



Quick Guide Contract Compliance Requirements

Contract Compliance, within the Department of Procurement and Contracts, is responsible for monitoring the Minority/Women/Disadvantaged Business Enterprises (M/W/DBE) and Section 3 policies and the Davis-Bacon regulations for the Chicago Housing Authority.

What Compliance Requirements apply to the different types of contracts?

Type of Contract	M/W/DBE	Section 3	Davis-Bacon
Professional Service	Yes	Yes	No
Construction	Yes	Yes	Yes

Minority/Women/Disadvantaged Business Enterprises (M/W/DBEs)

In accordance with the Chicago Housing Authority’s M/W/DBE policy, minority, women, and disadvantaged businesses have the maximum opportunity to participate in the performance of contracts awarded by CHA. Depending upon the type of contract and the dollar value, the following requirements are in place for M/W/DBE subcontracting:

Type of Contract	Contract Amount	MBE/WBE/DBE Participation
Construction	\$25,000 - \$200,000	25%
	\$200,001 - \$500,000	30%
	\$500,001 - \$1,000,000	35%
	\$1,000,001 +	40%
Service and Supply & Delivery	\$25,000 +	20%

Required M/W/DBE Documents:

Document Name	To be Completed By	Details
Schedule A M/W/DBE UTILIZATION PLAN	Prime Contractor	This form lists out all M/W/DBE subcontractors the Prime plans to work with that will count towards their M/W/DBE subcontracting requirements, including a self-performing Prime.
Schedule C LETTER OF INTENT	Each M/W/DBE listed on the Schedule A, including a self-performing Prime Contractor	This form will be submitted by each subcontractor listed on the Schedule A. If a Prime is an M/W/DBE and they are self-performing, they must submit a Schedule C. The information outlined on the Schedule C must correspond with the Schedule A. A valid certification letter must be attached.
Letter of Certification	Each M/W/DBE listed on the Schedule A, including a self-performing Prime Contractor	This form must be submitted with every Schedule C. Applications are not accepted and the certification letter cannot be expired.
Waiver Request- M/W/DBE	Prime Contractor	This form is only to be used if a vendor cannot meet their subcontracting requirements. The form must have two things outlined in the justification/request portion for the waiver request: (1) scope of work and (2) reason the Prime cannot meet the commitments outlined. Make sure that all good faith efforts, including indirect participation, have been exhausted.

- B2Gnow requires Prime Contractors to login and approve payments from CHA and enter payments they have made to subcontractors.
- Subcontractors are then required to login and approve payments entered by the Prime Contractor.



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Section 3

Under CHA’s Section 3 policy, there are multiple requirements. Hiring and Subcontracting are required under Section 3, and vendors cannot choose between the two. Section 3 does not apply to Supply & Delivery contracts.

- **Hiring –30%** of all of new hires must be Section 3 employees. This includes CHA and low-income Chicago area residents. The Prime will be required to complete the Schedule B and outline all of the employees who are needed to complete this scope of work. Through the hiring chart on Schedule B- Section 3 Utilization Plan, Compliance is able to determine how many Section 3 employees are needed for the contract. The 30% of all new hires covers new hires for the Prime Contractor and the Subcontractors. Contractors will be required to utilize CHA’s Section 3 Job Opportunities website, which allows Section 3 individuals to apply for open positions on CHA contracts. The Section 3 Opportunities system is replacing the Job Order Form process and will require Applicants to actively apply for jobs and Employers to interview and hire for their Section 3 positions based on a streamlined process in accordance with HUD’s Code of Federal Regulations (CFR). Section 3 Hiring Specialists will be responsible for initiating the job postings and approving the job profiles prior to the new jobs posting to the website available to the public.
- **Subcontracting** – Prime Contractors are required to subcontract **10%** of the total contract value for construction contracts and **3%** of the total contract value for all other contracts to Section 3 Business Concerns. CHA’s Section 3 Business Concern Registry is a great place to start when looking for Section 3 Businesses to contract with. HUD does perform random audits of the businesses in this registry.

What makes a business a Section 3 Business Concern? There are three ways a business can qualify as a Section 3 Business Concern:

1. A business that is **51** percent or more owned by section 3 residents, meaning a CHA resident or low-income Chicago area resident;
2. A business whose permanent, full-time employees are made up of at least **30** percent of section 3 residents (including CHA and low-income residents), or within three years of the date of first employment with the business concern were section 3 residents; or
3. A business that subcontracts **25** percent or more of their total subcontracts to business concerns that meet the qualifications in the first two options (this is identified on a project by project basis).

- **Other Economic Opportunities-** A Prime Contractor who has demonstrated its attempts, to the maximum extent feasible, to meet its Section 3 hiring and contracting goals may satisfy Section 3 obligations by engaging in Indirect Participation, Mentorship Program Participation, and/or Other Results-Oriented Economic Opportunities as alternative means to achieving Section 3 goals. In addition, a contribution to the Section 3 Fund is allowable under Other Economic Opportunities, as long as it is outlined in accordance with the Section 3 Policy. Please note that all Other Economic Opportunities must benefit the Section 3 resident and business community.

Required Section 3 Documents:

Document Name	To be Completed By	Details
Schedule B SECTION 3 UTILIZATION PLAN	Prime Contractor	This form will outline your hiring, subcontracting, and other economic opportunities that the Prime is committing to.
Schedule C LETTER OF INTENT (also used for M/W/DBE subcontractors)	Each Section 3 Business Concern listed on the Schedule B, including a self-performing Prime Contractor	This will be submitted by each subcontractor listed on the Schedule B. If the self-identified Section 3 Business Concern is also a certified M/W/DBE, they can submit one Schedule C and indicate their status by checking off both qualifications.



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Section 3 Clause:

Construction Contractors must post the Section 3 Clause on-site. Each Prime Contractor is required to provide a copy of the notice to the CHA upon issuance of the notice to proceed. The Prime Contractor will also be required to demonstrate that the notice has been posted at the worksite in accordance with the Section 3 clause. This may be verified through site visits or a request by the CHA for proof of posting and notification to employees.

“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 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.”

The Davis-Bacon & Related Acts apply to construction contracts over **\$2,000** and ensure that all construction employees are paid in accordance with the Department of Labor's wage decision. If there are union contractors, please ensure that Davis-Bacon wages are met, in accordance with the contract.

CERTIFIED PAYROLL SUBMITTAL & REPORTING

- Certified Payroll Reports must be entered into LCPtracker on a weekly basis.
- All wage rates and job classifications are available through LCPtracker, and will be utilized when entering weekly payroll updates.
- Schedule D- Hiring Reports are also uploaded through LCPtracker, for proof of hiring your Section 3 employees.
- If you ever have a question about job classifications that may not be listed on the wage decision, ask your Contract Compliance Specialist.

In addition to certified payroll reports, the CHA Compliance Team will perform random unannounced site visits. These site visits are then compared to payment information and certified payrolls submitted through B2Gnow and LCPtracker.

NOTE: As of January 2, 2015, the Chicago Housing Authority (CHA) observes a \$13 per hour Minimum Wage Requirement to be paid to employees of CHA Contractors, and of any subcontractors of such CHA Contractors, performing work on CHA contracts. A copy of the CHA Minimum Wage Requirement may be downloaded from the CHA website at: http://www.thecha.org/assets/1/22/CHA_Minimum_Wage_Requirement.pdf. Note that Federal wage determinations (either Davis-Bacon or HUD-Determined Wage Rates) preempt any conflicting State prevailing wage rate or the Minimum Wage Requirement when the State prevailing wage rate or the Minimum Wage Requirement is higher than the Federally-imposed wage rate (24 CFR 965).

Please note that as long as your firm and all subcontractors are in compliance throughout this project, with everything we just covered, there should be no need for payment holds on our end. If you are ever concerned about invoices being placed on hold, always contact your Contract Compliance Specialist first, in order to ensure that your contract is in compliance and that CHA has no reason to hold your payment.



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Compliance Utilization Plans

Below is a list of items needed to evaluate a full Compliance plan for CHA’s M/W/DBE and Section 3 Policies:

Schedule A- M/W/DBE Utilization Plan

Detailed Requirement	
Schedule A	The Schedule A must be submitted, signed and notarized
Contract Amount	This amount must match all other bid documents
M/W/DBE Total	This amount must be the correct sum of all subcontract amounts listed on the Schedule A
Subcontractor Company Name	This must be listed for each Subcontractor listed on the Schedule A
Subcontractor Original MBE/WBE/DBE Dollars	The subcontract amount must be included for each Subcontractor
Subcontractor Work To Be Performed/Materials To Be Supplied	The scope of work, even if brief, must be included for each Subcontractor

Schedule B- Section 3 Utilization Plan

Detailed Requirement	
Schedule B was submitted	The Schedule B must be submitted, signed and notarized
Prime Contractor Acknowledgement of Section 3 Requirements	Page 4 of the Schedule B must be completed by a Principal of the Prime Contractor
All elements of the Hiring Chart	This includes all required fields (1) through (8) for the Prime and Subcontractors- refer to the instructions on page 2 of the Schedule B
Section 3 Business Concern must have their Business Name, Original Contract Value, and Scope of work outlined	This must be listed for each Section 3 Business Concern listed on the Schedule B
Other Economic Opportunities	If there is a shortfall in the hiring or contracting plans, Other Economic Opportunities must be proposed

Schedule C- Letter of Intent M/W/DBE and/or Section 3 Business Concern Subcontractors, Suppliers, Consultants

Detailed Requirement	
Schedule Cs for every Subcontractor listed on the Schedule A and/or B must be submitted	The dollar values must correspond with the Schedule A and/or B
M/W/DBE or SECTION 3 BUSINESS CONCERN NAME	Subcontractor’s Business Name must be indicated on page 1 of the Schedule C
M/W/DBE Certification Status	If the Subcontractor is listed on the Schedule A, they must identify their M/W/DBE certification status
Section 3 Business Concern Status	If the Subcontractor is listed on the Schedule B, they must identify their Section 3 status
Contract Value	The contract value outlined on the Schedule C must match the Schedule A- M/W/DBE Utilization Plan or B- Section 3 Utilization Plan

PLEASE NOTE:

(a). COUNTING M/W/DBE AND SECTION 3 BUSINESS CONCERN (S3BC) CREDIT: A business who is self-identified as a Section 3 Business Concern and also certified as an M/W/DBE may be used towards subcontracting goals for



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both the M/W/DBE and Section 3 requirements, once the initial goals for Section 3 and M/W/DBE have been satisfied separately.

Example: If the minimum M/W/DBE participation percentage requirement is 40, and the minimum Section 3 contracting participation percentage requirement is 10, and Vendor A is self-certified as a Section 3 Business Concern and also certified as M/W/DBE, and a prime elects to use Vendor A in both categories, the overall minimum total M/W/DBE and Section 3 participation percentage must be 50%; i.e. 40% M/W/DBE + 10% S3BC, in order to satisfy the contracting requirements in both categories.

(b). SECTION 3 BUSINESS CONTRACTING TIER ORDER: Prime contractors on CHA/HUD funded contracts must ensure that Section 3 Business Concerns (S3BCs) are contracted in a tier preference order as required by CHA/HUD policies and regulations. This means that S3BCs that reside at or within the project site should be considered for contracting opportunities first. It is the duty of the prime contractor to conduct appropriate outreach activities that specifically target resident owned S3BCs at the project location in a bid to find and subcontract with them.

(c). SUBSTITUTION/REMOVAL OF SUBCONTRACTOR: A prime contractor that needs to remove or substitute a subcontractor on its approved utilization plan must submit a written request for the removal or substitution of the subcontractor concerned. Only when DPC Compliance approves such a request in writing can the removal or substitution of the subcontractor be done by the prime contractor. Under no circumstance should a prime contractor unilaterally remove or substitute a subcontractor on its CHA/HUD funded contract without prior approval by DPC Compliance.