



Section 3 Regulation

Presented by Stephanie Summers



Stephanie Summers

Section 3 Compliance Monitor, Rockford Housing Authority

Stephanie Summers was promoted to Section 3 Compliance Manager in July 2022. She joined Rockford Housing Authority (RHA) as the Jobs Plus Employment Specialist in 2021. Ms. Summers has over 15 years of direct Workforce Development experience in both Winnebago IL and Rock County WI and has a Bachelor's degree in Human Services.

Ms. Summers' primary responsibility is to connect eligible Section 3 participants to long-term employment and training opportunities while ensuring that RHA maintains/exceeds Section 3 benchmarks through coordination with its contractors, and community entities. Ms. Summers has developed several strategies to meet the Qualitative Effort standard as established by HUD. She recognizes barriers that low-income families face and is prepared to utilize the Resident Based Approach to create resources that lead participants to financial self-sufficiency while meeting the needs of the local workforce.

Although Ms. Summers is not a Rockford native, she enjoys working in the area. She believes Rockford is a special place that is willing to uplift its community through coordinating services for its residents. She knows that when one wins, we all win and there is always somewhere to go for help. "Look for the helpers and you will always find people who are helping."-Mr. Rodgers.



WHAT IS SECTION 3?

Section 3 is a HUD regulation that states that anyone who receives HUD funding has to be compliant and provide employment, training, and education opportunities to low- and very low-income individuals.

Because the regulation is tied to HUD funding, even contractors of the PHA must comply with Section 3 since they are paid with HUD funds.

WHAT IS A SECTION 3 COVERED CONTRACT?

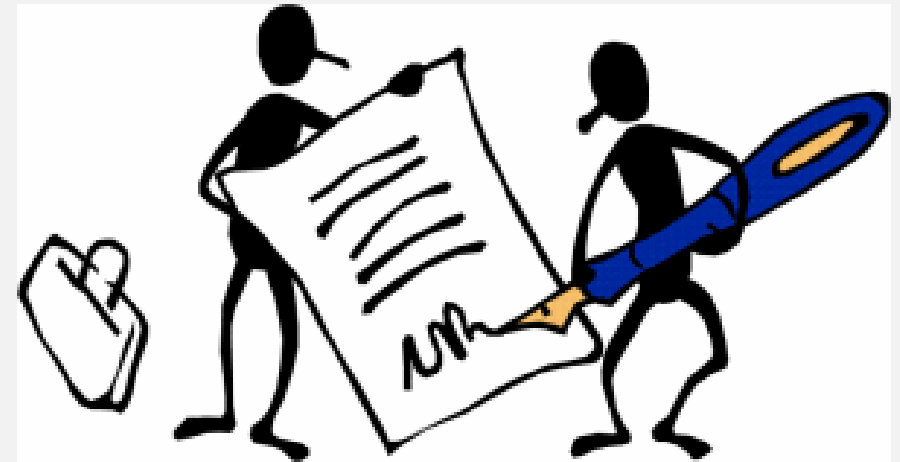
Section 3 Applies:

- To an entire project regardless of whether the project is fully or partially assisted with public housing assistance.
- To all public housing financial assistance funds, regardless of the amount of assistance from HUD.

There is NO minimum threshold for public housing assistance.

Section 3 Does NOT Apply:

- Material only contracts
- Indian and Tribal Preferences
- Other HUD assistance and other Federal Assistance



SECTION 3 IS NOT...

1

Section 3 is race and gender neutral. There are no contracting requirements for minority or women owned businesses.

2

Section 3 is not an entitlement program. Its focus is compliance and keeping funding recipients accountable for their employment practices.

3

Section 3 is NOT optional. Funding recipients must comply with Section 3 or face penalties from HUD.

DEFINITION CHANGES

Section 3 Business Concern: a business or contractor who meets at least one of the following criteria within the last six-month period...

1. It is at least 51% owned and controlled by a low- or very low-income persons.
2. Over 75% of the labor hours performed for the business over the prior 3-month period are performed by section 3 workers.
3. It is a business at least 51% owned and controlled by current public housing residents or residents currently living in Section 8-assisted housing.

DEFINITION CHANGES CONT.

Section 3 Worker: any worker who currently meets or when hired within the last five years met at least one of the following...

1. The worker's income for the previous year is below the income limit established by HUD.
2. The worker is employed by a Section 3 Business concern.
3. The worker is a YouthBuild participant.

Targeted Section 3 Worker: any worker who currently meets or when hired met at least one of the following...

1. A resident of public housing or Section 8-assisted housing.
2. A resident of other public housing developments or Section 8-assisted housing managed by the PHA that is providing the assistance.
3. A YouthBuild Participant.

Note: Persons employed by a certified Section 3 Business count as a Targeted Section 3 Worker

BENCHMARKS

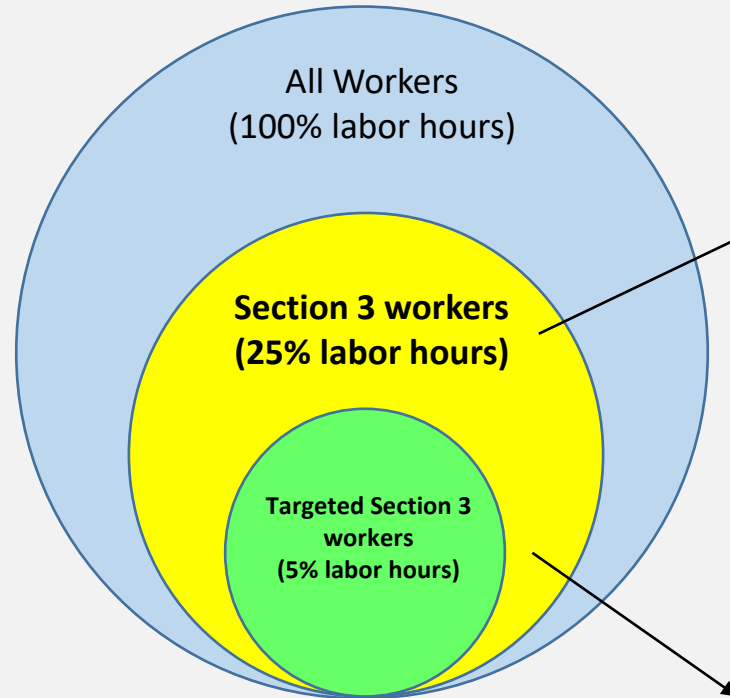
HUD's "New Rule" benchmarks shifted from tracking new hires to tracking hours worked. The projected goal is to ensure long-term employment opportunities for low income in the Construction and Trades Sector of the Workforce.



What are the Benchmark Requirements?

Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are **Section 3 Workers**; and

Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are **Targeted Section 3 Workers**.



25% benchmark goal

To Calculate:

$$\frac{\text{Section 3 Worker Hours}}{\text{Total Labor Hours}} = 25\%$$

5% benchmark goal

To Calculate:

$$\frac{\text{Targeted Section 3 Worker Hours}}{\text{Total Labor Hours}} = 5\%$$

PRIORITIZATION OF EFFORT

To residents of the public housing projects for which the assistance is being expended.

To 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.

To participants in YouthBuild programs.

To low- and very low-income persons residing within the metropolitan area in which the assistance is expended.

*** Contractors must follow the same prioritization of effort ***

WELL, HOW DO WE DO THIS?

Let's talk about it!

CERTIFICATION FOR BUSINESSES AND CONTRACTORS

Complete the Contractor Forms!

Once you have completed these forms, you will need to provide documentation of your status IF you certified as a Section 3 Business Concern.

Acceptable documentation:

1. Proof of business ownership with self-certification of income.
2. Three months of payroll review to establish the 75% rule.
3. Proof of business ownership and lease or proof of residency in public housing or Section 8-assisted housing.

Business Name: _____

Contact Name: _____ Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

Does your business qualify as a Section 3 Business based on the definition in 24 CFR Part 75.5?

_____ YES _____ NO

If YES, check the box below under which subcategory you qualify:

A Business Concern meeting at least one of the following criteria, documented within the last six-month period:

1. _____ It is at least 51 percent owned and controlled by low- or very low-income persons (see the annual limit established by HUD)
2. _____ Over 75 percent of the labor hours performed for the business over the prior 3 month period are performed by Section 3 Workers (See 24 CFR Part 75.5 and 75.11 for definition for a Section 3 Worker)
3. _____ It is a business at least 51 percent or more owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

If awarded the contract, the Contractor will be responsible for providing documentation of their Section 3 status. Documentation can include, but is not limited to:

1. Proof of business ownership.
2. Three months of payroll review to establish the 75 percent rule.
3. Lease or proof of residency in public housing or Section 8-assisted housing.

By submitting this form, my business certifies that the statements and information contained on this form are true and accurate, and meet the HUD Section 3 business self-certification eligibility requirements in accordance with 24 CFR Part 75. I further understand that a Section 3 business is not entitled to a contract simply by being listed in the RHA Section 3 Business Registry database. Section 3 Business Concerns are not exempt from meeting the specifications of the contract or other Section 3 requirements and obligations. Information that is misrepresented on this form will be grounds for terminating Section 3 certification.

Signature

Date

CERTIFICATION FOR WORKERS

Use this form to certify your workers and new hires.

Prior to the start of a contract, you will have all workers working on the contract complete this form. This will give you an accurate representation of your Section 3 and Targeted Section 3 workforce.

This form will also help you complete the Hours Worked Certification form.

All New Hires will also complete this form.

SECTION 3 SELF-CERTIFICATION FORM

Print Name: _____ Phone #: _____

Address: _____ Unit #: _____

City: _____ State: _____ Zip Code: _____

Email Address: _____

Section 3 is a HUD regulation that states that any entity receiving Section 3 covered funding must be Section 3 compliant. Section 3 compliance is achieved by providing education, training, and employment opportunities to section 3 person(s).

A Section 3 Worker is: Any worker who currently meets or when hired within the past five years met at least one of the following categories, as documented:

1. The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
2. The worker is employed by a Section 3 business concern.
3. The worker is a YouthBuild participant.

A Targeted Section Worker is: A Targeted Section 3 worker for public housing financial assistance means a Section 3 worker who is:

1. A worker employed by a Section 3 business concern.
2. A worker who currently meets or when hired met at least one of the following categories, as documented within the past five years:
 - i. A resident of public housing or Section 8-assisted housing.
 - ii. A resident of other public housing developments or Section 8-assisted housing managed by the PHA that is providing the assistance.
 - iii. A YouthBuild participant.

Please check the appropriate box below:

Yes, I am a Section 3 Worker.

Yes, I am a Targeted Section 3 Worker.

No, I am not a Section 3 Worker.

By completing this form, you will help the agency/contractor determine Section 3 status, and therefore, achieve compliance. Completion of this form is voluntary.

Signature: _____ Date: _____

For Office Use Only:

Company: _____ Position: _____ Status: _____

NEW HIRES

Each employment opportunity must comply with the steps outlined in the Section 3 Policy.

If a Section 3 Worker or Targeted Section 3 Worker is not hired, the PHA reserves the right to request documentation of the Contractor's hiring process.



NEW HIRE PROCEDURE

Notify the Section 3 Compliance Manager (or designated staff) of the opportunity and include the following:

- Job title.
- Skills, qualifications, and education needed.
- Contact info for the person accepting applications and the link to application submission site such as Indeed.
- Application deadline. The application period **MUST** be open for a minimum of three business days.

A PDF of the Section 3 Opportunity Notice will be sent to the Contractor for approval.

Once approved, the Section 3 Opportunity Notice will be posted in the following locations:

- At the job site
- At all PHA developments
- On PHA social media

Once the application window has closed, all qualified applicants are to be reviewed. If a Section 3 Worker or Targeted Section 3 Worker is identified as a qualified candidate, all things being equal, priority for employment should be given to the Section 3 Worker or Targeted Section 3 Worker.

Section 3 Hours Worked Certification

This form is DUE by the 10th of each month.

Business Name: _____

Contract Name: _____

Section 3 Worker Hours:	_____
Targeted Section 3 Worker Hours:	_____
Non-Section 3 Worker Hours:	_____
Total Hours:	_____
Month: _____	Year: _____

Contracts requiring Certified Payrolls will need to attach all payrolls for the reporting period to this certification form.

Print Name: _____ Title: _____

Signature: _____ Date: _____

REPORTING REQUIREMENTS

Contractors are required to report monthly on hours worked. This form is how you will submit the hours worked on the contract.

Contracts requiring certified payroll will need to attach those to this form.

This is DUE by the 10th of each month.

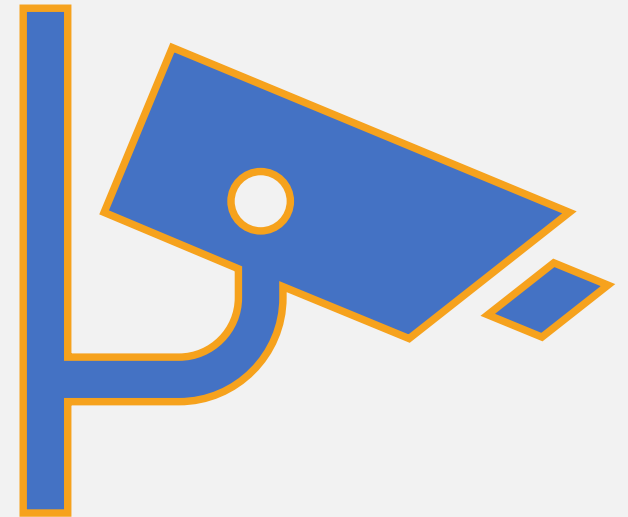
Example: The hours worked for August 2022 will be entered on this form and turned in no later than September 10, 2022.

RECORDKEEPING REQUIREMENTS

Hud and the PHA shall have access to all records, reports, and any other documents that are maintained to demonstrate compliance with Section 3.

- Section 3 Self-Certification forms from Section 3 and Targeted Section Workers.
- Any documents pertaining to the certification and establishment of Section 3 status.
- Contractor Forms.
- All documents pertaining to the Section 3 Opportunity Notice (advertisements, newspaper solicitation, workforce board, etc.)
- Section 3 Hours Worked Compliance form.

These documents will need to be maintained for a minimum of 5 years.





NON- COMPLIANCE

Contractors are expected to make every effort to comply with the PHA Section 3 Policy; failure to meet the requirements listed herein and in 24 CFR Part 75 could result in penalties up to and including contract termination. PHA shall execute these remedies, in exact order, to achieve compliance:

First Notice: PHA will notify the Contractor via email that an observation or report of non-compliance has been received. The Contractor will have a period of ten business days to bring the contract into compliance and provide verification to the PHA.

Second Notice: If the Contractor has failed to bring the contract into compliance, a curing letter will be sent via email, first-class mail, and certified mail. The Contractor will be notified that they have thirty (30) days to bring the contract into compliance.

Termination of Contract: If the contractor fails to bring the contract into compliance, the contract will be terminated under the PHA Procurement Policy guidelines.

CONTACT INFORMATION

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