing these "Other Results-Oriented Economic Opportunities" and receive an approval prior to implementation.

IX. INTERNAL HIRING FOR LCHA STAFF POSITIONS:

The employment policy of the Lake County Housing Authority (LCHA) is to hire the best-qualified applicants and extend equal employment opportunity practices to all qualified individuals. The company will not discriminate on the basis of race, color, religion, sex, national origin, veteran status, disability, age or any other characteristic protected from discrimination by applicable federal, state or local law.

LCHA complies with Section 3 of the Housing and Urban Development Act of 1968. To the greatest extent feasible, at least thirty-percent (30%) of the aggregate annual number of its internal new hires will be residents and other Section 3 eligible persons. LCHA seeks to provide current staff with growth opportunities as well, and will allow for a one-week internal posting period before following the efforts listed in Part IV of this policy. See the LCHA Human Resource Policy for all of the hiring practices.

X. COMPLAINTS:

This policy is governed by the 24 CFR Part 135 – Section 3 Regulation and any future changes thereto. Any Section 3 resident or business concern that feels that the Section 3 regulations were not complied with may file a complaint directly to the Assistant Secretary for Fair Housing and Equal Opportunity at the following internet address: <http://portal.hud.gov/hudportal/documents/huddoc?id=958.pdf>

XI. SECTION 3 CONTRACT COMPLIANCE CURE AND TERMINATION PROCESSES

This language is a component of contract compliance with the work contractors and sub-contractors including developers respond to in LCHA solicitations. The full requirements are provided in the Section 3 Clause found elsewhere in this package or in the HUD forms 5370-C or 5370 C1 as may be applicable.

All contractors claiming a Preference in contracting by meeting any of the three Preference requirements including a Resident Owned Business, Hiring 30% of New Hires and/or Sub-contracting at least 25% of total award to a Section 3 Concern shall maintain that status throughout the life of the contract. Failure to meet this requirement will result in penalties up to and including contract termination. Any contractor triggering the regulation by doing any hiring or contracting once they are awarded the contract through contract execution must comply with the Section 3 requirements by executing the efforts on their Certification and Action Plan in accordance with the LCHA Section 3 Action Plan.

LCHA shall execute these remedies to achieve compliance in this order:

- A. Based on the first observation or report of non-compliance with Section 3, the contractor will be sent an e-mail from LCHA notifying them of their non-compliance issue. The contractor will have until the next payroll or 14 calendar days, whichever is lesser to bring the contract into compliance. **All pending payments will be held until the contractor comes into compliance.**
- B. If at any time a contractor fails to bring the contract into compliance, LCHA must withhold all future payments until the contract is in compliance.
- C. The contractor shall have up to 15 business days from the most recent notice of non-compliance to meet compliance as a final cure period or justify in writing to LCHA why it cannot meet compliance. LCHA must render a response to the contractor within 10 business days of receipt of its letter of reason for non-compliance. If LCHA deems the cause to be unacceptable, at its option, LCHA can extend the cause period one time for up to 5 days to allow the contractor to identify and secure other compliance options, or
- D. If the contractor fails to take any corrective action to bring the contract into compliance within seven (7) business days from the most recent notice of non-compliance, or LCHA does not accept any of the contractor's corrective plans or justifications for non-compliance, LCHA must terminate the contract immediately. **All funds due to the contractor shall remain held** and a financial workout of the agreement shall proceed within 24 hours of termination. The workout is to include a contract deduct equal to the total Section 3 contract violation of opportunities provided to non-Section 3 residents or business because they were not offered according to the

contract and regulation award. All remaining funds can be paid out based on work satisfactorily completed per the agreement.

Any contractor claiming to meet Section 3 compliance by committing to hire residents, fund training itself **shall meet compliance within seven (7) calendar days of contract start** or LCHA shall halt all payments to the contractor and its sub-contractors related to the agreement and the actions listed in steps A-D in this section shall apply.

XI. COMPLIANCE MONITORING:

LCHA has contracted with Motivation, Inc. under an Annual Section 3 Service Contract to monitor and report all Section 3 compliance activities. Motivation, Inc. is a national Real Estate Management Consulting firm based in Dallas, GA and is the leading Section 3 compliance services firm in the country. Motivation, Inc.'s contact information is:

J. Keith Swiney President/CEO
Motivation, Inc.
PO Box 486
Dallas, GA 30132
678-794-3066
keiths@motivation-inc.com

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SECTION 3

REQUIRED CONTRACTOR FORMS

FOR

Lake County Housing Authority

33928 North US Highway 45
Grayslake, IL 60030

DRAFT

NOTE: These forms are specific to the implementation of the LCHA Section 3 regulation and this policy and are required for all departmental contracting activities associated with LCHA including day-to-day operational service purchasing.

Material and supply only contracts are exempt from the requirements of Section 3. All contracts that include any service at all, other than just materials delivery, are covered and these forms must be returned before any contract is signed or service initiated.

| <p style="text-align: center;">REQUIREMENTS</p> <p style="text-align: center;"><i>Applicable to all awards and contracts DESPITE AMOUNT</i></p> | <p style="text-align: center;">ADDITIONAL INFORMATION</p> | <p style="text-align: center;">WHEN EXECUTED</p> |
|--|--|---|
| <p>NOTICE – Extra or greater efforts must be undertaken to make the low and very low-income persons in the project area aware of the existence of the opportunity before it is filled with non-Section 3 persons or businesses. This means the notice MUST be given in multiple methods (See Part VII of this policy for a list of methods) and documentation saved for audit purposes.</p> <p>As an example, contractors, sub-contractors and developers cannot simply call their normal service providers and contractors for bids without including a host of notices to other low-income people, groups and organizations locally and beyond before committing to any contracts or potential contracts.</p> <p>Remember to keep every document and record demonstrating your efforts for audit and verification. If there are no records verifying the efforts made, it will be assumed there were none. The contractor, sub-contractor, and developer will also have access to the LCHA Section 3 Business Concern and Resident Listings as indicated in Part VI above.</p> | <p>This applies to all contracts using Section 3 covered assistance from HUD and begins prior to the securing of the first contract service related to the proposed project including, professional services such as legal, architecture, engineering, consultants, etc.</p> | <p>Give notice to residents and businesses before or while soliciting bids/proposals/employees</p> <p>Notice must be provided prior to the execution of any contracts via: publication, flyers, posters, social media, email, letters, web-postings and any other such method elected</p> |
| <p>ENCOURAGEMENT - Contractors, sub-contractors and developers must be able to document they did something to encourage low-income people, the businesses they own and the businesses that substantially employ them to apply for their opportunities before filling them with non-Section 3 people or businesses. This includes activities such as hosting opportunity fairs for contracting and employment, informational sessions on how to achieve Preference in consideration or other verifiable methods designed to enhance participation by these groups.</p> <p>LCHA requires that contractors, sub-contractors, and developers review and consider the listings of self-certified Section 3 residents and business concerns both initially and if new opportunities open during the contract life. However, , contractors, subcontractors and developers should also do other encouragement and outreach efforts to the extent that new Section 3 persona and businesses can be attracted and secured if qualified. There is no requirement to hire or contract any unqualified person or business.</p> | <p>These shall be in the form of: Opportunity Fairs, Meetings, Presentations, Inducements such as Transportation or Child Care Assistance, etc.</p> <p>Most importantly you must use the attached forms when bidding and you must often mention Preference during meetings</p> | <p>This is executed prior to every major contract and annually for all small purchases but definitely before awarding any contracts or employment</p> <p>It’s important this be done early so the contracting phase can begin immediately after confirmation of award</p> |
| <p>FACILITATION - Contractors, sub-contractors, and developers must be able to provide documentation in the form of actual signed agreements or commitments to contract and employment verification like payrolls or offers of employment they facilitated in compliance with the actual award of contracts and/or employment based on what opportunity was available.</p> | <p>Because there are various phases of contracting in a project, this step must be central to the award of contracts</p> | <p>This must be completed at every step in the contracting and employment phase from pre-award through the life of the project.</p> |

Section 3 Form #1: SECTION 3 CLAUSE ACKNOWLEDGEMENT

Economic Opportunities for Low- and Very Low-Income Persons (Section 3, HUD Act of 1968; 24 CFR 135)

(a) The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

(b) The parties to this contract agree to comply with HUD's regulations in 24 CFR Part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.

(c) The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of Section 3 apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

(d) The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.

(e) The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR Part 135.

(f) Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

I have read and understand these requirements of this Section 3 funded project:

Business Name: _____

Business Address: _____

Print Name: _____

Signature

Date

Section 3 Form #2: SECTION 3 BUSINESS CONCERN SELF-CERTIFICATION FORM

| | |
|--|---|
| <p>Please return this form to the following address:</p> <p><i>Procurement Department Lake County Housing Authority 33928 N. US Hwy 45 Grayslake IL 60030-1714 Office 847-223-1170 ext. 2660 or ext. 2240</i></p> | <p>The LCHA's Section 3 Self Certification</p> <p>For assistance completing these forms, please Email: procurement@lakecountyha.org Phone: 847-223-1170 ext. 2660 Fax 847-223-1174</p> |
|--|---|

Section 3 Business Criteria: Your business is eligible for Section 3 Business Certification if it meets any one of the following criteria. Please note that the definition of Section 3 qualified person is on Section 3 Form #3, "Section 3 Resident Self-Certification Form."

- 1. Fifty-one percent or more of your business is owned by a Section 3 resident or residents.
- 2. Thirty percent or more of your permanent, full-time employees are Section 3 residents.
- 3. You can provide evidence of a commitment to subcontract in excess of 25 percent of the amount of all subcontracts to Section 3 businesses: (a) that are fifty-one percent or more owned by public housing residents or (b) that has thirty percent or more of their permanent, full-time employees as public housing residents.

Section 3 Business Certification Statement: I hereby certify to the U.S. Department of Housing and Urban Development (HUD) and to the Lake County Housing Authority that all of the information on this form is true and correct. I understand that it is my responsibility to conduct any due diligence necessary to make this certification and to maintain documentation establishing my Section 3 Business concern status. I also understand that failure to complete this form completely and accurately may result in debarment or other administrative remedies available to HUD, and criminal or civil penalties under federal, state, and local laws.

- My business is a Section 3 business in accordance with the standard checked above under Section 3 Business Criteria.
- My business is not a Section 3 business.

| | | |
|--|--------|--------------|
| Signature: | | Date Signed: |
| Name: | Title: | |
| Company Name | | |
| Address | | |
| Telephone Number | | |
| Type of Business: (Check One): <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other | | |

Section 3 Form #3: CONTRACTOR SECTION 3 ASSURANCE OF COMPLIANCE AND ACTION PLAN (p. 1/6)

PART I-- Purpose: To ensure that regulations promulgated under 24 CFR Part 135 “Economic Opportunities for Low- and Very Low-Income Persons” is met, LCHA has developed and approved a Section 3 Policy. Information on specific compliance with Section 3 is found in LCHA’s Section 3 Policy, or in the regulations at 24 CFR Part 135.

This form, along with all related required documents included shall serve as the ‘assurance of compliance’ certification and action plan as required in the bid documents, supplemental general conditions, and required forms for the contract for any HUD work funded by LCHA.

Name of Business: _____

Business Address: _____

Contract Name/Solicitation #: _____

Total amount of Bid: _____

PART II: PRIOR COMPLIANCE CERTIFICATION

I am certifying that my business has complied with the HUD Section 3 regulations in its past HUD contracts/purchase orders.

Signature/Title

Print Name

Date

PART III: IS SECTION 3 TRIGGERED BY THIS CONTRACT?

IF CONTRACTOR DOES NOT ANTICIPATE TRIGGERING THE SECTION 3 REGULATIONS, YOU MUST INITIAL BOTH BOXES BELOW:

I do not anticipate hiring any new permanent, temporary, or seasonal employees on this contract.

I do not anticipate subcontracting any portion of the work on this contract.

If you checked both boxes, do NOT check any other boxes or select any other options on this form!
Skip to the attestation and notarized signature on the final page of Section 3 Form #3.

IMPORTANT: IF THIS CHANGES AT ANY POINT DURING YOUR CONTRACT, YOU MUST IMMEDIATELY CONTACT YOUR LCHA CONTRACT CONTACT OR AT PROCUREMENT@LAKECOUNTYHA.ORG.

PART V: WORKFORCE NEEDS AND HIRING PLAN

Preliminary Statement for Workforce Needs: LCHA intends to meet Section 3 compliance at the highest level and it is our intent to identify any short-term and long-term employment or contracting opportunities for qualified Section 3 persons and business concerns during the course of your contract funded by LCHA via its contractors. Please list the status of all planned employment position and opportunities for this contract. **Preference for all opportunities must be given to low- and very low-income residents if they qualify. If awarded a contract, you are required to provide a list of your aggregate workforce on this project. Any changes to that workforce during the project will constitute new hires. You are hereby notified that you must notify LCHA or contractor (respectively) overseeing your contract of any new hire opportunities that arise during the life of your contract. Anticipated workforce list may be provided on a separate sheet or in a different format.**

| 1. List Job Title/Trade | 2. Total # of Employees Needed to complete Scope of Work by Job Title | 3. Total # from Current Staff | 4. Of the total # in column (3), how many are Section 3 Hires within the past 3 years? | Total # of New Hires Needed (Column 2 – Column 3) | Total # of New Hires expected to be Section 3 Residents |
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Use an additional sheet if required

PART VI. OTHER REQUIREMENTS

Outreach Plan:

Check all methods you will employ to hire Section 3 residents. Posting the position in community sources that are generally available to low-income residents and the general public is a standard requirement. Check at least three (3) other methods you will employ:

- The local community newspaper(s)
- The most widely distributed newspaper
- LCHA website
- LCHA properties management offices in a conspicuous location
- Homeless service agencies
- Local HUD-supported housing communities
- Local Workforce Board
- Other locations as approved by LCHA
- Email blast residents on the LCHA Section 3 Resident List
- Post notices on social media controlled by LCHA

Documentation of “To the Greatest Extent Feasible”:

The contractor will work with LCHA Section 3 Coordinator and other designated staff to notify residents of any opportunities afforded under the contract. The contractor will collaborate with LCHA by giving preference of any employment opportunities to the Section 3 persons or business concerns.

The contractor and subcontractor(s) shall recruit or attempt to recruit from LCHA’s Section 3 area, based on the priority order in LCHA’s Section 3 Plan, the necessary number of low-income and very low-income residents through documentation of their efforts and of any impediments to comply. LCHA’s contractors and subcontractors shall:

1. Maintain a list of all low-income area residents who have applied, either on their own or from referral from any source, and employ such person if otherwise qualified and if a vacancy exists.
2. Review and consider the Section 3 Resident List provided by LCHA prior to making new hires. If those hired are not Section 3 residents, or are in a lower preference category, the Contractor must explain in writing the qualifications that those on Section 3 Resident List lacked, or other reason for non-hire (e.g., job offer declined).
3. Provide evidence that the contractor has not filled vacant employment positions in its workforce immediately prior to undertaking work in an attempt to circumvent Section 3 regulations.

Review and determine if low-income and very low-income residents meet minimum hiring qualifications. Applicants meeting such minimum qualifications, but not hired due to lack of job openings or for other

operations reasons, will be placed on a priority-hiring list and offered positions upon the occurrence of the first available appropriate job opening.

Section 3 Form #3: CONTRACTOR SECTION 3 ASSURANCE OF COMPLIANCE AND ACTION PLAN (p. 5/6)

Recordkeeping:

The contractor shall maintain on file all records related to employment and job training of low-income and very low-income residents or other such records, advertisements, legal notices, brochures, flyers, publications, assurances of compliance from subcontractors, etc., in connection with this contract. If there is a report that is needed as part of the submission, you agree to provide it timely. The contractor shall, upon request, provide such records or copies of records to LCHA, its staff, or agents.

Reports:

The contractor shall provide reports as required in connection with the contractor specifications. All certified and regular payrolls shall clearly detail which employees qualify under Section 3.

Certification:

The contractor will certify that any vacant employment positions, including training positions filled...

- (1) After the contractor is selected but before the contract is executed; and
- (2) With persons other than Section 3 residents

...were not filled to circumvent the subcontractor's obligations under 24 CFR Part 135.

Other Economic Opportunities:

If a contractor has demonstrated that it has no need or plans to subcontract or hire, or that can demonstrate that it has attempted, to the greatest extent feasible, to meet Section 3 hiring and contracting goals but cannot, may provide other economic opportunities to Section 3 residents and business concerns as described in the LCHA Section 3 Policy. These opportunities must be described in a written plan on how the contractor will offer other economic opportunities. A contractor that has a need to hire or sub-contract may not use other economic opportunities as a substitute to attempt to meet hiring or contracting goals; the contractor must still demonstrate how it attempted to the greatest extent feasible, to meet the goals.

Grievance and Compliance:

The contractor or sub-contractor hereby acknowledges that they understand that any low-income and very low-income resident of the project area, for him/her or as representatives of persons similarly situated, seeking employment or job training opportunities in the project area, or any eligible business concerns seeking contract opportunities may file a grievance if efforts to the greatest extent feasible were not executed. The grievance must be filed with HUD not later than one hundred eighty (180) calendar days from the date of the action (or omission) upon which the grievance is based.

SECTION 3 CONTRACT COMPLIANCE CURE AND TERMINATION PROCESSES

This language is a component of contract compliance with the work contractors and sub-contractors including developers respond to in LCHA solicitations. The full requirements are provided in the Section 3 Clause found elsewhere in this package or in the HUD forms 5370-C or 5370 C1 as may be applicable.

All contractors claiming a Preference in contracting by meeting any of the three Preference requirements including a Resident Owned Business, Hiring 30% of New Hires and/or Sub-contracting at least 25% of total award to a Section 3 Concern shall maintain that status throughout the life of the contract. Failure to meet this requirement will result in penalties up to and including contract termination. Any contractor triggering the regulation by doing any hiring or contracting once they are awarded the contract through contract execution must comply with the Section 3 requirements by executing the efforts on their Certification and Action Plan in accordance with the LCHA Section 3 Action Plan.

LCHA shall execute these remedies to achieve compliance in this order:

- E. Based on the first observation or report of non-compliance with Section 3, the contractor will be sent an e-mail from LCHA notifying them of their non-compliance issue. The contractor will have until the next payroll or 14 calendar days, whichever is lesser to bring the contract into compliance.
- F. If at any time a contractor fails to bring the contract into compliance, LCHA must withhold all future payments until the contract is in compliance.
- G. The contractor shall have up to 15 business days from the most recent notice of non-compliance to meet compliance as a final cure period or justify in writing to LCHA why it cannot meet compliance. LCHA must render a response to the contractor within 10 business days of receipt of its letter of reason for non-compliance. If LCHA deems the cause to be unacceptable, at its option, LCHA can extend the cause period one time for up to 5 days to allow the contractor to identify and secure other compliance options, or
- H. If the contractor fails to take any corrective action to bring the contract into compliance within seven (7) business days from the most recent notice of non-compliance, or LCHA does not accept any of the contractor's corrective plans or justifications for non-compliance, LCHA must terminate the contract immediately. **All funds due to the contractor shall be held** and a financial workout of the agreement shall proceed within 24 hours of termination. The workout is to include a contract deduct equal to the total Section 3 contract violation of opportunities provided to non-Section 3 residents or business because they were not offered according to the contract and regulation award. All remaining funds can be paid out based on work satisfactorily completed per the agreement.

Any contractor claiming to meet Section 3 compliance by committing to hire residents, fund training itself **shall meet compliance within seven (7) calendar days of contract start** or LCHA shall halt all payments to the contractor and its sub-contractors related to the agreement and the actions listed in steps A-D in this section shall apply.

Section 3 Form #3: CONTRACTOR SECTION 3 ASSURANCE OF COMPLIANCE AND ACTION PLAN (p. 6/6)

ATTESTATION:

I attest that the above information is true and correct and that by signing below, the Contractor hereby agrees to comply with Section 3 requirements.

Name of Contractor: _____

Name of Authorized Officer: _____

Title of Authorized Officer: _____

Signature

Date

NOTARY REQUIRED

STATE:

COUNTY:

I, the undersigned a Notary Public in and for said authority and in said State, hereby certify that, _____, whose named as _____ (Title) of _____ (Company) is signed to the foregoing conveyance and who is known to me, acknowledged before me on this day, that, being informed of the contents of the foregoing conveyance, he/she, in his/her capability as _____ (Officer Title), and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this the _____ day of _____, 20____.

Notary Public My Commission Expires: _____ {SEAL}



SECTION 3

INTERNAL DEPARTMENTAL PROCEDURES

FOR

Lake County Housing Authority

33928 North US Highway 45
Grayslake, IL 60030

DRAFT

NOTE: These procedures are specific to the implementation of the LCHA Section 3 regulation and this policy and are not fully operating procedures for all departmental activities associated with LCHA day-to-day operations.

Procedure Title: Section 3

This operating procedure is tied to the LCHA Section 3 Policy only and designed to achieve and maintain compliance with the HUD Act of 1968 revised 1992, 1994 and any compliance agreements in place upon its development and approval.

The procedures contained within are relative to the Section 3 daily operations in:

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| Section 2 – Procurement and Contracting | 29 |
| Section 3 – Section 3 Fund | 31 |

Section 1 – Internal Hiring

This procedure encompasses all employment types including full-time, part-time, long-term, short-term, temporary, and special assignments. In the process of seeking new employees for LCHA, the following procedures should be followed in an effort to ensure as many employment opportunities for Section 3 residents as possible.

The employment policy of the Lake County Housing Authority (LCHA) is to hire the best-qualified applicants and extend equal employment opportunity practices to all qualified individuals. The company will not discriminate on the basis of race, color, religion, sex, national origin, veteran status, disability, age, sexual orientation, or any other characteristic protected from discrimination by applicable federal, state or local law.

LCHA complies with Section 3 of the Housing and Urban Development Act of 1968. To the greatest extent feasible, at least thirty-percent (30%) of the aggregate annual number of its internal new full-time hires will be public housing residents and other Section 3 eligible persons. LCHA seeks to provide current staff with growth opportunities as well and will allow for a one-week internal posting period before following the efforts listed below. See the LCHA Human Resource Policy for all of the hiring practices.

When LCHA department managers become aware of a new employment opportunity, LCHA will follow this process to fill that position:

STEP 1: The position opening must be reported to Human Resources immediately.

STEP 2: There should be a determination of whether the position will be refilled or not. If not, Human Resources should make a note to the file that the position will not be refilled.

STEP 3: If however, the position will be filled, the Human Resources department (and the hiring manager when applicable) shall review the current position description to ensure it is accurate to the actual job duties being performed by the most recent person in that job. If a review of the position description warrants any modifications to the job description, those updated responsibilities must be

made and approved by the hiring manager, Human Resources and any other required persons in the decision-making chain before the position is posted internally and externally.

STEP 4: Once the position description is completed and approved by all required persons, Human Resources shall post the position internally for seven (7) days through LCHA normal resources so all employees have access to the position in the same time period. This allows for internal promotional opportunities and should allow for any existing staff interested in applying for the position to be able to submit their interest timely.

STEP 5: Once the internal posting period has expired, a review of all applicants should be conducted by Human Resources and the hiring manager. Once all qualifications have been considered and the most qualified candidate has been determined, Human Resources should review the application to confirm if the employee self-certified as a Section 3 resident on the application or whatever process is used to apply for the position. If the employee self-certified themselves as a Section 3 resident, human resources shall confirm the qualifying information. If the most qualified existing employee meets the Section 3 resident requirements, LCHA shall offer the position to that qualified employee and not move forward with any further posting of that position. Section 3 compliance will have been achieved since a Section 3 resident was hired for the new opportunity.

STEP 6: If the best-qualified existing employee reviewed from the internal posting period does not meet Section 3 Preference but is best suited for the job, LCHA should offer the position to that person. Once the person accepts the position, the process from STEP 1 should begin again based on the position being vacated by the employee.

STEP 7: If no internal employee qualifies for the position or if in the judgment of Human Resources and the hiring manager they would like to review additional candidates, it should now be opened up for public consideration.

STEP 8: To ensure LCHA's residents receive the greatest notice of the opportunity, the position notice should be posted in the community sources that are generally available to low-income residents and the general public. It is required that at a minimum of three (3) of the listed sources will be exercised at least once prior to extending an offer of employment to anyone not covered by Section 3 requirements from the public:

1. The local community newspaper (even if in non-English language)
2. The most widely distributed newspaper
3. LCHA website
4. LCHA properties management offices in a conspicuous location
5. Homeless service agencies
6. Local HUD-supported housing communities
7. Local Workforce Investment Board and local job centers
8. Other locations as approved by LCHA
9. Email blast residents on the LCHA Section 3 Resident listing
10. Post notices on social media controlled by LCHA

STEP 9: When timing allows, place a notice of the position(s) in any newsletters, notices, or bulletins.

STEP 10: Be certain to list that the position is a “Section 3 covered position under the HUD Act of 1968 and that public housing residents and other low-income individuals are encouraged to apply” in all notices.

STEP 11: The job application must include provisions to identify whether a candidate is entitled to Section 3 preferences.

STEP 12: In screening applications, all candidates that meet the qualifications for the position shall be reviewed. If a Section 3 resident is identified as a qualified candidate, all things being equal, preference for employment should be given to Section 3 residents based on the priority preference order described in the LCHA Section 3 Policy, in Section V (Section 3 Goals and Preferences).

STEP 13: If LCHA selecting officials select a job applicant who is not a Section 3 resident, or is in a lower Section 3 preference category than other applicants as defined in Section V (Section 3 Goals and Preferences) of the LCHA Section 3 Policy, there must be a written explanation for such a hiring decision.

STEP 13: As a means of compliance, LCHA may establish a contact relationship with any temporary employment agency or agencies as a prime contractor when properly procured. A requirement of the contract is that any person identified for placement by the temporary agency with LCHA must complete the Self Certification form (**Section 3 Form #4**) clarifying their qualifications as a Section 3 resident. Any person certifying as a qualified Section 3 resident must be given preference for any LCHA assignment based on the priority preference order described in the LCHA Section 3 Policy, in Section V (Section 3 Goals and Preferences) provided they meet all other position requirements.

Section 2 – Procurement and Contracting

This policy on procurement procedures is relative only to Section 3 and is not designed to re-write the approved procurement policy for LCHA. **The general steps below regarding Section 3 apply to all Section 3 covered procurements procured by any LCHA staff, REGARDLESS of dollar amount.**

To encourage a greater pool of qualified Section 3 business concerns as well as Resident-Owned Businesses (ROBs) and to train all contractors on Section 3 provisions and requirements, LCHA will implement outreach and training efforts targeting the business community and potential Section 3 business concerns. As described in the policy, LCHA will also create or collaborate on a Section 3 business concern registry that will be available for LCHA and/or potential contractors to use to identify possible qualified Section 3 businesses.

STEP 1: This step is only applicable when a public housing authority is involved in the transaction. During the development of any solicitation or work project that is a Section 3 covered procurement, there should be a determination by LCHA as to whether or not the work can be and/or should be limited to Resident Owned Businesses (ROB’s) under the **24CFR Part 963.12 Alternative Procurement Method**. If so, than STEPs 2-8 should be followed with respect for **ROB’s ONLY**. In the definition of ROB, “Owned and controlled” means a business (a) at least 51% owned and operated by a public housing resident; and (b) whose management and daily business operations are controlled by one or more such individuals. Whenever ROB status is sought, LCHA staff shall verify such status by requesting address and ownership

verification of the 51% Owner/Operator rule as stated in the HUD Act of 1968. Use of the **Section 3 Form #2--“Section 3 Business Concern Self-Certification Form”** is an acceptable statement of address and business data, when presented along with all other required incorporation documents including any letter of issuance of a Federal Employer Identification Number (FEIN) and state Articles of Incorporation.

STEP 2: LCHA procurement staff will continue to solicit and compete procurements in accordance with its procurement policy, using the most appropriate given the size and type of procurement. Possible locations to use to promote procurements include:

1. The local community newspaper (even if in non-English language)
2. The most widely distributed newspaper
3. The Daily Reporter
4. LCHA website
5. LCHA property management offices in a conspicuous location
6. Emerging business enterprise (EBE) businesses such as MBEs, WBEs, etc.
7. Local HUD supported housing communities
8. Email blast to contractors on registry
9. If sufficient time, in flyers, newsletters, etc. to residents
10. Other locations as approved by LCHA

STEP 3: All ads must include a notice that, **“This contract opportunity is a Section 3 Covered Contract and any Section 3 Business Concerns are encouraged to apply.”**

STEP 4: All solicitations for Section 3 covered procurements must include the LCHA Section 3 policy and forms for contractors to complete and return with their bids/responses.

STEP 5: In reviewing the solicitation responses, any contractors that are identified as qualified Section 3 Business Concerns should be reviewed, and if responsive and responsible, granted a preference in contracting after all other factors are considered. If one or more Section 3 business concern is identified as a qualified contractor, all things being equal, preference for contracting should be given to Section 3 business concerns based on the priority preference order described in the LCHA Section 3 Policy, in Section V (Section 3 Goals and Preferences).

STEP 6: Where deemed by LCHA Procurement staff as effective and efficient, Indefinite Delivery Indefinite Quantity (IDIQ) contracts will be used, especially when many of the services procured are in small but constant quantities by the housing property staff. In such IDIQ procurements, Section 3 policies and preferences will fully apply.

STEP 7: In any Section 3 covered purchase order or contract, the full Section 3 clause is to be incorporated into the purchase order or contract.

STEP 8: In addition to the Section 3 clause, following language is to be added to all new contracts effective immediately:

“In addition to the regulations regarding Section 3 in 24 CFR Part 135, the parties to this contract agree to comply with the requirements of LCHA’s Section 3 Policy, which is attached to this contract.”

STEP 9: Except in emergency procurements where time is of the essence, no contract will be entered into or be given permission to proceed unless and until the Section 3 plan provided by the contractor is deemed in accordance with Section 3 regulations and LCHA Section 3 Policy.

STEP 10: The Section 3 Coordinator and LCHA staff providing contract oversight will work together to:

- Continually communicate with the contractor the importance of hiring LCHA residents and other Section 3 residents or providing training whenever possible.
- Monitor contractor-issued payrolls for any new hires not in compliance with Section 3 requirements and LCHA's Section 3 policy.
- Monitor every contractor-submitted pay request for any subcontractors not in compliance with Section 3 requirements and LCHA's Section 3 policy.
- Deviation from the contractor's approved Section 3 plan that results in noncompliance with Section 3 may result in termination of a contract.

SECTION 3 CONTRACT COMPLIANCE CURE AND TERMINATION PROCESSES

This language is a component of contract compliance with the work contractors and sub-contractors including developers respond to in LCHA solicitations. The full requirements are provided in the Section 3 Clause found elsewhere in this package or in the HUD forms 5370-C or 5370 C1 as may be applicable.

All contractors claiming a Preference in contracting by meeting any of the three Preference requirements including a Resident Owned Business, Hiring 30% of New Hires and/or Sub-contracting at least 25% of total award to a Section 3 Concern shall maintain that status throughout the life of the contract. Failure to meet this requirement will result in penalties up to and including contract termination. Any contractor triggering the regulation by doing any hiring or contracting once they are awarded the contract through contract execution must comply with the Section 3 requirements by executing the efforts on their Certification and Action Plan in accordance with the LCHA Section 3 Action Plan.

LCHA shall execute these remedies to achieve compliance in this order:

- I. Based on the first observation or report of non-compliance with Section 3, the contractor will be sent an e-mail from LCHA notifying them of their non-compliance issue. The contractor will have until the next payroll or 14 calendar days, whichever is lesser to bring the contract into compliance.
- J. If at any time a contractor fails to bring the contract into compliance, LCHA must withhold all future payments until the contract is in compliance.
- K. The contractor shall have up to 15 business days from the most recent notice of non-compliance to meet compliance as a final cure period or justify in writing to LCHA why it cannot meet compliance. LCHA must render a response to the contractor within 10 business days of receipt

of its letter of reason for non-compliance. If LCHA deems the cause to be unacceptable, at its option, LCHA can extend the cause period one time for up to 5 days to allow the contractor to identify and secure other compliance options, or

- L. If the contractor fails to take any corrective action to bring the contract into compliance within seven (7) business days from the most recent notice of non-compliance, or LCHA does not accept any of the contractor's corrective plans or justifications for non-compliance, LCHA must terminate the contract immediately. **All funds due to the contractor shall be held** and a financial workout of the agreement shall proceed within 24 hours of termination. The workout is to include a contract deduct equal to the total Section 3 contract violation of opportunities provided to non-Section 3 residents or business because they were not offered according to the contract and regulation award. All remaining funds can be paid out based on work satisfactorily completed per the agreement.

Any contractor claiming to meet Section 3 compliance by committing to hire residents, fund training itself **shall meet compliance within seven (7) calendar days of contract start** or LCHA shall halt all payments to the contractor and its sub-contractors related to the agreement and the actions listed in steps A-D in this section shall apply.

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