



Overview of Section 3 Requirements

2018 CDBG-DR Problem Solving Clinic

Atlanta, GA | December 12-14, 2018

Welcome & Speakers

- Session Objectives
 - To provide grantees with an overview of the Section 3 requirements and how to plan for and comply with Section 3
- Speakers
 - Stephanie Waller, Director



Overview



What is Section 3?

- Section 3 of the Housing and Urban Development Act of 1968
 - 12 USC 1701u
 - 24 CFR Part 135 (June 1994)
- Born out of the March on Washington for Jobs and Freedom
- Applies to a variety of HUD funded programs including CDBG-DR funding



Purpose

- Section 3 of the Housing and Urban Development Act of 1968 ensures that employment, training and contracting generated by certain HUD funding shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly recipients of federal housing assistance, and to businesses that substantially employ those persons (24 CFR 135.1)
- The preference provided is based on income and location



Simply Put...

- HUD funding is one of the largest sources of federal funding in distressed communities
- Most HUD funds result in construction/rehabilitation projects
- Section 3 keeps HUD-funded jobs and contracts local
- Multiplier effect for tax dollars



Why Is Section 3 Important?

- Helps more families move toward economic empowerment and self sufficiency by directing more economic opportunities to low income persons
- Sets the stage for long term economic growth by developing the skills and capacities of the workforce



Departmental Coordination

- Program offices provide Section 3 covered HUD funding
- FHEO has authority for Section 3 policy development, enforcement, TA and training
- Inter-departmental coordination on instances of noncompliance and technical assistance



Intended Beneficiaries

Section 3 Resident:

1. A public housing resident, or
2. A low- or very-low income person in the metropolitan area or non-metropolitan county



24 CFR § 135.5

Section 3 Business:

1. A business that is 51% or more owned by Section 3 residents;
2. A business with a staff comprised of 30% or more of Section 3 residents within a three (3) year period; or
3. A business that commits to subcontract 25 % or more of total contract award to those who meet qualifications under items one (1) and two (2) of this section.

24 CFR § 135.5



Who must comply with Section 3?

HUD Recipients and Sub-Recipients

What is a Recipient and Sub Recipient?

Any entity which receives Section 3 covered assistance, directly from HUD or from another recipient



Funding Thresholds

- Threshold:
 - Recipient - \$200K
 - Contractor/Subcontractor - \$100K



To the Greatest Extent Feasible

- Grantees and their developers/contractors must make every effort to recruit, target, and direct economic opportunities to local low-income persons and businesses that substantially employ those persons
- Affirmative/Proactive measures—e.g., more than advertising in local newspapers



Who must comply with Section 3?

Contractors and Sub-Contractors

What is a Contractor and Sub Contractor?

Any entity which contracts to perform the work or a portion of the work generated by the expenditure of Section 3 covered assistance, or for work in connection with a Section 3 covered project.



Statewide Income Limits—Georgia

FY 2018 Very Low-income (50%) (VLIL)

Median Family Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
64,600	22,600	29,850	29,050	32,300	34,900	37,450	40,050	42,650

FY 2018 Extremely Low-income (ELIL)

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
13,550	15,500	17,450	19,400	20,950	22,500	24,050	25,600

FY 2018 Low-income (80%) (LIL)

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
36,200	41,350	46,500	51,700	55,800	59,950	64,100	68,200



Atlanta MSA Income Limits

FY 2018 Income Limit Area	Median Family Income (Explanation)	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Atlanta-Sandy Springs-Roswell, GA HUD Metro FMR Area	\$74,800	Very Low (50%) Income Limits (\$) (Explanation)	26,200	29,950	33,700	37,400	40,400	43,400	46,400	49,400
		Extremely Low Income Limits (\$) (Explanation)	15,750 0	18,000	20,780	25,100	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) (Explanation)	41,900	47,900	53,900	59,850	64,650	69,450	74,250	79,050

Note: HUD generally uses the Office of Management and Budget (OMB) area definitions in the calculation of income limit program parameters. However, to ensure that program parameters do not vary significantly due to area definition changes, HUD has used custom geographic definitions for **the Atlanta-Sandy Springs-Roswell, GA HUD Metro FMR Area**.

The **Atlanta-Sandy Springs-Roswell, GA HUD Metro FMR Area** contains the following areas: Barrow County, GA; Bartow County, GA; Carroll County, GA; Cherokee County, GA; Clayton County, GA; Cobb County, GA; Coweta County, GA; Dawson County, GA; DeKalb County, GA; Douglas County, GA; Fayette County, GA; Forsyth County, GA; Fulton County, GA; Gwinnett County, GA; Heard County, GA; Henry County, GA; Jasper County, GA; Newton County, GA; Paulding County, GA; Pickens County, GA; Pike County, GA; Rockdale County, GA; Spaulding County, GA; and Walton County, GA.



Recipient Responsibilities

- Develop procedures to notify Section 3 residents and businesses about jobs, trainings, and contracts
- Notify covered contractors about their obligations
- Ensure that the Section 3 clause is included in contracts and hold contractors accountable
- Meet minimum contracting and employment goals
- Submit Section 3 reports (form HUD 60002) annually



Minimum Numerical Goals

- 30% of new hires annually
- 10% of the total dollar amount of construction contracts
- 3% of the total dollar amount of non-construction contracts
- If minimum numerical goals aren't met, explanations for failing to meet them are required



Employment opportunities generated by Section 3 covered assistance

Housing & Community Development:

- Employment associated with building trades, including management and administrative support, architectural, engineering and professional services



Section 3 Clause

- All Section 3 covered contracts and subcontracts must include the Section 3 clause, verbatim. 24 CFR 135.38
- The clause reiterates work performed is subject to Section 3 requirements
- Parties to the contract certify that there are no impediments to prevent compliance
- Contractor agrees to notify labor organizations of Section 3 requirements
- Noncompliance with Section 3 may result in termination of contract for default



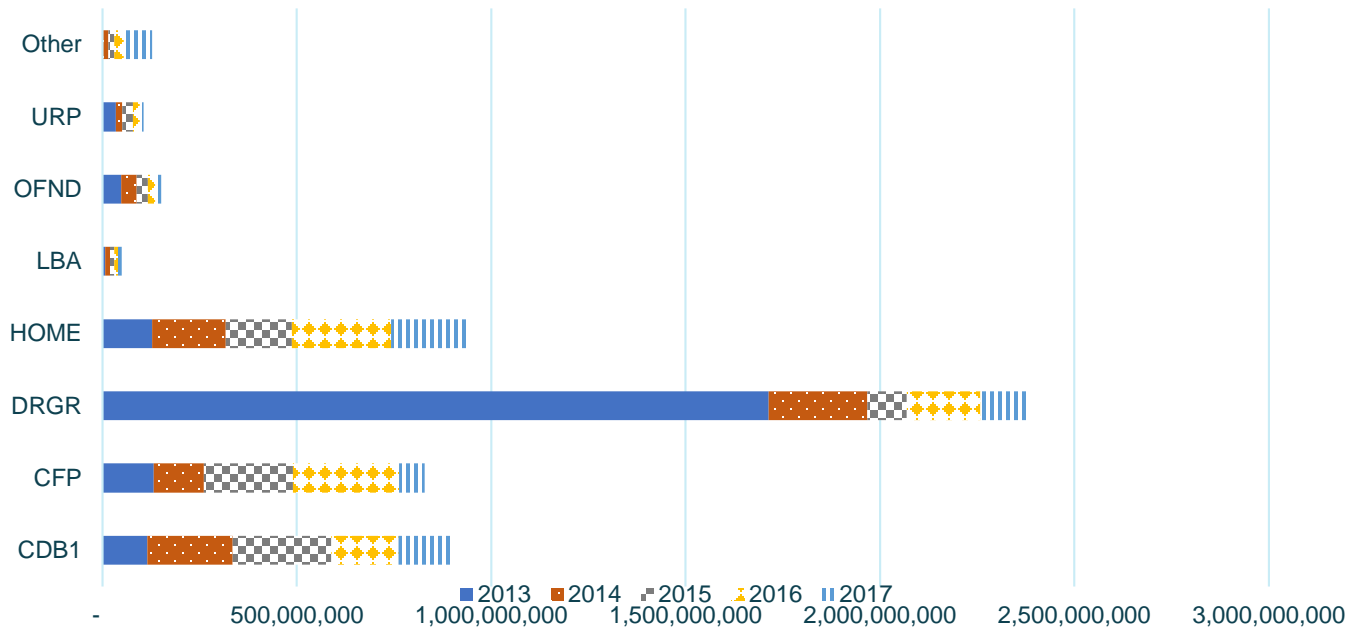
Section 3 Highlights

- 50th Anniversary: HUD Act of 1968
- SPEARS relaunched in August 2015
- Since the relaunch, HUD has received 32,000 Reports from over 4,000 Recipient Agencies



Performance Trends

Section 3 Construction Contracting by Program Area, 2013 to 2017



Section 3 Reporting System

- Section 3 Annual Reports are submitted through the Section 3 Performance Evaluation And Reporting System (SPEARS)
- System launched December 2013 and relaunched in August 2015
- Section 3 Annual Reports measure grantees efforts to meet the minimum numerical goals
- More than 7,000 grantees submit about 20,000 reports each year



Section 3 Reporting Requirements

- All CPD/Entitlements & PHAs regardless of size are required to submit reports annually
- CPD reports are due 90 days after Program Year End/Reporting Cycle
- Report should be submitted simultaneously with the CAPERS
- System extracts disbursements from HUD LOCCS



Section 3 Business Registry

- Listing of businesses that have self-certified their eligibility to receive Section 3 preference
- Tool to help grantees notify Section 3 businesses about local HUD-funded contracts
- Users can search by trade and/or geography and download contact information for outreach
- Currently, there are over 4,200 self-certified business registered nationally
- SBA and VA Registries



Section 3 Opportunity Portal



Section 3 Opportunity Portal

- Job Opportunity Postings
- Contracting Opportunity Portal
- Search Job and Opportunity Portal
- Search Businesses
- Questions



Section 3 Opportunity Portal: Job and Contracting Opportunities Postings

Section 3 Businesses and Contractors can post Job and Contracting Opportunities in the Opportunity Portal. Opportunities will be submitted for review to FHEO or automatically posted to the site after 24 hrs.

The screenshot shows the 'Post Job Opportunity' form on the HUD.gov website. The header includes the HUD.gov logo and navigation links. The form is titled 'Post Job Opportunity' and includes a sub-section 'Organization and Contact Details'. Below this, there are fields for 'Autofill from prior entries', 'Lookup Entries', and 'Organization Details' (Organization Name, Industry, Size, Address 1, Address 2, ZIP, City/State). To the right, there are 'Contact Details' fields (Contact Name, Phone, Email). At the bottom, there is a 'Job Opportunity Details' section with a 'File' field and a 'Type' dropdown menu.

The screenshot shows the 'Section 3 Recipient Details' form on the HUD.gov website. It includes fields for 'Organization Classification', 'Status', 'ZIP', 'Location (City, State)', 'Designation', 'Compensation-Minimum', 'Compensation-Maximum', 'Requirements', 'Apply Directly URL', 'Posting URL', 'Posting Start Date', and 'Posting Expiry Date'. Below these, there is a 'Section 3 Recipient Details' section with a 'Recipient Tax ID Number' field and a 'Recipient Agency Name' field. At the bottom, there is a checkbox for 'The above information is true, accurate, and I accept the user agreement.' and a 'Submit' button.



Section 3 Opportunity Portal: Job and Contracting Opportunities Postings

- Public users will be able to Search Section 3 Opportunities by Jobs, Contracts or by Businesses identified in the Section 3 SPEARS Registry
- Opportunity Searches can be by Keyword or Location which includes City, State, County and MSA

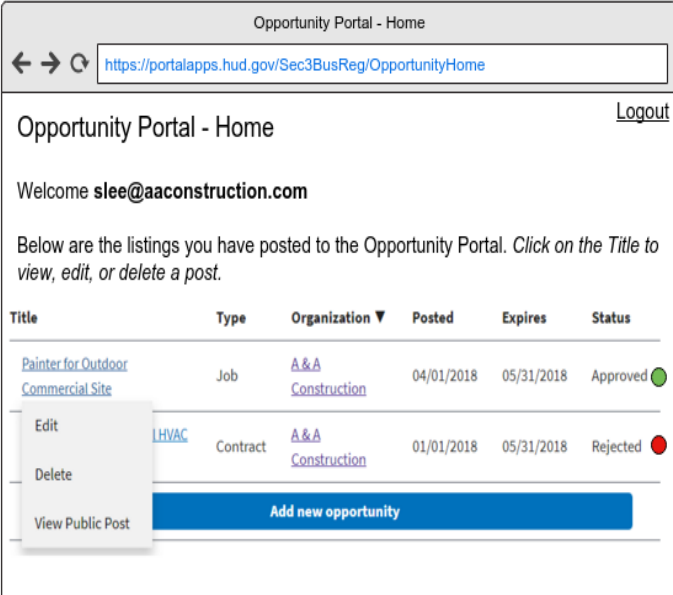
The screenshot shows the homepage of the Section 3 Opportunity Portal. The header includes the HUD.GOV logo and the U.S. Department of Housing and Urban Development Secretary Ben Carson. The main navigation bar has links for Job Search, Contract Search, Business Search, Post Job, Post Contract, My Opportunities, and Help. The 'About' section states: 'Search the Section 3 Opportunities Portal for jobs, contracts, or registered businesses. You can also [post a job opportunity](#) or [post a contract opportunity](#).' Below this, the 'Job Search' tab is selected. It contains a text input field for 'Enter keywords to search for a Section 3 job opportunity.', a 'Location' dropdown menu, and a 'Search' button. At the bottom, there is a link to 'Login here' and a note: 'If you have a job or contract opportunity to post to our portal, you can sign up for a user ID on our site via Login.gov and post the opportunity directly from our site. Opportunity postings generally go live within 24 hours.'

The screenshot shows the homepage of the Section 3 Opportunity Portal with the 'Business Search' tab selected. The header and navigation bar are identical to the previous screenshot. The 'About' section is the same. The 'Business Search' section contains a text input field for 'Enter the first several letters of the business name to search for a Section 3 business.', a 'Location' dropdown menu, and a 'Search' button. At the bottom, there is a link to 'Login here' and a note: 'If you have a job or contract opportunity to post to our portal, you can sign up for a user ID on our site via Login.gov and post the opportunity directly from our site. Opportunity postings generally go live within 24 hours.'





Section 3 Opportunity Portal: Manage Opportunities - Businesses

- Section 3 Businesses and Contractors will be able to manage both Job and Contracting Opportunities



The screenshot shows the 'Opportunity Portal - Home' page. The browser address bar displays the URL <https://portalapps.hud.gov/Sec3BusReg/OpportunityHome>. The page title is 'Opportunity Portal - Home' and there is a 'Logout' link. A welcome message reads 'Welcome [slee@aaconstruction.com](#)'. Below this, a message states: 'Below are the listings you have posted to the Opportunity Portal. Click on the Title to view, edit, or delete a post.'

Title	Type	Organization ▼	Posted	Expires	Status
Painter for Outdoor Commercial Site	Job	A & A Construction	04/01/2018	05/31/2018	Approved 
HVAC	Contract	A & A Construction	01/01/2018	05/31/2018	Rejected 

A context menu is open over the first listing, showing options: 'Edit', 'Delete', and 'View Public Post'. At the bottom of the page, there is a blue button labeled 'Add new opportunity'.

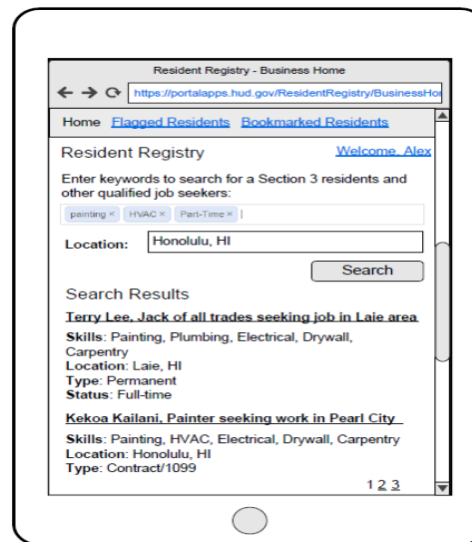
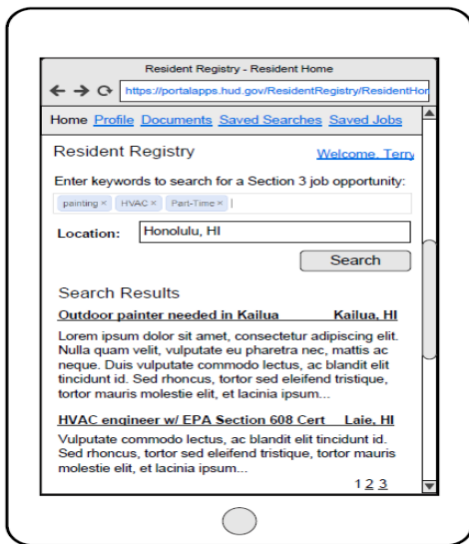
Section 3 Residents Registry

- Enables Section 3 Residents to upload contact information, skills summary, and resume
- Allows Residents to edit/update their information with self-certification
- Resident information will be submitted for review to FHEO or automatically posted to the site after 24 hours
- Allows potential employers to search the Section 3 Residents Registry for skilled employees
- Similar to USA Jobs, will provide guidance regarding posting of Personally Identifiable Information (PII) (see also next slide)



Section 3 Residents Registry

- Resident Opportunity Search
- Business Candidate Search



Section 3 Residents Registry

The four screenshots show the following sections of the Resident Registry app:

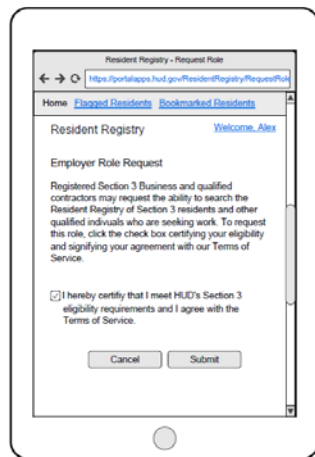
- Top Left:** Contact Details section. Fields include Title (Mr.), First Name (Terry), Middle Name, Last Name (Lee), Suffix, Address 1 (212 Kalia Ave), and Address 2.
- Top Right:** Personal Information section. Fields include City, State (Honolulu, HI), Zip Code (96811), Telephone Type (Mobile), Phone Number ((808) 555-1212), Extension, and Email Address (tweed@go5tyle.com). A checkbox for consent is also present.
- Bottom Left:** Profile Details section. Fields include Headline (Jack of all trades seeking job in Laie area), Type of Work (Permanent), Work Status (Full time), Availability (Immediately), Compensation Requirements (\$20 per Hour), and Skills (paving, plumbing, electrical, dry wall, carpentry).
- Bottom Right:** Employment History section. A table lists past jobs: Painter at ACME Contracting (1/2018 - present), Dry Wall Installer at G&C Homes (5/2017 - 9/2017), and Estimator at Handyman Inc. (3/2015 - 4/2017). Below is a Documents table listing Terry Resume 1, Terry Resume, Terry Resume 2, Terry Resume 3, Terry Resume 4, Terry Resume 5, Terry Resume 6, Terry Resume 7, Terry Resume 8, Terry Resume 9, Terry Resume 10, Terry Resume 11, Terry Resume 12, Terry Resume 13, Terry Resume 14, Terry Resume 15, Terry Resume 16, Terry Resume 17, Terry Resume 18, Terry Resume 19, Terry Resume 20, Terry Resume 21, Terry Resume 22, Terry Resume 23, Terry Resume 24, Terry Resume 25, Terry Resume 26, Terry Resume 27, Terry Resume 28, Terry Resume 29, Terry Resume 30, Terry Resume 31, Terry Resume 32, Terry Resume 33, Terry Resume 34, Terry Resume 35, Terry Resume 36, Terry Resume 37, Terry Resume 38, Terry Resume 39, Terry Resume 40, Terry Resume 41, Terry Resume 42, Terry Resume 43, Terry Resume 44, Terry Resume 45, Terry Resume 46, Terry Resume 47, Terry Resume 48, Terry Resume 49, Terry Resume 50, Terry Resume 51, Terry Resume 52, Terry Resume 53, Terry Resume 54, Terry Resume 55, Terry Resume 56, Terry Resume 57, Terry Resume 58, Terry Resume 59, Terry Resume 60, Terry Resume 61, Terry Resume 62, Terry Resume 63, Terry Resume 64, Terry Resume 65, Terry Resume 66, Terry Resume 67, Terry Resume 68, Terry Resume 69, Terry Resume 70, Terry Resume 71, Terry Resume 72, Terry Resume 73, Terry Resume 74, Terry Resume 75, Terry Resume 76, Terry Resume 77, Terry Resume 78, Terry Resume 79, Terry Resume 80, Terry Resume 81, Terry Resume 82, Terry Resume 83, Terry Resume 84, Terry Resume 85, Terry Resume 86, Terry Resume 87, Terry Resume 88, Terry Resume 89, Terry Resume 90, Terry Resume 91, Terry Resume 92, Terry Resume 93, Terry Resume 94, Terry Resume 95, Terry Resume 96, Terry Resume 97, Terry Resume 98, Terry Resume 99, Terry Resume 100.

- Potential candidates can enter themselves in the Resident Registry
- Candidates enter their contact information, job skills & resumes
- Section 3 Businesses will be able to search through a database of candidates by skills and location

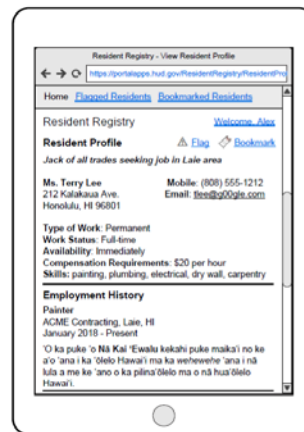


Section 3 Resident Registry Business Access/Bookmark

- Section 3 Businesses and Contractors will request access to the portal to search available candidates



- Section 3 Businesses and Contractors can Bookmark candidates they are interested in for follow up



Section 3 Best Practices

- Commitment from Senior Management
- Knowledgeable Staff for Effective Implementation
- Clearly written Policies & Procedures
- Collaboration with Community Institutions
- Monitoring & Compliance measures
- Accountability of procurement staff and developers/contractors
- Utilization of Technology: web portal, lists of residents and businesses for employment and contracting



Section 3 Pre-Disaster Planning

- **Develop a Section 3 “pre” disaster training program that includes:**
 - Section 3 regulatory responsibilities
 - Section 3 Recipient Disaster Plan
 - Section 3 Recipient Memorandum of Understanding (MOU)
 - Information on How to apply for disaster contracts
 - Successful Implementation of Disaster Grants – What’s required?
 - List of Section 3 Business Concerns
 - List of Recipient Contractors
 - List of Section 3 Joint Venture Businesses
 - SBA Partnerships
 - Identifying viable housing and job opportunities
 - How to get your organization, staff and contacts ready



Section 3 Pre-Disaster Planning (cont.)

- **Initiate an Annual (Recipient Name) Section 3 “pre” disaster training meeting collectively with:**
 - ALL Agency Program Counterparts
 - All local Civil Rights Fair Housing Initiative Program and Fair Housing Assistance Program (HUD FHIP and FHAP) Partners
 - All area PHAs
 - All Contractors, subcontractors and organizations on the Agency’s procurement lists
 - All CPD, Single and MF Housing Partners
 - Section 3 Business Concerns in the recipient and HUD Business Registry
 - Section 3 residents (Neighborhood community associations, PHA Resident Council Organizations)
 - Housing industry groups (Apartment Associations, Realtors, Builders, Unions, etc.)
 - Work investment boards, job opportunity centers, Churches, etc.



Section 3 Pre-Disaster Plan (cont.)

- Develop master contact listings for all of the groups listed in the previous slide
- Participate in any Annual FHEO Section 3 “pre” disaster training meetings held in your area
- Develop a Disaster MOU for signature by each group in Sections A and B
- ***Keep copies of all documentation pertinent to each of the above activities***



Questions

Visit www.hud.gov/section3

Email: Section3@hud.gov

