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
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

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)

<table>
<thead>
<tr>
<th>Median Family Income</th>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
<th>6 Person</th>
<th>7 Person</th>
<th>8 Person</th>
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<tbody>
<tr>
<td>64,600</td>
<td>22,600</td>
<td>29,850</td>
<td>29,050</td>
<td>32,300</td>
<td>34,900</td>
<td>37,450</td>
<td>40,050</td>
<td>42,650</td>
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</table>

## FY 2018 Extremely Low-income (ELIL)

<table>
<thead>
<tr>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
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<tr>
<td>13,550</td>
<td>15,500</td>
<td>17,450</td>
<td>19,400</td>
<td>20,950</td>
<td>22,500</td>
<td>24,050</td>
<td>25,600</td>
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## FY 2018 Low-income (80%) (LIL)

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<tr>
<th>1 Person</th>
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<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
<th>6 Person</th>
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<th>8 Person</th>
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<tbody>
<tr>
<td>36,200</td>
<td>41,350</td>
<td>46,500</td>
<td>51,700</td>
<td>55,800</td>
<td>59,950</td>
<td>64,100</td>
<td>68,200</td>
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<tr>
<td>FY 2018 Income Limit Area</td>
<td>Median Family Income (Explanation)</td>
<td>FY 2018 Income Limit Category</td>
<td>Persons in Family</td>
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<tr>
<td>Atlanta-Sandy Springs-Roswell, GA HUD Metro FMR Area</td>
<td>$74,800</td>
<td>Very Low (50%) Income Limits ($) (Explanation)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26,200</td>
<td>29,950</td>
<td>33,700</td>
<td><strong>37,400</strong></td>
<td>40,400</td>
<td>43,400</td>
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<tr>
<td></td>
<td>Extremely Low Income Limits ($)* (Explanation)</td>
<td>15,750 0</td>
<td>18,000</td>
<td>20,780</td>
<td><strong>25,100</strong></td>
<td>29,420</td>
<td>33,740</td>
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<td>Low (80%) Income Limits ($) (Explanation)</td>
<td>41,900</td>
<td>47,900</td>
<td>53,900</td>
<td><strong>59,850</strong></td>
<td>64,650</td>
<td>69,450</td>
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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

- CDB1
- CFP
- OFND
- LBA
- HOME
- DRGR
- Other

<table>
<thead>
<tr>
<th>Year</th>
<th>CDB1</th>
<th>CFP</th>
<th>OFND</th>
<th>LBA</th>
<th>HOME</th>
<th>DRGR</th>
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<td>2014</td>
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<td>2017</td>
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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.
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
Section 3 Opportunity Portal: Manage Opportunities - Businesses

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

- 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