

PROCUREMENT PROCEDURE FOR PREFERENCE TO SECTION 3 BUSINESS  
CONCERNS

This Section (Section III of the Regulations), provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the “contracting party”) for implementing the Section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).

**Procurement by sealed bids** (Invitations for Bids). Preference in the award of Section 3 covered contracts that are awarded under a sealed bid (IFB) process may be provided as follows:

- (i) Bids shall be solicited from all businesses (Section 3 business concerns, and non-Section 3 business concerns). An award shall be made to the qualified Section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid-
  - (A) is within the maximum total contract price established in the contracting party’s budget for the specific project for which bids are being taken, and
  - (B) is no more than “X” higher than the total bid price of the lowest responsive bid from any responsible bidder. “X” is determined as follows:

**X = lesser of:**

**When the lowest responsive bid is:**

Less than \$100,000.....10% of that bid or \$9,000

**When the lowest responsive bid is:**

At least \$100,000, but less

Than \$200,000.....9% of that bid or \$16,000

At least \$200,000, but less

Than \$300,000.....8% of that bid or \$21,000

At least \$300,000, but less

Than 400,000.....7% of that bid or \$24,000

At least \$400,000, but less

Than \$500,000.....6% of that bid or \$25,000

At least \$500,000, but less

Than \$1 million.....5% of that bid or \$40,000

At least \$1 million, but less

Than \$2 million.....4% of that bid or \$60,000

At least \$2 million, but less  
Than \$4 million.....3% of that bid or \$80,000

At least \$4 million, but less  
Than \$7 million.....2% of that bid or \$105,000

\$7 million or more..... 1 ½% of the lowest responsive  
Bid, with no dollar limit.

- (ii) If no responsive bid by a Section 3 business concern meets the requirements of paragraph (2) (I) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.