

**CHAPTER 4  
PROCUREMENT STANDARDS**

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## CHAPTER 4 PROCUREMENT STANDARDS

### I. INTRODUCTION

The Office of Community Renewal (OCR) has elected to adopt the federal procurement procedures (24 CFR 85.36) as the procurement procedures applicable to the New York State Community Development Block Grant (NYS CDBG) program. If NYS CDBG funds are used to pay for a product or service in whole or in part, NYS CDBG procurement procedures apply unless the Recipient's procurement policy is stricter.

All procurements, regardless of dollar amount, must be conducted to provide open and free competition. Many times competition can be restricted by organizational conflict or non-competitive practices among contractors. Recipients should be alert to issues of this nature, which may adversely affect procurement practices. Before entering into any agreements to purchase equipment or materials or to retain the services of a consultant or contractor, Recipients need to verify compliance with the federal procurement requirements.

### II. GENERAL PROCUREMENT STANDARDS

**A. Establish written procedures for the procurement of supplies and other expendable property, equipment, real property, and other services with NYS CDBG funds.** These procedures are to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders. The procedures must describe how services or supplies are to be obtained. The procedure policy should address at a minimum the following:

1. Procurement reviews to avoid unnecessary and duplicate purchases;
2. Analysis of lease and purchase alternatives to determine which would be the most economical and practical procurement;
3. Solicitations for goods and services including:
  - a. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features that unduly restrict competition.
  - b. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.

- c. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
- d. The specific features of “brand name or equal” descriptions that bidders are required to meet when such items are included in the solicitation. Failure to include “brand name or equal” is referred to as sole source bidding and is specifically prohibited.

For more information on the prohibition as sole source bidding, refer to Brand Name or Equal Specifications [24 CFR 85.36(c)(1)(vi)]. Under this form of specification, clear and accurate product descriptions are developed. These descriptions shall not contain features that unduly restrict competition. It may be necessary to describe technical requirements for materials and equipment by referencing brand name products in order to define performance or other salient requirements. References to brand names shall be followed by the words “or equal” and a description of the item’s essential characteristics so that competition is not restricted.

Specific brand names may be used only for establishing design and quality standards and only if there is no other reasonable method of designating the required quality of the item desired. When brand names or catalog numbers are used, inform the offerors that such references establish only design or quality standard; in fact, any other products that clearly and demonstrably meet the standard are also acceptable.

- e. The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
- f. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

**B. Maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts.** Reference the Conflict of Interest section in Chapter 6.

**C. Take full responsibility as the “responsible authority” regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements.** This includes disputes, claims, protest of awards, source evaluation or other matters of a contractual nature.

**D. Establish protest procedures to handle and resolve disputes relating to procurement and in all instances disclose information regarding the**

**protest to OCR.** A protestor must exhaust all administrative remedies with the Recipient and OCR before pursuing protests with the responsible federal agency.

- E. Ensure that all procurement transactions are conducted in a manner to provide, to the maximum extent practicable, open and free competition.** In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the Recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the Recipient.
- F. Ensure that the type of procuring instruments used (i.e. fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) is appropriate for the particular procurement and for promoting the best interest of the program or project involved.** The “cost plus a percentage of cost” or “percentage of construction cost” methods of contracting shall not be used.
- G. Ensure contracts are made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement.**
- H. Upon request, make available to OCR for review, pre-award, and procurement documents, such as requests for proposals or invitations for bids and independent cost estimates, when any of the following conditions apply:**
1. A Recipient’s procurement procedures or operation fail to comply with the federal procurement standards.
  2. The procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403 (11) (currently \$100,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.
  3. The procurement, which is expected to exceed the small purchase threshold, specifies a “brand name” product.
  4. The proposed award over the small purchase threshold is to be awarded to other than the apparent low bidder under sealed bid procurement.
  5. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase threshold.

- I. **Conduct a cost or price analysis and document it in the procurement files in connection with every procurement action.**
- J. **Maintain procurement records. Files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection; (b) justification for lack of competition when competitive bids or offers are not obtained; and (c) basis for award cost or price.**
- K. **Maintain a system for contract administration to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow up of all purchases.**
- L. **Ensure that all contracts include all required provisions that define a sound and complete agreement. Refer to Exhibit 4-1 Contact Provisions.**

### **III. PROCUREMENT PROCEDURES**

#### **A. Full and Open Competition**

All procurement transactions should be conducted in a manner that provides full and open competition. Procurement procedures should avoid any provisions that would restrict or eliminate competition. Some of the situations considered to be restrictive of competition include:

1. Placing unreasonable requirements on firms in order for them to qualify to do business;
2. Requiring unnecessary experience and excessive bonding;
3. Noncompetitive pricing practices between firms or between affiliated companies;
4. Noncompetitive awards to consultants that are on retainer contracts;
5. Organizational conflicts of interest;
6. Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance of other relevant requirements of the procurement; (Refer to II (A) (3)(d) above; and
7. Any arbitrary action in the procurement process.

**To maintain an open and fully competitive process, Recipients must solicit bids by mail and public notices in large circulation daily newspapers, large regional papers and/or special trade publications.**

## **B. Geographic Preference**

As recipients of federal funds, NYS CDBG Recipients should conduct procurement in a manner that avoids the use of administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. Including criteria in a request for proposals such as “knowledge of community” or “experience with community” would be considered to “unduly restrict competition” and are discouraged.

## **C. Written Selection Procedures**

NYS CDBG Recipients should have written selection procedures which provide, at a minimum, that all solicitations:

1. Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. The description should not contain features that unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, describe those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use.
2. Avoid, if at all possible, detailed product specifications. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a “brand name or equal” description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offerors must be clearly stated.
3. Identify all requirements that the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Recipients will ensure that all pre-qualified lists of persons, firms, or products which are used in acquiring goods and services, are current and include enough qualified sources to ensure maximum open and free competition. Recipients will not preclude potential bidders from qualifying during the solicitation period.

## **IV. METHODS OF PROCUREMENT**

Of the four methods of procurement, Recipients should select the most appropriate method based upon need and the nature of the services required. The following is a summary of the four basic selection alternatives and the requirements associated with each:

### **A. Small Purchase Procedures**

Those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$100,000 in the aggregate. Price or rate quotations shall be obtained from an adequate number of qualified sources. This should not be used for retaining the professional services of an architect, auditor, engineer or consultant for your NYS CDBG project without prior approval from OCR. Recipients utilizing this procedure should:

1. Record the rate or quote received along with other identifying information (name, address, and telephone numbers) and document the questions asked.
2. Follow prudent purchasing practices and receive competitive telephone or written quotations for all small purchase procurements. In all cases, the local government should obtain price or rate quotations from a minimum of two qualified sources.
3. When price quotations are obtained orally, written supportive documentation, such as detailed notes describing telephone contacts (who, what, when, etc.), must be maintained in the files.
4. If the local government small purchase procedures are more restrictive than those described above, the local government procedures must be used.

## **B. Procurement by Sealed Bid**

Bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest price. The sealed bid method is the preferred method for procuring construction when the following conditions exist:

1. A complete, adequate and realistic specification or purchase description is available;
2. Two or more responsible suppliers are willing and able to compete effectively for the business;
3. The procurement lends itself to a firm fixed-price contract (a specified price to be paid when the items or services are delivered); and
4. Selection of the successful bidder can appropriately be made principally on the basis of price.

## **C. Procurement by Competitive Proposals**

The phrase “procurement by competitive proposals” is often used interchangeably with the frequently used term “Competitive Negotiation.” This

method of procurement is generally used when conditions are not appropriate for the use of sealed bids. The method for soliciting competitive proposals is the publication of a Request for Proposal (RFP). Procurement by competitive proposals is the appropriate procurement procedure for retaining professional services such as an architect, auditor, or engineer for your NYS CDBG project.

When a Recipient receives only one response to a competitive solicitation, the procurement process should be reviewed by OCR to determine whether it was unduly restrictive or tailored to a particular contractor or supplier. The burden of proof will be on the Recipient to demonstrate that it made reasonable efforts to assure maximum open and free competition and that its procurement procedures did not have the effect of unnecessarily restricting competition.

#### **D. Procurement by Noncompetitive Proposals**

Noncompetitive negotiation is procurement through solicitation of a proposal from only one source or, after solicitation of a number of sources; competition is determined to be inadequate.

Procurement by noncompetitive proposals may be used only when the award of a contract is unfeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:

1. The items or services required are only available from a single source;
2. A public emergency exists such that the urgency will not permit a delay beyond the time needed to employ one of the other authorized procurement methods;
3. After solicitation from a number of sources, competition is determined to be inadequate, and OCR authorizes the noncompetitive method. In all cases, noncompetitive negotiation which will involve NYS CDBG funds must have prior approval from OCR. Recipients must contact their OCR Community/Economic Developer.

A cost analysis must be provided including the projections of the data, and the evaluation of the specific elements of costs and profits.

#### **V. PROFESSIONAL SERVICE CONTRACTS**

Recipients have the option of administering the NYS CDBG program themselves or contracting with another entity such as a consultant. Recipients are reminded that all applicable procurement procedures must be followed if the consultant is paid with NYS CDBG funds. Before a Recipient enters into an agreement with a consultant, a competitive method must be used to procure professional services. This process

entails a Request for Proposals or a Request for Qualifications and a review process.

## **A. Preparing a Request for Proposals (RFP)**

Although the RFP process may appear time consuming, taking the time to make sure that a competent engineer or other consultant is hired will, in the long term, save money and prevents problems.

An RFP is a written announcement that invites consultants to compete for the provision of services. The RFP should include:

1. **The name of the local government issuing the RFP.**
2. **A brief description of the project including location, purpose, time frame, and present status.** The RFP should be concise and to the point, containing all the important information needed for the firms to respond in a factual manner. However, do not overdo the RFP; include only the necessary information. A wordy or unclear RFP will unnecessarily increase the time each firm spends preparing their response and your time in reviewing the proposals. Recipients should, however, be sure to specify any services or equipment the consultant will be expected to provide, such as requiring that they open a local office or provide secretarial or financial management services. These can significantly affect how the consultant will budget his or her time and resources. The RFP should also describe any unique problems involved in the project and any previous studies that would be available for their review.
3. **A general description of the scope of the services to be provided by the consultant. The entire project scope should be included in the RFP. For instance, engineering services for the planning, design and construction phases of the project should be specifically listed in the RFP and be addressed by the responding firms.** Recipients can always change engineering firms, but if they are hired to do the facility plan (planning phase) only, and later the Recipient wants to use the same firm for the design, Recipients must go through this same procurement process again.

Recipients should not go into precise detail about the scope of the services the consultant is expected to perform. Recipients must be careful to tell what they want done and not how to do it. The response should not be a repeat of the RFP.

The RFP should allow the consultant to demonstrate his knowledge and experience by filling in the details of how he would approach the problem and the alternatives that should be considered.

4. The amount budgeted for the proposed scope of service. Recipients may want to consider including the amount budgeted for architectural, engineering, or grant administration services in the RFP. Knowledge of the available budget will also help the consultant to fit the proposal to the financial resources available, making sure that time and resources are used most efficiently.
5. The method of payment to be used.
6. The time frame for performing the work, including any major milestones or deadlines involved.
7. Information required of each respondent in order to make the selection, including consultant qualifications, related experience on similar projects, current and projected workloads, capability to meet time and budget requirements, and identity of and qualifications of professional personnel to be assigned to the project.
8. The methods and criteria to be used in evaluating the proposals, and the relative weight of each of the criteria. The RFP should not only describe the criteria to be used in evaluating the proposals but also the relative weight attached to each criterion. This is important for the consultant to better understand the priorities of your concerns and how to respond to them.
9. The name and telephone number of a local person who can be contacted for further information regarding the RFP. The RFP should also include the names and phone numbers of people that will be available and knowledgeable enough to answer questions about the RFP. Do not just list the chief elected official if that person is not likely to be available during normal business hours.

Consultants interested in responding will usually contact you before they decide to submit a proposal. OCR recommends that you be frank in answering the consultant's questions. Consultants should be allowed to review your NYS CDBG application so that they can gain a better understanding of what your community hopes to accomplish through the project.

10. Directions for submitting a response to the RFP. The directions for submitting the RFP should specify the date and time of the submittal deadline and the number of copies required. Since proposals are sometimes hand delivered, be sure to include an office address where someone will be available to accept them.

## B. Soliciting Proposals

Recipients should be able to document that proposals were solicited from an adequate number of qualified sources and that full and open competition took place prior to selection of a consultant. Encouraging adequate competition is of obvious interest and benefit to Recipients in terms of retaining the most qualified consultant at a reasonable cost. The more responses, the better the community's chance of hiring the best qualified firm.

At a minimum, the Recipient should advertise the RFP at least once in the newspaper used for its regular legal advertising. OCR's concern in reviewing local procurement procedures is that the Recipient be able to demonstrate reasonable efforts to solicit from an adequate number of qualified sources. If the RFP is advertised in a small town newspaper with only local distribution, the effort may be open to question. **Therefore, the OCR strongly recommends that Recipients also advertise at least once in a newspaper with regional distribution in their area of the state, in addition to local advertising.**

Advertising RFPs does not mean that the entire text of the RFP must be included in a legal advertisement. The advertisement can briefly announce that the community is requesting proposals and that a copy of the detailed RFP is available upon request. This approach, in lieu of publishing the entire text of the RFP, might substantially reduce advertising costs. However, it will mean that the Recipient must allow additional time for persons or firms to request and receive a copy of the RFP and to respond.

Recipients should send copies of the RFP to firms that have previously indicated an interest in submitting a proposal. You can also contact other firms directly and ask them to submit proposals. By retaining copies of the letters sent to these firms Recipients will have clear documentation of efforts inviting competitive proposals in the event that Recipients receive a limited number of responses.

**You should allow at least four weeks for responses to your RFP.** OCR considers three weeks the very minimum to allow for a reasonable time for a firm to prepare an adequate response. Less time for response would unnecessarily restrict competition. If time is too limited, some very qualified potential respondents may either be eliminated or may not be allowed sufficient time to prepare a quality proposal.

## C. Reviewing Proposals and Selecting a Consultant

Recipients may wish to consider appointing a committee of three to five people to review the responses to the RFP. Members of the committee should be familiar with the RFP and work to be accomplished through the contract. It may also be helpful to have a member of the committee with technical knowledge or

experience appropriate to the project. Recipients should have a method for conducting technical evaluations of the proposals received and for selecting awardees.

The committee should try to keep to a minimum the time between the proposal deadline, evaluation of the proposals, and the final selection of the consultant. Forty-five days is a reasonable time period. It is not necessary to interview a large number of consultants to demonstrate adequate competition. Responding to an RFP can involve a significant amount of time and expense for responding firms. It would be unfair to ask a consultant to also take the time and to incur travel expenses if they are unlikely to be selected. If you receive a large number of responses, try to limit the number of consultants to be personally interviewed to the top contenders (five should be the maximum). At a minimum, however, Recipients should interview more than one of the firms or persons that submitted responses before making a selection, in order to demonstrate that adequate competition took place.

The review committee should interview the finalists separately. Do not allow other firms to sit in on any firm's presentation. The consultants should describe their qualifications, the manner in which they would handle the work tasks, and respond to any questions regarding the content of their proposals. The individual who will be principally responsible for doing the work on your project day-to-day should be present at the interview. Allow adequate time for formal presentations and questions from the committee.

Standard questions should be asked during the interview to allow comparison of the responses. Ask the same questions of each firm. Provide each person on the selection committee a sheet listing the questions to be asked during the interview. Each member of the selection committee should note the consultant's answer to each question, and should rate the answer using a predetermined scoring method.

After ranking the responses in order of their scores on the evaluation factors and checking references, the committee will make their recommendation. Once it has reached a final decision, the Recipient should notify all of the respondents of the results in writing, as soon as possible.

#### **D. References**

**Before you make your final selection of a consultant, there is no step that is more important than to thoroughly check references.** Always request a list of prior clients, including their name, description of the work performed, address, and the name and phone number of a person to contact. A list of their most recent projects is usually best. Recipients should contact several references for each respondent being considered. Some useful questions might be:

1. Were you satisfied with the quality and timeliness of the work?
2. Was the consultant knowledgeable about funding programs and related requirements?
3. Was the consultant willing and able to work closely and effectively with local staff?
4. Were the costs or charges reasonable in relation to the work actually performed?
5. Did you experience any problems that would discourage you from hiring them again?

Also check to see if the work done for these clients is similar to what you want the consultant to do. The ability to write a grant application, for example, does not mean that the same consultant has the capability to assist you with the management of a grant. Sometimes the person or firm you are interested in will be a new firm with few, if any, client references. New, small firms can sometimes be just as good as well-established, large firms, so instead of asking for client references, you would ask for employer references.

Checking references prior to selecting a consultant is the most important action you can take to avoid becoming involved with an unsatisfactory consultant.

## **E. Preparing the Contract**

The grant Recipient's negotiation with the selected consultant will include the scope of services, timetable, contract cost, and payment terms. In most cases, the Consultant will prepare a draft scope of services based on the proposal submitted in response to the RFP. This should include detailed descriptions of the services to be provided, along with a work schedule indicating the time line for completion of the more significant tasks, and identify the products or services to be provided.

### **Put It in Writing**

The community should insist that any "understanding" between the consultant and the local government be written into the contract. "Gentlemen's agreements" can cause problems, even when involving apparently minor issues. The more time that is spent on describing who will be doing what, when, and for what fee, the smoother relations will be later on. Several points that should be clarified in the contract to protect the community's interests are:

1. State that only those key individuals who are identified in the firm's proposal for specific tasks are permitted to charge their time and expenses to the job.

This should not apply to clerical and support staff whose costs were not specified in the consultant's original proposal.

2. All commitments stated in the contract must be honored unless changes are approved in writing.
3. It is important that the contract allow a fair and reasonable profit for the consultant. The basis for this could be previous experience, contacts with other municipalities, or published professional guidelines.

Preparation of the contract itself is relatively simple once these issues have been agreed upon. It is the Recipient's responsibility to include provisions related to all applicable NYS CDBG requirements in any contract or agreement through which NYS CDBG funds are passed on to a contractor or subcontractor.

## **F. Contract Administration and Supervision**

Recipients should establish and maintain procedures to monitor contractor performance to ensure that they are performing in accordance with the scope of services, timetable, and any other terms and conditions specified in their contracts or purchase orders. Ongoing monitoring of the contractor's performance and progress in completing contracted work tasks will prevent problems which may affect the quality, timely completion, or cost of the contract for your overall NYS CDBG project.

**All payment requests must be carefully reviewed before they are approved, to make sure that costs are reasonable and are consistent with the terms of your contract or purchase order. Recipients should require narrative progress reports with each billing. The consultant should be requested to report on each separate product specified in the budget. Billing should list hours spent on each budget category by employee type. If you do not understand an item on an invoice or believe a charge is not adequately documented, you should contact your consultant and resolve the question before payment is approved.**

Some communities have found that their relationship with a consultant goes more smoothly if a specific person is assigned to act as a day-to-day liaison with the consultant and to review progress reports and requests for payment.

## **G. Prior Commitments to Consultants**

A Recipient may have contracted with a consultant, architect, or engineer to prepare the original NYS CDBG application. This contract cannot be renewed or extended without further competition unless it can be clearly documented that the original hiring process met all federal and state requirements and included a

scope of services that included the activities proposed and that could extend beyond grant writing at the Recipient's discretion.

Professional services provided for a longer period than originally procured must be re-advertised. The original consultant may respond to the Recipient's RFP, and it is perfectly legitimate to consider that consultant's prior performance when making the selection. The RFP process does not preclude you from hiring an engineer that has previously worked for you and who performed well. It does mean that you must give other qualified firms a reasonable opportunity to submit a proposal.

A community may receive a proposal for what is called a loss-leader-arrangement, where the consultant offers to prepare or assist with a grant application at cut rates or for no cost in return for favorable consideration in the selection process for a project manager, architect or engineer. No such arrangement, whether based on an oral or written agreement, can be valid or binding on the Recipient since it clearly violates federal requirements mandating "full and open competition." Also, using an evaluation criterion such as "familiarity with project or community" or "has previously worked with the community," for example, would be considered as restricting competition because it would favor a consultant or firm that had worked with the community previously and could possibly discourage competition by other consultants.

## **VI. USE OF CONSULTANTS ALREADY UNDER CONTRACT**

If the Recipient has a consultant under a pre-existing, multi-year contract, it is permissible to use that consultant as long as the activity to be carried out was outlined in the original scope of work used to procure the consultant and the process used to procure the consultant met federal requirements. Please note that multi-year contracts should be limited to three years and to one specialty area, such as housing, public works or economic development.

A single Request for Proposals (RFP) for NYS CDBG administrative services including housing, public works and economic development is not consistent with federal procurement requirements. That is, an RFP of such broad scope would place unreasonable requirements on firms in order for them to qualify to do business. Therefore, OCR restricts three-year contracting to specific specialty areas. A single RFP to carry out all NYS CDBG housing-related activities or all NYS CDBG economic development-related activities is acceptable.

## **VII. CONTRACTING WITH SMALL AND MINORITY FIRMS, WOMEN'S BUSINESS ENTERPRISE AND LABOR SURPLUS AREA FIRMS**

Recipients are required to take affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible. Recipients shall take all of the following steps to further this goal:

Ensure that small businesses, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.

Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises.

Consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises.

Encourage contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.

Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority-owned firms and women's business enterprises.

Recipients should obtain a list of Minority and Women-owned Business Enterprises (MBE/WBE) certified firms by contacting the, ESD Division of MWBD, Albany, NY 12245, (518) 292-5250 or utilize the website-based retrieval process at <http://www.esd.ny.gov/MWBE.html>.

#### **VIII. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 (12 USC 1701U)**

In accordance with the requirements under Section 3 of the Housing and Urban Development Act of 1968, as amended, Recipients shall ensure that employment and other economic opportunities generated by the use of NYS CDBG funds shall, to the greatest extent feasible, be directed to low- and very-low income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide economic opportunities to low- and very low-income persons. Assistance covered by Section 3 includes the expenditure of NYS CDBG funds for work arising in connection with housing rehabilitation, housing construction, or other public construction projects.

Section 3 requirements are applicable to all procurement actions in excess of the small purchase threshold established at 24 CFR 85.36(d)(1), regardless of whether the procurement is governed by 24 CFR 85.36. Section 3 applies to the entire project or activity funded with assistance that triggers Section 3 requirements.

Recipients of NYS CDBG grants that exceed \$200,000 must include a Section 3 clause in all construction contracts for \$100,000 or more.

## IX. DEBARMENT, SUSPENDED OR INELIGIBLE CONTRACTORS

Persons who have been declared debarred or suspended from participation in federally funded programs, by a federal government agency, are ineligible for participation in the NYS CDBG program. The List of Parties Excluded from Federal Procurement and Nonprocurement Programs for the federal government includes contractors that have been found in serious violation of federal labor standards or other requirements, and therefore have been debarred, suspended, or otherwise declared ineligible for participation in federally assisted construction projects. The List of Parties Excluded from Federal Procurement and Nonprocurement Programs is maintained by the U.S. General Services Administration and may be obtained at [www.epls.gov](http://www.epls.gov). Use of this list is required for all HUD-financed programs to verify eligibility status of contractors.

Persons who have been declared debarred or suspended from participation in New York State public works projects by the Bureau of Public Works are listed in the NYS Bureau of Public Work's List of Employers Ineligible to Bid on or Be Awarded Any Public Work Contract. This list can be obtained via the Internet at <http://labor.state.ny.us>. Any person(s) on this list are ineligible for participation in New York State's NYS CDBG Office of Community Renewal Program. Work's List of Employers Ineligible to Bid on or Be Awarded Any Public Work Contract. This list can be obtained at [www.labor.state.ny.us](http://www.labor.state.ny.us) and selecting the Debarred Employers tab. Any person(s) on this list are ineligible for participation in New York State's NYS CDBG Office of Community Renewal Program.

Recipients must maintain evidence of compliance with this requirement by retaining a copy of the lists in their Office of Community Renewal files.

## **X. EXHIBITS**

4-1 Contract Provisions

4-2 Section 3 Rider

## EXHIBIT 4-1

### Contract Provisions

It is the responsibility of the Recipient to ensure that any of these applicable provisions are included in all contract documents. It is not acceptable for the provisions to just be photo copied and attached to the contract, but rather, the appropriate provision should be included in the appropriate contract section(s). **All contracts entered into or awarded by a Recipient shall contain the following provisions as applicable:**

1. **Equal Employment Opportunity** - All construction contracts awarded in excess of \$10,000 shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
2. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c)** - All contracts and subgrants in excess of \$2000 for construction or repair shall include a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. All suspected or reported violations shall be reported to the Federal awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7)** - When required by Federal grant program legislation, all construction contracts awarded by Recipients and subrecipients of more than \$2000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. The Recipient shall place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. All suspected or reported violations shall be reported to the Federal awarding agency.

4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330)** - Where applicable, all construction contracts awarded in excess of \$100,000. Contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor shall be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1 ½ times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous on federal and federally financed and assisted construction projects. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Patent Rights to Inventions Made Under a Contract or Agreement** - Contract agreements for the performance of experimental, developmental, or research work shall provide for the patent rights of the Federal Government and the Recipient in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.
6. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended** - Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires compliance with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
7. **Section 3 12 U.S.C. 1701u of The Housing and Community Development Act of 1968, as amended** - All contracts subject to Section 3 shall include the clause set forth at 24 CFR 135.38 as provided in the Section 3 Rider.
8. The following provisions shall also be included in all contracts.
  - a. Contracts in excess of the small purchase threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances by which a contractor violates or breaches the contract terms, and provides for such remedial actions as may be appropriate.

- b. All contracts in excess of \$10,000 shall contain suitable provisions for termination by the Recipient, including the manner by which such termination shall be effected and the basis for settlement.
- c. Except as otherwise required by statute, an award that requires the contracting (or subcontracting) for construction or facility improvements shall provide for the Recipient to follow its own requirements relating to bid guarantees, performance bonds, and payment bonds unless the construction contract or subcontract exceeds \$100,000. For those contracts or subcontracts exceeding \$100,000, the OCR may accept the bonding policy and requirements of the Recipient, provided the OCR has made a determination that the Federal Government's interest is adequately protected. If such a determination has not been made, the minimum requirements shall be as follows:
  - i. A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder shall, upon acceptance of this bid, execute such contractual documents as may be required within the time specified.
  - ii. A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
  - iii. A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by statute of all persons supplying labor and material in the execution of the work provided for in the contract.
  - iv. Where bonds are required in the situations described herein, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR part 223, "Surety Companies Doing Business with the United States."
- d. All negotiated contracts awarded by Recipients or subrecipients shall include a provision to the effect that the Recipient or subrecipient, the OCR, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.
- e. All contracts shall contain a provision indemnifying the Housing Trust Fund Corporation, its agents and employees, from and against any and all claims, actions, damages, losses, expenses and costs of every nature and, including reasonable attorney's fees, incurred by or assessed or imposed against the

Housing Trust Fund Corporation, to the fullest extent permitted by law, arising out of the project being funded with NYS CDBG funds.

- f. All contracts shall contain a provision acknowledging that all parties shall be bound by, and comply with all applicable Federal, State, and local laws and regulations, including but not limited to, 24 CFR Parts 85 and 570.

## EXHIBIT 4-2

### SECTION 3 RIDER

Contractor must comply with and must ensure that the following language is included in all applicable subcontracts for work related to this Contract (the term "Contractor" as used herein shall also be deemed to mean "Subcontractor"):

1. Section 3 Clause (24 CFR 135.38)

- A. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701 u (Section 3). The purpose of Section 3 is to ensure that Employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediments that would prevent them from complying with the Part 135 regulations.
- C. The Contractor agrees to send to each labor organization or representative of workers with which the Contractor has a collective bargaining agreement or other understand, 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.
- D. The Contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the Subcontractor is in violation of the regulations in 24 DFR Part 135. The Contractor will not subcontract with any Subcontractor where the Contractor has notice knowledge that the Subcontractor has been found in violation of the regulations in 24 CFR Part 135.
- E. The Contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the Contractor is selected but before the

Agreement is executed, and (2) with persons other than those to whom the regulations of 24 CFR Part 135 require employment opportunities to be directed, were not filled to circumvent the Contractor's obligations under 24 CFR Part 135.

- F. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.
  - G. With respect to work performed in connection with Section 3 covered Indian Housing Assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this Agreement. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this Agreement that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b).
2. Contractor shall maintain such records, and complete and submit forms as may be amended from time to time, as required by the NYS Office of Community Renewal ("OCR") and/or HUD including but not limited to the Section 3 New Hires Report and the Section 3 Business Certification Package. Such forms shall be submitted in accordance with the directions contained therein and at such other times as the OCR and/or HUD may direct.