



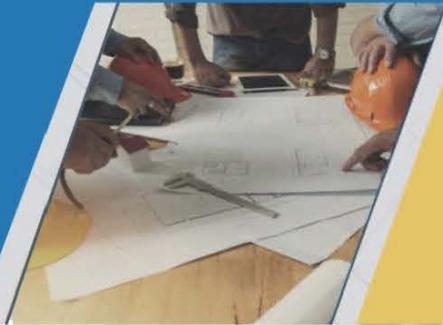
Guidelines for Recipients
of HUD Funding
INDUSTRIES & COMMUNITIES

Integration of
Industry and
Community



Section 3 Toolkit

Economic Opportunities



Accounting
Construction
Landscaping
Engineering
& More...



SECTION 3
of the Housing and Urban
Development Act of 1968





Section 3 Toolkit: Integration of Industry & Community

Introduction: Why Section 3?

This toolkit provides guidance and resource material to implement an effective Section 3 program, a requirement for direct recipients of HUD funding covered by Section 3 of the Housing and Urban Development Act of 1968. Direct recipients include public housing authorities that manage low-rent units, entitlement communities and states that receive annual formula allocations from the Community Development Block Grant (CDBG), HOME Investment Partnership Program, Emergency Solutions Grant (ESG) and Housing Opportunities for Person with Aids (HOPWA) Program, states and territories that receive assistance for disaster recovery, owners of projects converted under Rental Assistance Demonstration (RAD) that undertake capital improvements, lead abatement and other HUD NOFA Grantees. We invite you to explore this material to review and incorporate the resources and strategies presented herein.

What types of economic opportunities are available under Section 3?

- Job training
- Employment
- Contracts

Any employment resulting from these expenditures, including administration, management, clerical support, and construction, is subject to compliance with Section 3.

Examples of economic opportunities include:

- | | | | |
|-----------------------|-------------------------|---------------------|-----------------------|
| • Accounting | • Computer/Information | • Iron Works | • Plastering |
| • Architecture | • Demolition | • Janitorial | • Plumbing |
| • Appliance repair | • Drywall | • Landscaping | • Printing Purchasing |
| • Bookkeeping | • Electrical | • Machine Operation | • Research |
| • Bricklaying | • Elevator Construction | • Manufacturing | • Surveying |
| • Carpentry | • Engineering | • Marketing | • Tile setting |
| • Carpet Installation | • Fencing | • Painting | • Transportation |
| • Catering | • Florists | • Payroll | • Word processing |
| • Cement/Masonrv | • Heating | • Photography | |

Who will award the economic opportunities?

Recipients of HUD financial assistance will award the economic opportunities. They and their contractors and subcontractors are required to provide, to the greatest extent feasible, economic opportunities consistent with existing Federal, State, and local laws and regulations.



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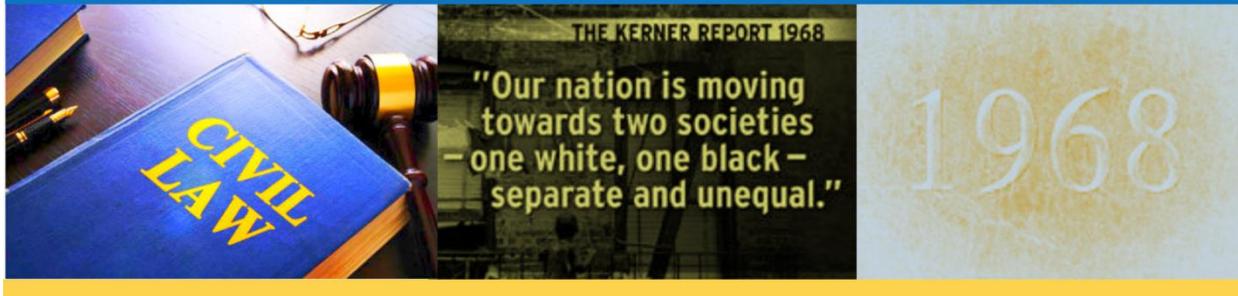
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The Association of Section 3 Professional (AS3P)



Section 3: What's Past is Prologue

The presidentially appointed National Advisory Commission on Civil Disorders, commonly known as the Kerner Commission, issued a report 50 years ago in March 1968 to address civil unrest in urban America that erupted into violent riots that took place in over 100 cities across the nation. Unfortunately, many of the causative factors that were identified then, including inadequate housing, high unemployment, inferior schools and wealth inequality, continues to exist today. Section 3 of the Housing and Urban Development Act of 1968 was enacted to mitigate the problem of high unemployment by targeting economic opportunity generated from HUD's investments in communities across the country to local residents. It was needed 50 years ago as it is needed today.

With dwindling federal resources to provide much needed affordable housing, the push to promote economic self-sufficiency has become more prominent. Secretary Carson's focus on the well-being of individuals rather than expanding assistance represents a willingness to take a different approach to a decades old persistent problem. Workforce development strategies that deliver training for low income residents will provide a supply of skilled labor for industries that are experiencing labor shortages.





Part I: Background

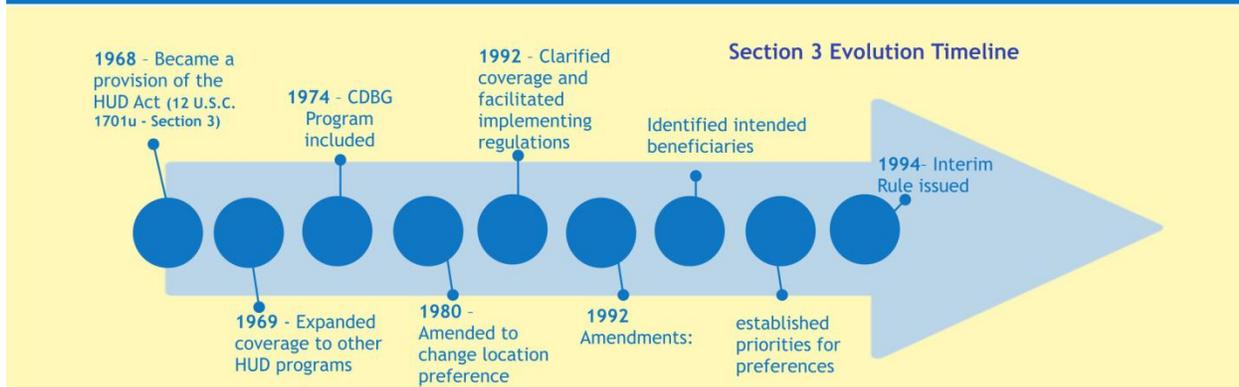
The Evolution of Section 3

The original statute specified consultation with the Secretary of Labor and the Administrator of the Small Business Administration to provide employment, training and contracting opportunities for local low-income persons for opportunities in connection with the planning, construction, rehabilitation, and operation of housing. It applied to privately owned housing developments under HUD’s Section 235 homeownership program, Section 236 rental assistance program and Section 221(d)3 below market interest rate program. Notably, it did not apply to opportunities generated from public housing development.

The original statute was amended four times thereafter, the first occurring a year later to broaden the scope to apply to ALL HUD finance projects involving: aid of housing; urban planning; development, redevelopment or renewal; public or community facilities; and new community development.

The Housing and Community Development Act of 1974 expanded coverage to new community development programs. The 1980 amendment expanded Section 3 residency requirements for low-income persons and the location of eligible businesses to accommodate programs that were not site specific.

Finally, in the wake of civil unrest once again, this time emanating from Los Angeles during which 55 persons died, the 1992 amendment substantially changed Section 3. It expanded coverage to the public and Indian housing Capital Fund and operating subsidy programs. It also expanded coverage to lead abatement and other HUD programs. However, it restricted coverage for “non- PIH” program to construction, rehabilitation and other public construction, eliminating management and maintenance activities. It targeted opportunities to low-income persons at 80% versus 90% of area median income and prioritized opportunities for different beneficiaries based on public housing residency and/or proximity to the project site or participation in the YouthBuild program. On the contracting side, it established criteria for eligible businesses to be owned or substantially staffed by local low-income persons.



Section 3 Evolution Timeline (shown above)

1968 – Became a provision of the HUD Act (12 U.S.C. 1701u - Section 3) 1969 - Expanded coverage to other HUD programs

1974 – CDBG Program included

1980 – Amended to change location preference

1992 – Clarified coverage and facilitated implementing regulations

1992 - Amendments:
 Identified intended beneficiaries
 Established priorities for preferences

1994 - Interim Rule issued to establish standards and procedures: 24 CFR § 135

Statutory and Regulatory Basis

12 U.S.C 1701u www.gpo.gov
<https://www.gpo.gov/fdsys/pkg/USCODE-2011-title12/html/USCODE-2011-title12-chap13-sec1701u.htm>

24 CFR Part 135 www.ecfr.gov
<https://www.ecfr.gov/cgi-bin/text-idx?SID=3787e29547b9b3ce0aabde3219a92f8c&mc=true&node=pt24.1.135&rgn=div5>

Section 3 of the Housing and Urban Development Act of 1968

The screenshot shows the GPO website for 12 U.S.C. 1701u. It includes a search bar, a list of actions, and a download section. Below the screenshot, the e-CFR interface is shown, displaying the title 'Title 24 - Housing and Urban Development' and a 'Go' button.

Proposed Rule - March 2015

HUD published a proposed rule in the Federal Register for a 60-day comment period in March 2015. Over 600 comments were submitted, both for and against the proposed revisions. A fact sheet of the proposed changes is provided at the following link:

https://www.huduser.gov/portal/publications/pdf/Proposed_Rule_Factsheet.pdf

An amended proposed rule incorporating responses to submitted comments was not transmitted to the Office of Management and Budget prior to the change of administration. Therefore, the official regulatory guidance remains the existing Interim Rule dated June 1994. The Department is currently engaged in the rulemaking process to update the regulations.

Key Regulatory Provisions

Thresholds

Part 135.3

There are no thresholds for public and Indian housing programs. That means that all funding is covered, regardless of the amount of expenditure or size of contract. For all other HUD programs, referred to as housing and community development assistance, there is a \$200,000 threshold that applies to the recipient of funding. Translation: once the recipient agency receives more than \$200,000 in housing and community development assistance during a 12-month reporting period, Section 3 applies. For example, once an entitlement community receives more than \$200,000 in funding from CDBG + HOME + ESG + HOPWA, Section 3 applies to all construction related activities undertaken, regardless of project size.

Section 3 applies to contractors that receive more than \$100,000. In such case, the responsibility to reach the employment and contracting goals are shared between contractor and the recipient. If no contractor receives more than \$100,000, the responsibility remains with the recipient agency.

Applicability to Entire Project

Part 135.3(b)

Section 3 applies to projects fully or partially funded with HUD assistance, local or private funding for mixed finance projects or projects leveraged with state. Section 3 applies to the entire project. This provision includes HUD funding used in conjunction with Low Income Housing Tax Credits (LIHTC). This provision greatly expands the opportunities for the intended beneficiaries that may be generated by these projects.



Intended Beneficiaries
Part 135.5

Employment and training opportunities should be targeted to Section 3 Residents, defined as 1) public housing residents; 2) local low and very low-income persons in the metropolitan area or non-metropolitan county where the work is being performed.

Contracting opportunities should be awarded to Section 3 business: those that are either owned by low-income persons (category 1); substantially (30%+) employ those (category 2); or agree to subcontract 25% of their total contract award to category 1 or 2 businesses.

Goals
Part 135.30



The new hire requirement applies to anyone brought into the project or to perform work that was not previously on the payroll. If the covered contractor does not require additional workers, there is no opportunity to apply Section 3 employment preferences. Some contractors may claim they do not require additional workers without properly accounting for persons who are not currently on the payroll. It is critical to monitor contractor payrolls for new hires.

Construction contracts include activities associated with the building trades such as plumbing, electrical, masonry, carpentry, etc. Non-construction contracts include professional services associated with construction such as architecture or engineering, as well as maintenance and operations. Painting that coincides with new construction or rehabilitation would be categorized as a construction contract. Painting associated with routine maintenance would be categorized as a non-construction contract.

Recipient Responsibilities

Part 135.32

Direct recipients of HUD funding covered by Section 3 are responsible for complying with the requirements of Section 3 in its own operations, and that of its contractors and subcontractors. They must notify eligible residents and businesses about employment, training, and contracting opportunities. Recipients must also inform potential contractors about the requirements of Section 3 and include the Section 3 clause in all solicitations and contracts. Most importantly, recipients must engage in proactive measures to reach the employment and contracting goals.

Priority Order for Preference in Hiring Section 3 Residents

Part 135.34

Public Housing Programs

1. Residents of the Public Housing Development
2. Other Public Housing Residents
3. YouthBuild Participants
4. Other low-income persons in the Metro Area or Non-Metro County

Housing and Community Development Programs

1. Resident of the service area
2. YouthBuild Participants
3. Homeless persons in the service area
4. Recipients of housing assistance (vouchers)

Section 3 Clause

Part 135.38

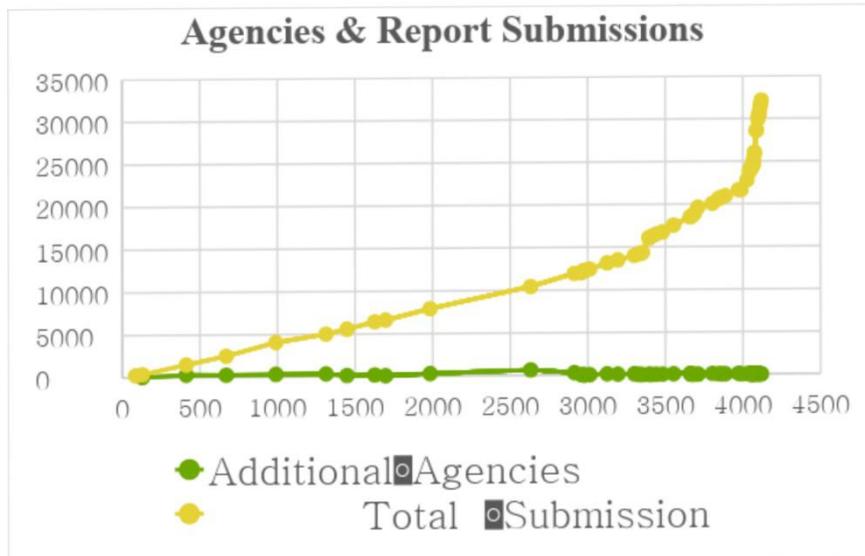
The Section 3 clause must be included in every covered project, verbatim. The clause states that work performed under covered contracts are subject to the requirements of Section 3, that parties to the contract agree to comply, and that they are under no other contractual or other impediment to prevent compliance. Further, the contractor will notify labor organizations with which it has a collective bargain agreement of its commitment to the Section 3 clause. The notice will describe the Section 3 preference, identify the minimum number of job titles subject to hire, the availability of and qualifications for apprenticeship and training positions, and the anticipated date that work will begin. The contractor certifies that vacant positions during the term of the contract were not filled to circumvent Section 3 regulatory obligations.

Reporting Outcomes
Part 135.90

Direct recipients of HUD financial assistance covered by Section 3 are required to submit an annual report for the purpose of determining the effectiveness of the program. The submission of Section 3 reports should coincide with program funding performance reports. For example, for CPD formula grantees, the Section 3 report should be submitted at the same time as the Consolidated Annual Performance and Evaluation Report (CAPERS) – 90 days after the end of the program year. Public housing authorities should submit Section 3 reports 60 days after the fiscal year end (FYE) to coincide with the submission with the Financial Data System (FDS), whichever comes first.

For grantees without an annual performance report, such as owners of RAD property conversion, the Section 3 report is due at the 10th or 10 days after project completion. All reports must be submitted electronically in the Section 3 Performance Evaluation and Registry System (SPEARS). Since its inception in 2015, over 32,000 reports have been submitted in SPEARS by over 4,000 agencies for report years covering 2013 to 2017.

Section 3 Performance, Evaluation and Registry System



The current automated reporting system is called the Section 3 Performance Evaluation and Registry System – (SPEARS). It was launched in August 2015 and for the first time, effectively interfaced with HUD’s accounting system, the Line of Credit Control System (LOCCS). To gain access to the secure system, users must register in HUD’s Web Access Secure System (WASS), maintained by the Real Estate Assessment Center Technical Assistance Center (REAC_TAC). WASS is the security portal used for access to numerous HUD systems for business partners.

Reporting Outcomes (continued)

Part 135.90

After gaining access to SPEARS, users will see their agency displayed as identified by Tax ID, along with funding that was disbursed or expended by Program area during a specified 12- month reporting period. Disbursement or draw down amounts display are extracted directly for LOCCS and are meant for reference only – it is not meant for reconciliation. Because Form HUD 60002 asks for “Contracts Awarded” during the respective 12-month reporting period, disbursements will not typically align with awards. A multi-year project may entail contracts that span several reporting periods. Users should only indicate contracts that were initially awarded during the current report period.

Reporting periods are aligned with agency fiscal cycle, also referred to as fiscal year end (FYE) for public housing authorities, or program year for CPD entitlement communities. Reports should be submitted at the same time that annual performance reports are submitted to the respective program office. For CPD entitlement communities, Section 3 reports, Form HUD 60002, should be submitted at the same time that the Consolidated Annual Performance and Evaluation Reports (CAPERS) are submitted, 90 days after the end of the program year or fiscal cycle. For PHAs, reports should be submitted 60 days after the FYE at the time the Financial Data System report is submitted. Users will receive an automated message 1) 30 days before; 2) on or immediately after; and 3) 30 days after reports become due. Failure to submit reports timely will be referred to the respective program office for follow up.

The following links are provided on the Section 3 website for guidance:

WASS Registration Instructions – guidance:

<https://www.hud.gov/sites/documents/SPEARSUSERREGGUIDE.PDF>

SPEARS Quick Guide - a convenient guide for submitting reports in SPEARS:

<https://www.hud.gov/sites/documents/33016SPEARSV2QUICKGUIDE.PDF>

Data Dictionary – Program Areas and Program Codes contained within SPEARS:

<https://www.hud.gov/sites/documents/datadicsec3Code4-26-16.xlsx>

Schedule of Section 3 Report Years Associated with Agency Fiscal Cycles:

<https://www.hud.gov/sites/documents/2-22-16SECTION3REPORTINGP.PDF>

Section 3 Reporting Due Dates for PHAs:

<https://www.hud.gov/sites/documents/PHANOTICESPEARSRPT.PDF>

Part II: Section 3 in Action

Program Specific Application

Section 3 applies more broadly to public and Indian housing (PIH) programs as compared to all other HUD programs. Residency in public housing satisfies one of two qualifying criteria for Section 3 resident certification. Therefore, public housing authorities maintain a direct connection to a major segment of intended beneficiaries. With no funding threshold, all public housing funding is covered. Public Housing Programs. For public housing programs, Section 3 applies to maintenance and operations in addition to construction related activities.

The application of Section 3 to PIH operating subsidy program is frequently overlooked or misunderstood. Any activity financed fully or partially by the operating subsidy is covered including salary payments to staff. That being said, covered contracts can vary from management consultation, CPA audits, technology upgrades to painting, landscaping security, or sanitation services.

As previously stated, Section 3 applies only to construction related activities for projects funded by housing and community development assistance (non-public housing program). Entitlement communities (cities or counties that exceed a population of 50,000) that receive annual formula allocations for CDBG, HOME, ESG, HOPWA and other sources of housing and community development assistance, engage in a variety of community development activity, only a portion of which are covered by Section 3.

State grantees that provide HUD funding to smaller communities (non-entitlements) are recognized as pass thru entities but are still required to ensure Section 3 requirements are fulfilled by their subrecipients. Although they manage large amounts of funding, oftentimes their subrecipients are administering funding that falls below the established threshold. In such cases, Section 3 applies to the state that must work through their subrecipients to reach the employment and contracting goals.

Recipients of Disaster Recovery assistance that have endured environmental crises manage large amounts of funding with infrastructures that are oftentimes deteriorated with pressure to deliver assistance in an expedited manner. These entities undertake major reconstruction projects with a duration of 5 to 10 years. Planning is critical at the outset and Section 3 considerations should be incorporated in a systemic manner to generate meaningful outcomes.

Grantees that receive funding from HUD's Notice of Funding Availability (NOFA) must comply with Section 3 to the extent that they engage in construction related activities, including demolition and lead abatement. Funding through the NOFA process may be infrequent, resulting in limited opportunities to achieve Section 3 goals.

Program Specific Application (continued)

The Rental Assistance Demonstration Program (RAD) has become a major source avenue of restoring the inventory of public housing that has suffered from deferred maintenance and presently accounts for over \$5 Billion in construction related activity. The transfer of housing stock from public to private ownership oftentimes entails upfront capital improvements. This one-time activity is covered by Sections 3 as documented in RAD Notice PIH-2012-32, page 34. Property owners of units converted through RAD should submit reports 10 days after project completion of initial capital improvements through the RAD Resource Library.

https://www.hud.gov/sites/documents/PIHNOTICE_2012-32_062015.PDF

A description of the various Programs of HUD may be found at the following link:

<https://www.hud.gov/sites/dfiles/Main/documents/HUDPrograms2017.pdf>

Policies and Procedures

Although Section 3 regulations do not specify a requirement for a Section 3 plan, the responsibilities outlined at Part 135.32(a) stress a need to implement notification procedures for intended beneficiaries, both eligible residents and businesses, and as well as potential contractors. It also speaks to the facilitation of employment, the award of contracts, to reach the goals for both and to assist with obtaining compliance from contractors and subcontractors. To adequately fulfill these responsibilities, high performing recipients with effective Section 3 programs, programs that deliver results, develop and execute plans.

Outline of Sample Section 3 Plan

<https://www.hudexchange.info/resource/766/section-3-sample-plan-template/>

Connecting with Intended Beneficiaries

Topics, such as resident and business certification, planning, utilization schedules, and monitoring, are left largely undefined in the regulations. This vagueness implies the discretionary nature of such activities – recipient agencies are free to implement whatever works best within broad regulatory guidelines. Over time, certain practices have evolved to be more effective than others. Recipient agencies are challenged to continually enhance, improvise, retool, or try different approaches if their current strategy does not yield favorable results. The following section provides guidance to fulfilling Section 3 requirements.

Hiring Eligible and Qualified Workers

Section 3 regulations describe the obligation of persons seeking employment preferences to certify or submit evidence of eligibility. Effective Section 3 program implementation requires a process to identify eligibility for these persons. A resident certification form is the vehicle Section 3 recipient agencies use for this purpose. It incorporates basic information such as name address, phone number, email or other means of contact, source(s) of income, as well as participation in public assistance programs, family size, household income, education, work experience and skills. A sample form may be found at the following link:

Section 3 Resident Certification Form

<https://www.hudexchange.info/resources/documents/Sample-Section-3-Certification-Form-Resident-Seeking-Preference.pdf>

Contracting with Eligible Businesses

Awarding contracts to eligible and capable businesses remains the more challenging aspect of implementing an effective Section 3 program for many covered recipients. The responsibility Section 3 is often delegated to the resident services coordinator, or to someone similarly situated. The Section 3 coordinator must work closely with the residents, as well as establishing a rapport with procurement staff to reach both the employment and contracting goals. In order to reach and/or exceed the contracting goals, recipient agencies need to take proactive measures such as clearly communicating Section 3 requirements at pre-bid meetings and working to insure eligible businesses can fulfill all contract requirements. The following is a sample utilization form used to capture the commitment of contractors to fulfill the employment and contracting goals of Section 3.

Sample Section 3 Utilization Form

<https://www.hud.gov/sites/dfiles/FHEO/images/Section%203%20Utilization%20Plan.pdf>

Navigating Project Labor Agreements

Project Labor Agreements (PLAs) are a pre-hire collective bargaining agreement with one or more labor organizations that set the terms and conditions of employment for a specific project. [see 29 U.S.C. 158(f)]. PLAs are designed to accommodate short term employment with multi-union and multi-craft industries. Executive Order 13502 – Use of PLAs for Federal Construction Projects (E.O.13502) identifies these agreements as a way to promote efficiency in federal procurement. It encourages the use of PLAs with projects exceeding \$25 million.

Navigating Project Labor Agreements (continued)

A PLA enables project managers to more accurately account for varying labor costs by standardizing wages, hours worked, and other terms. It also requires union membership, a no strike commitment, and provides a uniform dispute resolution system among employers. Properly crafted, it can serve as a mechanism for recruiting and training future skilled workers.

A Community Benefit Agreement (CWA), or Community Benefit Agreements (CBA), is a PLA that includes specific hire and career development provisions that can result in career opportunities for local low-income residents. These agreements can be designed to require that 30% of union apprenticeship vacancies or training programs and 30% of work hours be provided for Section 3 residents.

Section 3 Business Registry

The Section 3 Business Registry is a listing of firms that have self-certified that they meet one of the regulatory definitions of a Section 3 business and are included in a searchable online database that can be used by agencies that receive HUD funds, developers, contractors, and others, to facilitate the award of certain HUD-funded contracts. The database can also be used by Section 3 residents to identify businesses that may have HUD-funded employment opportunities.

This registry is a helpful tool to assistant recipients of HUD funding (e.g., Public Housing Agencies, local units of government, property owners, etc.), developers, and others, to locate Section 3 businesses within their community. It also enables HUD grantees to meet their Section 3 obligations by reducing some of the burden associated with locating eligible businesses.

It is important to note that Section 3 businesses are not entitled to receive contracts simply by being listed in HUD's Section 3 Business Registry database. Eligible businesses may need to demonstrate that they are responsible and have the ability to perform successfully under the terms and conditions of proposed contracts. Section 3 requirements at 24 CFR 135, then provides preference for contracts and subcontracts to these firms – but not a guarantee.

While the Department maintains the Business Registry database, it has not verified the information submitted by the businesses and does not endorse the services they provide. Accordingly, it is recommended that users perform due diligence before awarding contracts to firms that have self-certified on this registry by ensuring that they meet the definition of a Section 3 business concern, as defined by the Department's regulations at 24 CFR 135.5.

Section 3 Business Registry (continued)

The general public can notify the Department through the Business Registry website if they believe a firm has potentially misrepresented themselves as a Section 3 business. In such situations, HUD will request documentation and additional information from the business to verify that they qualify for inclusion in the database. Businesses found to have misrepresented themselves will be removed from the database and penalized (see registry webpage for more information).

To search the database for self-certified Section 3 businesses, register your business for inclusion, or for more information on the Business Registry, please visit:

<https://portalapps.hud.gov/Sec3BusReg/Bregistry/What>

HUD.GOV
U.S. Department of Housing and Urban Development
Secretary Ben Carson

Section 3 Business Registry

INSTRUCTIONS FAQs CONTACT US OMB Approval No. 2529-0024 (exp. 05/31/2018)

[What is the Section 3 Business Registry](#) [Am I a Section 3 Business](#) [Register a Business](#) [Search for a Business](#)

What is the Section 3 Business Registry?

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Facilitating Training and Building Capacity

Section 3 coordinators are those persons assigned to manage, support, and facilitate an effective Section 3 program on behalf of their organization and expected to be cognizant about program requirements and communicate that understanding to various stakeholders. Stakeholders would include intended beneficiaries, both residents seeking employment and training, and businesses seeking contracts, contractors, fellow staff members who play a vital role in reaching the goals, community advocates, business organizations, and educational institutions. The transfer of knowledge can occur in various formats – as informal as one-on-one interaction, pre-bid meeting for prospective contractors, workshops, conferences, industry group meetings, and other outlets. The following is a generic presentation that can be edited to target specific audiences.

Generic Section 3 Training Presentation

<https://www.hud.gov/sites/dfiles/FHEO/images/Sample%20Section%203%20Power%20Point.pdf>

Procurement: Facilitating Opportunities

Pursuant to 24 CFR Part 135.11(a), Section 3 regulations identify procurement standards for states and local governments. The reference is 24 CFR Part 85.36, described as the requirement that all procurement transactions be conducted in a competitive manner. Procurement by sealed bids (formal advertising) is mistakenly perceived or falsely promoted as the only method of procurement for construction. Bids are publicly solicited and a firm- fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred (not mandatory) method for procuring construction, if the conditions in Sec. 85.36(d)(2)(i) apply

Method of Procurement

Additional guidance of federal procurement standards may be found at the following link: www.hud.gov/sites/documents/DOC_12056.PDF

The rules governing competition during the procurement process are now found at 2 CFR Part 200 Section 319 (2017). Continuing with the provision of Part 85.36 (c)(2), 2 CFR Part 200.319(b) states that “[t]he non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference.” Section 3 regulations at Part 135.11(a) reiterates that Section 3 is a Federal statute that expressly encourages a geographic preference in the evaluation of bids or proposals.

Regional Collaboration and Networking with Local Institutions

Effective networking with organizations that share common objectives may provide a productive alliance towards compliance with Section 3 in the most feasible and cost-effective manner. Local PHAs and municipalities may have established lists of interested parties seeking opportunities through Section 3. Workforce Investment Board sanctioned by DOL, community colleges, business development organizations, regional consortia, and community development advocates, may share insights and connections that reduce barriers.



There are a number of strategies outlined in the appendix to the Section 3 regulations at 24 CFR Part 135. These include:

- Entering into first source hiring agreements with organizations representing Section 3 residents.
- Consulting resident organizations, YouthBuild administrators, vocational education institutions, and job training organizations to recruit qualified workers.
- Contacting business assistance agencies, local chambers of commerce, and community organizations to advertise contracting opportunities and solicit bids from Section 3 businesses
- Actively supporting joint ventures with Section 3 businesses
- Pursuant to competitive procurement methods authorized in 2 CFR 200.320.
 - for contracts awarded based on lowest price, award contracts to section 3 businesses with reasonable and responsive bids within 10 percent of the lowest bid
 - for contracts based on a competitive proposal method, incorporate evaluative factors to award preference for Section 3 business in the form of bonus points.

Consider regional collaborations, networking with local institutions and other strategies to achieve compliance.

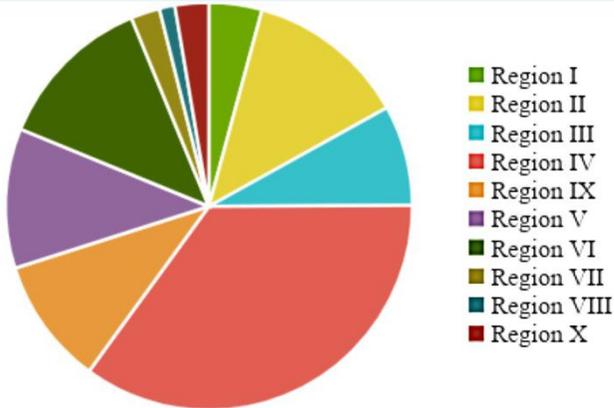




Part III: Results

The submission of annual reports by direct recipients of Section 3 covered assistance pursuant to Part 135.90, has gradually increased overtime. The Section 3 Annual Reporting System, a precursor to SPEARS, was not password protected. Individuals submitting reports did not have to register with identifiable information. Further, it did not incorporate logic to prevent invalid input, such as the number of Section new hires exceeding all new hires. It also did not track the amount of expenditures or the amount of funds allocated or awarded during a reporting period – relying instead on user input leading to partial reporting at best. The deficiencies were noted in an audit report, 2013-KC-002, prepared by the Office of the Inspector General (OIG).

Performance and Trends



**Section 3 New Hires
by Region 2013 to 2017**

Section 3 Outcomes: 2013 to 2017

94,400

Jobs directed to Section 3 Residents, 48% of all new jobs

78,600

Total number of Section 3 trainees

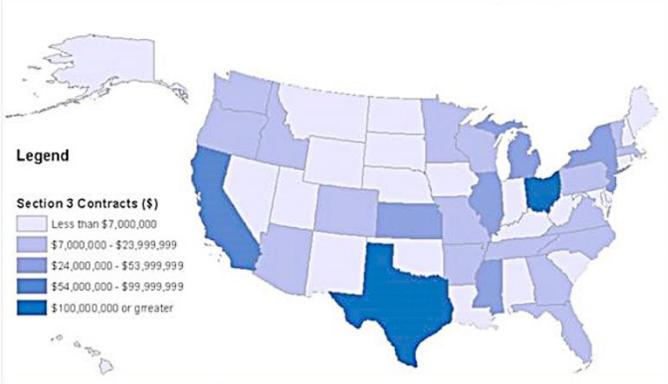
\$6.3B

Total contracts awarded to Section 3 Businesses, 13% of all contract awarded

35,900

Section 3 Businesses awarded an average contract of \$176,400

Section 3 Construction Contracts by Area



Section 3 Contracting by State, 2015

Compliance Complaint Investigations

Section 3 residents, Section 3 businesses, or their designated or authorized representatives, may file a formal complaint to allege noncompliance with the requirements of Section 3. Complaints should be submitted to FHEO Regional offices for processing. FHEO staff will determine if the complaint has jurisdiction, notified the respondent and the complainant of acceptance, and commence to investigate the complaint. Respondents have 60-days to resolve a complaint and 30 days to deny the allegation(s) raised.

Form HUD 958
<https://www.hud.gov/sites/documents/958.PDF>

Compliance Reviews

On occasion, HUD will conduct a compliance review of a recipient agency to determine compliance. Compliance reviews can be an outgrowth of a complaint that may imply systemic problems, or it could be initiated by the Assistant Secretary for FHEO to follow up on evidence that may become available. Compliance reviews may be routine, random, or geographically disperse to obtain a representative perspective of the extent to which various program participant are complying with the regulatory guidance. They may also be initiated prior to the award of funding for a particular project or activity with the potential to generate a considerable amount employment, training, and contracting opportunities for local residents and businesses. The following link is a list of issues commonly raised during a compliance review:

Preparing for a Section 3 Compliance Review

<https://www.hud.gov/sites/dfiles/FHEO/images/Section%203%20Compliance%20Review%20Questions.pdf>

SPEARS Audit Component

To respond to a finding of an investigation conducted by the HUD Office Inspector General's (OIG), an automated audit module was developed in SPEARS for random verification of data submitted to HUD on Form HUD 60002. After consultation with affected Program Offices, FHEO will initiate the audit process. Selected users will be asked to verify employment and contracting information submitted within SPEARS. More guidance on this initiative will be forthcoming after collaboration with HUD program offices that administer covered funding.

Best Practices

Due to the discretionary nature of Section 3 regulations, a variety of approaches have evolved over time by agencies responsible for meeting and exceeding Section 3 employment, contracting goals, and fulfilling other requirements. These approaches include Section 3 resident and business certification; maintaining list of eligible residents and businesses; preparing Section 3 plans to articulate policies and procedures; developing Section 3 hiring and contracting utilization schedules; and employing social media, websites, and other digital formats to effectively interact with intended beneficiaries.

Section 3 Toolkit



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Resources to Implement Section 3

There are a variety of available resources that may be employed to generate meaningful Section 3 outcomes in the form of jobs and contracts for eligible persons and businesses.

Section 3 Technical Assistance and Guidance

FHEO is committed to providing guidance and technical assistance to ensure compliance with the statutory and regulatory requirements of Section 3. For assistance in your locality, there are FHEO Section 3 Points of Contacts in each Region as identified in the following link:

<https://www.hud.gov/sites/dfiles/FHEO/documents/sec3contact2017.pdf>

Section 3 Business Registry

The Section 3 Business Registry was piloted in five metropolitan areas (DC, Detroit, Miami, New Orleans and L.A.) to assess the usefulness of voluntary listing of self-certified business seeking preference under Section 3. After observing favorable results, the registry was expanded nationally in 2015. Currently over 4,000 businesses are listed on the registry and the number continues to grow. Users may search by type of services offered and conveniently download contact information to send bid solicitations.

www.hud.gov/sec3biz

US Dept. of Labor YouthBuild Program

YouthBuild is a community-based alternative education program that provides job training and educational opportunities for at-risk youth ages 16-24. Youth learn construction skills while constructing or rehabilitating affordable housing for low-income or homeless families in their own neighborhoods. YouthBuild participants are a priority category for offering employment opportunities and YouthBuild Programs are a priority category for awarding contracting opportunities under Section 3.

https://www.doleta.gov/youth_services/YouthBuild.cfm

Section 3 Toolkit



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The Association of Section 3 Professionals (AS3P)

AS3P is an active network of peer-to-peer professionals assigned to implement an effective Section 3 program on behalf of their respective organizations. Launched in 2012, its current membership includes both large and small public housing authorities, local municipalities, representative from state agencies, and other HUD grantees. Participants frequently share ideas and approaches to address Section 3 requirements and serve as a primary conduit of feedback the Department.

<https://www.hud.gov/sites/documents/AS3P.pdf>

For Additional Information Please Refer to the Following:

Section 3 Webpage: www.hud.gov/section3

Section 3 Regulations: [24 CFR Part 135](#)

Section 3 Performance Evaluation and Registry System:

www.hud.gov/program_offices/fair_housing_equal_opp/section3/section3/spears

Section 3 FAQs: www.hud.gov/sites/documents/11SECFAQS.PDF

Section 3 Business Registry: www.hud.gov/sec3biz

Section 3 Reporting Questions: 60002questions@hud.gov

General Section 3 Questions or Comments: section3@hud.gov



SECTION 3
of the Housing and Urban
Development Act of 1968



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