Increasing Economic Opportunity for Low-Income Individuals

# HUD Section 3





Anthony F. Forte HUD, FPM Field Office Director Region 5

## **HUD Secretarial Section 3 Delegations**



#### **Field Policy and Management**

Manage Section 3 reporting system and other systems of record, administer Techincal Assistance funds, coordinate best practices to external stakeholders



### Program Area (CPD, PIH, MF, Etc.)

Section 3 administration, compliance, and enforcement within the scope of the applicable grant programs



Secretarial Delegation promulgated in *Delegation of Authority for the Office of FPM* 85 Fed. Reg. 62753:





# Intent of Section 3



## Statutory Intent of Section 3

To ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing.

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u(b))

#### \$1701n. Economic opportunities for low, and very low-income person-

(1) Federal housing and community development programs provide State and local govern secupients of Federal financial assistance with substantial funds for projects and activities that produce

nuficant employment and other economic opportunities. (2) low- and very low-income persons, especially recipients of government assistance for hou

(3) the employment and other economic opportunities generated by projects and activities that receive Federa

come persons, particularly persons who are recipients of government assistance for housing, and (4) prior Federal efforts to direct employment and other economic opportunities generated by Federal hot munity development programs to low- and very low-income persons have not been fully effective and

economic opportunities generated by Federal financial assistance for housing and community development rams shall, to the greatest extent feasible, be directed toward low- and very low-income p hose who are recipients of government assistance for housing

subcontractors make their heat efforts, consistent with existing Federal. State, and local laws and regulations ment accretance remoded personnt to section 1/17c of title 47, operation accretance provided to

The efforts required under subparagraph (A) shall be directed in the following order of priority:

(i) To residents of the housing developments for which the assistance is expended. (ii) To residents of other developments managed by the public or Indian housing agency that is

(iii) To participants in YouthBuild programs receiving assistance under section 3226 of title 29.

nonmetropolitan county) in which the assistance is expende

that, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the project is located.

(A) provides economic opportunities for a class of persons that has a majority controlling interest in th

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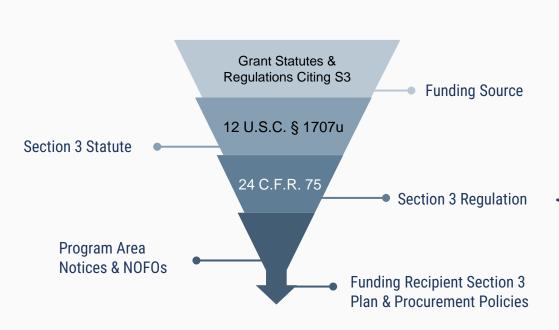
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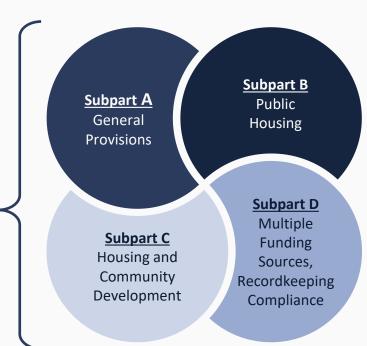
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ction 3226 of title 29



## **Section 3 Regulations/Rules**









# Fundamental Section 3 Definitions

## **Section 3 Worker/Business**



#### **Section 3 Worker**

Worker who is, or when hired in the past 5 years\* was:

- A Low- or Very Low-Income individual: or
- A Youthbuild participant; or
- Employed by a Section 3 Business Concern

Only need to meet one of the prongs!





#### **Section 3 Business Concern**

Business meeting at least one criteria within the last six month period:

- ≥ 51% owned/controlled by low-or very low-income persons; or
- > 75% of the labor hours performed for the business over the prior 3 month period are performed by Section 3 Workers; or
- ≥ 51% owned/controlled by current public housing residents or residents who currently live in Section 8-assisted housing

<sup>\*</sup> Cannot look back prior to November 30, 2020 – the effective date of 24 Part 75

## **Targeted Section 3 Worker (TS3W)**



### **TS3W for Public Housing Funds**

#### A Section 3 Worker who is:

- Employed by a Section 3 Business Concern; or
- Who currently fits, or when hired fit, <u>one of the</u>
   <u>following definitions</u>, as documented in the previous 5
   years\*:
  - Resident of Public Housing or Section 8assisted housing; or
  - Resident of other Public Housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance; or
  - A Youthbuild participant



## **TS3W for Housing Community Development Funds**

#### A Section 3 Worker who is:

- Employed by a Section 3 Business Concern; or
- Who currently fits, or when hired fit, <u>one of the</u>
   <u>following definitions</u>, as documented in the previous 5
   years\*:
  - Living within the service area or the neighborhood of the Section 3 project; or
  - A Youthbuild participant

## Section 3 defers to local, state, and other federal rules and regulations. (24 C.F.R. §§ 75.9 & 75.19)

## **When Status Determined**



## Section 3/TS3 Worker



A Section 3/TS3 Worker status determined at either:

- Date of Initial Hire/Contract: or
- · Post-Hire certification date.



Once established Section 3/TS3 Workers may report their labor hours for 5 years from the date used to determine their status\*

Workers may reestablish their status as a Section 3/TS3 Worker at any time.



#### **Section 3 Business Concern**

Prior to contracting grantees/contractors may maintain a self-certified registry.



*Verification* of Section 3 Business status is done at time of contracting, which means:

- Anytime post contract date, but
- No earlier than 6 months prior to contract date.



Once verified a Section 3 Business maintains Section 3 status for as long as it continues to meet the definition (generally the length of the contract)

<sup>\*</sup> Cannot look back prior to November 30, 2020 – the effective date of 24 Part 75





# Applicability / Requirements of Section 3

## **Section 3 Applicability**

#### **Determined by Funding Source**

**2020-24 Indiana Funding** 

\$431.66 Million



#### **Public Housing**

#### **Applies to Entire Grant:**

- Section 3 requirements apply to all activities funded with the following funds, regardless of the amount funded:
  - Operating Funds
  - Capital Funds
  - Development/Modernization Funds
  - RAD See notice for specifics

Check Program Regulations, Notices, and NOFOs of HUD Funds for more info on applicability

#### \$860.41 Million



## Housing & Community Development

#### **Application Determined by Project:**

- Section 3 requirements for HCD funding apply to only those projects that meet the definition of a Section 3 Project under §75.3:
  - CPD Formula Grants
  - CPD Competitive Grants
  - Lead Grants
  - Multifamily Grants

24 C.F.R. § 75.29 includes a special provision for projects with multiple funding sources (e.g. RAD Projects).

## **HCD - Section 3 Project Definition**



## **Section 3 Project:**

- Housing rehabilitation, housing construction, and other public construction project that is
- · Assisted under HUD programs that provide HCD financial assistance
- When the total amount of HCD assistance to the project exceeds a threshold of \$200,000
  - The threshold is \$100,000 where the assistance is from Lead Hazard Control and Healthy Homes program funding.

A project for this purpose is the site(s) together with any building(s) and improvements on the site(s) that are *under common ownership, management, and financing*.



Applies to Section 3 projects for which assistance or funding is committed on or after July 1, 2021 – See CPD Notices for more information

## **Section 3 Requirements**

NOTE: Material Only contracts are exempted from Section 3 Requirements



#### PHAs & their contractors/ subcontractors

Consistent with existing Federal, state, and local laws & regulations must make their best efforts to provide to Section 3 Workers

#### **Make Best Efforts to Provide**

Employment & Training to:

24 C.F.R. § 75.9

Contracting with S3 businesses providing economic opportunity to:

- TS3 Workers living in PHA Project
- TS3 Worker subsidized by funding PHA
- Youthbuild Participants
- L/VLI Persons residing within Metro/County where assistance provided



## **Housing & Community Development Funding**

Consistent with existing Federal, state, and local laws & regulations shall provide to Section 3 Workers in Metro/County where the project is located

#### To the Greatest Extent Feasible

Employment & Training to:

24 C.F.R. § 75.19

Contracting with S3 businesses providing economic opportunity to:

- Section 3 Workers residing <u>within neighborhood</u> of the Section 3 Project – See <u>Neighborhood Tool</u>
- Youthbuild Participants / Programs

## **Neighborhood Service Area**

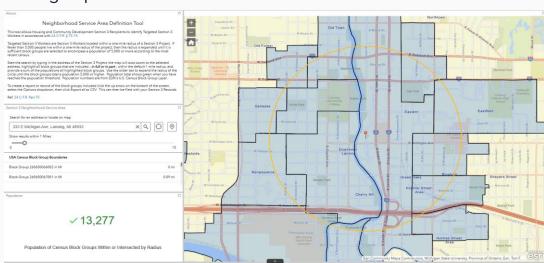


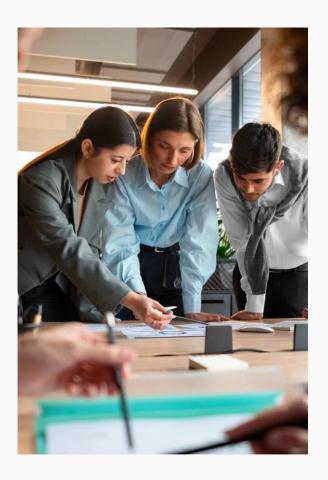
- An area within one mile of the Section 3 Project.
- If fewer than 5,000 people live within a one-mile radius of the Section 3 Project, then the circle is expanded until it is sufficient to encompass 5,000 people.

Due to the nature of census data, HUD does not expect this to be a perfect circle and allows for the inclusion of entire census block group/tract that touches anywhere within the radius of the circle. Not appropriate to try and pro-rate a census block group/tract.

HUD Region 5 Section 3 Resource
Hub includes a HCD Neighborhood
Service Area Tool

Designed to assist grantees and contractors in determining the Neighborhood Service Area.







# **Section 3 Reporting**



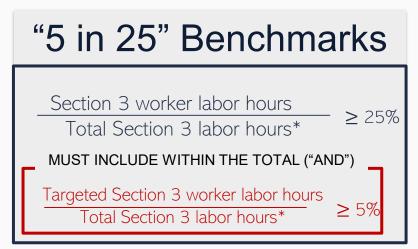
## What is Reported

- HUD Funding Recipient is ultimately responsible for reporting
  - Leeway and flexibility in how this is conducted
- Reported information determines if recipient met benchmarks and safe harbor
  - If safe harbor not met, recipient reports on qualitative measures undertaken to meet Section 3 goals
- Requires tracking of:
  - Total Labor Hours (minus professional services)
  - Section 3 Worker Labor Hours
  - TS3 Worker Labor Hours
  - Prioritization efforts undertaken to meet benchmarks (qualitative efforts)

## **Establishing Safe Harbor**

HUD considers recipients to have complied with Section 3, absent any contrary evidence, if they – MUST DO BOTH!:

- □ Certify that they have met the prioritization efforts outlined in § 75.9 or §75.19 (as applicable), AND
- Meet or exceed the applicable Section 3 Benchmarks as published every three years in the Federal Register



### Section 3 Worker

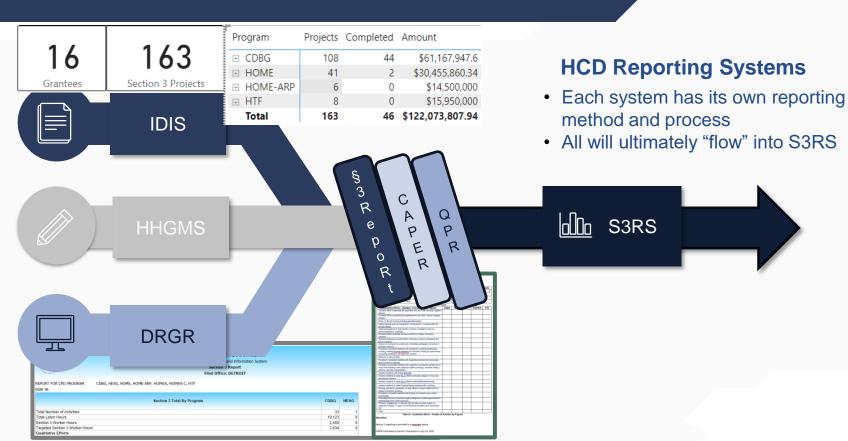
Worker who is, or when hired in the past 5 years\* was:

- A Low- or Very Low-Income individual: or
- A Youthbuild participant; or
- Employed by a Section 3 Business Concern

## **Qualitative Efforts**

- Outreach efforts to generate job applicants who are Targeted Section 3 workers
- Training/apprenticeship opportunities
- Technical assistance provided to help Section 3 workers compete for jobs (resume assistance, etc.)
- Provide/connect Section 3 workers with assistance in seeking employment
- Holding job fairs
- Provided/referred Section 3 workers to services supporting work readiness and retention
- Provided assistance to apply for/or attend education/vocational training
- · Provide financial literacy training
- Engage in outreach to identify and secure bids from Section 3 business concerns
- Provide technical assistance to Section 3 business concerns to help them understand Section 3 requirements
- Divided contracts into smaller jobs to facilitate participation by Section 3 businesses
- Provide bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns
- Outreach, engagement, or referrals with the state one-stop system

## **HCD Reporting Systems**







# **Section 3 Best Practices**





Integrate Section 3 certification into Employment programs such as FSS and Jobs Plus



Working with Federal Partners and promoting federal/state incentives for hiring low-income individuals



**WORK OPPORTUNITY TAX CREDIT** 



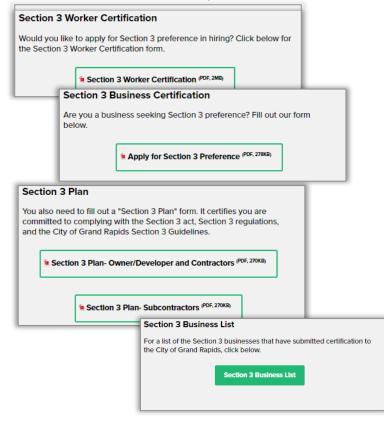
Hold informational meetings on Section 3 with your community and residents (may request field or regional support from HUD)



Include Section 3 information in your contractor briefings, indicating the advantages of hiring a Section 3 worker and becoming a Section 3 business

Maintain a list of businesses that self-certify as Section 3 for affirmative outreach when contracting opportunities become available

## Develop local/regional Section 3 Plan and Shared Business List and put it online



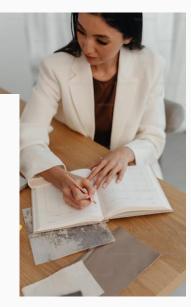
## **Preparation/Project Set-up**

#### **Enact Section 3 Policy that includes:**

- ✓ Methods to capture contractor/subcontractor Qualitative Efforts
- Outreach methods and requirements to increase Small Business participation by
  - □ Establishing equitable and accessible Small Business outreach lists for minority and women owned businesses (8a businesses)
  - Breaking larger contracts into smaller scope of work to increase ability of Small Businesses to meet capacity requirements

#### Planning Stage Section 3 Considerations:

- ✓ Streamline Section 3 certification process for subgrantees/contractors by having readily available forms\*
- ✓ Establish when and how data will be collected.
- ✓ Identify Section 3 pre-bid meeting information and any additional Section 3 training for subgrantees/contractors



## **Project Activity/Closeout**

- Consolidating reporting from subgrantees/contractors that include:
  - □ Labor Hours (Total Labor Hours, Section 3 Worker, Targeted Section 3 Worker)
  - □ Section 3 Certifications (Business, Worker)
  - □ Procurement/Contracting Records
  - □ Qualitative Efforts undertaken
- ✓ Project Completion
  - Review results to see if safe harbor is met (Prioritization certification, Benchmarks)
  - □ Actions taken by contractors to meet benchmarks Qualitative Efforts (job fairs, training opportunities, etc.)
  - □ Feedback from contractors
- √ Adjust plan as necessary based on feedback



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# **Section 3 Resources**

## **Section 3 Resource Links**

- Section 3 Final Rule
- 24 C.F.R. Part 75
- Section 3 Benchmark Notice
- Section 3 Program
- Section 3 HUD Exchange
- Section 3 Guidebook
- Section 3 Frequently Asked Questions
- HHGMS Section 3 Instructions
- IDIS Section 3 Instructions
- DRGR Section 3 Instructions
- Minority Business Assistance
   Centers | Development (ohio.gov)



- Region 5 Section 3 Resource HUB
- HCD Neighborhood Service Area Tool
- Sample Section 3 Certification Forms (HUD-4736 Series)
- Sample Section 3 Utilization Forms (HUD-4737 Series)
- Bipartisan Infrastructure Act Preferences
- Ohio SBDC
- ECDI | Small business resources | Ohio
- Small & Disadvantaged Business Utilization



# Thank you!

### Anthony F. Forte

Field Office Director Region 5 Field Policy and Management Anthony.f.forte@hud.gov