Welcome to Day 2

Section 3 Final Rule Training Course

Using WebEx:
Q&A Features & Breakout Rooms

Trainers

Break-Out Facilitators

Where are we at?

Module 1: Understand the Basics

Module 3: Program Oversight

Module 2: Plan and Implement

Module 4: Report & Evaluate

Program Specific Application

Public Housing Financial Assistance

Housing & Community Development Programs

Materials – Day 2

Day 2 Presentation (PDF of Slides)

Tools:

- Key Changes to the Section 3 Rule: Summary Chart
- Section 3 Sample Plan
- Worker Certification Form
- Section 3 Business Concern Certification for Contracting

Section 3 Exercises
(Same document as yesterday)

Day 1 Recap

Promote sustained employment and career development:

- Focuses on labor hours instead of new hires creating an incentive for employers to invest in and retain their newly hired low-income workers.

Applicability and Thresholds:

- All public housing financial assistance: no threshold.
- Housing and community development financial assistance
  - Assistance used for housing rehabilitation, housing construction, and other public construction is subject to Section 3 requirements.
  - Updated the threshold, applies to projects exceeding $200,000
- Establishes threshold for Lead Hazard Control and Healthy Hom grants exceeding $100,000.

Definitions
Applicability + Thresholds

Safe Harbor Provisions & Benchmarks

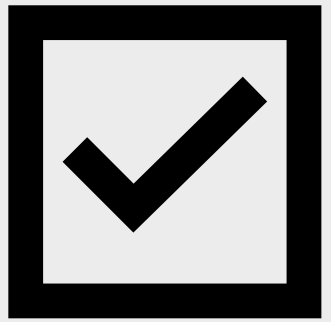
Safe Harbor Compliance Check

Complied with safe harbor if:

Met or exceeded the Section 3 benchmarks

AND

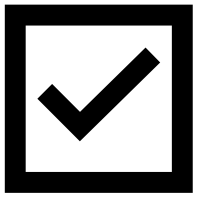
Followed the required prioritization of effort



Absent evidence of the contrary

Safe Harbor Compliance Check

What if a recipient can’t meet the quantitative benchmarks + prioritization of effort?



Provide evidence that they have made **<u>qualitative</u>** efforts to assist low and very low-income persons with employment and training opportunities.

Safe Harbor Benchmarks

Hours worked by all workers employed with public housing financial assistance in a PHA *fiscal year*

Hours worked by all workers employed on a Section 3 Project

$$\frac{\text{Section 3 labor hours}}{\text{Total labor hours}} = 25\% \quad \textbf{AND} \quad \frac{\text{Targeted Section 3 labor hours}}{\text{Total labor hours}} = 5\%$$

Exercise #1

Let’s head to the Breakout Rooms

Discuss the Answers

Safe Harbor Compliance Check

Complied with safe harbor if:

Met or exceeded the Section 3 benchmarks

AND

Followed the required prioritization of effort

Absent evidence of the contrary

Certification of Prioritization of Effort

PH

Employment & Training

"best efforts"

Residents of the public housing projects for which the public housing financial assistance is expended

Residents of other public housing projects managed by the PHA that is providing the assistance or for residents of Section 8-assisted housing managed by the PHA

Participants in YouthBuild programs

Low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which assistance is expended

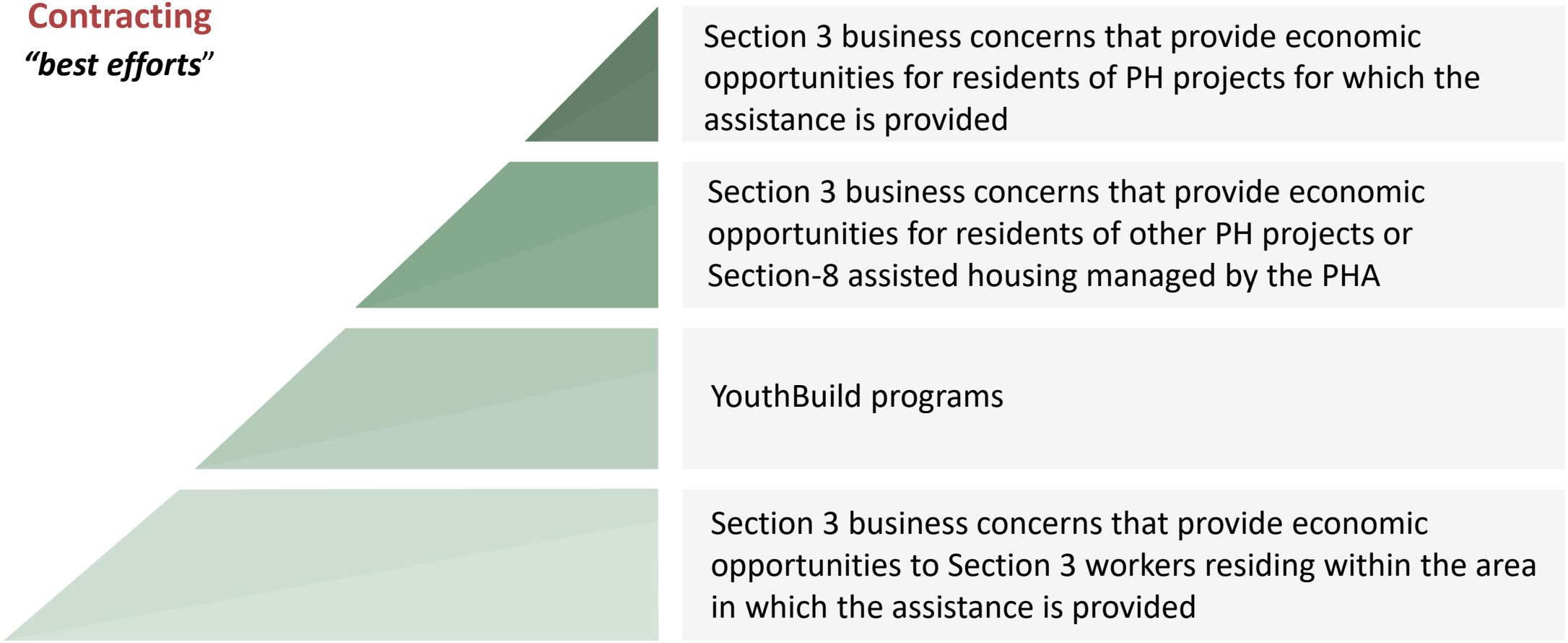
Consistent with existing Federal, state, and local laws and regulations

Certification of Prioritization of Effort

PHA

Contracting

"best efforts"



Section 3 business concerns that provide economic opportunities for residents of PH projects for which the assistance is provided

Section 3 business concerns that provide economic opportunities for residents of other PH projects or Section-8 assisted housing managed by the PHA

YouthBuild programs

Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the area in which the assistance is provided

Consistent with existing Federal, state, and local laws and regulations

Certification of Prioritization of Effort

HCD

Employment & Training

"to the greatest extent feasible"

Section 3 workers residing within the service area or neighborhood of the project

Participants in YouthBuild programs

Consistent with existing Federal, state, and local laws and regulations

Certification of Prioritization of Effort

HCD

Contracting

"to the greatest extent feasible"

Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project

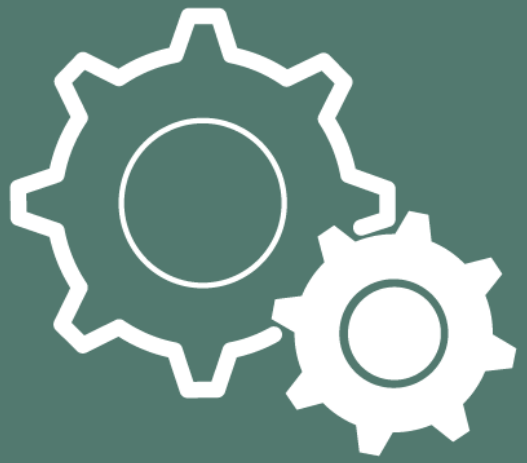
Participants in YouthBuild programs

Consistent with existing Federal, state, and local laws and regulations

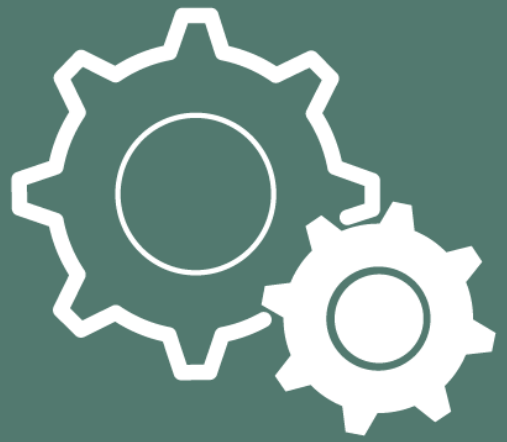
Multiple Funding Source Projects - Prioritization

Type of Financial Assistance	Definitions *Targeted Section 3 Worker	Thresholds	Prioritization	Reporting
Public Housing and Housing and Community Development	**PHA** – must follow subpart B of Part 75 **HCD** – may follow subpart B or C of Part 75	None *Any amount of PH assistance triggers Section 3	**PHA** – must follow subpart B of Part 75 **HCD** – may follow subpart B or C	
Multiple Sources of Housing and Community Development (single or multiple recipients)	Must follow subpart C of Part 75	Exceeds $200,000 for Section 3 projects *LHCHHP exceeds $100,000	Must follow subpart C of Part 75	

Knowledge Check



Module 2. Plan & Implement

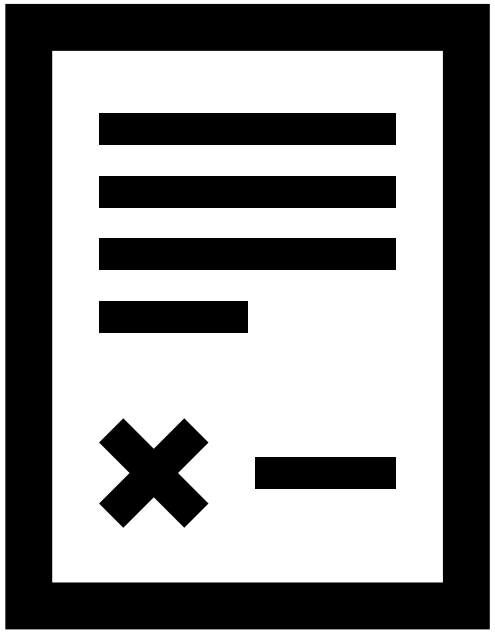


By the end of this module, you will be able to answer the following questions:

- What is the purpose and components of a Section 3 Plan?
- What are considerations for hiring eligible and qualified workers?
- What are considerations for contracting with eligible businesses?
- How do you recruit Section 3 Workers and Businesses?
- What is the certification process?
- What are contracting and procurement tips to help achieve compliance?

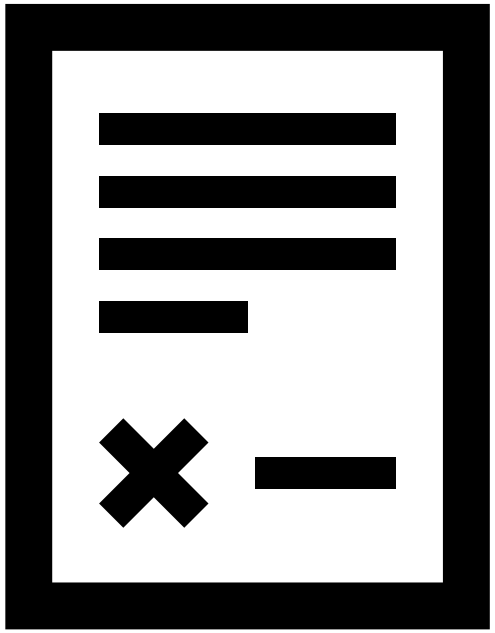
Purpose of Section 3 Plan

Section 3 in Action



- Aid recipients, subrecipients, contractors, and subcontractors with complying with the Section 3 requirements.
- Serves as a guide for implementing the requirements and meeting the Section 3 goals

Components of a Section 3 Plan



- Policy Statement/Purpose
- Section 3 Applicability
- Section 3 Goals/Safe Harbor Benchmarks
- Recipient and Contractor Responsibilities
- Prioritization and Eligibility Requirements for Workers and Businesses
- Section 3 Certification Procedures for Workers and Businesses
- Reporting Deadlines
- Complaint Procedures

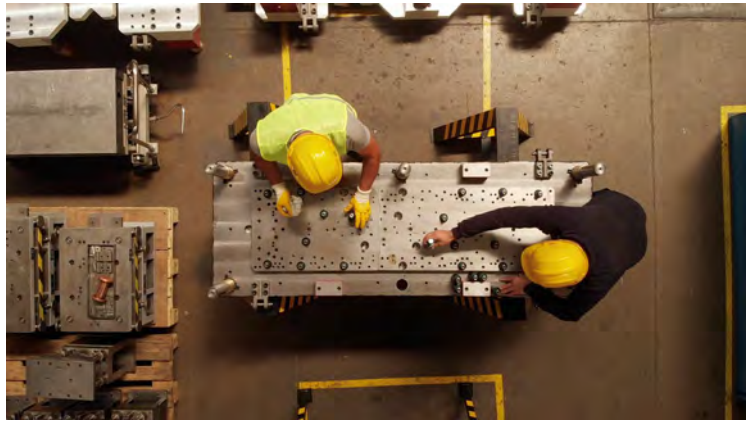
Key Practices for Developing a Section 3 Plan

- **Engage** diverse community stakeholders in the development of the plan
- Consider local, state, and federal **procurement requirements** while developing the plan
- Identify a **Section 3 Coordinator** to carry out plan
- Utilize your **local HUD team** for support

Effective Section 3 Plan Implementation

Preparation

Communication



Coordination

Exercise #2

Let’s head to the Breakout Rooms

Discuss the Answers

Tool

Section 3 Plan (Sample)

1. Overview of Section 3 Requirements

A. WHAT IS SECTION 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) that is regulated by the provisions of 24 CFR 75. Section 3 regulations ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

B. PURPOSE OF THIS DOCUMENT

This plan outlines how the [recipient/ grantee] and its subrecipients, contractors and subcontractors will comply with HUD's Section 3 requirements in implementing [subrecipient/ grantee]'s [HUD funded program]. [Recipient/ grantee] will, to the greatest extent feasible, ensure that employment and other economic opportunities are directed to low- and very low-income persons (Section 3 workers and Targeted Section 3 workers) and to eligible businesses (Section 3 Businesses) and requires the same of its contractors.

[Recipient/grantee] may amend its Section 3 Policies and Procedures document as necessary to ensure continued compliance with HUD's requirements and/or to reflect updated Section 3 guidance and outreach strategies.

C. APPLICABILITY

For public housing financial assistance, all funding is covered, regardless of the amount of expenditure or size of a contract. This plan applies to development assistance, operating funds, capital funds, and all mixed-finance development.

For housing and community development financial assistance, this plan applies to housing rehabilitation, housing construction, and other public construction projects that exceed $200,000 or more of housing and community development financial assistance from one or more HUD programs. Applicability is determined at the project level.

For projects funded with Lead and Hazard Control and Healthy Homes Programs, this plan applies to projects that exceed $100,000.

2. Section 3 Coordinator

[Recipient/grantee]'s Section 3 Coordinator serves as the central point of contact for Section 3 compliance for [recipient/grantee] and its subrecipients, contractors and subcontractors supporting the program. Subrecipients, contractors, subcontractors and others are encouraged to reach out to [recipient/grantee]'s Section 3 Coordinator with questions regarding Section 3 compliance:

[coordinator name]
[coordinator title]
[coordinator email]

3. Employment, Training, and Contracting Goals

A. SAFE HARBOR COMPLIANCE

[Recipient/grantee] will be considered to have complied with the Section 3 requirements and met safe harbor, if they certify that they followed the required prioritization of effort and met or exceeded the Section 3 benchmarks, absent evidence of the contrary.

Prior to the beginning of work, contractors and subcontractors will be required to certify that they will follow the required prioritization of effort for Section 3 workers, Targeted Section 3 workers, and Section 3 business concerns as outlined below in section C. After completion of the project, on the Section 3 Cumulative Report, contractors and subcontractors will be required to certify that they followed the prioritization of effort requirements.

If the contractor and subcontractor does not meet the safe harbor requirements, they must provide evidence that they have made qualitative efforts to assist low and very low-income persons with employment and training opportunities.

B. SAFE HARBOR BENCHMARKS

[Recipient/grantee] has established employment and training goals that subrecipients, contractors, and subcontractors should meet in order to comply with Section 3 requirements outlined in [24 CFR Part 75.9

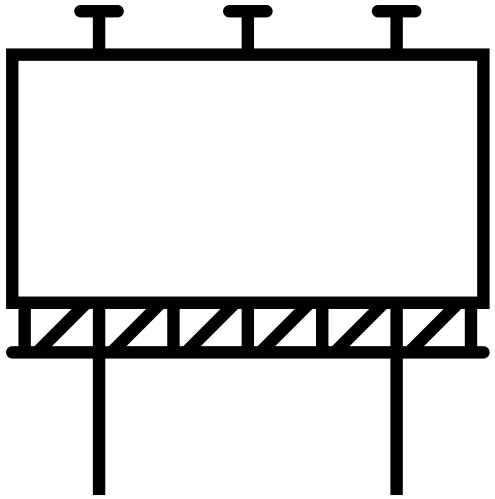
Training and Employment

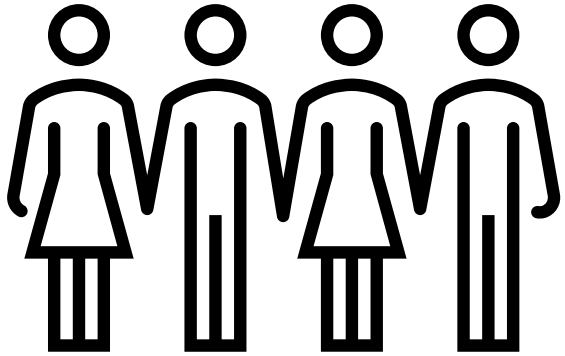
Section 3 in Action

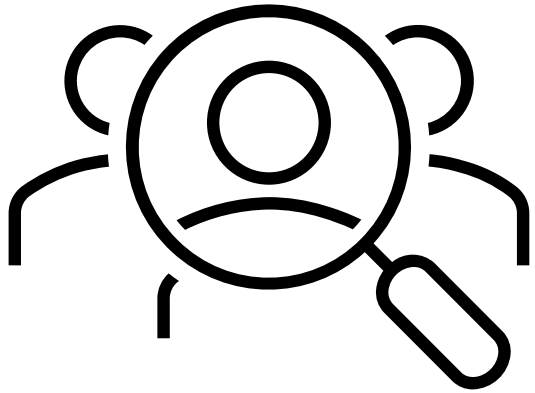
Recruiting	Hiring/Training	Certifying
Section 3 Workers and Targeted Section 3 Workers	Eligible and Qualified Workers	Section 3 Workers and Targeted Section 3 Workers

Consider the "order of priority" listed in part 75.9 and 75.19 when providing training and employment to workers

Effective Recruitment of Section 3 Workers & Targeted Section 3 Workers







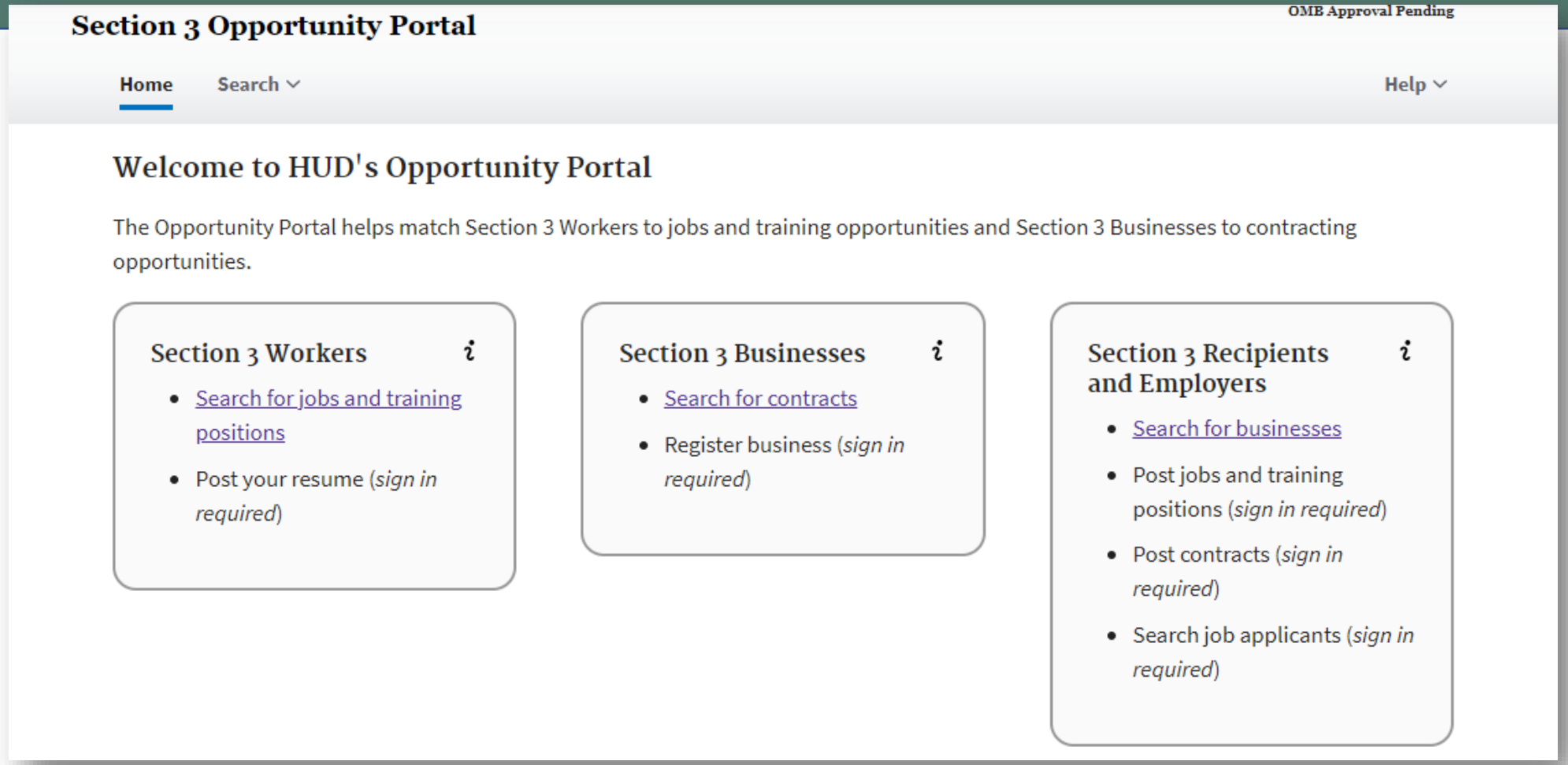
Check out the list of example qualitative efforts in Part 75.15 and Part 75.25

Hiring Eligible and Qualified Workers

- The Section 3 regulations lists the types of evidence workers may submit for eligibility
- Effective Program Implementation requires a process for determining eligibility:
  - Developing a Section 3 worker certification form to be used to certify workers

HUD's Opportunity Portal

…for Section 3 Workers

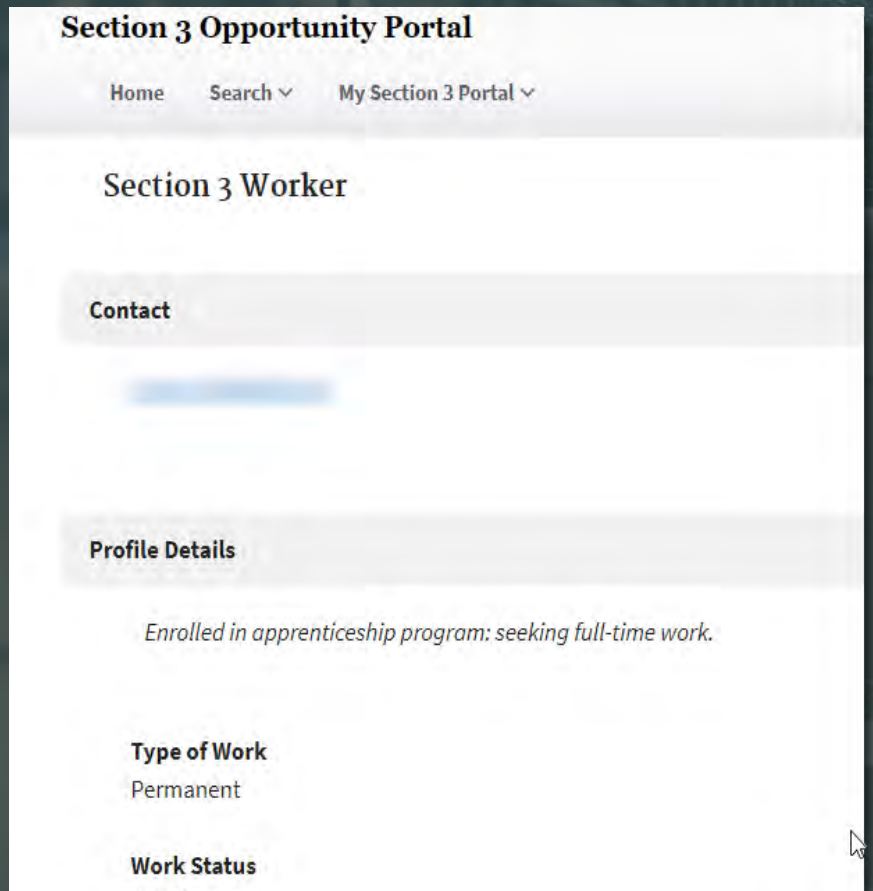


Opportunity Portal

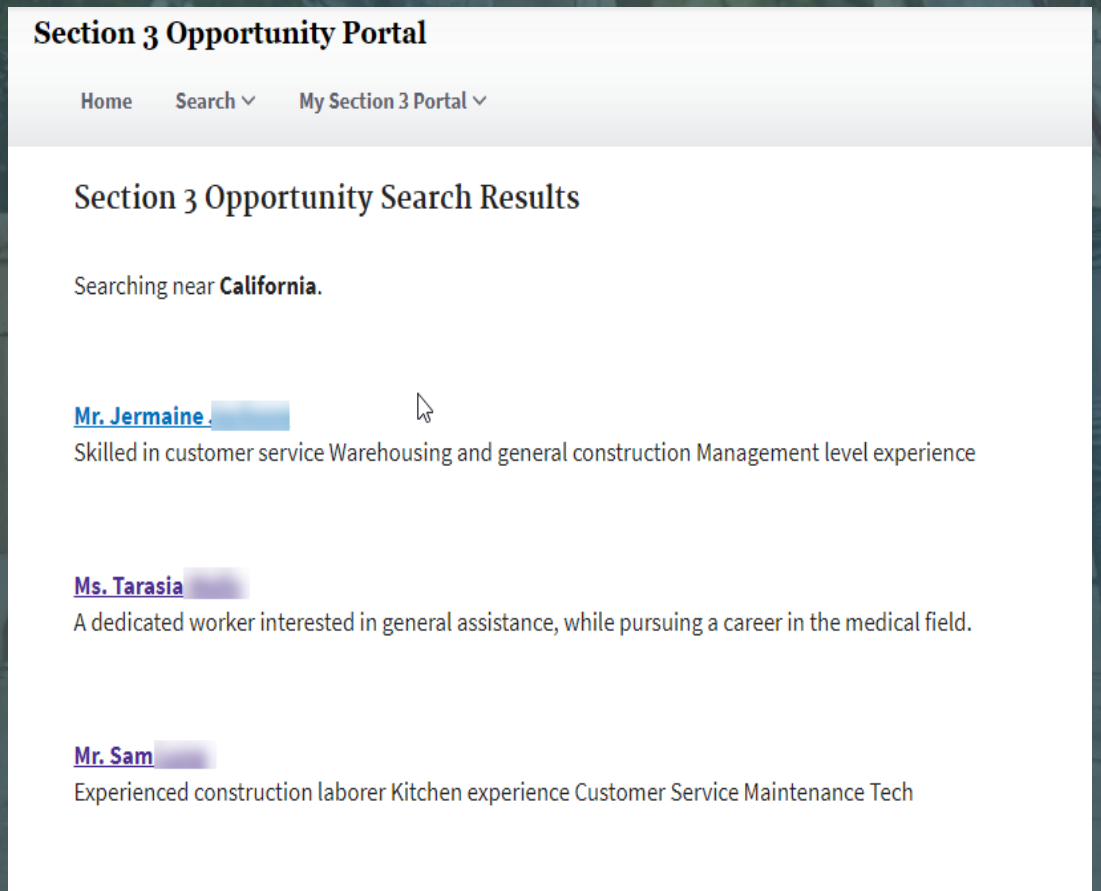
https://hudapps.hud.gov/OpportunityPortal

Employment Opportunities

Post a Profile



Business search/access a worker's profile



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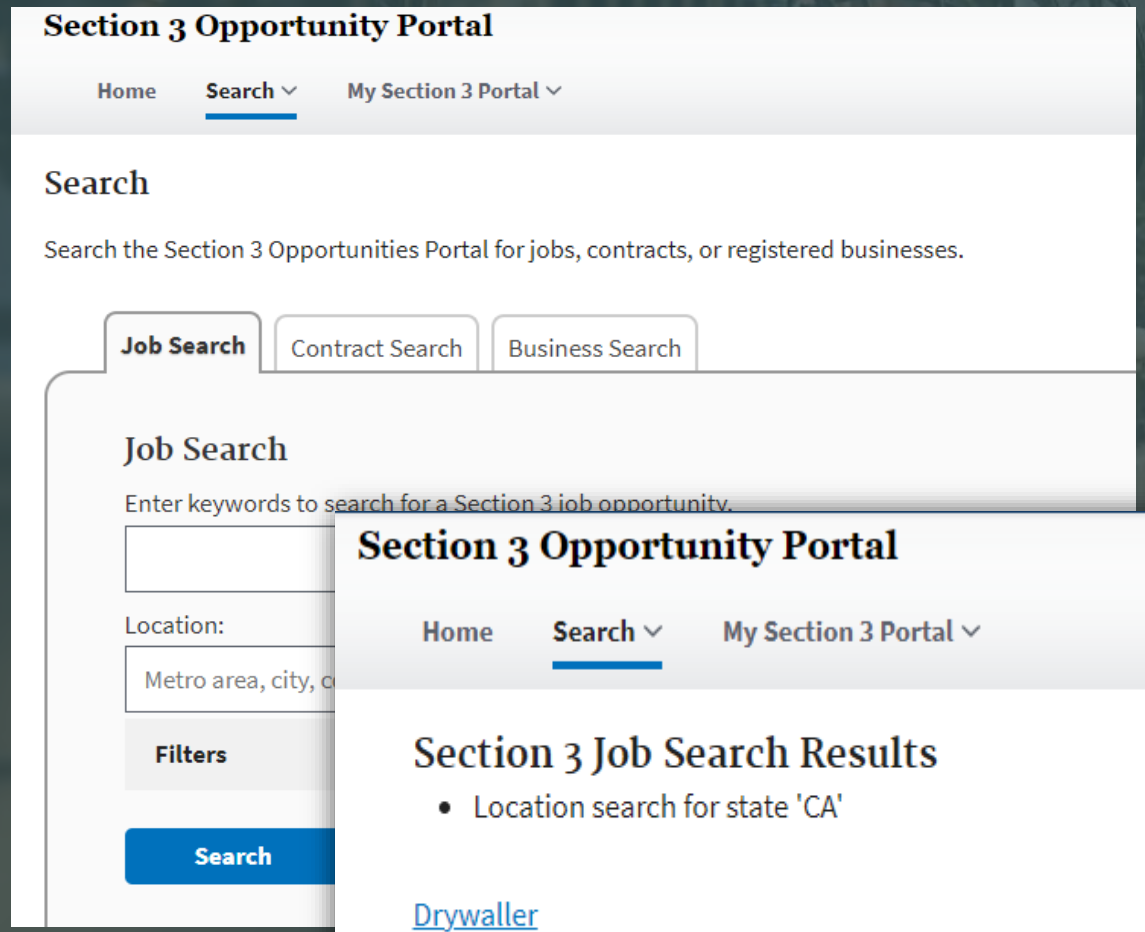
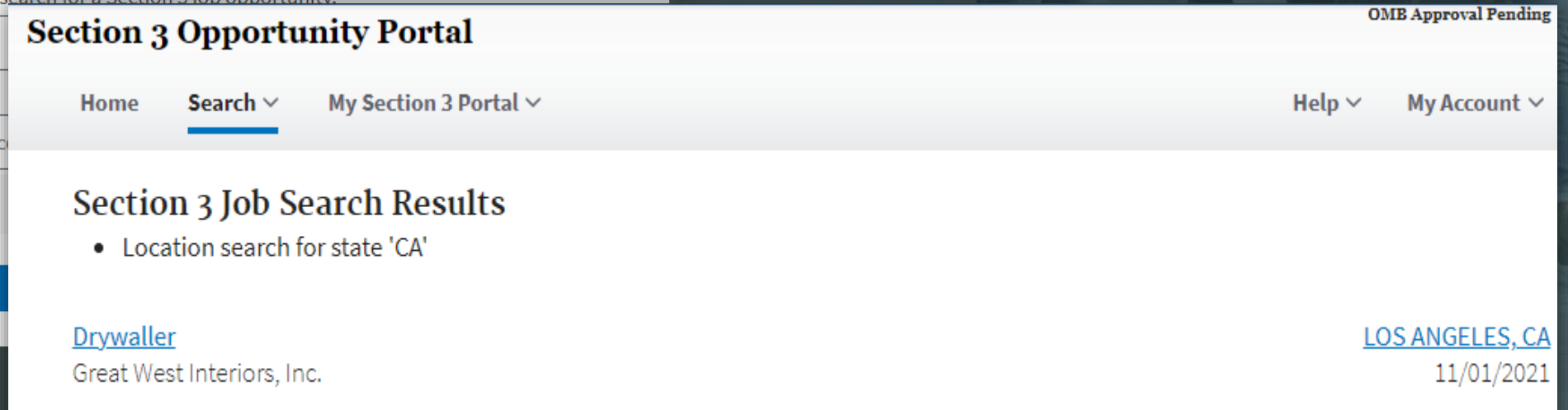
Employment Opportunities



Search Jobs

Match to an Opportunity



Certification: Section 3 Worker

One of the following certifications must be maintained:

1. A worker's self-certification stating that their income is below the income limit;
2. A worker's self-certification of participation in a means-tested program such as public housing or Section 8-assisted housing;
3. Certification from a PHA, or the owner or property manager of Project-Based Section 8-assisted housing, or the administrator of Tenant-Based Section 8-assisted housing that the worker is a participant in one of their programs;
4. An employer's certification that the worker's income from that employer is below the income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis; or
5. An employer's certification that the worker is employed by a Section 3 business concern.

Certification: Targeted Section 3 Worker

One of the following certifications must be maintained:

PH Assistance – Subpart B

1. *A worker's self-certification of participation in public housing or Section 8-assisted housing programs;*
2. *Certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;*
3. An employer's certification that the worker is employed by a Section 3 business concern; or
4. A worker's certification that the worker is a YouthBuild participant.

HCD Assistance – Subpart C

1. *An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people* according to the most recent U.S. Census;
2. An employer's certification that the worker is employed by a Section 3 business concern; or
3. A worker's self-certification that the worker is a YouthBuild participant.

Tool

Section 3 Worker and Targeted Section 3 Self-Certification (Sample Form)

Section 3 Worker and Targeted Section 3 Worker Self-Certification (Sample Form)

The purpose of HUD's Section 3 program is to provide employment, training and contracting opportunities to low-income individuals, particularly those who are recipients of government assistance for housing or other public assistance programs. **Your response is voluntary, confidential, and has no effect on your employment.**

Eligibility for Section 3 Worker or Targeted Section 3 Worker Status

A Section 3 worker seeking certification shall self-certify and submit this form to the recipient contractor or subcontractor, that the person is a Section 3 worker or Targeted Section 3 Worker as defined in 24 CFR Part 75.

Instructions: Enter/select the appropriate information to confirm your Section 3 worker or Targeted Section 3 Worker status.

Employee Name: _____

1. Are you a resident of public housing or a Housing Choice Voucher Holder (Section 8)? ☐YES ☐NO
2. Are you a resident of the [City/County of insert name] ☐YES ☐NO
3. In the field below, select the amount of individual income you believe you earn on an annual basis. *The grantee should confirm that their state and local laws do not prohibit this question.

☐ **Less than $10,000**	☐ **$30,001 - $40,000**	☐ **More than $60,000**
☐ **$10,001 - $20,000**	☐ **$40,001 - $50,000**	
☐ **$20,001 - $30,000**	☐ **$50,001 - $60,000**	

Select from *ONE* of the following two options below:

I qualify as a:

☐ Section 3 Worker (as defined on page 4 of Section 3 Worker Certification Form)

☐ Targeted Section 3 Worker (as defined on pages 4-5 of Section 3 Worker Certification Form)

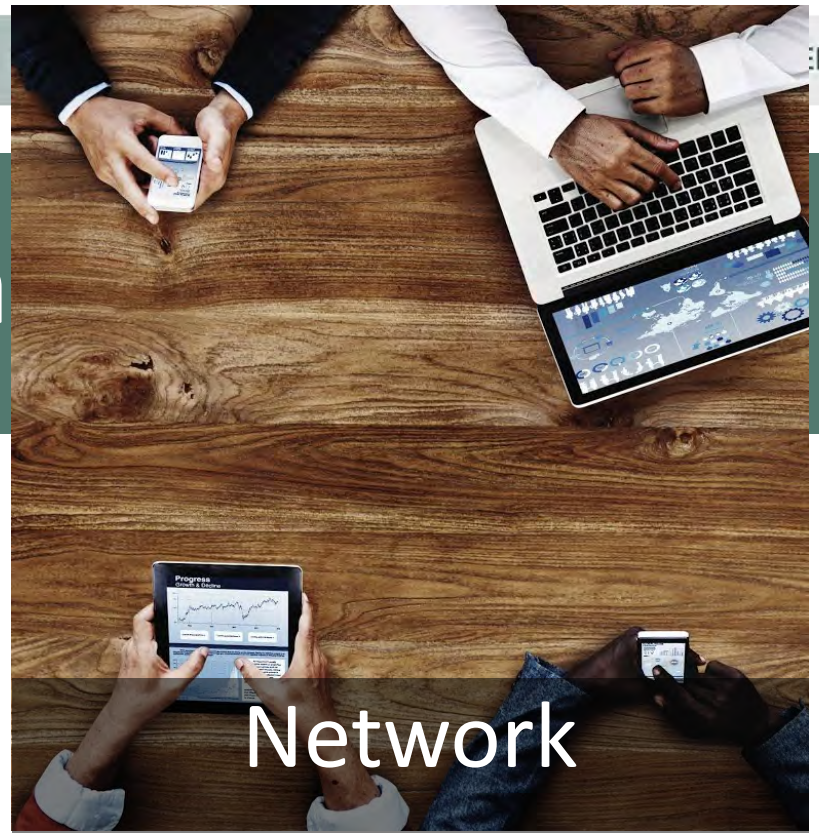
Questions & Answers

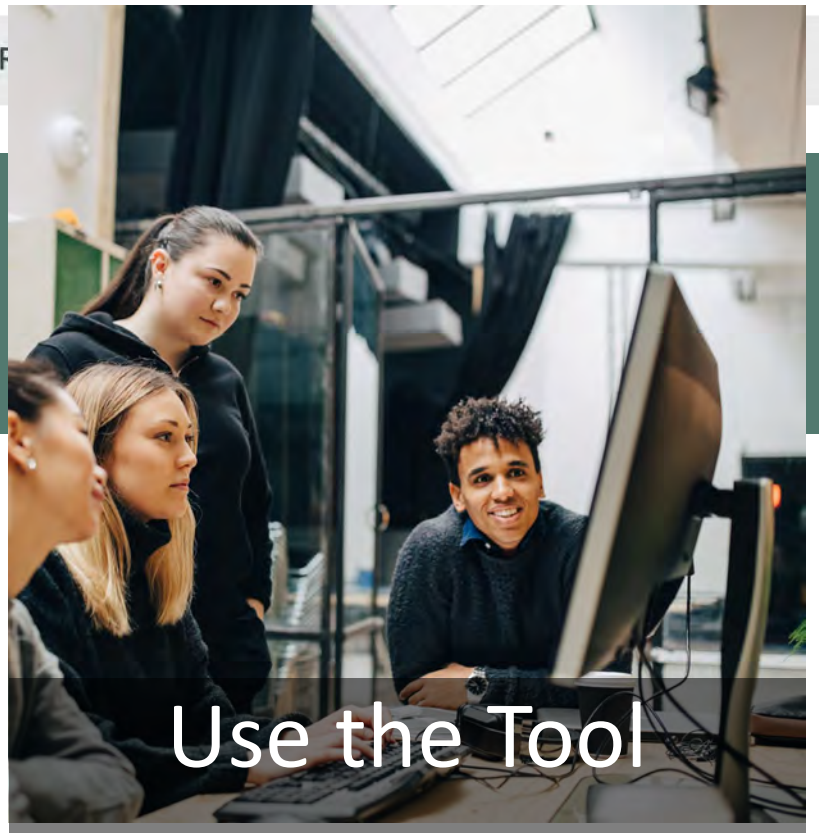
Contracting

Section 3 in Action

Recruiting	Certifying	Communicating	Contracting
Section 3 Business Concerns	Section 3 Business Concerns	Section 3 Requirements with Businesses	With Eligible Businesses

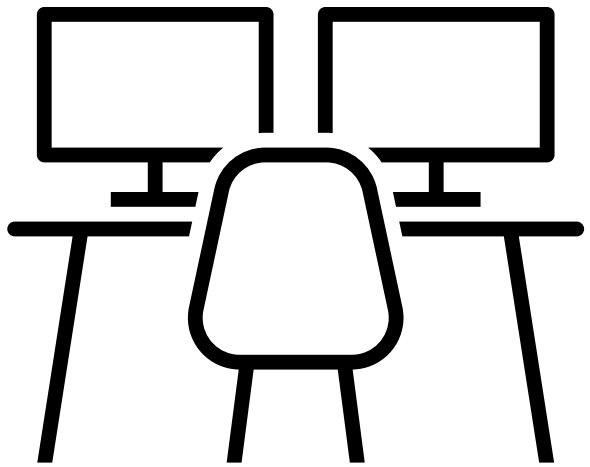
Requirement is to make best efforts to award contracts and subcontracts to Section 3 business concerns: there is no longer safe harbor benchmarks according to % of contracts awarded.

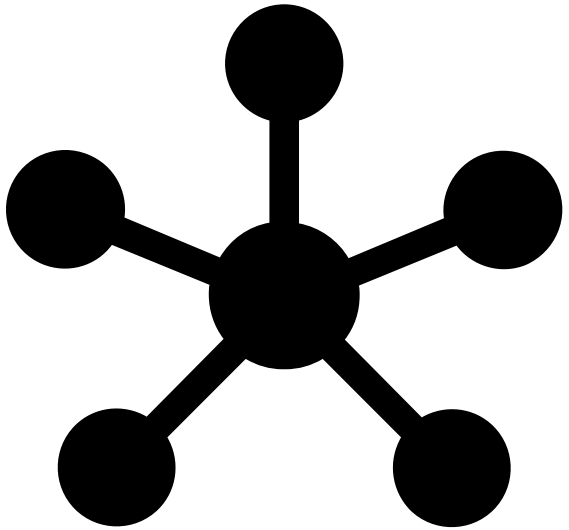


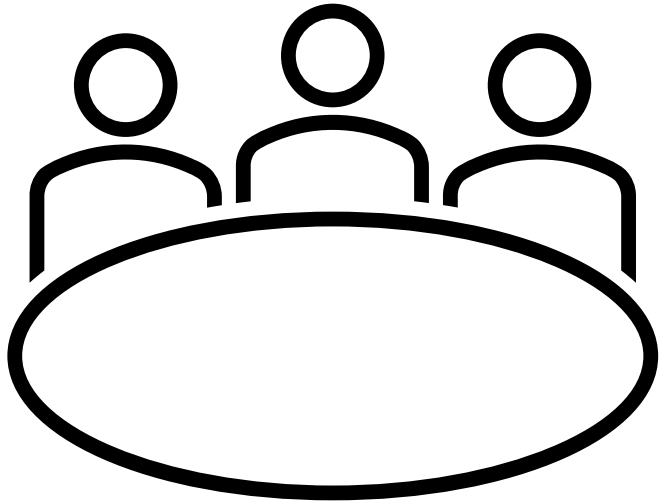


Recruitment of Section 3 Business Concerns

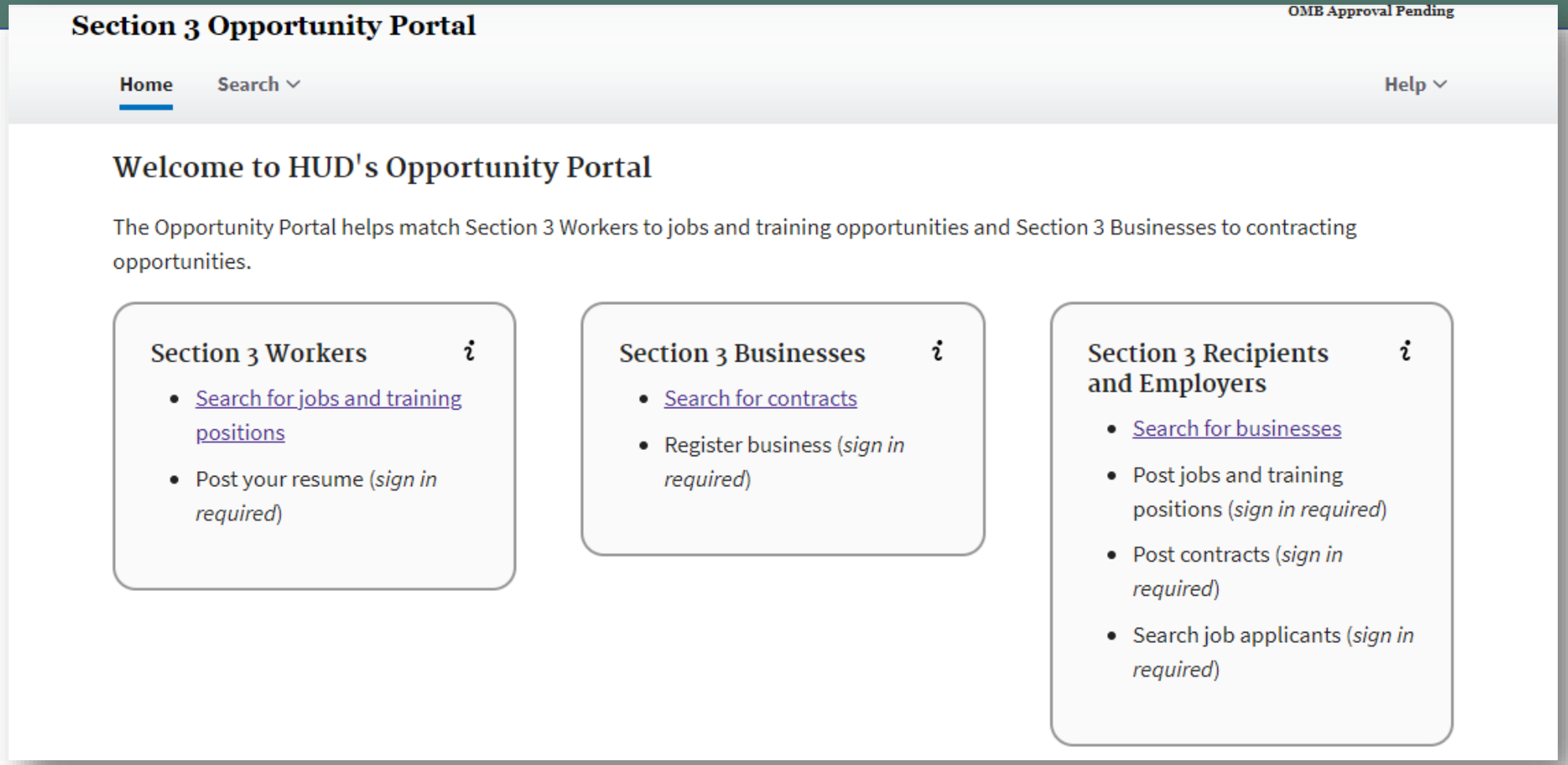
Capacity Building







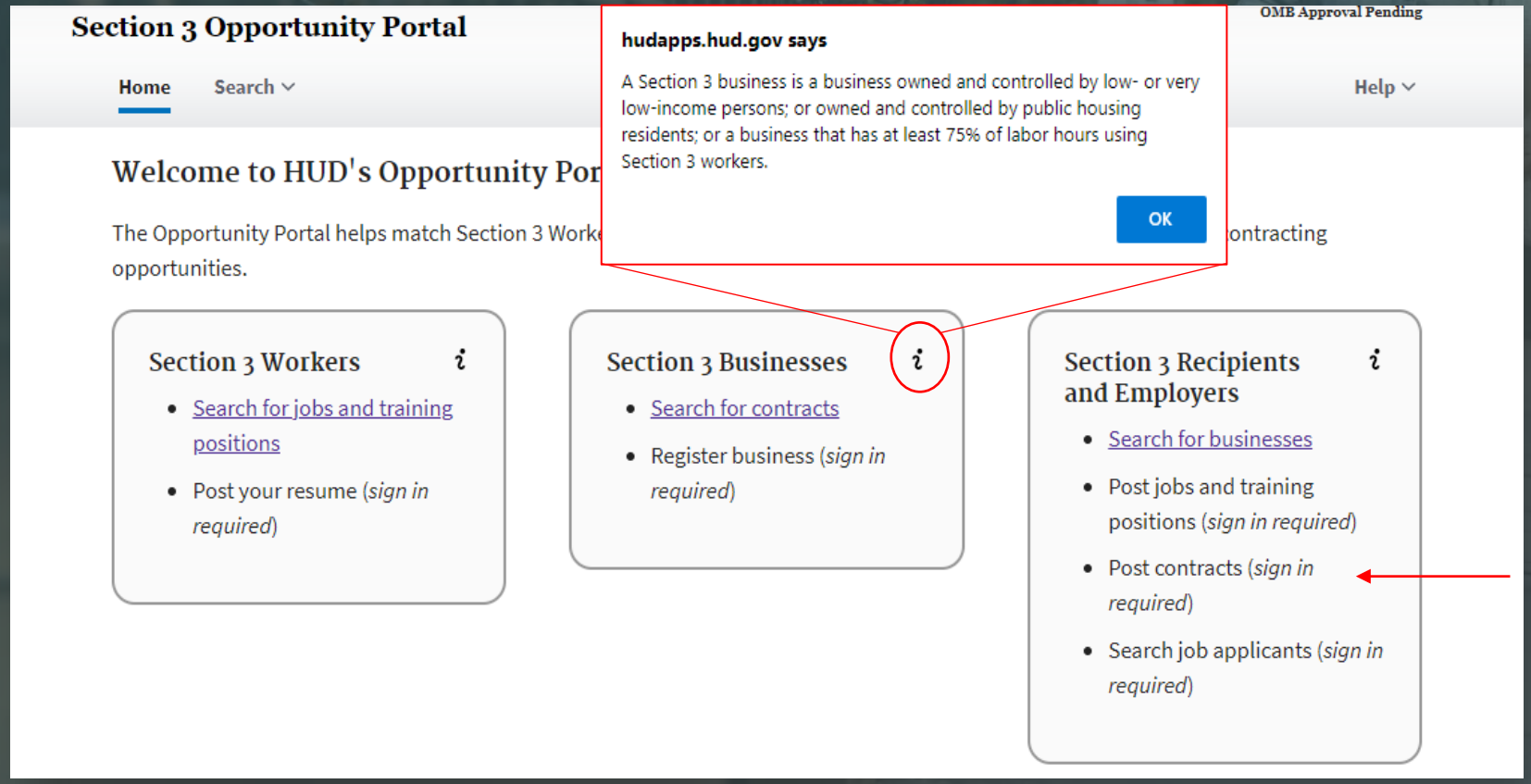
HUD's Opportunity Portal
...for the Section 3 Business Concerns & Recipients



https://hudapps.hud.gov/OpportunityPortal

Business/Contracting Opportunities

Register a Business

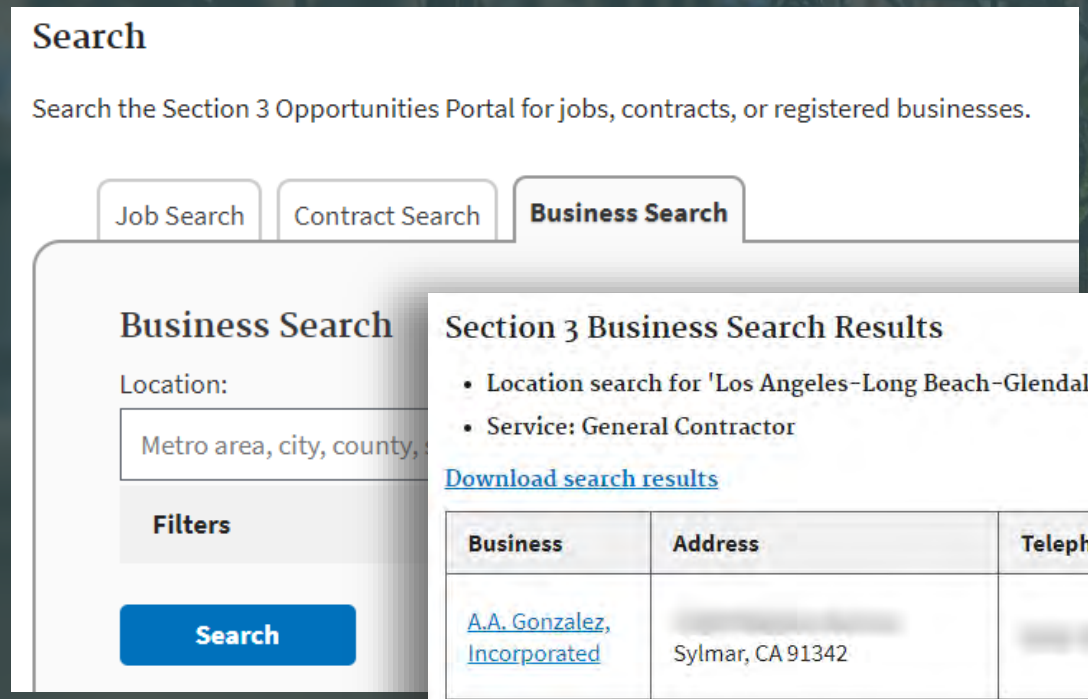


Post Contracts

Opportunity Portal

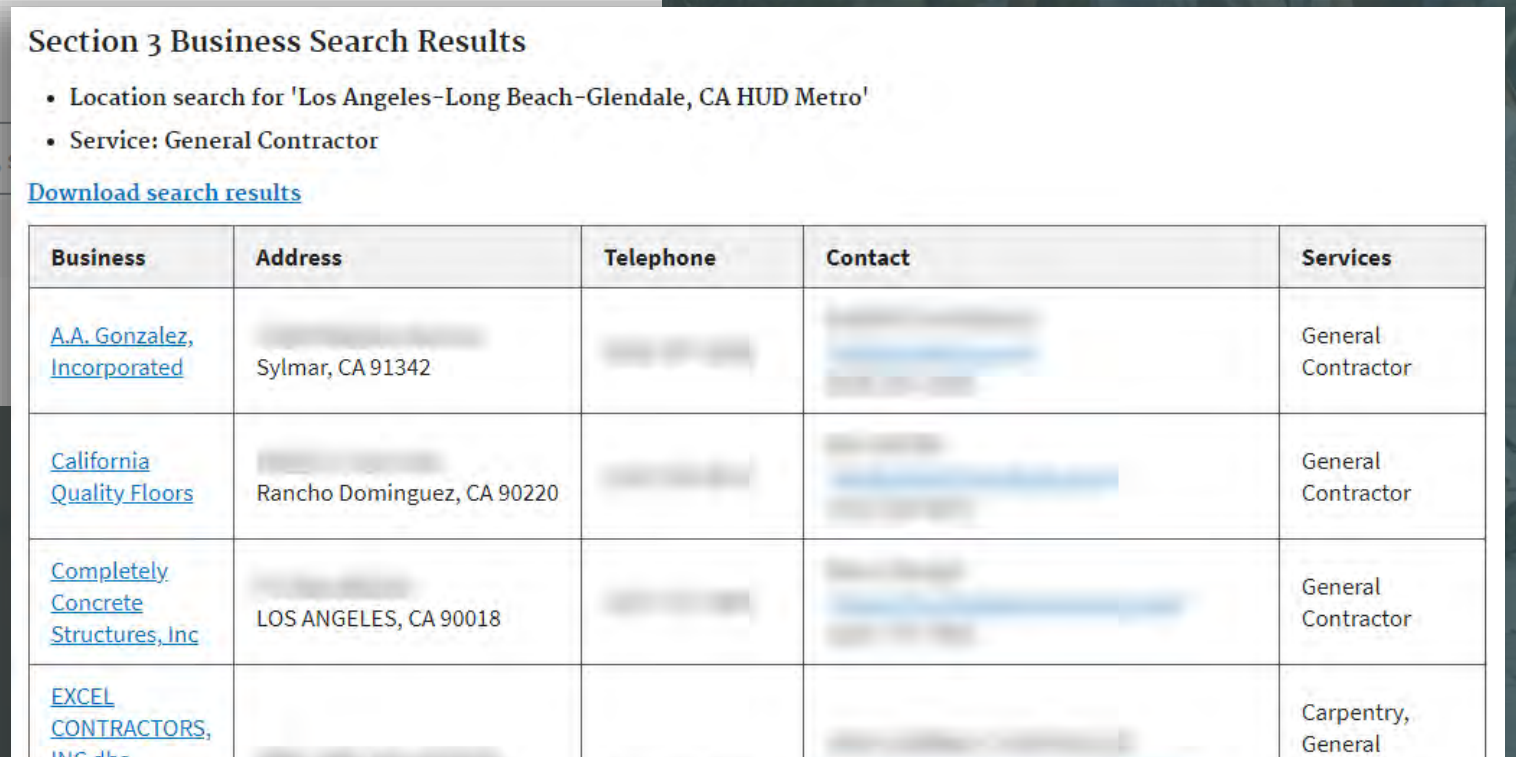
https://hudapps.hud.gov/OpportunityPortal

Business/Contracting Opportunities



Search for Businesses

Match to an Opportunity



Section 3 Business Search Results

- Location search for 'Los Angeles-Long Beach-Glendale, CA HUD Metro'
- Service: General Contractor

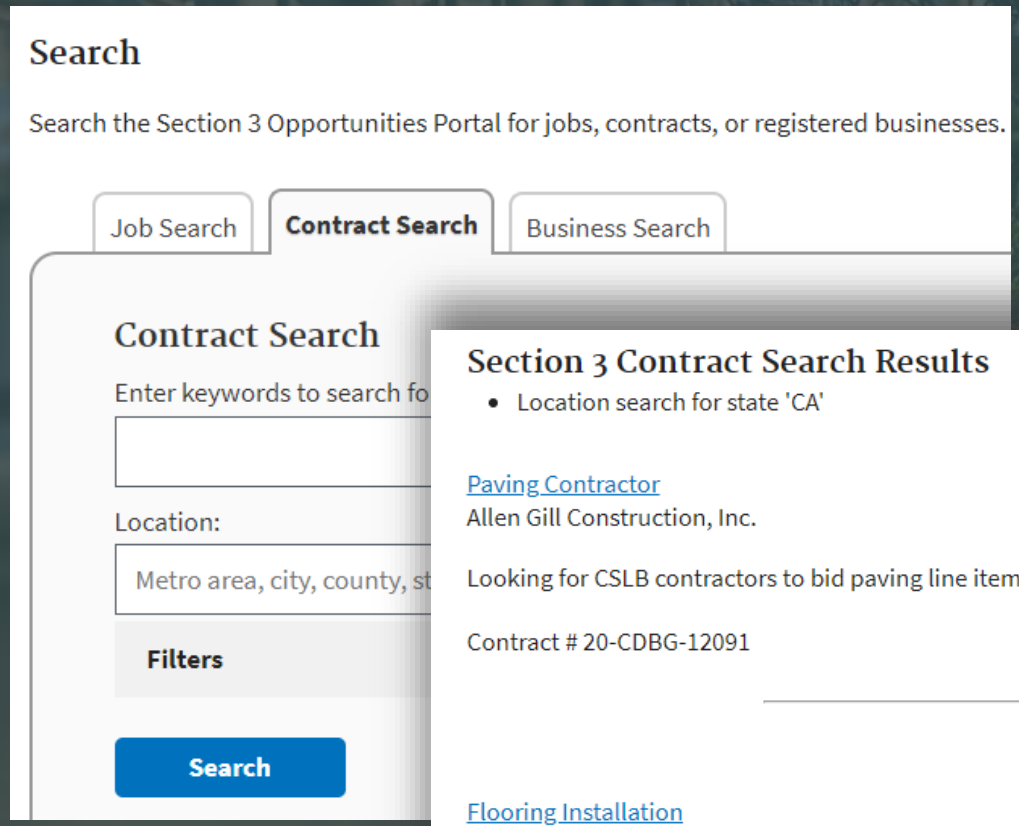
Download search results

Business	Address	Telephone	Contact	Services
A.A. Gonzalez, Incorporated	Sylmar, CA 91342			General Contractor
California Quality Floors	Rancho Dominguez, CA 90220			General Contractor
Completely Concrete Structures, Inc	LOS ANGELES, CA 90018			General Contractor
EXCEL CONTRACTORS,				Carpentry, General

Opportunity Portal

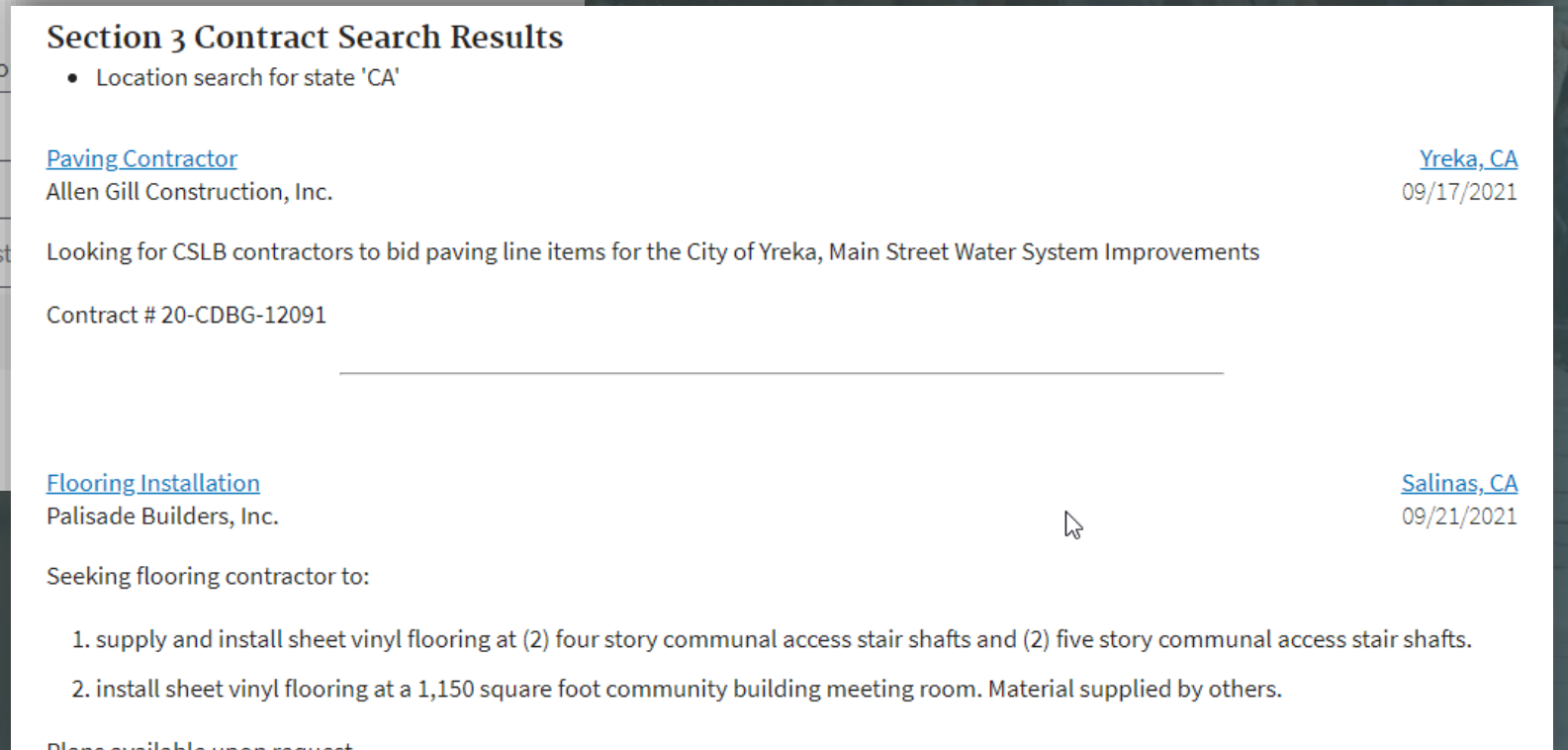
https://hudapps.hud.gov/OpportunityPortal

Business/Contracting Opportunities



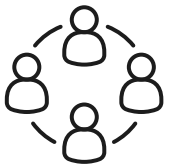
Search for Contracts

Match to an Opportunity



Certification: Section 3 Business Concern

To qualify as a Section 3 Business, *one* of the following must be documented (within the last six-month period):



- 51% or more owned and controlled by low or very-low income persons

OR

- Over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers

OR

- 51% or more owned and controlled by current residents of public housing or Section 8-assisted housing

Certification: Section 3 Business Concern

- Business concerns may self-certify to claim eligibility
- Business concerns bidding on a Section 3 project should submit certification **during** the bidding or contracting process
- Section 3 status should be **verified before awarding** contracts or subcontracts to businesses that self-certified
- A Section 3 Business Concern will retain status for as long as it continues to meet the definition
- Eligible Section 3 Business Concerns are responsible for maintaining records that verify eligibility

Tool

Section 3 Business Concern Certification for Contracting (Sample Form)

Section 3 Business Concern Certification for Contracting (Sample Form)

Instructions: Enter the following information and select the criteria that applies to certify your business' Section 3 Business Concern status.

Business Information

Name of Business _____

Address of Business _____

Name of Business Owner _____

Phone Number of Business Owner _____

Email Address of Business Owner _____

Preferred Contact Information

☐ Same as above

Name of Preferred Contact _____

Phone Number of Preferred Contact _____

Type of Business (select from the following options):

☐Corporation ☐Partnership ☐Sole Proprietorship ☐Joint Venture

Select from *ONE* of the following three options below that applies:

☐ At least 51 percent of the business is owned and controlled by low- or very low-income persons (Refer to income guidelines on page 4).

☐ At least 51 percent of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

☐ Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers (Refer to definition on page 4).

Pre-Bid

Bid/Offer/Proposal Submission

Contract Award/Prior to Execution

Pre-Construction Conference

Assisting Contractors with Achieving Compliance

Contract Provisions

PHA

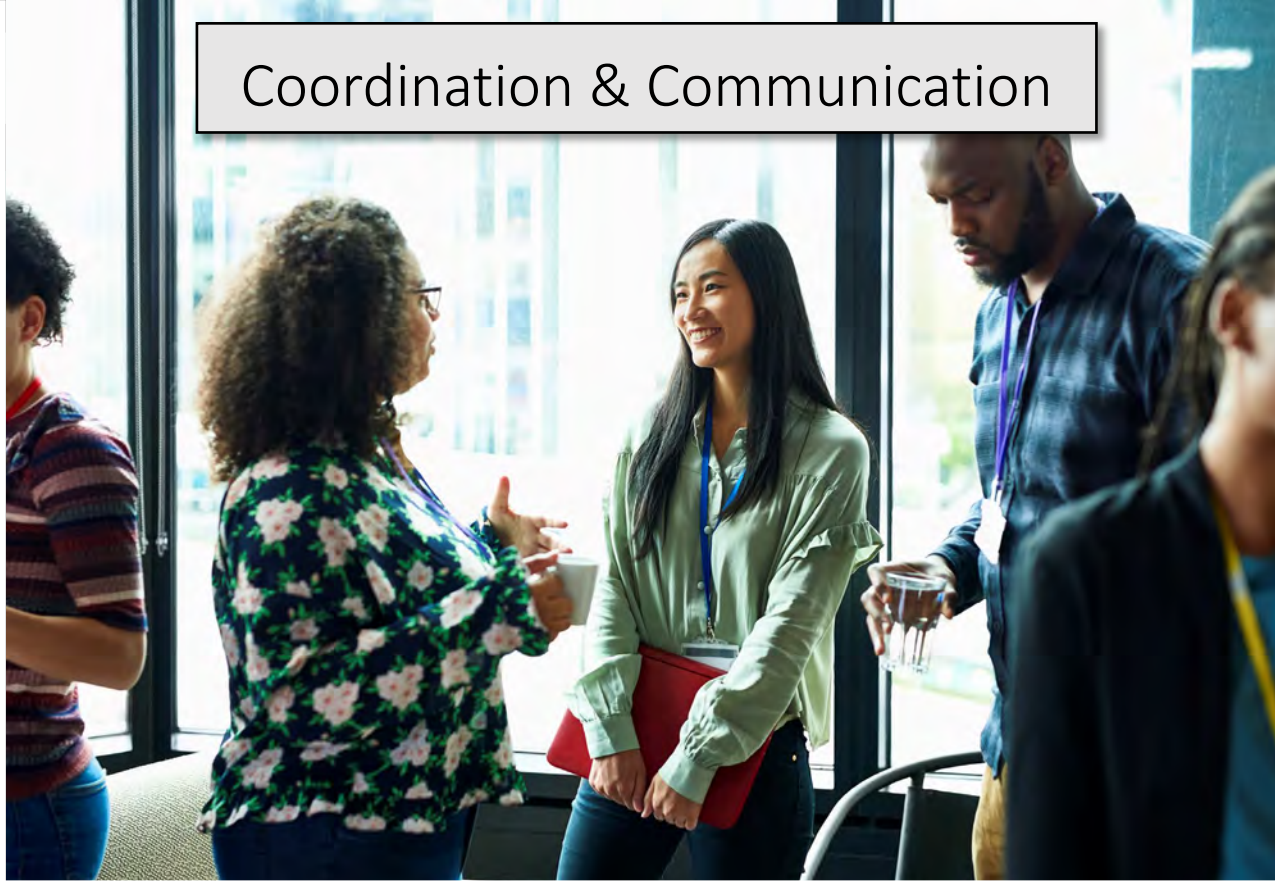
- ☑ Must include Section 3 application language in contracts and agreements.
- ☑ Require contractors to include Section 3 application language in subcontracts and sub-agreements.
- ☑ Require all contractors and subcontractors to meet the ‘prioritization of efforts’ requirements, regardless of whether Section 3 language is included in contracts.

Contract Provisions

HCD

- Must include language applying Section 3 requirements in any subrecipient agreement or contract for a Section 3 project.

- Must also require subrecipients, contractors, and subcontractors to meet the prioritization requirements of § 75.19, regardless of whether Section 3 language is included in recipient or subrecipient agreements, program regulatory agreements, or contracts



Best Practices for Contracting with Eligible Businesses

Prep for Day 3 Training

Questions & Answers