

Chapter 15.

We're gonna talk about training employment opportunities, which is Section 3. Section 3 of the Housing and Redevelopment Act of 1968. We're gonna talk about resident owned businesses, contracting with resident management corporations, assistance to small and other disadvantaged businesses, PHA reporting. We're not gonna hit this in big depth, it's gonna be an overview because you can go on for hours about some of this stuff. Introduction, HUD encourages training and employment opportunities to residents and contracting with residents, and resident-owned firms. You know that's really good, HUD encourages it because it's the law. (laughs) You get it, it's the law. PHAs are required to establish goals for contract awards to small and minority owned businesses, and minority owned businesses, MBEs. Women owned businesses, WBEs, and businesses in labor surplus areas. I wanna tell you something, you are encouraged and required, both to set goals, but you have absolutely no responsibility to ensure that firms owned by women and people of color, by disaventrance, any of that get contract awards. You know why?

Because they have to win bids like anybody else, win quotes like anybody else, win RFPs become top-rated like anybody else. Yes, in fact, if any of you are giving preferences to women and minority owned firms, I recommend you cease because it is a violation of Supreme Court decision JA Croson versus The City of Richmond. Where it states that government agencies cannot give preferences to people based on ethnicity or gender. Unless they have done the disparity study, which would cost you about \$100,000. So, you haven't done it. And the disparity study called for those solutions. Yeah, that's the quick of it. You can't give points. How many of you do give points? Don't do it. It's not allowed. We don't give points in hiring. I see women and people of color in here. You got your job based on qualifications, past work experience. Whatever it was that you got your job on that ladies and people of color. Whatever it was, that's how you got your job, and that's the way we hire contractors, are you with me? Yeah, it's the same thing. Yeah The reason I bring that up is because people think otherwise. They think some folks should get preferences but they don't, it's not how people are hired. It's not how contractors are hired. It's a myth, or needs to be a myth. 'kay Section 3 objectives must be consistent with existing federal law, and state and local laws. What is the law for Section 3? It is 24 CFR 135, yeah, that's the law. That's how we'll do Section 3. Section 3 ensures that whenever a contract is given to a governmental agency; cities, counties, and public housing authorities. Those persons who are low and very low income receive not a preferences hiring, but first an opportunity in hiring. Although sometimes preferences kick in. By the way, I know this, why?

Because when the Housing Authority hired me, I was a public housing resident, Section 3 hire, 1977. Now, did I get that because I was a resident, low income and by the way I was low income all right. (laughs) My wife at the time kept telling me how low income I was. I was working for Boys & Girls Clubs, working in a public housing development. When they went to put me into the site to live because at the time they had a law where they were encouraging community based people to live on the sites. Do any of you remember that, yeah. They said, "We don't have to put you in on the program, "you're way below the poverty level." My wife's answer was, "I told you so." But I'm a man, so I didn't quite get all of that stuff, although I found it out at the time. Yeah, found it out at the time. I got the job because I had an executive director, Arthur Sartini, who was always looking for residents and people in the community work at his housing authority.

Because he felt he could mold them into the kind of employees he wanted, and he did, but he was looking for people with certain capabilities and abilities. A number of our people came

from our sites, employees at the entry level positions, because that's what he was always looking for. And that's what staff were looking for. I was recommended based on my interaction with him. I came in, in the community center's department, the Boys and Girls Clubs, but in short order I was moved to the warehouse and eventually worked myself up to when I retired 32 years later. I was by then a Director, but I had to work myself up. I had to take all the training and do all the stuff that they provided for us. There were a number of other residents in our authority who got the same thing. Hence, a successful Section 3 program. Though at the time we did not identify it as such. We identified it as looking for people close to home. Which is what Section 3 is. (laughs) Section 3 covered programs and covered work. Now... Section 3 applies to PHA funds used for housing development, yes. Operations, yes. The capital fund programs, yes. We will apply Section 3 requirements to those programs. Expenditure of funds generated by the Housing Choice Voucher Program, yes. Non-federal funds such as tax credit, yes. But Mike, this is all investor money. But the first paragraph of 24 CFR 135 states, "Under the applicability section, "this Section 3 applies to not only federal funds "but to funds that the housing authority has "that is not administered by the Assistant Secretary of HUD." Everything you do, Section 3 applies to except to Section 8 landlords, and materials, and equipment. Section 3 only applies to when work is being provided. Contracting with resident-owned businesses does satisfy the requirements of Section 3. By the way, how many of you have resident-owned businesses? There's not a lot is there? We had a janitorial firm. It was not only a resident-owned business, it was a Section 3 business because she was a resident of public housing. Though her income was growing because Martha was a very entrepreneurial spirit. We did a bid, actually, and set the bid aside just for her because the law allows for Set-Aside, not for Section 3 firms, but for resident-owned businesses that are also Section 3 and she was the only respondent. I also had Section 3 businesses in that we had residents who had tow-behind barbecues, and they did barbecuing and little events. We hired them for our events. But remember, all of these businesses must have a business license and must have insurance. Now Martha, who had a janitorial firm, she had her own license and insurance. But those barbecuers didn't have a license and insurance, so how did I cover them?

Because I wanted to encourage resident-owned businesses, I bought them a license out of our non-aided funds. How did I encourage buy their insurance? We named them on our own insurance policy because we felt the risk was low, so we had a resident-owned business. What do you call that, a rating, an area, and then we paid their insurance for them. In many cases, hoping that they would get smart and get their own stuff. None of those barbecuers ever did, but Martha did. She left our housing authority. She met the limits that HUD allowed and then she moved and bought a house. Today she has, well I don't know if she's still in business, but at one point 15 years ago, she had 100 employees. She was a janitorial firm. She hired a lot of public housing residents. There is a mandatory clause in 24 CFR 135.38 that must be included in every contract you execute. Do you know that I said every contract? Except contracts for materials, which we don't have many of those contracts for. That clause applies, the mandatory Section 3 contract clause applies to every contract you issue except for materials, down at the bottom there. But all those other contracts are covered. You must report your Section 3 information to HUD. You must report your Section 3 information to HUD. There is a form HUD 60002 listed in the handbook, but you know what, it's now an online reporting system and you're aware. Resident-owned businesses, ROBs, HUD encourages it of course. Started with Secretary Kemp many years ago, really a push on it but we like people to get businesses and get out, right? Yeah, we want them to make money and go. You can use again, that alternative method where if you have at least one resident-owned business you can restrict the bid, or the RFP to resident-owned businesses only. But they have to be a full business, just like anybody else, licensing and insurance, and all of that. The only time I've done that is with that janitorial firm. I ended up paying her a number of hundreds of thousands

of dollars over the year. By the way, she was a good business owner. She was good at overseeing the sites, yep. The work that she was providing. Everything that you do with this alternate process, this alternate procurement process for resident-owned businesses is the same as you do for anything else. You prepare the ICE, you solicit the offers by a quote, a bid, or a proposal. You receive the offers. They must certify that they are a resident-owned business. You cannot spend more than a million dollars with them. I'm sure you're worried about exceeding that limit. (laughs) I didn't spend a million, but she was getting close to it over the years by the time she moved out. You must analyze the cost, do a cost or price analysis. Contracting with a resident management corporation. I'm gonna hit this very lightly, very quickly. Resident management corporations may be entered into an agreement without competition. However, they have to be a certified resident management corporation. You know Chicago Housing Authority did this. Most of you I think are so small.

Do any of you have resident management corporations? Yeah, there's a lot of rules pertaining to it. Where you have to ... You have to coordinate them and sync them in with everything else you do, including collective bargaining agreements. But to be a sole source award, it needs to meet certain conditions that are all listed here. Meet all the criteria to qualify, demonstrate the capability. They've gotta have a fidelity bond. Comply with all requirements to CFR 200, that means when they manage the sites, they've got to do procurement in such a manner that they do not violate the procurement regs. And they have to be audited every year by a licensed CPA. You're required, let's talk about assistance to small and other disadvantaged businesses. You are required to make every feasible effort to ensure that small business, MBEs, WBEs, labor surplus area businesses have access to your procurement process. That does not mean, though you establish goals, it does not mean that you're gonna give them a preference, because folks that's insulting. Folks get our jobs. Everybody, we get our jobs based on qualifications. We also, if we're a contractor, get our contracts based on all of the same ways other contractors do. Low quote, low bid, top-rated firm. Yes, yes. By the way, in the year 2000 I won the International Minority Advocate Award for purchasing throughout the world. In the previous decade, I had a very successful program. I had spent \$200 million dollars. My typical spend was \$20 million a year at my agency and 58.8% of all my awards went to women and people of color, based on government bidding rules. Yeah, worked out really good, and hey I'm a conservative guy. I didn't give any preferences or anything. We just did our bids and people won their awards. How did I do that? Well, as it says here. You establish goals and then you have to do stuff that will help you meet those standards. I did tremendous outreach, went to Ethnic chambers. Not just me, but my staff. We'd send other people.

Sometimes our housing managers would go to the Hispanic chamber meetings. We would hand out business cards that had our registration information on them. People started responding to that and then I upped the amount of percentage of minority and women owned firms. Which increased the likelihood that they would get awards. But I gotta tell you something, I went to the Las Vegas Chamber too. that had no such affiliation. Yeah, went to everywhere. Everywhere where they're businesses. I even went to the Lamda's Society Breakfast once a quarter. I don't know how, gay, lesbian, whatever all that acronym is, and they would say, "What are you doing here?" I'd go, "Well I'm handing out cards. "Would you like to register, "you have businesses here?" It was a business function. I went to everything that I could, wherever business people gathered. Trade fairs and as a result I had about 2,000 people on my bidders list, and a high percentage of them were in what we would call 'diverse areas.' Which upped the diversity of my contract awards. Now how I got 58.8%, which is huge was I had a couple of women owned firms, one Hispanic owned firm, and several African American owned firms who got a lot of awards in my architectural and in my construction area because they were dialed in to how to bid those kinda things. It just resulted in a great amount

of awards. Hey by the way, businesses nationwide that are women and minority owned is about 17% of the business community. That includes all the Vietnamese nail salons and Mexican restaurants and everything. So you probably got about a 10%. When you set goals, it says here, it talks about goals right here. Make the goals realistic to your business community.

If in the rural areas you find out from the State of Oklahoma you have a low percentage of women and minority owned businesses in those areas, set your goals accordingly. You must code every vendor entered into your accounts payable system, why? Because you have to report on form HUD 2516 how you're doing with contract awards to women and people of color in eight different ethnic and gender areas, and in nine different sharp contract types. Has to go to HUD every year. We've talked about this study existing barriers. Well, my biggest barrier was they didn't know that I had contracts out, so I started using electronic means to do bidding. Which increased my opportunity for disadvantaged businesses. Modify your policies, communicate directly with such firms, but remember I communicated directly with Caucasian owned firms also. You know what I mean? Treated everybody the same. Made sure everybody was aware of every quote, bid, or RFP, and I did that electronically. Maintained a list of residents, that's what I did. Established partnerships, yeah. When our Mayor in Las Vegas held his Blue Ribbon Committee on race, the Urban chamber, which was the Black chamber appointed me as their representative. By the way, you may not have noticed but I am Caucasian. Actually we don't know what people are unless we find out a lot of times. I was their appointment to the chamber, why? Because I represented their interest because I was on the Board and I did things in a manner that they enjoyed them being done. They wanted them to be done