

West Virginia Development Office

Section 3 Webinar

Covering Neighborhood Stabilization (NSP) and
Small Cities Block Grant (SCBG) Programs

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The Cloudburst Group

8(a) and SDB Certified

What's Covered?

- Background - the Basics
- Applicability
- Covered Activities
- West Virginia Responsibilities
- Annual Reporting
- Form HUD 60002
- Current Initiative
- Strategies for Implementation

Purpose of Section 3 -§135.1

- To ensure that economic opportunities generated from HUD funded projects will be directed to low-and very-low income persons, particularly those receiving assistance for housing.

Applicability for Housing & Community Development

- Threshold: \$200,000 for grantees
 \$100,000 for contractors
- Housing rehabilitation (including lead-based paint abatement)
- Housing construction
- Demolition
- Other public construction

Applicability to Entire Project

- Section 3 requirements apply to the entire project or activity, regardless of whether it is fully or partially funded by HUD.
- Example: leveraged private funds with other programs.

Activities Covered by Section 3:

- NSP Activities:

Eligible NSP Activity	Covered by Section 3
Financing	
Purchase & Rehab	<input checked="" type="checkbox"/>
Land Banks	
Demolition	<input checked="" type="checkbox"/>
Redevelopment	<input checked="" type="checkbox"/>

Activities Covered by Section 3: (Continued)

- Small Cities CDBG Activities:

Eligible Small Cities	Covered by Section 3
Infrastructure	<input checked="" type="checkbox"/>
General Community Development Activities	<input checked="" type="checkbox"/>

Definitions

- Housing & Community Development Programs
 - Employment associated with building trades
- §135.5:
 - Construction labor
 - Management & Administrative Support
 - Architectural
 - Engineering
 - Professional Services

Definitions (Continued)

- Section 3 Resident §135.5:
 - Public Housing Resident, or
 - Resident of metro area or non-metro county in which the Section 3 covered assistance is expended, and who qualifies as a low-income or very low-income person.

Definitions (Continued)

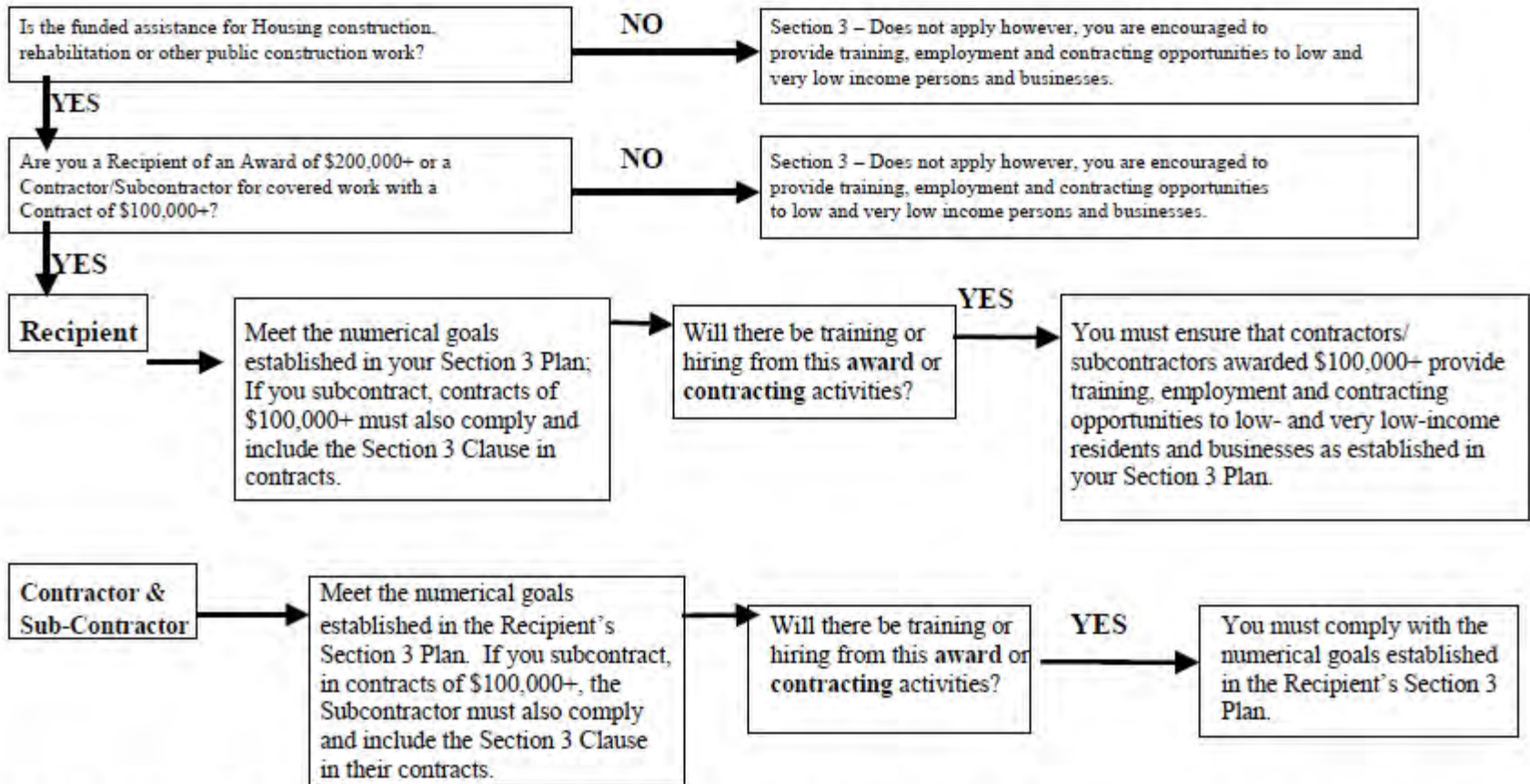
- Section 3 Business Concern:
 - 51% or more owned by Section 3 Residents;
 - 30% of employed staff are Section 3 Residents; or
 - 25% of subcontracts committed to Section 3 Businesses.

Numerical Goals §135.30(b-c)

- Employment:
 - 30 percent (30%) of new hires annually.
- Contracts:
 - 10 percent (10%) of the total \$ amount of all Section 3 covered contracts for building trades work.
 - Three percent (3%) of the total dollar amount to all other contracts, like service contracts.

Section 3 Flow Chart

Use the following chart to determine if your project is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended.



If State or private funds are combined with Federal funds to finance an eligible Section 3 project, the combined amount (Total Development Cost) is subject to the Section 3 requirements.

Subrecipient Responsibilities - §135.34(a)(2)

- Implementing procedures to notify Section 3 residents about training and employment opportunities.
- Notifying contractors and incorporating the Section 3 language.
- Facilitating training and employment of residents.
- Awarding contract to Section 3 Businesses.
- Assisting with compliance among contractors.
- Documenting actions to comply.
- Meeting numerical goals
- Submitting Section 3 Reports

Eligibility for Employment and Contracting

- Section 3 is:
 - A Section 3 resident must meet the qualifications of the position to be filled - -§135.34(c).
 - A Section 3 business concern must have the ability and capacity to perform - -§135.34(a)(2).

Compliance Review Procedures

- Applies to all HUD funded housing activities including NSP AND SCBG.
- To ensure compliance, contractors and subcontractors are required by WVDO to submit the following at completion of construction at the 50% and 100% levels, with supporting documentation, together with the Request for Reimbursement Form:
 - New hires.
 - Indicate whether an employee is or is not a covered section 3 resident – if employee is covered provide required supporting documentation.
 - A trainee report when a new trainee is enrolled, with required supporting documentation.

Compliance Review Procedures

- Prepare a Section 3 contract/subcontract report each time a contract is awarded.
- Indicate whether the awardee is or is not a Section 3 business (certification).
- Subrecipients/Contractors with \$100,000 + awards must provide training, employment and contracting opportunities to qualified Section 3 residents and business concerns.

Compliance Review Procedures

- Contractors should submit a list of core employees, including administrative, clerical, planning and other positions pertinent to the construction trades at the time the contract is awarded;
- Prior to the contract signing, the contractor must submit a list of all existing subcontractors and indicate whether they are or are not Section 3 businesses (certification); and
- Provide verifiable documentation that justifies an inability to utilize Section 3 residents or business concerns.

Compliance Review Procedures

- Annual Summary Report of Section 3 Activity –Applies to all HUD funded housing activities including NSP AND SCBG.
 - Regulation 24 CFR §135.90 states all recipients (WVDO) of Section 3 covered funds must submit form HUD 60002 annually to HUD HQ Fair Housing Equal Opportunity Office (FHEO).
 - The WVDO requires that Section 3 activities be reported along with the subrecipient's construction Request for Reimbursement at 50% project completion and 100% completion.

Consequences of Non-Compliance

- Non-compliance with HUD's regulations in 24 CFR Part 135 may result in:
 - Sanctions,
 - Termination of contract for default,
 - Debarment, and
 - Suspension from future HUD and State contracts.

Strategies for Implementation

- Collaborate and network with local housing authority and other stakeholders.
- Facilitate training and employment of Section 3 residents and award Section 3 businesses, as appropriate to reach goals
- Use elements of Section 3 Sample Plan.
- Adopt and execute a Section 3 Plan - describe approach to training.
- Designate responsibility to "Section 3 Coordinator."

Examples of Efforts to Offer Training Employment Opportunities to Section 3 Residents

- Full list of examples can be found in Appendix to §135.
- Entering into “first source” hiring agreements w/organizations representing Section 3 residents.
- Contacting resident councils, resident management corporations in housing developments in HUD-assisted neighborhoods.
- Sponsoring a job informational meeting to be conducted by a housing authority or contractor representative or representatives at a location in a housing development.

Examples of Efforts to Offer Training Employment Opportunities to Section 3 Business Concerns

- Contacting business assistance agencies, minority contractors associations and community organizations to inform of contracting opportunities.
- Providing written notice to all known Section 3 business concerns so can respond to bid invitations or RFPs.
- Hold workshops on contracting procedures and specific contract opportunities.

Keys to Success

- Communication with Stakeholders
 - Seek to have all HUD assisted tenants notified of Section 3 training and job opportunities.
 - Work with local public housing authority.
 - Public Housing Tenants
 - Voucher Recipients
- Assess hiring and subcontracting needs
 - Work with Work Force Agencies to implement Section 3.

Keys to Success (Continued)

- Discuss responsibilities.
- Monitoring to track progress and to address problems (non-compliance).

HUD 2010 & 2011 Initiatives

- New Section 3 regulations
- Section 3 business concern registry – Pilot Program
- Enforce penalties for noncompliance
- Incorporate compliance with Section 3 into Annual Plans and Performance Assessments
- Limited Monitoring Reviews

HUD 2010 & 2011 Initiatives (Continued)

- Increase Section 3 reporting rates
- Increase overall compliance
- Provide more training/technical assistance
- Listening Sessions
- New Section 3 report forms and online system

Resource Information

- West Virginia Development Organization

- Mr. John McGarrity

- West Virginia Land and Water Conservation Program

- 1900 Kanawha Blvd. East

- Charleston, WV 25305-0311

- Phone: 304-558-2234, ext. 52046

- John.R.McGarrity@wv.gov

- Link to WVDO Section 3 Plan:

- <http://www.wvcommerce.org/people/communityresources/applicationsanddownloads/default.aspx>

Resource Information (Continued)

- U.S. Department of Housing and Urban Development (HUD)
 - Links to Section 3 Help:
 - www.hud.gov/section3
 - FOR NSP:
 - <http://hudnsphelp.info/media/resources/Section3andNSP.pdf>
 - Section 3 Regulations:
 - http://www.access.gpo.gov/nara/cfr/waisidx_98/24cfr135_98.html
 - HUD Form 60002:
 - <http://www.hud.gov/offices/adm/hudclips/forms/files/60002.pdf>