

Section 3 POLICY

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STATEMENT OF PURPOSE

I. Section 3 Mission Statement

Promoting economic self-sufficiency and advancement through training, job placement and entrepreneurial opportunities

The Houston Housing Authority Section 3 program ensures that employment and other economic opportunities generated by certain HUD financial assistance will, 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.

This Section 3 Plan represents the Houston Housing Authority's Section 3 Policy. Implementation procedures may be amended periodically by the Section 3 Coordinator, with approval from the President and Chief Executive Officer, to ensure that the policy requirements are being met or to bring about efficiencies in the implementation of the program based on the practice and experience of running the program.

OVERVIEW

The Houston Housing Authority implements its Section 3 policy through the awarding of contracts to contractors and vendors that create employment and business opportunities for residents of the Houston Housing Authority and other qualified “low” and “very-low” income persons residing in the Greater Houston area. The Authority also makes it a priority to recruit and hire residents of public housing, Housing Choice Voucher participants and other low income individuals (Section 3 Residents).

The Houston Housing Authority has incorporated Section 3 requirements in its existing Procurement Policy and includes a copy of this Section 3 Policy in all procurements generated for use with HUD funding. This policy and procedure contains goals for awarding contracts to Section 3 Business Concerns.

HHA will employ residents and other Section 3 eligible persons and businesses to the greatest extent feasible in contracts with funding received by the Department of Housing and Urban Development (HUD). HHA has established employment and training goals that contractors and subcontractors should meet in order to comply with the Agency’s Section 3 requirements.

I. Hiring

The Houston Housing authority strives to make at least 30% of its aggregate number of full-time new hires Section 3 residents with a preference for residents residing at HHA public housing properties, Section 8 voucher holders, or low-income city residents.

HHA will certify Section 3 program participants who reside in HHA public housing, participate in the Housing Choice Voucher Program, or are low, very-low or extremely-low income Houstonians through the following process:

- A. All persons living in the City who meet the Section 3 eligibility guidelines can, by appointment, visit with the Section 3 Coordinator to complete a needs assessment and Section 3 affidavit;
- B. Once this assessment is complete, the Section 3 Coordinator will determine if the individual meets the eligibility requirements; and
- C. If the individual is deemed eligible for Section 3 participation a referral will be made to other agencies that are either contracting with the Houston Housing Authority or who have established partnerships with the agency.

II. Outreach

HHA recognizes the need for broad outreach, education, and training relative to Section 3. HHA currently engages in on-going outreach and educational efforts throughout its properties and the greater Houston area by providing:

- A. Section 3 presentations at Job Fairs and other networking opportunities;

- B. Section 3 presentations and participation in local community forums such as resident council meetings held at HHA's properties;
- C. The development and distribution of Section 3 informational and educational materials;
- D. Maintaining relationships with other Section 3 program administrators, including the City of Houston;
- E. The development and maintenance of an educational presence on the HHA's website; and
- F. Maintain an updated database of Section 3 Residents on the Section 8 and Housing Choice Voucher Program.

III. Certification of Section 3 Business Concerns

Business concerns can become Section 3 certified if they meet one (1) of the following HUD guidelines:

- A. Business owned (51% or more) by individuals whose household incomes are NO GREATER THAN 80% of Area Median Income (AMI). Please reference <http://www.houstontx.gov/housing/sec3.html> to determine if employee is less than 80% of the current area median income;
- B. 30% (or more) of a business's full time, permanent employees have household incomes that are NO GREATER THAN 80% of Area Median Income (AMI), or within three years of the date of first employment with the business concern were Section 3 residents; or
- C. Subcontracting more than 25% of contract with a qualified business that is either 51% owned by Section 3 residents or 30% or more of its employees are Section 3 residents.

HHA maintains a list of certified and recertified Section 3 Business Concerns and will add businesses to the list if they provide sufficient evidence to deem them Section 3 compliant. This list is shared with the City of Houston's Section 3 Coordinator and also made available on HHA's website to any business, contractor, or subcontractor interested in work related to HUD sourced projects.

Furthermore, HHA Section 3 certified business concerns will be forwarded request for proposals and request for quotes for contracts that of which vendors specialize.

EVALUATING SECTION 3 PLANS

Houston Housing Authority's goal is to ensure that as many Housing Authority residents as possible are employed. In an effort to further that goal, the Authority has created the following preference tier structure. Vendors are asked to comply with Section 3 by first considering Category I, hiring at the site where work is being performed. If the vendor demonstrates to the Authority's satisfaction the inability to hire at the site, the Authority's next preference is for the vendor to hire residents from other Authority properties (Category II). If the vendor cannot meet its Section 3 goal in this manner and needs to move to Category III or IV, that vendor must document this inability to comply with the preference and the need to move to Category III or IV. [Such inability must be documented for moves within categories or any moves to a lower category.]

I. Preferences for Section 3 Residents in Training and Employment Opportunities

- A. Category I** Hire residents from the site where the work is being performed
- B. Category II** Hire residents of other public housing developments
- C. Category III** Hire participants in a Youthbuild like program being carried out in the metropolitan area
- D. Category IV** Hire other Section 3 residents

II. Preferences for Section 3 Business Concerns in Contracting Opportunities

- A. Category I Businesses** Business concerns that are 51% 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% of these persons as employees
- B. Category II Businesses** Business concerns that are 51% or more owned by residents of other housing developments or developments managed by the Houston Housing Authority that is expending the section 3 covered assistance, or whose full-time, permanent workforce includes 30 % of these persons as employees.
- C. Category III Businesses** Youthbuild like programs being carried out in the metropolitan area in which the section 3 covered assistance is expended.
- D. Category IV Businesses** Business concerns that are 51% or more owned by Section 3 residents, or whose permanent, full-time workforce includes no less than 30% Section 3 residents or that subcontract in excess of 25% of the total amount of subcontracts to business concerns.

III. Section 3 Evaluation Process

In order to insure the success of HHA's Section 3 program, request for proposal evaluation criteria include points awarded to proposals based on the strength their Section 3 Narrative and Employment Plan. Points are awarded based on the number and/or scope of Section 3 activities that will promote economic self-sufficiency, advancement through training, job placement, and entrepreneurial opportunities for Section 3 Residents.

If and when the above possibilities are not applicable, vendors with contracts valued at less than \$100,000 are also permitted to donate five percent or more of the contract amount to HHA's Compliance Fund. Vendors with contracts valued at more than \$100,000 are permitted to donate 3 percent or more of the contract amount to the Compliance Fund. Donating to the Compliance Fund is the equivalent of meeting the highest threshold for Section 3 compliance for the purposes of proposal evaluation.

IV. Section 3 Procedures for Bidders

As part of the application or bidding process, Section 3 Employment Plans must be developed and submitted to HHA to demonstrate proposers' commitment to Section 3 compliance. This preliminary Plan is used to help evaluate the quality of submitted bids during the selection process. The successful proposer then has an opportunity to finalize the Section 3 Plan as part of the contract negotiation and execution process. The Plan that is approved by HHA will become part of the contract.

Contractors demonstrate Section 3 compliance by providing HHA with a notarized statement determining compliance based on these items:

- A. Employment:** Thirty percent (30%) of the aggregate number of new hires during one year of the project.
- B. Contracting:** At least 10 percent (10%) of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, construction, and other public construction with federal funds; and at least three percent (3%) of the total dollar amount of all other covered Section 3 contracts will be awarded to eligible Section 3 business concerns.
- C. Compliance Fund:** Contractor can opt to contribute to HHA's Compliance Fund which provides assistance to HHA's "low" and "very-low" income residents to obtain training and or educational opportunities. The level of contribution would be commensurate with 5% of the total contract amount.

Houston Housing Authority's preference is to contract directly with a Section 3 business or contract with vendors that subcontract to Section 3 businesses. In cases where two or more vendors' Section 3 plan are parallel, HHA will determine the awarding of points by utilizing the preference tiers referred to on page eight.

*Note that Supply and Delivery contracts are exempt from these Section 3 policy requirements.

V. Designation of Section 3 Organizer for Project

Each bidder, responder to a request for proposal, and responder to qualification-based selection must designate someone within the project as their Section 3 coordinator. This person is an assigned appointee from the recipient organization and is responsible for making sure the project adheres to the Houston Housing Authority's Section 3 reporting requirements and the project's Section 3 Utilization Plan, as set forth in the bidder's contract.

VI. Bid or Proposal Evaluation

Vendors who fail to address Section 3 requirements will be deemed non-responsive. Proposal or bid documents submitted to HHA, which include the Contractor's Section 3 Certification and Resident Employment Plan must be completed including applicable attachments and supporting documentation to support claims of compliance by hiring, sub-contracting, or other economic opportunities.

After written notice from the HHA specifying the defects in their Section 3 information, vendors will be given no more than 5 business days to complete the form and provide all required documents. Failure to respond within the 5 business days will result in the Authority declaring the bidder or respondent non-responsive. The contract or bid is then awarded to the next lowest and responsive bidder or to the respondent with the next highest score. When the selection is qualifications based procurement, HHA awards to the firm that is the next highest ranked.

VII. Compliance Fund

The Houston Housing Authority has the following threshold for resident hiring used on all construction contracts, service contracts, information or technology contracts, and professional service contracts that contain a labor component unless the Contractor qualifies as a Section 3 Business Concern as identified under the "Definitions" section of this policy. It is expected that an appropriate number of residents with particular qualifications or a willingness to begin unskilled labor will be able to participate in HHA's contracted labor efforts. A prime contractor can satisfy HHA's resident hiring requirements through its own work force, its subcontractors or any combination thereof.

TOTAL CONTRACT AMOUNT	Section 3 Threshold
Less than \$100,00	The Vendor may opt to contribute 5% or more to the Compliance Fund.
\$100,000 or more	Vendor must provide a Section 3 plan or opt for the 3% or more Compliance Fund.

It is expected that an appropriate number of HHA's public housing residents or Section 8 voucher recipients with particular qualifications or willingness to begin unskilled labor will be able to participate in contracted labor efforts. A prime contractor, through its subcontractor(s), can satisfy HHA's resident hiring requirement set forth above.

RESPONSIBILITIES

I. Contractual Obligations

Under HHA's Section 3 Business Opportunity Policy, sub-grantees are also contractually obligated to:

- A. Conduct aggressive outreach to Section 3 certified business concerns for subcontracting and business opportunities;
- B. Accept and give preferential business opportunities to Section 3 business concerns;
- C. Provide appropriate employment outreach signage at the project site and throughout the project area to inform Section 3 certified business concerns of business opportunities;
- D. Document aggressive outreach efforts related to Section 3 eligible business concerns; and
- E. Maintain proper records of utilization of Section 3 certified business concerns.

It is HHA's policy that sub-recipients adhere to approved procurement and bidding procedures, and therefore no "sole sourcing" of contracts is allowed directly to any Section 3 certified Business Concerns. All Section 3 certified Business Concerns are certified with the Housing Authority.

It is the responsibility of contractors, vendors and suppliers to implement progressive efforts to attain Section 3 compliance. Any contractor that does not meet the Section 3 numerical goals must demonstrate why meeting the goals were not feasible. **All contractors submitting bids or proposals to HHA are required to certify that they comply with the requirements of Section 3.**

The Section 3 Contract Clause specifies the requirements for contractors hired for Section 3 covered projects. The Section 3 Clause **must** be included in all Section 3 covered projects.

II. HHA's Responsibility

HHA recognizes that the ultimate responsibility rests with the Authority. In compliance with this HHA will:

- A. Assure that Section 3 implementation procedures are in compliance;
- B. Issue Section 3 Compliance Procedures for Vendors, and Contractors;
- C. Incorporate Section 3 requirements in all solicitations and bidding documents;
- D. Require the submission of Section 3 Utilization Plans for review and approval by HHA prior to the commitment of any HUD-sourced funding to projects;
- E. Conduct meetings with bidders to discuss the review of Section 3 Plans;

- F. Regularly conduct compliance monitoring of all contracts, which embody approved Section 3 Utilization plans; and
- G. Prepare and submit annual reports to HUD on the Section 3 Program results.

III. Fraudulent Documents

Submitting false, misleading, or fraudulent documents relating to Section 3 is a fraudulent act under any conditions. If the Houston Housing Authority learns that a vendor has submitted false information to HHA, HHA will take appropriate action, including but not limited to initiation of litigation against the vendor and cessation of business with the vendor.

ENFORCEMENT AND COMPLAINT PROCEDURES

I. Enforcement

The Section 3 Coordinator conducts regular compliance reviews, which consist of comprehensive analysis and evaluation of the recipient's or contractor's compliance with Section 3. Where noncompliance is found, Section 3 Coordinator will notify the recipient or contractor of the deficiency and recommendations for corrective actions.

On employment concerns, if the contractor elects to hire thirty percent (30%) of the aggregate number of new hires it is the duty of the contractor to see positions stay filled during the length of the project. If a new hire leaves before the scope of work is completed the contractor will have fifteen working days to have this position filled.

II. Noncompliance

If determined that the Contractor/Sub-Contractor has functioned in such a manner as to breach the contractual obligations of the approved Section 3 Plan, the Contract/Sub-Contractor is sent a letter of Non-compliance. After a period of 15 business days an Abatement of funding may be placed on the account of the Contractor/Sub-Contractor until complaint is rectified.

As according to the CFR 135.38 Part F, finding of noncompliance by the Houston Housing Authority or HUD may result in sanctions, termination of contract for default, and debarment or suspension from future HUD assisted contracts based on the programs under which the Section 3 covered assistance was funded.

III. HUD's Complaint Process

Any Section 3 resident or business may file a complaint alleging noncompliance with Section 3 by a recipient, contractor, or subcontractor. Complaints are investigated; if appropriate, voluntary resolutions will be sought. There are appeal rights to the HUD Secretary. Section 3 residents and businesses may also seek judicial relief. Complaints must be submitted to HUD within 180 days of the action or omission upon which the complaint is based.

HUD Fort Worth Regional Office of Fair Housing and Equal Opportunity
801 Cherry Street
P.O. Box 2905
Fort Worth, TX 76113-2905
Phone: (817) 978-5900
Fax: (817) 978-5876
Email: ComplaintsOffice06@hud.gov

HUD Assistant Secretary for Fair Housing and Equal Opportunity
Seventh Street, SW, Room 5100
Washington, DC 20410-2000

Complaints of non-compliance **must** contain:

- Name and address of the person filing the complaint;
- Name and address of the subject of complaint;
- Description of acts or omissions in alleged violation of Section 3; and
- Statement of corrective actions sought.

IV. HHA'S Complaint Process

Any Section 3 resident or business concerns may file a complaint alleging non-compliance with Section 3 by a recipient, contractor, or subcontractor. Complaints are investigated by HHA's Vice President of Administration and the Section 3 Coordinator. In an effort to resolve complaints generated due to non-compliance through an internal process, HHA encourages submittal of such complaints to its Section 3 Coordinator as follows:

Section 3 Coordinator
Houston Housing Authority
2640 Fountain View Dr.
Houston, TX 77057
Phone: (713) 260-0614
Fax: (713) 260-0815
Email: DKelly@housingforhouston.com

Complaints of non-compliance **must** contain the following information:

- Name and address of the person filing the complaint;
- Name and address of the subject of complaint (HUD Recipient or Contractor);
- Description of acts or omissions in alleged violation of Section 3; and

- Complaints must be filed within one hundred and eighty (180) calendar days after the complainant becomes aware of the alleged violation.

An investigation is conducted if complaint is found to be valid. The Section 3 Coordinator will conduct an informal, but thorough investigation affording all interested parties, if any, an opportunity to submit testimony and/or evidence pertinent to the complaint.

The Section 3 Coordinator will provide written documentation detailing the findings of the investigation. The Vice President of Administration will review the findings for accuracy and completeness before it is released to complainants. The findings are made available no later than sixty (60) days after the filing of complaint.

If determined that the Contractor/Sub-Contractor has functioned in such a manner as to breach the contractual obligations of the approved Section 3 Plan, the Section 3 Coordinator will notify the appropriate administrator of such findings and of the required corrective measures.