2022 Section 3 Final Rule Training Series

Session 4 Office Hours

Andelyn Nesbitt Rodriguez: All right. Thank you so much, John. And hi, everybody. Thank you for coming to the Section 3 office hours. I'm Angela Nesbitt Rodriguez with ICF, and I am one of your trainers today. I'm joined by Les Warner and Kris Richmond, and I'll turn it over really quickly so that they can introduce themselves. Les, if you want to go first.

Les Warner: Sure. I'm Les Warner. I've been with ICF for 15 years. Worked at the state level for 20 years. Glad to be part of this.

Andelyn Nesbitt Rodriguez: All right. And Kris.

Kris Richmond: Hi, everybody. Welcome. My name is Kris Richmond. I've been with ICF for 22 years. I did work for local government before that and do a lot of training with the other federal requirements. So I'm glad that you're here today. Thanks.

Andelyn Nesbitt Rodriguez: All right. Thank you so much. And we're going to move forward here. I want to go through some resources that we have for you. There are some quick links that are really good for you to know on the HUD.gov site and also on the HUD exchange site. Quick links to information on Section 3. There's also a Section 3 e-guidebook that came out later, earlier this year. It came out after some of the training. So if you guys went to some of the earlier trainings, you might not have seen this e-guidebook.

And it's really useful as well. Some CPD notices that you'll want to know and definitely review are the 21-07, that's for home in HTF and from the Office of Block Grant Assistance CPD Videos 21-09. We also have a public housing notice 2022-10 that came out, I think in September. That has some really good information and actually some really good language, contract clauses, some language in there. So I know a lot of folks were asking for that and that can be found in that public housing notice there. On the right on this resource slide, we have other trainings and tools. There's 15 Section 3 tools. There's searchable FAQs, which are really, really helpful. You can find the three-day training course that we did earlier this year for both HCD Housing community development and public housing recipients.

You can also find a link to the HUD Opportunity portal. I know we've talked a lot about the opportunity portal and there's a how to video there as well. There's also IDIS demo and tutorial on the YouTube, HUD's YouTube channel and more guidance down there on this page. As far as CDBG, MIT, DRG reporting. Lots of great information and resources around Section 3. We want to make you aware of those. So before we get started, we wanted to also talk about your Section 3 implementation, sharing your experience. If you have experiences that have worked well for you or maybe some that haven't worked so well.

We want to be able to have grantees and PHA's share with your peers. It's very important that peer to peer learning. And so, if you've had successful Section 3 implementation or even some lessons learned, please let us know. Please go into the chat box, provide your information that includes your name, email, and the area that you've had, general area you've had success in, and we'll reach back out to you to get more information, more detailed information. But if you can give your name and email address and the general idea of what you've had success in, please share with us those success stories as well as lessons learned around your Section 3 implementation so far.

All right. So today we're going to talk just a little bit, really quickly about how you certify a Section 3 worker based on income. And then after we get through that, we're going to go right into questions. And we will again, you can when we get to the questions, I'll turn it over to Les. He's going to be answering questions live today. And Kris and I will be in the chat. So if you want to ask questions in the chat, you can do that there. If you want to come off mute or rather in the Q&A box, you can do that there.

If you want to come off mute and ask questions verbally, then you'll go into the chat and let John, our hosts, know that you'd like to come off mute so that you can ask Les questions verbally. But before we get to that, do want to give you a little bit of information about how you certify a Section 3 worker based on income. So certifying a Section 3 worker, first you need to know what a Section 3 worker is. And I know if you've gone to our trainings, hopefully so you know a little bit about this, but I want to go a little bit further into it today. So Section 3 worker is any worker who currently fits or when hired within the past five years, fit at least one of these following categories.

And so, there's the three categories. You can document someone as a Section 3 worker by being a low or very low income worker or by them being employed by a Section 3 business concern or by them being a YouthBuild participant. We're not going to go into numbers two and three. The employed by a Section 3 business concern or being a YouthBuild participant today. Today, what we're going to focus on is that income and how to determine their income, how to certify their income, and get them certified as a Section 3 worker based on income.

So there are a couple of steps to doing this. So first, knowing what a Section 3 worker is and second, identifying the certification options. So there's a couple of different ways that you can certify someone. So the first way is you can do have the worker do a self-certification. So the worker would self-certify that their income is below the income limit from the previous year, or that they participate in a means tested program such as public housing or Section 8 assisted housing. Either of those options is going to help you.

The worker can self-certify that they are a Section 3 worker. You could also get a certification from an outside source. So you could have a certification from the PHA, the owner or property manager of a Section 8 assisted housing, or the administrator of TBRA, tenant based assisted housing that the worker is in one of their programs. So those are means tested programs. Those programs have already done the legwork and income qualified them. And so, we can take that certification and qualify them, or you can use an employer certification that the workers income from that employer is below the income limit.

When that employer bases it on the calculation of what the workers wage rate would be if it was translated to an annualized full-time basis. So again, the worker can self-certify that their income, their total income from all of their sources, that their income is below the income limit for the previous year. You can also get that Section 8, there in Section 8. That means they have already been tested and they've already, their income has already been certified. Or you could get the employer to simply certify that what they pay that employee is below the that 80 percent HUD threshold.

We'll talk about that threshold in just a moment. That worker, that employer certification sometimes can be a little bit, I think that it cuts out a layer of communication. When the employer certifies, you don't have to actually get the employee, or the worker involved at all. They don't really even have to know about it. Not that you're trying to hide anything, but it's just that the employer is the one who is paying that employee and they are certifying that what they pay that employee if it was annualized and on a full-time basis is below that limit and that's it.

So in a lot of ways that one might be just a little bit cleaner of an option there. All right. So income limits. We talked about that 80 percent income limit and determining that very low, low, or very low-income limit. So the income limit that you're looking for is based on the individual. So not the household. I know when I worked with a city with an entitlement community, I was very used to using household income, but not this time. We're going to just look at the one person, the individual income limit.

So you pull your income limits just like normal. But instead of looking at three people or four people or five people, however many people are in the household, you're just going to look for one. The one-person income limit and you're going to use the MSA income limits where the worker resides, so not where the project takes place. And again, does not matter where the project takes place, doesn't have to be in the same city or state or locality or at all. It's where the MSA for the where the worker resides is what's going to be important here. So you can see on this slide, this is an example of an income limit for a specific MSA.

This is actually Columbia, South Carolina, where I'm from. And the income limits there for one person or highlighted in blue. And those are the ones that we're going to look at. The low, we're looking for a low or very low. Right. So the low-income limit there is $45,150. And so that is the 80 percent limit for one person and that's what we're going to look for there. The link to get to that data is on the slide here, and we can also pop it into the chat for you if you'd like. All right. So now we're going to move on. So now we have figured out we know what a Section 3 worker is and that we're going to try to find them by income on this time.

Right. And then we talked about different ways that we can certify them. And so now, then we talked about the income limit and pulling the income limit, knowing which income limit we're going to use. And so now we're going to go ahead and deploy one of those options. Right? So we're going to either get the worker to do a self-certification or we're going to get the PHA or means tested program certification, or we're going to get the employer to do a certification that what they pay, the worker is below that limit. If it were annualized and on a full-term basis. So let's talk about self-certification.

Let's say that the option that we chose was self-certification. So the worker is certifying that their income is below the limit for the previous year, which means we could. They could certify based on their previous year documentation or that they participated in a means tested program. And there's an example here for localities that are looking for a little language to create those forms. We do have some sample forms, but here's some sample language on this slide as well.

And just keep it simple. There's not necessarily third-party verification. You should do what is prudent to verify. And there's no special requirement for very low income. So as long as it's below the 80 percent, then you're good there. Right. I think I went one too far. Okay. So if you choose to have certifications completed by other sources other than the worker, you can get that certification from the Public Housing Authority or the owner or manager of project-based Section 8, the administrator of tenant-based Section 8 housing that the worker is a participant in one of their programs.

That's the certification. Or again, you can get that employer certification that the workers income from that employer is below the income limit, and that would mean the employer would need to do a little calculation. They would need to find out what that worker's rage wage would be if it was translated to an annualized full-time basis. So that can be a little bit tricky, that calculation. And so, we're going to go into it now and explain a little trick, a little easier way to do that. So the employer certification, they could what they would do is take the worker's hourly rate.

Okay. So this is the hourly take home rate. Doesn't necessarily include fringe and all of that stuff, just your hourly take home rate and you would multiply it by 2,080. There are 2,080 hours if you count annualized and full-time 40-hour work week, that's 2,080. So if you take their hourly rate of pay, this person makes in the example here makes $17.11 per hour and you multiply that by 2,080, then you're going to get $35,588.80. That is the worker's rate, wage rate that the employer could certify that that's what they pay them.

So in this particular scenario, we have the worker's wage rate here and we also have the MSA, the income limit for one person. The 80 percent limit here is $45,150. So if you ask the question, would this person's income qualify them as being a Section 3 worker in this case, absolutely it would, because their income is $35,588.80 and the 80 percent one-person income limit is $45,150. So this person would qualify as a Section 3 worker and the employer could simply certify to that and save a couple of layers of getting anybody else involved if they do that employer certification.

All right. So that's just a little bit of the detail wanted to go into. And I hope that that helps some folks and maybe clears up some questions if you had any. I'm going to go one more time into the resources slide. I just want to show again, we have lots of really good resources. Please check out the Section 3 eguidebook. Look at those CPD notices and the PIH notice, depending on which one you need and go into these resources that are on the HUD website and on the HUD exchange. I also want to share one thing we just got done talking about certification, and so I'm going to pop a website into the chat for you.

This is a website to the HUD exchange and it's to a Section 3 mini page. I hope that you guys can see my screen right now. So that is the link that I just popped into the website. If you want to follow me, I'm going to show you how to get to some really good tools that you can use for certification. So this Section 3 page on the HUD exchange, has a ton of really great information. You can find the searchable FAQs there, tools and guides. You can find past trainings that we've done and actually watch the videos of the of the trainings.

And you can find information on HUD's opportunity portal there as well. But I'm going to go now into the guidebook and tool, and when you hover over it, you can view the eguidebook or you can view the tools. I'm going to click on tools here because what I want to show you is the great tools that we have for certification. So starting here in the middle of the page there, Section 3, and targeted Section 3 worker employer certification forms, and then there's for housing community development, also for public housing.

There's Section 3 and targeted Section 3 worker Self-certification Forms, which we just talked about a moment ago. You can have different kinds of employer certification. Here's the self-certification forms. And then lastly, we have down here the Public Housing and Section 8 certification forms. So certification forms and information for the three types of ways that you could certify someone as a Section 3 worker right here at your fingertips on the HUD exchange. And I hope that that was helpful for you.

All right. If you have any questions, again, as we go through this office hours, I'm going to turn it over to Les now. But if you have any questions, please feel free to type your questions into the Q&A box. And Kris and I will be there trying to answer as many questions as we can. And or you could also go into the chat box and tell John, I'd like to come off mute and ask a question and John will be able to get you into a queue to get you off mute and let's answer some questions for you. Okay? All right. And Les, turning it over to you now.

Les Warner: All right. So John, do we by chance, have anyone who's asked to ask a question verbally?

John Panetti: We do not.

Les Warner: Okay.

John Panetti: We just got one.

Les Warner: All right. There we go.

John Panetti: Jo Ellen, you are unmuted.

Jo Ellen: Good afternoon, everyone.

Les Warner: Hello there.

Jo Ellen: I will start out by saying I'm new to this and learning, but I've been looking through a lot of the materials. And one thing I can't determine and there's a lot of good information out there, so I'm very sure it's my not understanding. But the Section 3 information that you would provide to the employer, is that appropriate to include in your actual bid package or is it more something that you would cover in your pre bid meeting?

Les Warner: Well, I think, so, when you are identifying as you're putting together that bid packet and you're identifying based on we know that Section 3 is going to apply for CPD funds when we have housing rehab, housing construction or other public infrastructure. And when we have more than $200,000 in funding. So I would think everybody is going to do this sort of sort on determining what projects are actually going to trigger.

And so, to me, it would make sense as part of that bid packet, you're identifying the requirements that they're going to need to follow. Much like if you were doing something that trigger Davis-Bacon and you were explaining to each bidder that their packet needed to be based on these wage rates, etc. So I think it makes sense to identify these projects as Section 3 and then as part of the training we've talked about, you need to follow your procurement requirements. Some of you will have procurement requirements that would allow you to include Section 3 as part of your review criteria on whether this was a responsive and a responsible bidder on this.

So it could it be included in your evaluating the bids. So if that's the case, then you are wanting to be really clear on what you expect them to provide in documentation as part of that bid that you're going to use as part of making that evaluation. But even if it's not part of your evaluation on procurement and selecting the successful bidder. If you can begin to collect information about their existing workforce, whether they you could be asking them about the number of labor hours they expect this to their bid to include existing workforce that they believe will qualify on this.

I think as we do office hours, we're hearing back from people about their initial attempts at this. Some folks have said, we've got vendors that say, "Well, I really don't know how many labor hours. I don't have that information about my staff to be able to give you as part of my bid packet some of that information." So I do think those are those are options that you could include. But to me you have to kind of way what do I know about my market, about my bidders?

You're trying to maintain a competitive environment in that procurement so that you're going to get the best deal for your funding. So you don't want to frighten away potential bidders because of this new language about Section 3 that they don't recognize. So I think if you're going to include that in the bid packet, then thinking about doing like a pre-bid conference where you go through those details and kind of walk them through what your expectations will be so that you kind of keep people in the mix on that I think might be helpful as part of that.

If you don't include that in the bid packet, you certainly could as part of what you're getting ready to award that and your pre-construction conference then begin to go through the details of, "Okay, here are the implementation steps, here's what we're going to need," and begin to ask more questions about let's talk about your existing workforce and how many of those folks may qualify. Ask about subs that they've identified. But I think as early as possible because there are going to be Section 3 requirements that are passed on to that bidder, that letting them know what's going to be involved will be important. Just it's a question of how far you go in each one of those steps. That was kind of a long-winded response, but I think this is more of an art than a science perhaps.

Jo Ellen: Okay. May I ask a follow up to that?

Les Warner: Absolutely.

Jo Ellen: Okay. So it is not technically a requirement that it be included in the bid package itself?

Les Warner: I think the details of asking them for Section 3 related information to be able to evaluate things like labor hours, workforce, those sorts of things would not. I would think that you do want to identify that this is a project that will trigger Section 3 only because you're listing out these are the strings that come along with this scope of work that we're bidding on. So I do think you want to identify that it's a Section 3 project, but if you're not actually incorporating in as part of your evaluation on the bid or about projected Section 3 compliance, I think then you have a call on how much upfront information you're asking for.

Jo Ellen: I guess the reason I was wanting to perhaps not include it in the bid package was, I am taking over this position and I would like an opportunity to explain. I can see ways it could be much more streamlined for the employers, and I don't want them to automatically see it and think, "Oh, I've been through that before. I don't want to do that again." I think I see a way to make it much more easily. Like my jurisdiction never used employer self-certification that would be so much simpler, and I'd be willing to help them substantially meet all the requirements.

Les Warner: I think that's a really good point. And I think that's in our trainings and some of the office hours we've been talking about when we talk about Section 3 plans and kind of thinking about how you're going to implement this. This issue of how do I educate those other partners in this contract, or subcontractors, others that are going to be impacted in this and do it in a way, so they understand that this actually doesn't have to be as burdensome.

Particularly one of the key changes as you're referencing is that we now have the ability for an employer to be able to certify, as Andelyn was talking about, employer being able to look at their payroll and based on wage rates and annualize wage rate, be able to identify, "Okay, of my 40 workers, I've got ten of them that based on their annualized income, are going to qualify as Section 3 workers," and not be then needing to go to each one of these workers to collect that information. So I think the more we can think about from the lens of if I'm a bidder, if I'm a contractor, how do I describe this in a way that they understand that this doesn't have to be as difficult.

And there is a tendency each time some new regulation is updated or changed, added people have a tendency to think, I want to run for the hills rather than add one more requirement to deal with. So I think you're completely right on trying to figure out how do we craft that message in a way so that we don't frighten folks off on that? All right, Great questions. John, do we have other folks? Are Andelyn and I guessing, since you're appearing that you may want you've got something in mind?

Andelyn Nesbitt Rodriguez: Yeah. We're getting a number of questions in the chat regarding the five-year lookback period and one in particular which I want to ask this question, and I think that the five-year lookback period is going to be involved in your answer. And then if you can go even further and just explain the five-year lookback period. So if workers were 80 percent AMI when they entered into public housing or Section 8 program, but are now their income is higher than 80 percent AMI, would they still qualify?

Les Warner: So the lookback period is based on when they were hired. So let's say I work for a construction company and so we know that our effective date for this new rule is November 30th, 2020. So right now, we don't actually have a five-year lookback period. We can only look back to November 30th, 2020. So if we have someone that was hired between November 30th, 2020, and today, we could qualify them either on their current wage or we could look at what they were, what their income was at the time that they were hired.

And that could be done by the employer looking back and saying, "Okay, when Les was hired in December of 2020, his hourly wage was $18 an hour. Now he happens to be such a stellar employee that we're paying him $50 an hour and he wouldn't qualify now." But we have this lookback period so we could look to when I was hired if it was on or after our effective date for the new rule. And if I qualified then, I would be able to count that worker as being a qualified worker based on income and be able to count them for up to five years on this, essentially. So that's how the five-year lookback period would work.

But the restriction here is that it is looking back to their date of employment with this. If we're going through the employer certification process, it's only going back to when they were first hired. Our other option on documenting when they first hired would also be for that employee to fill out a self-certification form. And I think on slide seven, and I think I have the ability to move this back. So on slide seven, we talked about let me see if I can do my if we have a pen for this one. So let's see. So if we're doing a self-certification under A, you'll see this first bullet point here is their income is below the income limit from the previous year so they can self-certify what their income has been for that prior year.

As opposed to the employer is going to be certifying based on what their hourly wage rate is taking that times 2,080 hours as Andelyn walked us through. So that's how the five-year lookback works. And really the point of this is under the old Section 3 rule, we were only focused on new hires. That was all we were counting on this. And so, under our new Section 3 rule, we are looking at overall workforce.

And so, we are then giving the employer credit essentially for hiring folks that qualified as Section 3 workers and keeping them as part of their workforce. So we're allowing you, we're encouraging you to hire income eligible workers and you'll be able to continue to take credit for them as their labor hours towards meeting your Section 3 goals for up to five years. So it is that more workforce overview rather than looking specifically at just new hires. That's one of our key changes. Kris looked like you wanted to add or route a question.

Kris Richmond: Yeah. You went right there. I was going to ask you to highlight. So this was perfect Les. I just wanted you to highlight labor hours, not hires, because the first ten questions that came in were, "Well, our contractors are not hiring anybody. What do we do?" You've already addressed that. And also, just people are really stuck with that five years. We just can't look back yet. I'm sorry. We can't do five years yet. And in a number of years, we'll be able to look back five years. But we just can't do it yet. Even though it says five years in the regs. Sorry, we got to wait.

Les Warner: They've giving you that flexibility for five years. But they can only look back to when these new regulations were in place. And so that's why today we're limited looking back just to 2020. So that doesn't really give us five years. But in the future, we will have up to five years. Andelyn, did that answer that question?

Andelyn Nesbitt Rodriguez: I think it did. And thank you so much. Before we move on, I just want to say please ask questions in the Q&A box. There are a number of questions coming into the chat box, and we are answering questions in the Q&A box. If you want to come off mute and ask your question verbally, then please do that in the chat box. But if you please ask your questions in the Q&A box.

Les Warner: And I will also just to maybe support Andelyn and Kris on, they are limited to how many text spaces they have to be able to respond. So if you have a really complex question that they need that there's a lot of verbal response or a lot of response needed, some of those may be a better target to say, "Hey, let me come off of mute," and so let John in the chat box know that you'd like to verbally ask your question. That because I know having tried to answer some of these questions and typing it out, there aren't enough, there's not enough space in that little box to adequately try to respond to all aspects of a question. All right. So John, anybody else in our want to come off of mute?

John Panetti: Yes, we have a Q. Robert Coles, you are unmuted.

Robert Coles: I was literally in the process of typing. It was answered. But no, I just wanted to really see if with what Andelyn said, the difference between the employer certification and the self-certification from her standpoint, they don't frown on they don't care one way or the other. In other words, they don't prefer that you involve the employee?

Les Warner: They don't. And I think to me, that's one of the streamlined things here that particularly I would think a lot of you will have projects that have already triggered Davis-Bacon wage rates. You're getting certified payrolls that are coming in. So if you were working directly with the employer and up front being able to identify well, we know with our workforce, with a subcontractor's workforce, we've got a certain number of employees that will qualify. Then to simply be tracking the hours that they work and reporting that.

If you're getting certified payroll, you'd be able to double check those over time and make sure that what's being reported appears to be correct on that. To me, that would be, could be a lot simpler of a process than having employers or your staff trying to work directly with each of the employees and explain to them what this was all about. If a person was asking me to fill out a self-certification about my income, I probably only know what my take home pay is and have no clue what my annualized based on my income might be.

So I think this was put together to try to simplify this process so there is not a preference one way or another. The other thing I'll just point out on that, as Andelyn was talking about, because this is looking at only that individual income of the worker, it really simplifies things. We're used to having to ask, "Okay, how many people are in your household and trying to collect. The size of the household and all the other sources," which an employer isn't really set up to be able to do. So this was kind of crafted in a way, I think, to streamline this process that make it a bit easier.

Robert Coles: Thank you.

Les Warner: All right. John, who's next?

John Panetti: Next we have William Cool.

Les Warner: Okay.

John Panetti: William, you are unmuted.

William Cool: Hi. I work for a state housing finance agency.

Les Warner: Okay.

William Cool: And I have a question on behalf of one of my development officers who's our point person. He couldn't make it today. He wanted me to ask if the benchmarks are not met, the 25 percent for Section 3 or the 5 percent for targeted Section 3. Does a single qualitative effort satisfy the additional reporting requirement?

Les Warner: It does. So here's the I want to make sure everybody's kind of following what we're talking about here. So when we look at whether you have met what we're calling safe harbor or essentially in compliance, first, we're looking at these quantitative benchmarks on the 25 and 5 percent of those labor hours being completed by qualifying workers. But we have a secondary way. So if we fail to meet those benchmarks, then HUD will be looking to see that we are making appropriate efforts towards that goal of meeting those.

But in the absence of meeting those thresholds, then we have as part of the safe harbor, we also could be considered to be in compliance if we are demonstrating that we have taken on qualitative efforts and from what we have seen within IDIS and DRTR, which is where the most of the CPD are part of the CPD funds would be reporting. There will be a screen that will pop up for those qualitative efforts only if you miss the benchmarks and you will be simply asked to mark whether you completed a qualitative effort.

It's not saying demonstrate that you've done three of these or all of these. So our understanding is that a single qualitative effort would suffice on that. I think what most grantees will do as part of designing their implementation strategy on this is I think a lot of folks will say to contractors, sub recipients that when you're if you're hiring, then we want you to maybe take action, such as maybe an onsite job fair, or you're going to post job postings on the opportunity portal.

Maybe you mentioned when you're going to be doing subcontracting or go through procurement for a sub recipient that you would be posting those contracting opportunities so that you have a number of options that are actively happening. So for most all projects, you be very confident that one of those would actually be applicable for that project. But my understanding would be one qualitative action would suffice as meeting that threshold requirement to be considered to be in safe harbor.

William Cool: Thank you. Wonderful.

Les Warner: John. Anybody else?

John Panetti: Yes. Next, we have Cheryl Lardy. Cheryl, you are unmuted.

Cheryl Lardy: John, how are you? Thank you for this time to ask the question. My question is about Section 3, total labor hours and non-construction professional services. I see that in the final rule. And then the CPD notice 21-07 that non construction services that require an advanced degree or professional licensing are excluded from Section 3 from the total labor hours. So just so I understand this, does that mean let's say if we had 100 total labor hours on a project, ten of those hours were for non-construction services, then we would be looking at 90 total labor hours for the purposes of Section 3?

Les Warner: So it's professional labor hours that are excluded. So it's not quite as broad as non-construction. It's where we have services that are, that require an advanced degree or certification. And so those are excluded. So they're not if let's say we have ten of our 100 hours that are, I don't know, our accounting services and they are excluded as professional service hours. So we would be counting 90 hours as our total and then looking for 25 and 5 percent of that.

And I kind of have to include, as we're discussing, that there is sort of a bonus situation that I've let's say I've contracted for my accounting firm. They have to have advanced degrees to qualify for this, but they have labor hours that are being charged to that contract, that are being completed by workers who actually qualify as a Section 3 worker.

If we if that's the case and we collect that information, even though we're not counting those ten hours for the accounting firm, if there are three hours of that that are completed by one of their workers, who qualifies. We can count that towards our 25 and 5 percent if they qualify. So they're not counting against us in that total of labor hours, but they're sort of can be counted as a bonus towards meaning our percentages.

Cheryl Lardy: So are you saying then that the three would not be included in those ten hours, you would be able to count those three employees in the 90?

Les Warner: The three are not included in the, yeah. Well, so we've already excluded the ten hours from the 100. So I guess what I'm saying is just when we find that they're qualifying, we're not adding those back into the 100 and raising it from 90 to 93. We're still only counting our, the hours that weren't excluded from that professional services. But as a bonus, if we do have some qualifying hours, we can include those when we're calculating the 25 and 5 percent

Cheryl Lardy: I think I follow you. For example, if it was an accountant who had a bookkeeper working with them.

Les Warner: Absolutely. Yeah.

Cheryl Lardy: Okay. So the bookkeeper hours might be applicable. Okay.

Les Warner: Yeah. I think that I think the trick here is we're tracking labor hours. And I know as a former direct practitioner, I like ponder about, "Okay, so how am I being billed on this? Am I being billed on labor hours, or I'm being billed on a service basis?" So I think there may be some additional questions on how do we collect that information, what qualifies on that. The other thing I'll just throw out there because it comes to mind, we've had questions from folks that said, well, so because you raised the issue about non construction, we could have a developer who, the executives for that firm, if they are being charged against that project.

So we're invoicing their labor hours, then they're part of our count of our total labor hours for that project. But in some cases, at least in my experience, we're going to have some of those executives that aren't charged to the project itself, but they're going to being paid by the company out of profits that they're making. So they're not going to show up on the labor for that particular project. And so, their hours are only going to be included when these are labor hours that were counting for that project.

The same thing, not to muddy the waters further, but if you as a grantee, have workers that are being charged off as part of your project delivery costs and you're tracking those labor hours and charging them off to the project, those hours then become part of that count of total labor hours for the project. And so, you could internally have workers that perhaps qualified and you would also be tracking their hours towards meeting your goal. So it's really looking at the labor force that's being charged off for this project and then tracking compliance.

Cheryl Lardy: Okay. I think I follow you up to the very last point that you made. Could you reiterate?

Les Warner: I went one step too far.

Cheryl Lardy: No, you're good.

Les Warner: So for instance, I'll just use the example of when I was running state programs. We had I, as the office chief, was not being charged off to individual projects. My salary was being charged off to admin from the different funding sources that were coming through. But I could have, let's say I was running a housing rehab program and I have an inspector that's going to go out, inspect a property. They're going to be writing up the work specifications for that project.

I could be billing their hours towards that project itself as opposed to taking them out of admin. So that workers hours are part of my count of total labor hours for that project because they're being billed to it. And then we would also then be looking to see is that worker that is on my staff that's being billed to this project. Do they happen to qualify as a Section 3 or targeted Section 3 worker? And if they did, then we're going to document that and count their labor hours towards meeting those benchmark goals.

Cheryl Lardy: Okay. So if hours are being built toward admin, then--

Les Warner: Then this is not a project cost. Yeah, it's not a project cost when it's billed to admin. It is a project cost when we're billing those labor hours to the project itself. And some offices probably aren't billing anyone off to projects directly. Others will be doing that to conserve their admin dollars when they can.

Cheryl Lardy: Okay. So are you saying then, that those hours that are built toward admin do not have to be counted toward these labor hours.

Les Warner: Correct. Correct. Because they are not part of that project. They are coming out of your admin and we're focusing on the project and what the total labor hours are for that project.

Cheryl Lardy: Okay, that's great. Thank you.

Les Warner: Okay. John. Who's next?

John Panetti: Next we have Aaron Neiman. Aaron, you are unmuted.

Aaron Neiman: I joined late. I was in another meeting, so I apologize if this these questions are already asked, but you can let me know. I have a question about documentation. We are, I work for the State Office of Housing Community Services. I work with the home in HTF programs mostly. And when I am working with a sponsor or somebody who is using the funds for a project. I want to be clear about what documentation we, our agency, needs to keep on file.

For example, I have a form that I request their acknowledgment that they understand all of the requirements of Section 3 and kind of an overview of what that is. And then I also have a summary form of like the hours that I would need to, for example, to report the percentages that they were reaching a benchmark or that they've done the qualitative efforts if they don't. Do I need to do, what does our agency need to have on file the backup documentation of that, the targeted Section 3 workers that are qualified and that self-certification or the worker certification?

Les Warner: So it's really a, and that question has not been asked, and it's a good question. So it's really consistent with how you're doing everything else in your program that you're making a decision about how much am I going to request to have submitted to you, maybe along with requests or at a close out on something versus what will be maintained in the file at the project level? And then you would be, as part of your monitoring and oversight, doing some sampling of that and verifying that what was being reported to you, that there is appropriate backup documentation in that.

So some agencies are collecting a lot more that is coming to them and they're going to review on that. A larger entity, particularly a state that has a lot of subrecipients, is probably going to get more of a summary and decide some strategic things that you want to have collected on that. We've talked a little bit about compliance as we went through the trainings. I think because this is a brand-new rule, I mean, there was an old Section 3 rule, but the metrics that we're collecting are different here.

I think it makes sense, at least initially, to think about maybe some sampling that you do earlier on, just to make sure that the systems that you've put in place are working and that at the at the end of a project, if you peek into those files, that you'll find that the things that you were expecting to see actually have been collected and are in place. So I think a lot of folks will do a bit more upfront.

A lot of folks will on when something's brand new, say, "Okay, for the first couple of these, I'm going to want some additional level of document." Once I've looked at those and I see that, "Okay, that's working," you could say, "Okay, I don't need to see that anymore." Maintain it in your files and then think about with your monitoring. Some folks will do some technical assistance visits. That's not really a monitoring. Think about adding Section 3 and some of these things to that sort of standard protocol where you're going to ask questions. A lot of folks, of course, are doing virtual.

And so, you could say, "Send me these particular documents, a few of these. I want to see that." So you really need to have a policy. Think about what you expect to have at the local level versus being sent to you and then thinking about your protocol on having adequate oversight for those documents that aren't going to be in your file to make sure that they actually are at that local level. I would just throw one other thing out on that. For much of the funding you're going to be reporting at project completion, and so there might be a thought to say, "I'm going to wait till the end of that project to ask to ask any questions on this." I think most folks are realizing we want to do some kind of reporting.

A lot of you will already have six month or quarterly reporting, that's kind of standard with funding. So you can keep an eye on the status of projects. So maybe add a few things to that just to get a feel that, "Oh yeah, people are actually collecting this information," so that we don't have an ugly surprise at the end of a project. And then they're trying to go back and try to recreate what they didn't do when they needed to do it.

Aaron Neiman: Okay. Okay. That makes sense. Thank you.

Les Warner: Sure. John, Who's next?

John Panetti: Next, we have Geoffrey O'Connell.

Les Warner: Okay. Go ahead, Jeffrey. You're on the air.

John Panetti: You're unmuted.

Geoffrey O'Connell: Thank you very much. How are you doing today? My question was about what with the Section 3 workers, is the fringe benefits assimilated into the hourly wage or is it is it a separate value that's placed on giving them some additional benefits to their work? Their vacation time or it's sick leave.

Les Warner: It's really their pay rate that we're looking at. And so, as Andelyn was talking about, we can simply take that pay rate and annualize it, and that's how we determine eligibility.

Geoffrey O'Connell: Okay. So are they entitled to getting certain benefits, fringe benefits, just like any other worker would be getting?

Les Warner: Well, it's going to I mean, the fringe benefits that might be required for a worker is going to depend on where they work and the regulations that are in place. But that's not part of our valuation on whether they qualify as a Section 3 worker, and we're not needing to then place a value on this person gets a whole bunch more vacation leave or better health care or something. It's really, it's pay rate.

Geoffrey O'Connell: Okay, good. Very good. Thank you very much.

Les Warner: Time? Do we have more in the queue?

John Panetti: Yes. The next person is Emily Langston. Emily, you're unmuted.

Emily Langston: Thank you. So I just want to clarify something about the timeline that we can qualify someone. So my understanding is that if someone is hired and the employer is going to certify them as Section 3, they're using only the project wage that the employer intends to pay this person and then annualizing that for the entire project. So I think my confusion comes in, I have been thinking about Section 3 for a while, and my impression was that we could use we could certify someone's previous year's wage, basically like encouraging contractors to hire folks who are currently low income and bring their incomes up with these Davis-Bacon wages that we're paying on all of these projects.

And so now I'm confused thinking like, okay, well, now we're just trying to kind of suppress wages on our projects to keep them below 80 percent. And then it doesn't seem like it's really helping anyone. So I want to just clarify. It can be used the previous year like is there are we encouraging them to hire folks who are currently low income and then increase wages or yeah. I just want some clarification on that.

Les Warner: It's not just you that would find that confusing. And so, I was looking at this originally, I thought, well, this is really unfortunate. If we were doing like CDBG funded economic development, we could take someone who was at the point they were applying for the job, they were low income and then hire them for a position that they were never going to be low income again, we could count them. And that seems like, well gee, our goal should be being able to get people out of poverty as part of this.

So in looking at this certification by the employer strictly on the wage rate, that would really block you from being able to count that person who is newly hired was low income until they got this job. But that's only with that employer certification method. So the only thing that the employer is able to certify on is based on wage rate, either what today's wage rate is or if during this lookback period when they were first hired, if they qualified based on their wage rate. But our self-certification form is looking at their income for the previous year.

So the employer can't do that sort of look back and look at the prior year, but the self-certification form from the worker can. And so, depending on which certification, let's say I just got hired for a job that's going to pay me $50,000 a year. And in ambulance example with Columbia, South Carolina limits, I wouldn't qualify based on my new job as a Section 3 worker. And so, the employer couldn't certify me as qualifying.

But I as the worker, filling out a self-certification based on my income from the prior year, if I was working at the Burger King drive thru window making, I don't know, $15 an hour, hopefully, I may qualify based on my self-certification. And so, we have two options on being able to certify and they are going to kind of capture that differently. The employer is limited strictly to that current wage rate or when they were hired.

Emily Langston: That's very helpful. Thank you. But I have one quick follow up, which is, would that five-year time frame still apply to that? So if that person was hired in or if that person was, I guess, self-certifying for the previous year, would they still be able to use that self-certification in 2024, for instance, even if that low-income year was 2022 say?

Les Warner: So we do have from the point that they qualify as a Section 3 worker using either methodology, then we have this period of time that we're able to continue to count them. So it would not it's not limited to only being able to do that with the employer. The one thing I want to point out here and we've had some confusion on this also, and I mean, you can kind of tell the question that people are asking.

We're now all thinking through the details of this and figuring out kind of the nitty gritty on how some of this works. So if we were qualifying a worker, the employer was qualifying that worker, they could look at my, that current wage rate. So if the current wage rate put them over our income limits, we'd say, "Okay, well, they don't qualify that way. Then we could ask, when were they hired?" And so, if they were hired on or after November 30th of 2020, we could then look to the wage rate that they were hired, that they were paid when they were first hired.

If that income, annualized income based on that wage rate, if that qualifies, then we're able to count them based on this lookback period. What some folks wanted to do was say, "Okay, well, they actually were hired in 2018, but I'm going to look back and see what were they paid on November 30th of 2020." That's not an option. It's either current or when they were hired if it's within this lookback period. So we can't simply go to the effective date of the rule and take that wage rate.

Emily Langston: Thank you.

Les Warner: So John, do we have others?

John Panetti: That is everyone for now.

Les Warner: Okay. Kris or Andelyn, do you have anything messy in your, that you're working on that you would like to do verbally, or you want to do it together or however you want to that. Andelyn, it looks like you might have something.

Andelyn Nesbitt Rodriguez: Yeah. I have a few questions. Folks asking really great questions today, and that's a good thing. So we thank you. When a project is already a Davis-Bacon project, the wages would typically include the benefits in the wage rate. But it seems that Section 3 wage rate would be lower. How do we expressly convey that to employers?

Les Warner: And do you want to go on this? Or you may be more familiar with the certified payroll, seeing them.

Andelyn Nesbitt Rodriguez: Yeah. So Davis-Bacon certified payrolls, I believe, break down the hourly wage rate and then they break down the fringe. And you would just use the hourly rate.

Les Warner: Yeah, that's what I was thinking, too.

Andelyn Nesbitt Rodriguez: Yeah. It's already broken down on the certified payroll there. So another way we talked during the training, that certified payroll could be helpful in streamlining the process for Section 3. And it can because it's already broken out there. So. All right. I hope that was helpful there.

Les Warner: And I'll just add to that just a tiny bit. I kind of imagined as I was trying to think, well, how would I do this, that if I had an employer that this was a Davis-Bacon project. We're already getting those weekly certified payrolls, we could up front identify what workers qualified and then maybe add a tally sheet that they're going to report on saying for this, maybe I have seven workers who qualify, and we want to track their hours.

I could have an attachment to what they're already sending in that simply provided totals for those workers. And we would see those sort of grow over time. That would allow you then to also take a glance at the certified payrolls and just double check that. "Okay. Yes. Thomas qualifies and he worked 35 hours in this last payroll." And so that's this appears to be working correctly.

Andelyn Nesbitt Rodriguez: All right. Thank you. Another question, clarification on a certification. An employer would have to use the full-time annualized rate to certify someone, but the worker could self-certify that they were low income based on working part time or working only part of the year. Is that correct?

Les Warner: Yeah. So I mean, the worker is going to be certifying based on what their actual wages were on this. The simple part of this, if it if they qualify, is the employer I mean, it's pretty simple to take that annualized wage rate and come up with a number as opposed to, when you're working with a worker on going through what's my prior year and coming up with that? Maybe a little, take more finesse to get that done. But yes, you have both options there.

Andelyn Nesbitt Rodriguez: There was a really great question here, and we might have to go back to HUD with or we might not. Do we need to inform the employer, if applicable, about overtime wages? I believe that when the employer is certifying again, they're just certifying to the annualized full-time. So taking that hourly wage rate times 2,080. Yeah, I think that that's, yeah.

Les Warner: And you can kind of tell. Almost all of us are, have worked as administrators and we're used to asking those additional questions. "Aha. But how much overtime did you work? What's, was there a bonus? What about the rest of the household members," and having much, maybe much more stringent documentation requirements in place. And this has been designed to try to help streamline this. And so, I do think there are some decisions that administrators need to make about, can we be comfortable in saying, okay, we're asking for somewhat minimal backup documentation because we have that flexibility.

Kris Richmond: I have a question Les that came in or Andelyn and you might know the answer to this. Someone was hired in 2018, and they know they can't look back beyond November of 2020, but they want to know, can they use the income from November of 2020, or do they have to use income of today?

Les Warner: No. It's there are only two options are, date that they were hired if it's within this time period this lookback period or today's current salary. So they can't go back to that November 30th date of the effective date for this. And so, if they were hiring 2018, the only thing that they can look at is current salary.

Kris Richmond: Great. Thank you.

Andelyn Nesbitt Rodriguez: All right. I have a couple of more quick questions. John, do we have anybody waiting? Because I don't want to jump in front of folks.

John Panetti: No, we don't have anyone in the queue.

Andelyn Nesbitt Rodriguez: Great. Okay, a couple other quick questions. Do resident stipends count for Section 3 hours?

Les Warner: I actually think we had that question earlier and I almost think there's an FAQ on that which said that it was not. That it's not a labor hour and so it's not considered labor, essentially.

Andelyn Nesbitt Rodriguez: Okay, great. My thought was no, as well. And I thought that we have discussed that before, but I didn't know that it was brought up.

Les Warner: I think that that raises a good we mentioned on the on the resources, there are FAQs that are being added over time. And I think we'll continue to see we as part of this, if we have questions we can't answer, we're routing them back and we are at times suggesting this might be something that we need to add a frequently ask question on and have that posted as a resource. So I think keep an eye on that. You'll see those grow over time. And it would appear that we are going to be probably continuing to offer office hours. So as everybody works further into this and has new questions that come up as we're doing this, that we think they'll be an ongoing opportunity for that.

Kris Richmond: So Les, I and this might be a good time to maybe pull up the slides that go through the calculations because they're saying they understand people are trying to figure out how to calculate whether someone's Section 3 is a Section 3 worker or not, but their understanding is that we are trying to figure out the total number of hours and then trying to determine whether we are meeting that benchmark or not.

Les Warner: So do we want to look at calculation on the benchmarks?

Kris Richmond: Yeah, I think that might just be helpful because we've really zoomed in on just how do we calculate Section 3. But I think we're missing the big picture, too.

Les Warner: So give me just a moment.

Andelyn Nesbitt Rodriguez: I think I've got it here. Okay, Les.

Les Warner: Yeah. Do you know which slide?

Andelyn Nesbitt Rodriguez: So that's, I think I got it up.

Les Warner: Oh, okay.

Andelyn Nesbitt Rodriguez: Public housing.

Les Warner: So then I will transfer to you. There we go.

Andelyn Nesbitt Rodriguez: I can see it. Yep.

Les Warner: Okay. So and I think we, so this is the introduction to these calculations. So what we're and if you look at the little graphic on the right-hand side of the screen. So our first task here is to try to figure out all of the labor hours that are being worked for a project. So this dark blue, bluish purple, whatever, circle is reflecting all of the labor hours that are worked by all workers. Doesn't matter whether they're qualifying Section 3 or targeted Section 3 workers, total number of labor hours for this project.

And then we are looking at the percentages of those labor hours that were worked for the whole project or depending on whether we're reporting on a fiscal year basis or project year basis is going to relate to the type of funding we're working with. But for our Section 3 workers, so if a sub part of my workforce qualifies as the Section 3 worker, we're going to count all of their hours that they have worked. And so that will be our total. And if we look at the calculations at the bottom of this page, you'll see Section 3 labor hours over our total labor hours are divided into that.

And our benchmark that we're trying to hit for safe harbor is at least 25 percent of those total labor hours were completed by a qualifying worker. And then our second benchmark is we're looking for 5 percent of those total labor hours to have been completed by a worker that qualified as a targeted Section 3 worker. And just the thing to keep in mind, you'll see with, so we have sort of a, our Section 3 worker circle, which is a little smaller than our total. And then our smallest circle is our targeted Section 3 workers.

So all of those targeted Section 3 workers are also counted as Section 3 workers, and their hours are counted towards meeting the 25 percent goal. Their same hours are also counted since they qualify as targeted Section 3 workers towards meeting that 5 percent goal. And I suspect and let's take a look at the next slide. We may actually have an example on this. Maybe try one more on this. Okay. Never mind. So I know in the posted slides, we have some examples where we go through the math on some of these to go through those calculations. But that's when we're talking about our benchmarks and tracking those hours.

That's what we are working with. And so, the key things that we're tracking from our contractors, subrecipients, subcontractors are going to be those total labor hours and then the labor hours worked by each of these categories of qualifying workers, both the Section 3 and the targeted Section 3 workers, to make these calculations. And then in addition to that, we're tracking those qualitative efforts that have been undertaken, and they're following this prioritization of effort because that's what we're going to be then reporting into whatever our program's reporting system is to be able to demonstrate compliance with the Section 3 requirements. Andelyn, did you still have another question?

Kris Richmond: I would expand, but just before we hop on to another question, is the public housing is the fiscal year. And then if you go to the next slide, I think it's HCD next slide. This is on projects. So just in case folks missed that little explanation and it's really underlined in the slide before. I just want to folks to understand it's different. It's the same calculation, but it's different on what your whole is. Are you looking at a project? Are you looking at your whole fiscal year?

Les Warner: Very important point. Thank you.

Andelyn Nesbitt Rodriguez: Really good distinction.

Kris Richmond: Sorry. Go ahead Andelyn.

Andelyn Nesbitt Rodriguez: I do have two more questions, John. Is there anybody waiting?

John Panetti: No, we don't have anyone in the queue.

Andelyn Nesbitt Rodriguez: Okay. So one of the questions is going to go back to the five-year lookback period. And then I've got another question that I think might stump you, Les. So here's the five-year lookback period. If an employee of a construction company just executed a contract now in 2022, but the date of that employment was 2019. But in the calendar year 2020, only income qualified as a Section 3 worker. Can we qualify and count? Yeah.

Les Warner: Yeah. So this is really that same scenario that wanting to say, "Well, in 2020, they actually income wise, qualified." Unfortunately, again, we're limited to either our current income or looking back to when they were initially hired. And in this case, in this example, they were hired in 2019. And so that's prior to our effective date. And so, we don't get that luxury of looking back for that worker.

Andelyn Nesbitt Rodriguez: So they also ask, can they qualify this worker up to 2025? Since the regulation became effective in 2020?

Les Warner: Well, they could if they could qualify them. In this case, they can only look at the current salary as the as sort of the lowest they could go to. So if they don't qualify based on their current salary. We don't have, we can't qualify them and then count them for five years.

Andelyn Nesbitt Rodriguez: But in 2025, would we be able to qualify them based on their 2020 income?

Les Warner: Well if they qualify--

Andelyn Nesbitt Rodriguez: In 2020.

Les Warner: No. It's that hire date or the current date. If they were hired in 2019, we're never going to be able to use the 2020 time. Now, maybe we fire them higher than back at a lower salary. No. That's probably not what we want to suggest.

Andelyn Nesbitt Rodriguez: Right. Okay. And the second part of this question, and then I do have the other question is, are all public housing residents considered Section 3 workers regardless of their income?

Les Warner: So if we look at our definition for a Section 3 worker, and that's slide 32, I think. Oh well, so if you are a resident of this is where we have a means-based testing. So by definition, if you are a resident, you should be able to be documented as a means tested qualification qualify. And in the, I don't know if we have prior session slides, but--

Andelyn Nesbitt Rodriguez: We do. Was that day one?

Les Warner: Yeah. Go to day one and slide 32.

Kris Richmond: Yeah. You just went past it.

Les Warner: Yep. So this is where we were talking about and where we can either have them be employed by Section 3 business concern, a YouthBuild participant, but they also could be and actually we want to look at, and are we talking targeted or Section 3 workers?

Andelyn Nesbitt Rodriguez: We're talking about Section 3 workers.

Les Warner: Okay. Yeah, there we go. So low-income employed by a Section 3 business concern or YouthBuild, but under low-income worker, as Andelyn was pointing out this morning, we have options on how we document them as a low or very low-income worker. And that could be that we are documenting income through that self-certification or the employer. But she also talked about a means tested so the participant in a means tested program.

So if they're occupying Section 8 housing, then they would be qualifying. But I frankly sense that also would be able to qualify them as a targeted Section 3 worker. That's the if you can get that documentation in place that they are resident of public housing or Section 8 assisted housing, that will give you the documentation to document them not only as a Section 3 worker, but as a targeted Section 3 worker.

Andelyn Nesbitt Rodriguez: All right. Thank you so much. Now, my final question. This is a really good one.

Les Warner: Are you sure?

Andelyn Nesbitt Rodriguez: I think it is, yes. This is a really good one. So this is going back to, this is going back to professional service labor hours. So clarifying question about Section 3, total labor hours and professional services. If a business has 100 labor hours on a project in one month and ten of those labor hours are for non-construction professional services such as accounting services, then the total labor hours for the purpose of Section 3 is 90. Correct?

Les Warner: Correct.

Andelyn Nesbitt Rodriguez: Based on the final rule decision to prioritize low and very low-income workers.

Les Warner: Yes.

Andelyn Nesbitt Rodriguez: Well, that didn't stump you at all.

Les Warner: Sorry.

Andelyn Nesbitt Rodriguez: I thought that was really good. And a little caveat that I was not sure of. So I didn't realize that you would subtract that there. Can you go into that a little bit more? Because now I think I might have confused people.

Les Warner: So unless I was going to try to see if in our, I think we have a slide in day one about professional service. And I was going to try to see if I could identify that so we can pull it up.

Andelyn Nesbitt Rodriguez: It is on slide 58. That will go there.

Les Warner: Oh good. So the issue here is, and we mentioned that we're generally excluding non-construction services that that require an advanced degree of professional licensing. So when we're looking at those labor hours charged to a project, those folks are not going to be included in that. So we've been using the example where there were ten hours by the accounting firm because they're considered professional service labor hours, they're excluded.

And so, we're not including them when we calculate the hundred hours, we'll just drop those and they will say, "Well, we only have 90 labor hours because we don't count these professional service labor hours." But this bonus that I was talking about was that you could have workers that are performing some of these professional services. And we used the example, someone asking a question, use the example of a bookkeeper that's working for that accounting firm.

They're being charged, their labor hours are being charged to this project, and that worker could be income eligible as a Section 3 worker. They could be a resident of Section 8 housing. And so, we could if we find that we have a qualifying worker that's being paid and there happened to be in this category, we still want to include those hours in our total labor hours that are on our and I won't even try the numerator denominator because it's been way too many years since I've had to deal with that.

But they won't be included in the total count for that project, but we can still count them in the calculation for those qualifying hours. I don't know how often that would actually be the case, but that's sort of this bonus situation that there is a potential for some additional hours to qualify that you could count towards meeting that criteria. Now I will say we've had some related questions where folks were saying, "Well, I'm trying to figure out whether this contract I have for some kind of professional service, whether it counts as a professional service labor hour."

And one of the comments that we got back from our Section 3 experts was that sometimes you may have to look back at your procurement documents. If it wasn't required that they have an advanced degree of professional licensing. But the person that you awarded the contract happens to have that in place, then they were saying that they would not be excluded.

So I think we've had some questions about, you know, particularly with PHAs on some of their small contracts that were coming out of their operating funding to try to figure out whether they were going to be considered professional service labor hours. And so, we are looking about these actual requirements of having certification advanced degrees, and you may have defined that as part of your procurement requirements. All right. We're getting close to the end of our time. John, do we have any other questions that have come through on your end?

John Panetti: Yes, we have a Lenora Costa. Lenora, you are unmuted.

Lenora Costa: All right. Thank you. I'd like to know how Section 3 applies for projects that were awarded in kind of a tricky period. So one for those that were awarded prior to November 20th or prior to the new rule. When does Section 3 compliance kick in? And then what about for projects that were awarded after that, but before June 30th.

Les Warner: Okay. So Andelyn, if you still have day one up if you can go to slide 23. All right. So here's where we are. So we know that the new rule went into effect on November 30th of 2020. So our guidance here is that if we have a contract that was executed or a project for where that assistance has been committed, and that may be a little different between HCD and PHAs, whether you're committing funds to a project or you're executing contracts.

That is going to be excluded from the new rule. So it's prior to that effective date. So the only impact here is that you're going to keep following the old rule. You're going to have the documents in your files that you would have had for the old rule, and you're not reporting on that. So that's that those commitments to projects or contracts that were executed that happened prior to that. So I would think most folks are going to do this sort of looking at their portfolio of open things and trying to figure out in that zone what projects, what contracts fall prior to that.

And so, I'm following the old rule versus the new rule. So Andelyn, if we go to the next slide. So we then will also then, so we have projects that were where we have that commitment or signing of a contract between the effective date and then July 1st, which is when we're talking about the beginning of our compliance period. So they fall under the new rule because they're after that effective date on or after November 30th, 2020.

And so, the kind of data that you're collecting is going to follow the new rule requirements. And then there are programmatic notices that will specifically talk about the reporting requirements on those. And I would really refer to you the obligor for CDBG and other funding. There is a home notice. There's a PIH notice that also has been issued on that. So I would refer you to the specifics about the reporting end of this.

But many of these will not be required to report into the system, but they would follow the new rule. They would hold on to their documentation. And then for projects that were funded July 1st, 2021, or later. Following the reporting requirements for the particular type of project, they will be reporting that into the applicable system.

So at the project completion for home or CDBG, we're going to be going into IDIS there are additional screens that have been added and you would be then reporting in these benchmark information, the total labor hours, the Section 8 labor hours, the targeted Section 8 labor hours, and then if you've missed that 25 and 5 percent, you're going to get a screen that will ask you about those qualitative efforts. And I think each of the program notices have tried to give you more specific guidance for that, and I would really defer you to those notices.

Lenora Costa: Excellent. Thank you.

Les Warner: John, anybody else?

John Panetti: That is it in the queue, I think, yeah.

Les Warner: Okay. So we've magically gotten to the end of our time. I hope this was helpful for folks. I would recommend you use the resources that have been that Andelyn included in the slides. And I'll also mention we believe that there will be some ongoing office hours and also some new, perhaps some new tools, some new guidance. So stay tuned and we may have an opportunity to be in another office hour with you in the future as new questions arrive. Thanks to Kris and to Andelyn, to John, and thanks everybody. I hope this was helpful for you. Bye bye.

Lenora Costa: Thanks. Bye bye.

(END)