Section 3 Requirements

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In conjunction with the United States of America Department of Housing and Urban Development Office of Fair Housing and Equal Opportunity, Chicago Housing Authority has entered into a Voluntary Compliance Agreement (VCA), effective March 8th, 2013. This VCA is in place for five years from the effective date.
Agenda

- Section 3 Program Requirements
- Definitions of Section 3 Residents and Businesses
- CHA Resources for Section 3 Business Concern Subcontracting
- Vendor Responsibilities with Section 3 Hiring
- Vendor Responsibilities with Section 3 Business Concern Subcontracting
- Vendor Responsibilities with Other Economic Opportunities
- Section 3 Compliance Schedules (B, D, and Change Form)
- Upcoming Changes and Improvements
- Questions and Answers
Section 3 Compliance Requirements

HIRING

30% of New Hires

- All Section 3 job opportunities arising from the covered contract must meet a minimum hiring rate of 30% of all new hires.
  - Example: If twenty (20) new hires are needed to complete the scope of work, then 30% of the twenty (20) must be Section 3 hires, which equals six (6) Section 3 hires.
    - 20 x 30% = 6

- Prime Contractors who have a need to hire, but do not, may satisfy its Section 3 obligations by engaging in other economic opportunities in the form of Indirect Participation, Mentorship Program Participation, and/or Other Results-Oriented Economic Opportunities activities as means to achieving Section 3 goals, in lieu of making a Section 3 Fund contribution.

- Prime Contractors who demonstrate the infeasibility of hiring must then provide Other Economic Opportunities, such as Indirect Participation, Mentorship Program participation, or a contribution to the Section 3 Fund.
  - Contribution for Construction- 5% of total contract Value, not to exceed $100,000
  - Contribution for All Other Contracts- 1.5% of total contract Value, not to exceed $100,000
Section 3 Compliance Requirements

SUBCONTRACTING WITH SECTION 3 BUSINESS CONCERNS

• **10% Construction**
  - At least 10% of the total dollar amount of all section 3 covered contracts for building trades work for maintenance, repair, modernization, or development of public or Indian owned housing, or for building trades work arising in connection with housing rehabilitation, housing construction, and other public construction

• **3% All Other Contracts**
  - At least 3% of the total dollar amount of all other section 3 covered contracts

• Other Economic Opportunities must be proposed if the minimum subcontracting requirements are not met, or if subcontracting in general is infeasible.
  - *Infeasibility must be outlined on the Schedule B, prior to completing the Other Economic Opportunities section.*

• A contractor may contribute the difference between 10% of the covered contract (3% for non-construction related contracts) and the actual amount it provided to Section 3 business concerns to the CHA’s Section 3 Fund.
  - *The amount contributed shall not exceed $500,000 for any one contract.*
Section 3 Compliance Requirements

OTHER ECONOMIC OPPORTUNITIES

Other Training and Employment Opportunities

- **Section 3 Fund:** A contractor may contribute the difference between the actual subcontract amount they are able to provide to Section 3 Business Concerns and the percentage requirements for the covered contract.
  - *The amount contributed shall not exceed $500,000 for any one contract.*

- **Indirect Participation:** This allows a contractor to count a percentage of payments made to Section 3 Business Concerns unrelated to a CHA contract.

- **Mentorship Program Participation:** This is a program designed to provide mentorship and/or training that benefit Section 3 residents or business concerns.

- **Other Results-Oriented Economic Opportunities:** These 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.
Section 3 Compliance Requirements

Section 3 Resident

Definition of a Section 3 Resident:

• A public housing resident;
• Low-Income persons with incomes that do not exceed 80% of the median income for the area (Cook County);
• Very Low- Income persons with incomes that do not exceed 50% of the median income for the area (Cook County)

Definition of a Section 3 Business concern is a business concern under HUD Regulations:

1) 51 percent or more owned by section 3 residents; or

2) Whose permanent, full-time employees include persons, at least 30 percent of whom are currently section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or

3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of “section 3 business concern.”
Section 3 Hiring

All contractors with a Section 3 hiring commitment are required to use CHA’s Section 3 Job Opportunities website to hire their Section 3 employees.

The jobs approved by the Contract compliance Specialist will be entered into the system by the Section 3 Hiring Specialists.

This is an entirely automated process that should benefit the Employers, Employees, and CHA staff.

Section3jobs.thecha.org
Section 3 Business Concern Self-Certification

Visit https://cha.diversitycompliance.com

Click on the link “Register as a Self-Certified Section 3 Business Concern” to self-certify

Click on “Directory of Self-Certified Section 3 Business Concerns” to search the database.

You can also search CHA’s registry from this main page!
Vendors will have to meet hiring, subcontracting, and other economic opportunity requirements to the greatest extent feasible, and evidence their plan and efforts on the Schedule B- Section 3 Utilization Plan.
Schedule B
Section 3 Utilization Plan

The Schedule B provides instructions that the Prime Contractor is required to review and verify the review and knowledge of requirements.

The contractor must complete the following on page one (1) of the Schedule B:

- Prime Contractor’s name
- RFP/IFB/RFQ/Contract/PO Number
- Date Form Completed
- Project Title
- Contact Name/Title (this will be the individual that converses with Compliance Specialist regarding schedule changes and updates)
- Email Address for the Contact Person
The Schedule B requires the Prime Contractor to read the instructions and have a Principal of the Company sign page four (4) to acknowledge the requirements of Section 3 and what is required on the Schedule B- Section 3 Utilization Plan.
Schedule B
Section 3 Utilization Plan

## Part I: Hiring

### SAMPLE HIRING CHART

Table 4a: SAMPLE Hiring Chart - ENTIRE WORKFORCE for both Prime and all Subcontractors

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Total Number of Employees Needed at each Job Title</th>
<th>Total Number of Employees Currently Employed at each Job Title</th>
<th>Total New Hires Needed for each Job Title</th>
<th>Total Section 3 Hires for Each Job Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Painters</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Laborers</td>
<td>10</td>
<td>19</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Carpenters</td>
<td>15</td>
<td>15</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bricklayers</td>
<td>1</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sprinkler Fitter</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tile Mason</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Electrician</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Paver Equipment Operator</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Iron Worker</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cement Mason</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Plumber</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Roofer</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Superintendent</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Payroll Coordinator</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

(6) Totals: 66 80 6 3

(7) Total New Section 3 Hires Required: 2 (rounded up to the nearest whole number)

(8) Percentage of New Hires that are Section 3: (Total of column 3 ÷ Total of column 4) × 100% of new hires 50%

**HIRING:**

Page five (5) of the Schedule B provides a sample hiring chart for your convenience.

The Hiring Chart must reflect the entire workforce, including the Prime and Subcontractors.
Schedule B
Section 3 Utilization Plan

HIRING:
Page six (6) of the Schedule B requires the Prime Contractor to outline the Current Workforce and the New Section 3 Hires in Hiring Chart-Workforce for Prime and Subcontractors, in Part I: Hiring.

Hiring Chart A- Current Workforce:
(1) **Job Titles**: List the Job Titles of employees currently working that are needed to complete your scope of work.
(2) **Total Employees Needed at each Job Title**: List how many employees are needed to complete the scope of work for each Job Title.
(3) **Total Number of Employees Currently Employed at each Job Title**: List the number of employees currently employed at this Job Title.
(4) **Total New Hires Needed for each Job Title**: List how many of these positions are open for new employees.
(5) **Total Section 3 Hires for Each Job Title**: List the number of Section 3 hires you will commit to hiring for each position (*remember that 30% of all new hires must be Section 3 employees*)
(6) **Totals**: This will be the sum of each column (1) through (5)
(7) **Total New Section 3 Hires Required**: This will be the sum of column (4) multiplied by 0.3. You should round up to the next whole number.
(8) **Percentage of New Hires that are Section 3**: You need to prove that you are meeting or exceeding the 30% requirements. To do so, take the total from column (5) and divide it by the total of column (4).

Formula is:

\[
\frac{\text{Total Section 3 Hires for each Job Title} \times 0.3}{\text{Total New Hires Needed for each Job Title}} \times 100 = \% \text{ of New Hires}
\]
Schedule B
Section 3 Utilization Plan

**CONTRACTING:**
The Prime Contractor must identify their Section 3 Business Concern Subcontractors on pages seven (7) and eight (8) of the Schedule B- Section Utilization Plan.

The Total Dollar Value of Section 3 Business Concern Subcontracts must be identified, as well as the Total Percentage of Section 3 Business Concern Subcontracts, in **Table II.**

In order to identify the subcontracts the following information must be provided for each Section 3 Business Concern, in **Table II.a:**
- Company Name
- Company Address
- Contact Person
- Phone Number
- E-Mail Address
- Original Contract Dollar Value
- Amended Contract Dollar Value
  - **Note:** Amended Dollar Value only used when changes are made and approved by Compliance during a contract.
  - Work to be Performed/Materials Supplied
  - Anticipated Performance Timeframe (When will the contractor be onsite performing the work and for how long)

([If more space is needed, you can use this page multiple times])
If there is no need for the Prime Contractor to subcontract any of the scope of work, they will be required to outline the reasoning on page nine (9) in **Table II.b**.

This must be included on the Schedule B, if subcontracting is infeasible, prior to moving on to Other Economic Opportunities.
Schedule B
Section 3 Utilization Plan

Other Economic Opportunities:

- **Table III, in Part III**, must be filled out if a Prime Contractor plans to provide Other Economic Opportunities.

The Other Economic Opportunity selected must include:

- **Detailed description** of the work that will be performed by the Section 3 Resident or Business Concern
- **Quantifiable Goals** must be outlined in order for Compliance to realistically track the opportunity
- **Anticipated Results** must be outlined in order for CHA to evaluate the opportunity
Schedule B
Section 3 Utilization Plan

Other Economic Opportunities- Section 3 Fund

Section 3 Fund- Hiring:
- If a Contractor has the need to hire, but will not meet the minimum hiring requirements, they may opt to contribute to the Section 3 Fund, under Other Economic Opportunities
  - 5% of the total contract value for Construction
  - 1.5% of the total contract value for Professional Service

Section 3 Fund- Subcontracting (Partial Subcontracting):
- If a Contractor is able to subcontract a portion of their subcontracting requirements, they may contribute the difference between the actual subcontracting dollar amount and the minimum subcontracting requirement
  - EXAMPLE: A construction Prime Contractor has a $1,000,000 contract and a $100,000 (10%) subcontracting requirement. They can subcontract $80,000 to Section 3 Business Concerns, and contribute the remaining $20,000 into the Section 3 Fund, once the infeasibility is outlined.

Section 3 Fund- Subcontracting (No Subcontracting):
- If a contractor is able to outline the infeasibility of subcontracting altogether, they may contribute the entire subcontracting portion to the Section 3 Fund.
  - 10% of the total contract value for Construction
  - 3% of the total contract value for Professional Service

*Any contributions to the Section 3 Fund must be identified in the table provided
Section 3 Change Request Form

This form is used when a change to your Section 3 plan is requested.

A contractor must include the following:
- Contractor Name
- Contract Number
- Original Section 3 Commitment
- Proposed Section 3 Commitment
- Reason for the Change Request

Once this document is completed, it should be submitted to your Contract Compliance Specialist.

This form is reviewed with the User Department and Resident Services, and then finalized by Contract Compliance.

<table>
<thead>
<tr>
<th>CHA Section 3 Change Approval:</th>
<th><strong>Internal Use Only</strong></th>
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<tbody>
<tr>
<td>Contract Compliance Date Approved</td>
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<tr>
<td>CHA Section 3 Change Review:</td>
<td></td>
</tr>
<tr>
<td>Resident Services Concurrency (Yes or No) Date Reviewed</td>
<td></td>
</tr>
<tr>
<td>User Department Concurrency (Yes or No) Date Reviewed</td>
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</tr>
</tbody>
</table>

If for any reason CHA does not approve the change request, the contractor will be contacted directly with the remedy selected by CHA by their Contract Compliance Specialist.
# Section 3 Team

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<thead>
<tr>
<th>Contact Name</th>
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