

Section 3 Final Rule Training: Exercises

Module 1: Understand the Basics

Exercise #1 – Safe Harbor Benchmarks

Monarch Redevelopment and Housing Authority allocated funds in the current fiscal year to a redevelopment project at their Cordova public housing site. To get started on the redevelopment project, the PHA awards the redevelopment contract to a local construction company, MKJ Construction, Inc. MKJ Construction, Inc is owned and controlled by two wealthy business colleagues. Worker records revealed that 65% of the labor hours worked over the last three months were performed by low- or very low-income workers and five percent were performed by Monarch’s public housing residents. Given this information, MKJ Construction, Inc did not qualify as a Section 3 business concern.

Of the total 15,000 hours worked on the redevelopment project during the PHA’s fiscal year, 5,000 total hours were performed by Section 3 workers. Of those 5,000 hours, 575 hours were performed by Section 3 workers who additionally were certified public housing authority residents and 25 were performed by certified YouthBuild participants. MKJ Construction, Inc verified that the Section 3 workers and Targeted Section 3 workers were eligible by collecting self-certification forms and certification forms from the Housing Authority’s property management staff.

It is the end of the fiscal year and the project is complete. It is time for the Housing Authority to complete their annual Section 3 report and they will need to enter the total *labor hours* worked, the total *Section 3 labor hours* worked, and the total *targeted Section 3 labor hours* worked.

Instructions: Please fill in the blanks to determine if the Monarch Redevelopment and Housing Authority met the Section 3 benchmarks:

Total Labor Hours	
Section 3 Labor Hours	
Section 3 Targeted Labor Hours	

After entering all the hours worked into the proper categories, the reporting system will calculate the percentage of Section 3 hours worked and Targeted Section 3 hours worked to confirm that the public housing authority has reached the established safe harbor benchmarks.

Section 3 Worker Benchmark: 25%

_____ (Section 3 Labor Hours)		_____ %
_____ (Total Labor Hours)		

Targeted Section 3 Worker Benchmark: 5%

_____ (Total Targeted Labor Hours)		_____ %
_____ (Total Labor Hours)		

Is Monarch Housing and Redevelopment Authority in compliance with the safe harbor benchmarks? Why or why not?

Module 2: Plan and Implement

Exercise 2 – Section 3 Plan

Instructions: Developing a Section 3 Plan is a best practice for ensuring that Section 3 requirements are properly implemented. A Section 3 Plan serves as a guide to achieving Section 3 compliance. Walk through the components of a Section 3 Plan with your break-out group. Use the questions listed below as a guide.

- 1) What are the *essential* components of a Section 3 Plan?
- 2) What are other elements that could be included in the Section 3 Plan?
- 3) Which internal and external partners should be included in the development of the Plan?
- 4) What process should you use for developing the Plan?
- 5) What issues may arise while developing the Plan?
- 6) In which cases and/or how often should the Section 3 Plan be revisited/updated?
- 7) Self-Assessment Question: Which sections of your organization's Section 3 Plan will need to be updated and how will it need to be updated based upon the training and your

break-out room discussions? Write down a list of updates or changes that your plan will need. If your organization does not have a plan, write down some of the steps you will need to take to begin developing a plan.

Module 3 - Program Oversight

Exercise 3 – Monitoring and Oversight

The City of Fairfield has received many complaints from low-and very low-income residents and members of the public housing resident advisory board that live within five miles of the Willow Gardens redevelopment project site. Residents complained that the contractor and the subcontractor of the redevelopment project are not following the Section 3 requirements and hired workers from a town outside of the city's metropolitan area and non-metropolitan county. While conducting a Davis Bacon site visit, a few Section 3 workers on the project mentioned that the prime contractor was not collecting certification forms to support the Section 3 worker and Targeted Section 3 worker eligibility claims. One of the subcontractors on the project also revealed that they signed a contract with the prime contractor, but there were no Section 3 requirements or Section 3 provisions included in their subcontract. After receiving 10 complaints, the city decided to consult with an on-call contractor, T & A Consulting, to help them prepare for contractor and subcontractor monitoring visits and further investigate the potential noncompliance concerns.

Instructions: You are a member of the T & A Consulting team. Answer the following questions that the city has asked you to help prepare them for the monitoring visit and to help them with corrective action follow-up, if required.

- 1) Would you recommend conducting an onsite visit to Willow Gardens or complete a desk review from the grantee's offices? Why or Why not?
- 2) Which items should the recipient's monitoring checklist include, based upon the complaints received?

After the monitoring visit, the city noted the following concerns:

- The prime contractor does not have any record of eligibility for the Section 3 workers and Targeted Section 3 workers counted on their previous reports.
- The prime contractor did include Section 3 requirements in the subcontractor contracts, however the subcontractors overlooked them. The subcontractors mentioned that they are not aware of the Section 3 requirements.
- The subcontractors have not been reporting total labor hours worked by workers or total labor hours worked by Section 3 workers and Targeted Section 3 workers to the contractor or the city.

- Despite the complaints received, the contractor and subcontractors had no new hires on the project and are utilizing their existing workforce.
 - The contractor and subcontractors are not utilizing any tracking mechanisms to track labor hours worked by Section 3 Workers and Targeted Section 3 Workers. They are submitting certified payroll to comply with the Davis Bacon requirements.
- 3) What are some examples of corrective actions that the city could include in their follow-up report to the contractor and subcontractor?
 - 4) What changes can the city make to ensure contractor and subcontractor compliance for the current project and future Section 3 projects?

Exercise 4 – Preparing for a HUD Compliance Review

Instructions: List examples of documents or records (under the types of records listed) that should be maintained for a HUD compliance review.

- 1) Planning and Procedural Documents
- 2) Procurement and Contract Documents
- 3) Business and Worker Records
 - a) What types of documents must be maintained for projects funded with housing and community development financial assistance that are not required for projects funded with public housing financial assistance?
- 4) Outreach Documents
- 5) Other Records

Module 4: Report and Evaluate

Exercise 5 – Pulling Everything Together

The City of Fairfield is working with the Housing Authority on another project located at a different public housing authority site. This project will include rehabilitation of 20 public housing units. Sources of funds include \$210,000 of CDBG funds, \$200,000 of public housing assistance, and \$150,000 from the Lead Hazard Control Healthy Homes Grant. The funding for

the project will be committed on July 29, 2021, contracts will be executed in August 2021 and the project will be complete in June 2022.

Instructions: Pretend it is June 2022 and now the project is complete, and it is time to for the City of Fairfield and the Housing Authority to report out on their Section 3 accomplishments. Using the Section 3 requirements and guidance provided during the training, please answer the following questions:

- 1) Which subpart of the final rule should be used for the Section 3 project (subpart B of Part 75 or subpart C of Part 75)?
- 2) Which subpart should the City of Fairfield and Housing Authority follow for reporting purposes (subpart B of Part 75 or subpart C of Part 75)?
- 3) Which factors will be considered to determine if the City of Fairfield and the Housing Authority complied with the Section 3 requirements and met safe harbor?
- 4) What are the reporting deadlines for this project and which reporting system(s) should be used?
- 5) What information must be reported?
- 6) The City of Fairfield and Monarch Housing Authority did not meet the Section 3 benchmarks. What are examples of qualitative data and evidence that could be provided in the report to show that they made efforts to assist low- and very low-income persons? Provide 1-2 examples of efforts that the recipients can include in their report.
- 7) What criteria might the City of Fairfield and the Housing Authority use to evaluate whether improvements are needed on their Section 3 Plan, policy, and procedures to ensure compliance on future projects?