



CHA's Section 3 Program

Tenant Services & Finance Committees
August 10, 2011

CHANGE.
CHICAGO HOUSING AUTHORITY

Section 3-What is it?

- As a provision of the Housing & Urban Development Act in 1968, Section 3 states that when federal funds are being used to pay for a project, ***to the greatest extent feasible***, contractors should give preference for hiring to low-income persons residing in the community where the project is located.
- Section 3 is race and gender neutral, meaning it is different from Minority owned and Women owned businesses.
- The Davis Bacon Act requires the prevailing wage for construction related jobs. Wage determination is set by the Department of Labor.

Section 3 -Tiers

- **TIER I-** The goal of Section 3 is for a contractor to hire Section 3 residents for 30% of all new hires IF they are hiring for the project.
 - EXAMPLE: If a contractor needs to hire 3 employees as a result of the contract, 1 of them must be a Section 3 worker.

- **TIER II-** Section 3 regulation also requires that to the ***greatest extent feasible*** it must sub-contract 10% of the work to a Section 3 Business Concern for construction contracts and 3% for non-construction contracts.

- **TIER III-** If hiring and subcontracting are not feasible, CHA provides an option to pay into the Other Economic Opportunities fund.
 - 1.5% for Professional Service Contracts and 5% for Construction Contracts

- CHA has consistently exceeded HUD's 3 policy in its hiring of Section 3 workers and a requirement to pay into the fund if hiring or subcontracting is not feasible.

CHA's Section 3 Hiring Process (Tier I)

- CHA's goal is to ensure that as many CHA residents as possible are employed. Contractors are asked to comply with Section 3 by hiring Section 3 eligible persons regardless of whether new hires are necessary. Direct hiring is accomplished using the following preference order:
 - CHA resident where work is being performed
 - CHA resident within community
 - CHA resident at large
 - HCV resident
 - Low-income non-CHA resident
- CHA public housing residents are no longer required to “register” for Section 3. Instead they should work with their FamilyWorks provider to complete a workforce survey and apply for opportunities as they become available.
- All HCV and community residents who meet Section 3 requirements should register for consideration of Section 3 opportunities through www.thecha.org

Section 3 Process

PRE-AWARD

Section 3 Utilization Plan

(*Schedule C*) and Job Order are submitted to Procurement in Contractor's bid. The selected Contractor's Job Orders are sent to Section 3 Coordinator via the Compliance department for processing. An initial scan of residents in the system with requisite skills.



JOB ORDER PROCESSING

The Job Order form is entered into the database system and forwarded to FamilyWorks providers by Resident Services

Section 3 Process

APPLICANT PROCESSING

FamilyWorks providers upload resumes to Section 3 Coordinators. Coordinators conduct an initial review of resumes to ensure applicants meet qualifications. If there are no qualified residents, Section 3 Coordinators search the Section 3 database for HCV and Community applicants. Qualified candidates are submitted to contractor



CONTRACTOR REVIEW and INTERVIEW

Contractors interview and screen applicants (e.g. background, drug tests). Required to submit an interview form to CHA for all candidates interviewed. CHA informs FamilyWorks provider reasons for not being hired



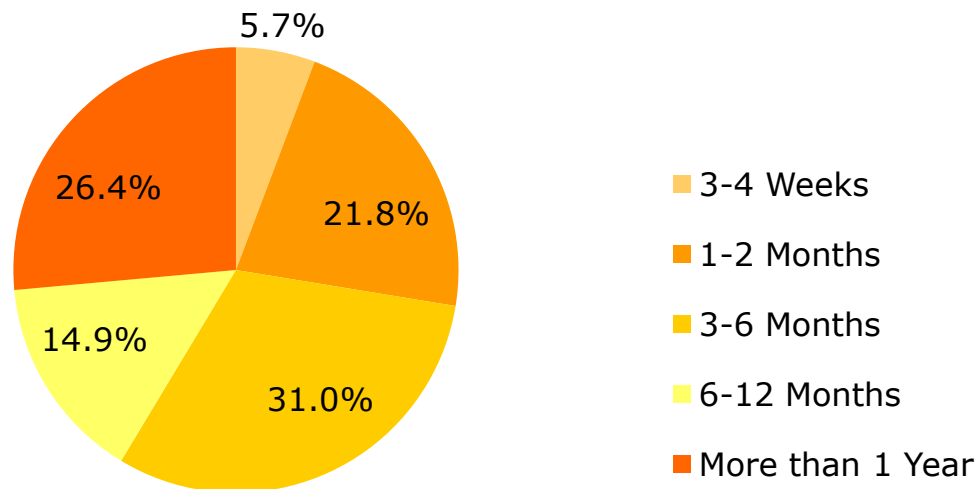
POST HIRE

Candidate begins work; receives support from FamilyWorks provider. Is applicable. Contractor submits Schedule E noting all hires and wages, along with certified payroll reports (construction). Compliance department reviews and monitors Section 3 compliance.

2011 Section 3 Positions

- New Section 3 positions are being distributed to CHA's service providers through Salesforce.com via the job order process.
- During the first 6 months of 2011, CHA contractors have hired 128 Section 3 workers
- 50 positions are currently available through the 32 open job orders.
- The average wage of these positions is \$24.25 (wages range from \$8.25 to \$53.10), including all professional and construction positions
- The duration of Section 3 jobs can range from 3 weeks to multiple years depending on the needs of the contractor and duration of the contract.

Anticipated Duration of Section 3 Jobs (2011)



2010-2011 (Q1-Q2) Section 3 Positions

Time after placement	Number who could have been employed	Number who were actually employed	Percent Employed
30 days	473	450	95%
90 days	450	368	82%
180 days	353	258	73%
270 days	301	189	63%
365 days	222	127	57%

<i>Average number of days worked</i>	231
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Time after placement	Average Wage	Median Wage	Lowest Wage	Highest Wage
30 days	\$21.01	\$15.00	\$8.00	\$59.72
90 days	\$20.08	\$15.00	\$8.00	\$59.72
180 days	\$19.54	\$14.46	\$8.25	\$59.72
270 days	\$18.44	\$14.49	\$8.25	\$59.72
365 days	\$18.69	\$15.00	\$8.25	\$53.10
<i>Overall</i>	<i>\$21.42</i>	<i>\$15.00</i>	<i>\$8.00</i>	<i>\$59.72</i>

Section 3 Business Concerns (Tier II)

- **Section 3 Business Concern:** is a business that
 - Is 51 percent or more owned by Section 3 residents; or
 - Employs Section 3 residents for at least 30 percent of its full time, permanent staff; or
 - Provides evidence of a commitment to subcontract to Section 3 Business Concerns, 25% or more of the dollar amount of the awarded contract.
- **Resident Owned Business:** is a business that
 - is 51% or more owned by Section 3 resident (s).
 - A Resident Owned Business is not eligible to participate as such after they have received combined contracts in excess of \$1,000,000, but may be considered a Section 3 Business Concern.
- CHA is required by law to follow appropriate procurement rules for all contractors including ensuring that businesses are bonded, insured and able to perform the work contracted to do.

Section 3 Business Concerns

- HUD does not have an official certification process for Section 3 Business Concerns. Businesses that have identified themselves as a Section 3 Business (& a Resident Owned Business, i.e. 51% or more owned by a Section 3 resident) include:

Firm	Scope	Site	Developer/Property Manager	Approx \$ value
Hood Construction	<ul style="list-style-type: none"> • Roof repairs • Make ready units • 6 contracts awarded 	<ul style="list-style-type: none"> • Lathrop Homes Resident 	East Lake Management	Over \$ 67K
Meyer's Construction	<ul style="list-style-type: none"> • Painting of vacant unit • 9 contracts awarded 	<ul style="list-style-type: none"> • Altgeld Gardens Resident 	East Lake Management	Over \$112K
Wiley Lawn Care LLC	<ul style="list-style-type: none"> • Snow removal • 34 contracts awarded 	<ul style="list-style-type: none"> • Traditional Portfolio 	East Lake Management	Over \$75K
Wiley Lawn Care LLC	<ul style="list-style-type: none"> • Vacant lot maintenance • Snow removal 	<ul style="list-style-type: none"> • Oakwood Shores (Former Wells/ Madden Park) 	The Community Builders	\$200K
RA Janitorial	<ul style="list-style-type: none"> • Vacant lot maintenance • Snow removal 	<ul style="list-style-type: none"> • West End / Jackson Square (former Rockwell Gardens) 	Eastlake	Over \$50K

Section 3-Other Economic Opportunities (Tier III)

- If CHA's Contractor cannot meet the Section 3 hiring or contracting requirements, it must thoroughly document its inability to comply. This typically occurs due to contractual restrictions (e.g. contract does not require hiring new staff).
- That Contractor must instead donate to CHA's Section 3 Fund, which provides other economic opportunities for CHA residents:
 1. Trade, Construction and Rehab Contractors must donate a minimum of 5% of the total contract amount.
 2. Other Contractors (e.g. Consulting, Technical) must donate a minimum of 1.5% of the total contract amount.
- CHA primarily uses the Section 3 fund to pay for resident tuition through CHA's Intergovernmental Agreement with **City Colleges, youth scholarships through Windows of Opportunity**, and to fund **Transitional Jobs programs**. In 2011, CHA has utilized \$770,800 of Section 3 funds for these programs.
- As of July 31, 2011, the Section 3 fund has a balance of \$964,447.

Questions?

For Compliance related questions:

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