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M E M O R A N D U M

FOR MEETING DATE: February 19, 2015

TO: Community Development Committee

FROM: Jeff Vitton, CD Program Specialist

SUBJECT: Section 3 Policy and Plan

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) 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 to 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.

In order to fulfill the intent of Section 3, Staff has provided the attached Section 3 Implementation Plan (Plan). *Please be advised that the current version of the Plan has changed slightly from previous versions you have reviewed based upon input received from Housing and Urban Development Field Staff.* These changes include making the City's responsibilities for Section 3 Contracts under \$100,000 clearer, priority ranking for Section 3 Residents in training and employment opportunities, additional Section 3 Resident and Businesses Concern Self-Certification language, a significant revision to the Complaint procedure, and identifying a Section 3 Coordinator for the City.

The purpose of this plan is to help guide the City, sub-grantees, and contractors on a Section 3 covered project in meeting the intent of Section 3, as well as documenting compliance that steps were taken to provide job or contracting opportunities to Section 3 Residents and Business Concerns (to the greatest extent feasible).

Some key policy factors Staff seeks your input on include:

- **Price Consideration:** When the Section 3 Covered Contract is to be awarded based upon the lowest price, the contract may be awarded to the qualified Section 3 Business Concern with the lowest responsive quotation, if it is reasonable and no more than a certain percentage higher than the quotation of the lowest responsive quotation from any qualified source. *What percentage difference does the CDC recommend? It may be up to Ten percent.*
- **Rating System:** When the Section 3 Covered Contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of

the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system may provide for a range of the total number of available rating points to be set aside for the provision of preference for Section 3 Business Concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system. *What percentage of the points does the CDC recommend to give preference to Section 3 Business Concerns?*

- **Homeowner Rehab Programs:** The City will inform the borrower(s) about Section 3 guidelines and will encourage them to consider Section 3 Business Concerns in their selection process. The City shall provide the borrowers with a list of potential bidders that have responded to advertisement from the City that has encouraged Section 3 Business Concerns to respond. *Are we willing to let the borrower select a Section 3 Business Concerns even if they are not the lowest bidder without having to pay the difference between that bid and the lowest reasonable bid, if the lowest Section 3 bid is within 10 percent of the lowest qualified bid? The difference would be paid by the City's Housing Rehab Loan program.*
- **Goals:** Do we want to establish numeric goals for Section 3 above and beyond the minimum safe-harbor goals pursuant to Section 3? Which are:
 - **30%** of the aggregate number of new hires shall be Section 3 residents annually
 - **10%** of the total dollar amount of all Section 3 covered construction contracts shall be awarded to Section 3 business concerns.
 - **3%** of the total dollar amount of all non-construction Section 3 covered contracts shall be awarded to Section 3 business concerns.

Items related to the bullet points noted above are highlighted in yellow in the draft Section 3 Implementation Plan.