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1:00 PM

2023 Home Section 3 Training

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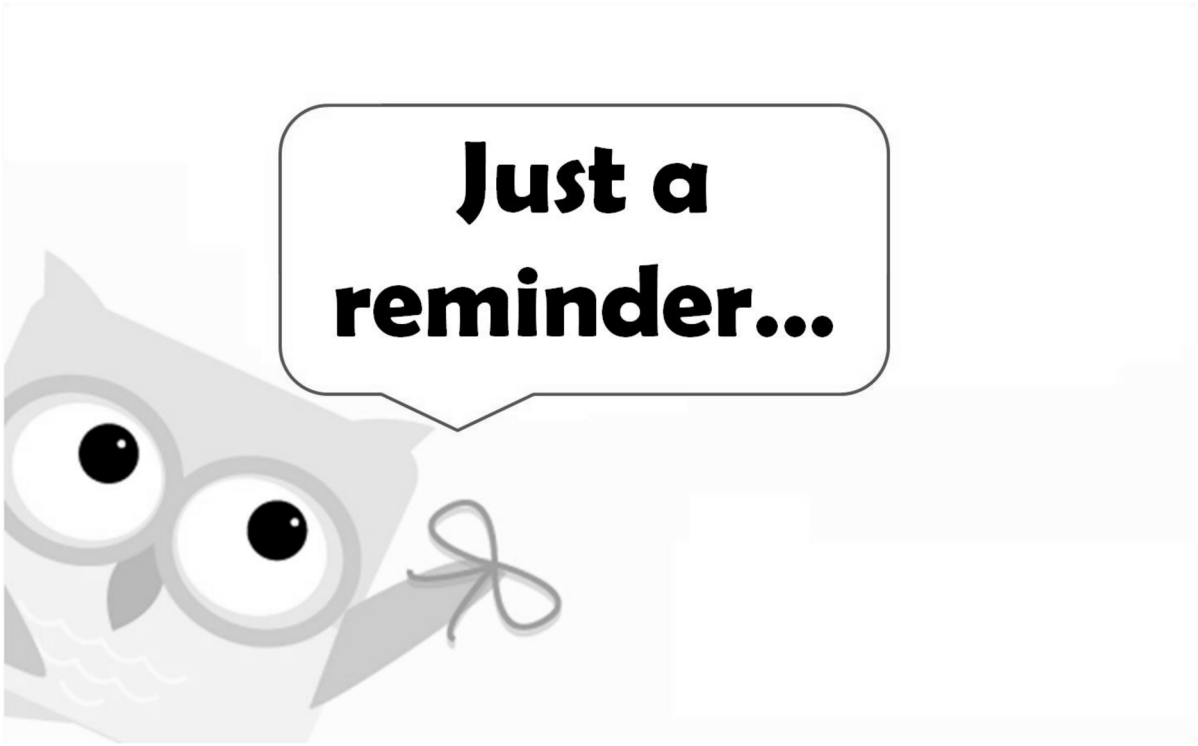
Reminder to Record Meeting!



Agenda

- Welcome
- What is Section 3?
- When does Section 3 apply?
- Benchmarks and Qualitative efforts
- What is a section 3 worker and section 3 business?
- Recipient Responsibilities
- Section 3 Templates
- Summary
- Questions?

What is Section 3?

- Section 3 is a provision of the Housing & Urban Development Act of 1968 that is applicable to HOME-funded projects.

- 24 CFR Part 75

- Section 3 requires the employment of low-income persons, preferably low-income persons residing in the local area, in HOME-funded projects. This is intended so that:
  - Low-income persons may gain professional skills that lead to long-term employment;
  - Extend employment opportunities to nearby low-income residents;
  - Maximize the benefits of the federal investment to the community

What is Section 3?

- Section 3 now tracks labor hours instead of new hires.
- Came into effect on July 1, 2021 for applicable IEDA-awarded projects.
  - Projects awarded prior to July 1, 2021 that have not bid or entered into construction contracts yet should follow the new Section 3 rule.

When Does Section 3 Apply?

- Applies to housing rehabilitation, housing construction, and other public construction projects. Not materials-only contracts.
- Applies when receiving at least $200,000 in CDBG funds
- This applies to relevant awards in the IFA HOME programs:

Section 3 Reporting Benchmarks

- Section 3 tracks labor hours instead of new hires.

- At least 25% of total project hours should be worked by Section 3 Workers.
- At least 5% of total project hours should be worked by Targeted Section 3 Workers.

- If these 25% and 5% safe harbor benchmarks are met, then the project has complied with Section 3. If not, qualitative efforts can ensure compliance.
  - Rephrased: 20% minimum by Section 3 workers (of any type) PLUS 5% minimum by Targeted Section 3 workers. 25% minimum Section 3 workers overall.

Section 3 Reporting Benchmarks

- The tracking of labor hours applies even if the project does not have to comply with Davis Bacon labor standards.

- All hours on the project should be tracked, not just Section 3 workers

- Hours should be tracked by the contractors and grant administrator as the project is underway and reported to IEDA at the conclusion of the project. IEDA monitoring will include Section 3. Hours must be tracked even if failing to meet the safe harbor benchmarks.

- IEDA has provided templates in Appendix 8 of the CDBG Management Guide website to guide compliance with Section 3. We will move these resources here soon to the HOME webpage

Section 3 Reporting Qualitative Efforts

- If the safe harbor benchmarks cannot be met, the following are examples of activities that could be done to ensure compliance:

Outreach efforts to generate Targeted Section 3 workers	Training/apprenticeship opportunities
Technical assistance to help Section 3 workers (resume assistance, etc.)	Use service providers to connect Section 3 employees with employers
Hold job fairs for Section 3 workers and employers	Refer Section 3 workers to services helping with work readiness and retention
Provide assistance to help Section 3 workers apply for vocational training, education, etc.	Provide financial literacy training to Section 3 workers
Engage in business outreach to identify and secure bids from Section 3 Business Concerns	Provide technical assistance to Section 3 Business Concerns to encourage applying
Advertise for jobs online and in circulations that reach Section 3 workers	Promote the use of the Section 3 Business Registry and HUD Opportunity Portal

Section 3 Reporting Qualitative Efforts

- Qualitative efforts should be done from the beginning, just in case labor hour benchmarks aren't met.

- If using qualitative efforts to demonstrate compliance, it is essential to maintain documentation of these efforts. This includes:
  - Copies of direct mail solicitations
  - Email and Internet outreach efforts
  - Formal job advertisements
  - Flyers or online ads about meetings, job training programs, etc.
  - Sign-in lists from job fairs
  - Agendas and/or meeting notes from meetings with contractors

- At least 1 qualitative effort must be done in order to comply. Speak with IEDA staff about the effort before closeout to ensure compliance.

Section 3 Worker Defined

- 25% of project hours should be completed by Section 3 workers. These individuals must meet 1 or more of the following within the past 5 years:

1. Low income for the prior annualized calendar year
   - At or below 80% individual Area Median Income (AMI) to be considered Low Income
2. Employed by a Section 3 Business
3. Current YouthBuild participant

County Example:	80% AMI 1-Person	County Example:	80% AMI 1-Person	County Example:	80% AMI 1-Person
Wapello	$44,200	Clay	$44,200	Des Moines	$44,200
Appanoose	$44,200	Cass	$44,200	Winneshiek	$50,650
Carroll	$49,800	Webster	$44,200	Cerro Gordo	$45,000
Union	$44,800	Marshall	$44,200	Linn	$50,050

Targeted Section 3 Worker Defined

- 5% of a project's labor hours must be done by Targeted Section 3 workers. Meet regular Section 3 worker criteria but have a few more requirements. For HOME projects, this includes the following:
  - Worker employed by a Section 3 Business (see next slide for definition) OR
  - Worker who currently, or when hired within the past 5 years, was verified to:
    - Live within the service area of the project OR
    - Current YouthBuild participant

- The project's service area is defined as:
  - Within 1 mile of the project site
  - If fewer than 5,000 people live within 1 mile, then within a radius of the project site that encompasses 5,000 people
- HUD plans to release an online tool to calculate this, but in the meantime, use existing data to demonstrate as best as possible.

Section 3 Business Concern Defined

- A Section 3 Business Concern fits 1 or more of the following criteria:

1. Business that is at least 51% owned by low income persons.
2. 75% of the business's labor hours over the prior 3 months were performed by Section 3 workers or YouthBuild participants
3. Business is at least 51% owned by current residents of public housing or Section 8-assisted housing

- Businesses can complete an IEDA self-certification form to be registered on a project as a Section 3 Business Concern. Should also register at the link below:
- HUD Opportunity Portal:
  - https://hudapps.hud.gov/OpportunityPortal/

Recipient Responsibilities

- Recipient/CDBG Grant Administrators are required to:
  - Document the IEDA **worker self-certification form** for all workers on the project
  - Track **all labor hours** on the project, including by non Section 3 workers through the IEDA **Section 3 Compliance excel** even if the project fails to meet benchmarks
  - Retain evidence of all labor hours on the project
  - Document evidence for qualitative efforts taken to comply with Section 3
  - Submit annual Section 3 reports to IowaGrants

- Penalties for noncompliance include:
  - Sanctions from HUD
  - Termination of contract for HOME funds
  - Debarment or suspension from future HUD assisted (e.g. CDBG,HOME) contracts

Recipient Responsibilities

- Each recipient/grant administrator has the responsibility to comply with Section 3 and ensure its contractors/subcontractors are in compliance. This includes but is not limited to:
  - Documenting efforts taken to comply with this requirements and any impediments
  - Implementing procedures designed to notify Section 3 workers about training and employment opportunities
  - Facilitating training and employment of Section 3 employees and award of contracts to Section 3 businesses
  - Notifying potential contractors of Section 3 requirements
  - Incorporating Section 3 compliance language in all solicitations and contracts covered by Section 3
  - Actively cooperating with compliance and refraining from entering into any contract with any contractor who has been found to be in violation of Section 3

Recipient Responsibilities

- Recipients/grant administrators are required, to the "greatest extent feasible", to facilitate contracts with Section 3 businesses. This means going above and beyond normal procedures, such as searching the Section 3 HUD Opportunity Portal and/or specifically reaching out to eligible businesses when opportunities arise.

- Iowa procurement procedures require recipients select the lowest responsible bidder under a competitive sealed process, but recipients may give preference to Section 3 businesses under the evaluation criteria when reviewing professional service contracts

Recipient Responsibilities

- All businesses must demonstrate that they are responsible and able to perform under the terms & conditions of proposed contracts.

- Contractors are not required to hire workers specifically to meet Section 3 requirements. If existing employees meet the criteria (or met it since December 1, 2020), they can be counted.

- Recipients, contractors, and subcontractors are required to give preference to Section 3 workers, to the "greatest extent feasible", when employment & training opportunities result from a CDBG project.

Recipient Responsibilities

- Contractors and subcontractors should work with the Grant Administrator to advertise the opportunity to Section 3 workers

- Notices of employment/training should be sent to the President of the Iowa Chapter of the National Association of Housing and Redevelopment Officials (NAHRO). See the following link for contact information: http://www.ianahro.org/contactus.cfm

- Employment priority should be given to Section 3 workers in the service area, followed by YouthBuild participants, and then followed by other Section 3 workers

Section 3 Templates

Worker Certification Form

SECTION 3 WORKER SELF-CERTIFICATION FORM

All employees working on a HUD funded project must certify their status related to Section 3 requirements to allow the employer, subrecipient, and State of Iowa to monitor, track, and report hours worked by Section 3 and Targeted Section 3 employees on the HUD funded project. Reporting hours worked by Section 3 and Targeted Section 3 employees is mandatory for all contractors & subcontractors.

EMPLOYER SECTION. This section to be completed by the employer or grant administrator:

Company Name: _____

Is the company a Section 3 Business: ☐ YES ☐ NO

Project Name: _____ Project Location: _____

Employee Name: _____

Employee Home Address (if close to the project location): _____

City: _____ County: _____ State: _____

Based on the employee's home address, the annual 80% County Income Limit for a household of 1 for the year _____ is $_____.

To determine the annual income limit please visit: https://www.huduser.gov/portal/datasets/il.html

HOME Grant Administrators will:

1) Enter the 80% 1-person household figure for the worker's home county. Or provide a list of county incomes to the employer. If entered electronically, "Employee Name", "City", "County", "State", and the yellow highlighted income will carry over to the next section. It may be worth filling out part of this electronically or providing several copies if you can get a list of counties the workers live in ahead of time.

Worker Certification Form

EMPLOYEE SECTION. This section to be completed by the employee:

I (employee name) _____ am a resident of the City of _____

in the County of _____ in the State of _____ and do hereby affirm the following information to be correct:

☐ YES ☐ NO My annual income, for me alone, on all jobs worked since December 1, 2020 was at or below the following: _____

If you answered **YES** to the above question, you are considered a Section 3 employee and need to answer the following questions:

☐ YES ☐ NO I am employed by a Section 3 Business (see above employer certification).

☐ YES ☐ NO I am or was (within the last five (5) years) a Youth Build participant.

☐ YES ☐ NO I live within one (1) mile of the project location (see project location information above).

I affirm that the information contained in this report, including the above statements, are true, complete, and correct to the best of my knowledge and belief. Any false statements made knowingly and willfully may subject the signer to penalties under Section 1010 of Title 18 of the United States Code.

HOME Grant Administrators will:

1) Verify that the correct income figures are written for the worker's home county, not the county of the project. If any one of the 2nd-4th questions are marked yes, then the worker is considered "Targeted Section 3" worker.

Intent to Comply Form

SECTION 3 – CONTRACTOR INTENT TO COMPLY

For Project (insert project name): _____

In (Insert City Name): _____ IEDA Project Number: _____

Contractor Name: _____ hereinafter referred to as "CONTRACTOR."

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

This form is the CONTRACTOR's official statement acknowledging their understanding that Section 3 requirements are mandatory for the proposed project which is funded in part with funds from the Department of Housing and Urban Development (HUD). The form also signifies the CONTRACTOR's intent to comply with the Section 3 requirements as outlined in the plans and specifications, including but not limited to, the intent to utilize Section 3 (low to moderate income) workers and subcontractors where possible and complying with all mandatory reporting related to Section 3 HUD guidelines.

In recognition of the intent to comply the CONTRACTOR indicates their compliance with the following certifications:

☐ YES		If awarded a contract for this HUD-funded project, CONTRACTOR is able to determine employee's hourly wages and addresses.
☐ YES	☐ NO	Is this business a registered Section 3 business with the U.S. Department of Housing and Urban Development? You can search for Section 3 Businesses here: https://hudapps.hud.gov/OpportunityPortal/
☐ YES		Willing to provide information on the hours worked by all employees, including Section 3 and Targeted Section 3 employees for this job?
☐ YES		If the need to hire new employees during this job occurs, agree to hire Section 3 qualified employees for those job opportunities presuming all other qualifications are equal with qualified non Section 3 applicants?
☐ YES		If the need to subcontract arises, willing to CONSIDER hiring and subcontracting with a Section 3 business registered with HUD. You can search for Section 3 Businesses here: https://hudapps.hud.gov/OpportunityPortal/

The CONTRACTOR estimates that the total hours worked on this project by employees of the CONTRACTOR will be _____.

The CONTRACTOR recognizes that this contracting opportunity is subject to HUD Section requirements (24 CFR Part 75). The CONTRACTOR has read and understands the Section 3 requirements as generally described above and presented in the Section 3 contract language included in the procurement documents for this project (plans and specifications, request for qualification, request for proposals, etc.). If awarded a contract, the CONTRACTOR commits to following Section 3 requirements, as they apply to this project. If awarded a contract for this project, the CONTRACTOR agrees to provide reports to the project's Grant Administrator on a timely basis) regarding Section 3 efforts and accomplishments.

All contractors and subcontractors must complete this form to demonstrate their Intent to Comply with Section 3.

Basic information and estimated number of labor hours on the project.

If the business is a Section 3 Business, then they would also need to complete the Business Self-Certification Form.

Business Self-Certification Form

Section 3 Business Certification

- *To be completed by the business claiming Section 3 business status.*

All contracts and subcontracts awarded on Section 3 covered projects must be reported in aggregate on the Section 3 Summary Report. For all businesses reported as being Section 3 Businesses, documentation of their status must be retained in the project files. IEDA considers this form adequate documentation of Section 3 status.

Projects that receive $200,000 or more in HUD funds are "Section 3 projects". Contractors are required to report on all contracts they make both with Section 3 Businesses and with businesses that are not Section 3 Businesses.

This form is a tool to determine and document the Section 3 Business status. Documentation of the status of Section 3 Businesses should be retained in the project files.

Business being certified:

Company: _____

Address: _____

Project information:

Project Name: _____

Project Address: _____

Section 3 determination

1. Is your business owned (51% or more) by individuals whose household incomes are NO GREATER THAN 80% of Area Median Income (AMI)* OR by individuals that are current public housing residents or current residents of Section 8-assisted housing?
   *Please reference https://www.iowaeda.com/cdbg/management-guide/ (under recipient income requirements and census information) to determine if employee is less than 80% of the current area median income.

   (_)Yes ( )No

2. Within the last three months, have 75% of all labor hours performed been performed by individuals whose household incomes are no greater than 80% of Area Median Income (AMI)?

   (_)Yes ( )No

If any of the questions above are marked "yes", the business qualifies as a Section 3 business.

I certify that the above statements are true, complete, and correct to the best of my knowledge and belief.

Signature: _____

Print Name: _____ Date: _____

Businesses will self-certify if they are a Section 3 Business Concern.

They will complete the form to the left completely and return it to the CDBG Grant Administrator.

IEDA considers this form adequate documentation for self-certification.

Section 3 Compliance Excel

Labor Hours Worksheet

Project Name:	Sample IEDA CDBG Project
Project Address:	1963 Bell Ave., Des Moines, IA 50315
Project Start Date:	8/1/2021

Sum of Labor Hours Worked	195
Sum of Section 3 Hours Worked	75
Sum of Targeted Section Hours Worked	15

Percentage of Total Labor Hours worked by Section 3	38%
Percentage of Total Labor Hours worked by Targeted Section 3	8%

Enter all laborers working on project

Laborer ID	Work Week (enter date range)	Labor Hours Worked	Section 3 Worker? Yes or No	Section 3 Hours Worked	Targeted Section 3 Worker? Yes or No	Targeted Section 3 Hours Worked
Example: Robert Crawley	8/1/21-8/7/21	40	No		No	
Example: Cora Crawley	8/1/21-8/7/21	40	No		No	
Example: Mary Crawley	8/1/21-8/7/21	40	No		No	
Example: Charles Carson	8/1/21-8/7/21	40	Yes	40	No	
Example: Anna Smith	8/1/21-8/7/21	20	Yes	20	No	
Example: Beryl Patmore	8/1/21-8/7/21	15	Yes	15	Yes	15

Labor Hours Worksheet Template

Labor Hours Worksheet

Project Name:	Sample IEDA CDBG Project
Project Address:	1963 Bell Ave., Des Moines, IA 50315
Project Start Date:	8/1/2021

Type in:

1) Project Name

2) Project Address

3) Project Start Date

Labor Hours Worksheet Template

HUD MSA/County/City for which Income Limits apply:

80% Area Median Income

Enter the 80% AMI for 1-person households for each county in which the workers on a project live.

Section 3 Worker eligibility is based on the worker's residence, not the project site.

Family Size	Polk County	Dallas County	Story County	Marshall County
1-Person Household	$51,150	$51,150	$50,400	$40,250

On the second tab of the Excel, “Income Limits”, type in:

1) 80% Area Median Income (AMI) 1-person household income for counties in which the workers worked

2) Regardless of the worker’s household size, use 1-person 80% AMI household and use only their income, not their household income including their spouse.

See the following link for 2022 income limits:
https://www.huduser.gov/portal/datasets/il.html#2022

Labor Hours Worksheet Template

Labor Hours Worksheet

Project Name:	Sample IEDA CDBG Project
Project Address:	1963 Bell Ave., Des Moines, IA 50315
Project Start Date:	8/1/2021

Sum of Labor Hours Worked	195
Sum of Section 3 Hours Worked	75
Sum of Targeted Section Hours Worked	15

Percentage of Total Labor Hours worked by Section 3	38%
Percentage of Total Labor Hours worked by Targeted Section 3	8%

Enter all laborers working on project

Laborer ID	Work Week (enter date range)	Labor Hours Worked	Section 3 Worker? Yes or No	Section 3 Hours Worked	Targeted Section 3 Worker? Yes or No	Targeted Section 3 Hours Worked
Example: Robert Crawley	8/1/21-8/7/21	40	No		No	
Example: Cora Crawley	8/1/21-8/7/21	40	No		No	
Example: Mary Crawley	8/1/21-8/7/21	40	No		No	

Back to the main sheet, type in:

1) Laborer ID
2) Work Week
3) Labor hours for that week
4) Date initially hired
5) Yes or No if Section 3 Worker
6) Yes or No if Targeted Section 3 worker

Labor Hours Worksheet Template

Labor Hours Worksheet

Project Name:	Sample IEDA CDBG Project
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Percentage of Total Labor Hours worked by Section 3	38%
Percentage of Total Labor Hours worked by Targeted Section 3	8%

Enter all laborers working on project

Laborer ID	Work Week (enter date range)	Labor Hours Worked	Section 3 Worker? Yes or No	Section 3 Hours Worked	Targeted Section 3 Worker? Yes or No	Targeted Section 3 Hours Worked
Example: Robert Crawley	8/1/21-8/7/21	40	No		No	
Example: Cora Crawley	8/1/21-8/7/21	40	No		No	
Example: Mary Crawley	8/1/21-8/7/21	40	No		No	
Example: Charles Carson	8/1/21-8/7/21	40	Yes	40	No	
Example: Anna Smith	8/1/21-8/7/21	20	Yes	20	No	
Example: Beryl Patmore	8/1/21-8/7/21	15	Yes	15	Yes	15

The worksheet automatically calculates:

1) Sum of Labor Hours Worked, Section 3 Hours Worked, & Targeted Section 3 Hours Worked
2) Percentage Worked by Section 3 Workers & Targeted Section 3 Workers

IEDA Section 3 Qualitative Efforts Checklist

Please review the following checklist of qualitative efforts that can be undertaken to comply with Section 3 if the labor hour benchmarks for Section 3 Workers (25% of a total project's hours) AND Targeted Section 3 Workers (5% of a total project's hours) are not anticipated to be met by the time of project closeout.

Check any applicable actions that were undertaken and **ATTACH** verifying documentation that these efforts were undertaken. See the following CPD Notice for more information: https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-09cpdn.pdf.

- ☐ Outreach efforts to generate Section 3 job applicants
- ☐ Direct, on-the-job training programs for Section 3 Workers (including apprenticeships)
- ☐ Provided and/or connected residents with assistance in seeking employment, including drafting resumes, preparing for an interview, and connecting residents to job-placement services
- ☐ Provided and/or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, and/or transportation
- ☐ Assisted residents to apply for and/or attend community college or a four-year higher education institution
- ☐ Assisted residents to apply for and/or attend a vocational/technical training program
- ☐ Assisted residents with obtaining financial literacy training and/or financial coaching
- ☐ Assisted residents with finding childcare
- ☐ Provided or connected residents with supportive services that can provide direct services or referrals
- ☐ Held a job fair
- ☐ Indirect training of Section 3 Workers, including arranging, contracting, and/or paying for off-site training
- ☐ Technical training of Section 3 Workers, including arranging, contracting, and/or paying for off-site training

- We have included a qualitative efforts checklist.
- Qualitative efforts should begin at the start of the project and be conducted alongside the tracking of labor hours.
- All recipients should complete this, regardless if able to meet the 25% and 5% thresholds. Attach verifying docs & submit.

Qualitative Efforts

- Qualitative efforts to comply will be an important tool to ensure Section 3 compliance if labor hour benchmarks are not met.

- These are community-based efforts, not something that can be done at the State level.

- Iowa COGs may already be conducting many of these activities, such as hosting regional job fairs, providing transportation for low-income workers, etc. We welcome feedback on what qualitative efforts you're already doing, and what help you may need on completing qualitative efforts.

In Summary

- Section 3 now requires the tracking of labor hours for projects awarded at least $200,000 in CDBG funds involving rehabilitation, housing construction, and other public construction.

- At least 25% of labor hours should be worked by Section 3 workers:
  - At least 20% by Section 3 workers overall
  - At least 5% by Targeted Section 3 workers
  - Qualitative efforts to comply if this cannot be met

- This applies even when a project is not subject to Davis Bacon.

FAQ:

- Section 3 is based on employee individual (not household) income for the year, not their pay at a particular job or pay under a worker classifications.

- Worker will self-certify their income, not including fringe benefits.

- Based on recent HUD guidance, Section 3 looks back to December 1, 2020 or 5 years, whichever is later. The five-year lookback won't be fully implemented until December 1, 2025.

- CDBG Grant Administrators should be conducting and keeping record of qualitative outreach efforts in addition to tracking labor hours to ensure compliance in Iowa.

FAQ:

- Section 3 materials are found in Appendix 8 of the CDBG Management Guide. If you are using templates referencing *New Hires*, those are not the correct forms for the new rule

- Section 3 applies to eligible projects in regular CDBG, CDBG-DR, and CDBG-CV.

- Section 3 applies to a project site, not the community's overall award. Work with your project manager or reach out to me to determine what is a project site if there's confusion over it.

Next Steps

- Using the templates provided we will ask all projects become up to date with section 3 compliance by June 1st of this year.
- You will email the following to Section3@Iowaeda.com
  - Section 3 Compliance Excel
  - Intent to comply from every single contractor involved in the project
  - Section 3 business self-certification form (if applicable)
  - Section 3 worker self-certification form (required for all workers on the project)
  - Section 3 employment notice
  - Proof qualitative effort was completed

Next Steps

- If needed, you can hire a consultant or local COG to complete the section 3 work for you. This cost would come out of your already allocated award as an eligible expense.
  - These organizations should all have section 3 training to some extent already. If not we are more than happy to work with them to provide this training where needed.

Questions?

Section 3: More Information

- More information can be found in Appendix Eight of the CDBG Management Guide and templates can be found under "Appendix Eight Files": https://www.iowaeda.com/cdbg/management-guide/.

- See our June 2021 and November 2021 presentations for a visual/audio description of the new Section 3 rule and descriptions under "2021 Section 3 Rule Update Presentation": https://www.iowaeda.com/cdbg/training-resources/

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