



Section 3 Final Rule and Public Housing Conversions under RAD

“Enhancing and Streamlining the Implementation of Section 3 Requirements for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses”

April 20, 2021

What is Section 3?

“Section 3” of the Housing and Urban Development Act of 1968.

Purpose

To ensure that **employment and other economic opportunities** generated by certain HUD financial assistance shall, to the greatest extent feasible, 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.

Section 3 Applicability in RAD

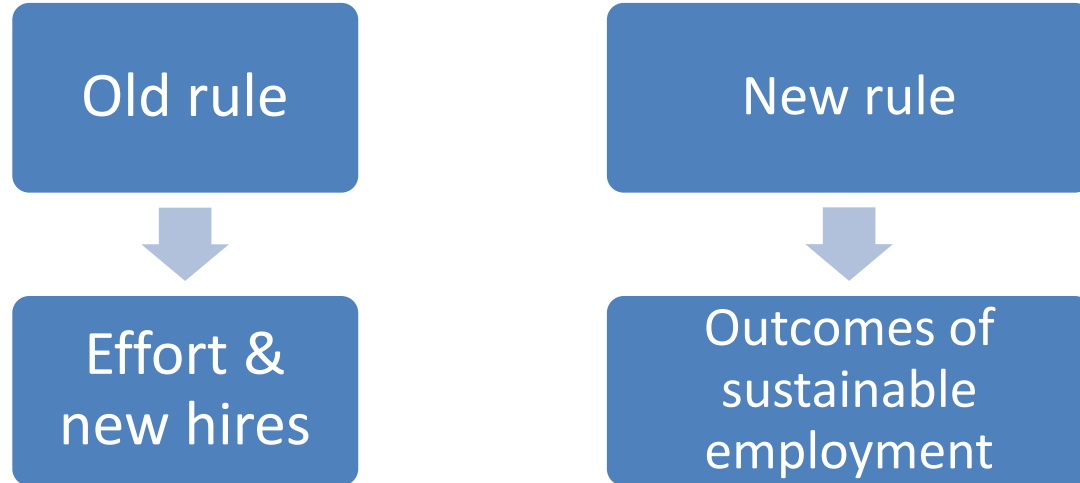
- Section 3 applies to public housing financial assistance and to housing & community development (HOME, CDBG, etc) projects.
- Though not typically applicable for Section 8 contracts, the RAD Notice has always required that any Work required by the conversion after the RAD Closing that involves housing rehabilitation or housing construction is subject to the Section 3 requirements
- RAD is subject to Section 3 requirements described for Housing and Community Development Financial Assistance (Subpart C) of the new Section 3 regulation.
- Applies when rehab or construction activity required by the conversion exceeds \$200,000.

How does the New Section 3 Rule impact residents?

- Residents of public housing properties converting through RAD continue to maintain priority for employment
- Expected to create more economic opportunity for low-income individuals by emphasizing sustained employment
- Residents can be assured that the goal is not temporary employment but long-term, sustainable employment
- More opportunities for young adult residents

What is the Section 3 New Final Rule?

- The Final Rule (24 CFR Part 75) is designed to :
 - focus on economic opportunity outcomes while simultaneously
 - reduce regulatory burden,
 - improve Section 3's effectiveness, and
 - encourage HUD grantees to focus on sustained employment for low- and very low-income individuals.



Section 3 Implementation & RAD Applicability

- The new final rule, now codified in 24 CFR Part 75, took affect November 30th, 2020.
- RAD conversions with a deadline for completion of work before November 30th, 2020 must report their Section 3 outcomes under the old rule.
- After November 30th, section 3 outcomes must report under the new rule (reporting described later in presentation).

Reporting: Labor hours

- The most significant change from the old to the new regulations is the shift away from tracking new hires of low-income persons and instead tracking the labor hours performed by low-income persons.
- The goal is to recognize sustained employment, rather than short-term hiring
- PHAs and their development partners will need to begin planning how to conduct outreach, consider employment retention, and track outcomes under the labor hours framework.

Benchmarks

- The new rule establishes clear benchmarks for what is considered Section 3 success
- Section 3 Benchmark Notice (85 FR 60907, published 9/29/20) which will be updated every three years, requires:
 - 25% of all labor hours must be performed by a “**Section 3 worker**”
 - 5% of all labor hours must be performed by a “**targeted Section 3 worker**”

Section 3 Worker vs. Targeted Section 3 Worker

Section 3 Worker

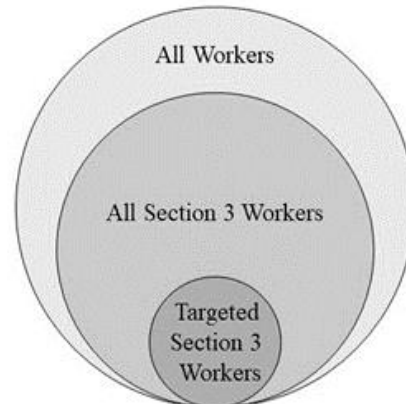
Any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented:

- I. The worker's income for the previous or annualized calendar year is below the income limit established by HUD,
- II. The worker is employed by a **“Section 3 business concern,”** or
- III. YouthBuild participant

Targeted Section 3 Worker

A Targeted Section 3 worker in RAD means a Section 3 worker who is:

- I. A worker employed by a Section 3 business concern; or
- II. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - Is a resident of public housing or Section 8 assisted housing
 - Living within the service area or the neighborhood of the project; or
 - A YouthBuild participant



Section 3 business concern

Section 3 business concerns are:

- At least 51% owned and controlled by low or very low-income persons;
- Businesses where low or very low-income workers perform over 75% of the labor hours over a 3-month period; or
- At least 51% owned and controlled by current public housing or Section 8 residents

Contract Provisions

- Section 3 requirements must be incorporated into any contracts for a Section 3 project.
- Contractors and subcontractors must, to the greatest extent feasible, ensure that
 - employment and training opportunities are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located.
 - contracts for work are provided to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the project is located.

Reporting

- The Project Owner shall report Section 3 employment outcomes from hard construction costs at the completion of rehab/construction through the post-closing completion certification submitted to the RAD Resource Desk.
- Pre-development expenses funded with public housing funds must be accounted for in public housing Section 3 reporting
- Properties using HOME/CDBG must also report Section 3 outcomes in IDIS

Reporting

- Prior conversions where work was completed before November 30, 2020 must continue to report under the old rule in the RAD Resource Desk.
- Grace period: Conversions that close before July 1, 2021 are not required to report (but are still subject to the rule)
- RAD closings on or after July 1st, 2021, will report under the new rule in the RAD Resource Desk.

Reporting Fields

- Total Labor Hours
- Section 3 Worker Hours
- Targeted Section 3 Worker Hours
- Certify that they have followed the prioritization of effort
- If the project had HOME/CDBG,
 - what is the “IDIS number”?
 - Confirm that the project has been or will be reported through HOME/CDBG Section 3 reporting channels
- If Section 3 benchmarks not met, description of efforts (next slide)

Reporting: Nature of Efforts

- Outreach efforts to generate job applicants who are Public Housing Targeted Workers.
- Outreach efforts to generate job applicants who are Other Funding Targeted Workers.
- Direct, on-the job training (including apprenticeships).
- Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
- Technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).
- Outreach efforts to identify and secure bids from Section 3 business concerns.
- Technical assistance to help Section 3 business concerns understand and bid on contracts.
- Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- Provided or connected residents with assistance in seeking employment including: drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.
- Held one or more job fairs.
- Provided or connected residents with supportive services that can provide direct services or referrals.
- Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.
- Assisted residents with finding child care.
- Assisted residents to apply for/or attend community college or a four year educational institution.
- Assisted residents to apply for or attend vocational/technical training.
- Assisted residents to obtain financial literacy training and/or coaching.
- Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
- Provided or connected residents with training on computer use or online technologies.
- Other.

Reporting:

Best practice efforts

Some examples of best practice efforts include:

- Regularly host community job fairs, workshops, and monthly seminars (virtually due to COVID-19); and extends its services to contractor recruitment workshops.
- Provided or connect residents with supportive services that provide one or more of the following: - work readiness health screenings, interview clothing, uniforms, test fees, transportation
- Direct, on-the job training (including apprenticeships).
- Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
- PHAs can establish an online Section 3 “job bank” or system that highlights Section 3 job opportunities where residents can view and apply.
- Promote Section 3 through PHA’s own website and social media platforms.

Monitoring and Enforcement

- Office of Recapitalization will review Section 3 data submissions for RAD
- PHAs must maintain documentation, or ensure that a contractor or subcontractor that employs the worker maintains documentation, to ensure that workers meet the definition of a Section 3 worker or Targeted Section 3 worker
- Recap will take enforcement action if non-compliance is found.

Resources

- New Rule: 24 CFR Part 75
- Section 3 Benchmarks Notice
- HUD has developed a Section 3 Opportunity Portal to help connect to HUD funding recipients, Section 3 Businesses, and Section 3 Workers. HUD funding recipients and their contractors are able to post contract opportunities; Section 3 Businesses are able to post training/job opportunities for Section 3 Workers; and Section 3 Workers are able to post their resume <https://hudapps.hud.gov/OpportunityPortal/>

Thank You.

For more information visit

www.hud.gov/rad