

**Thursday, June 24, 2021
10 AM**

Section 3 Update Workshop

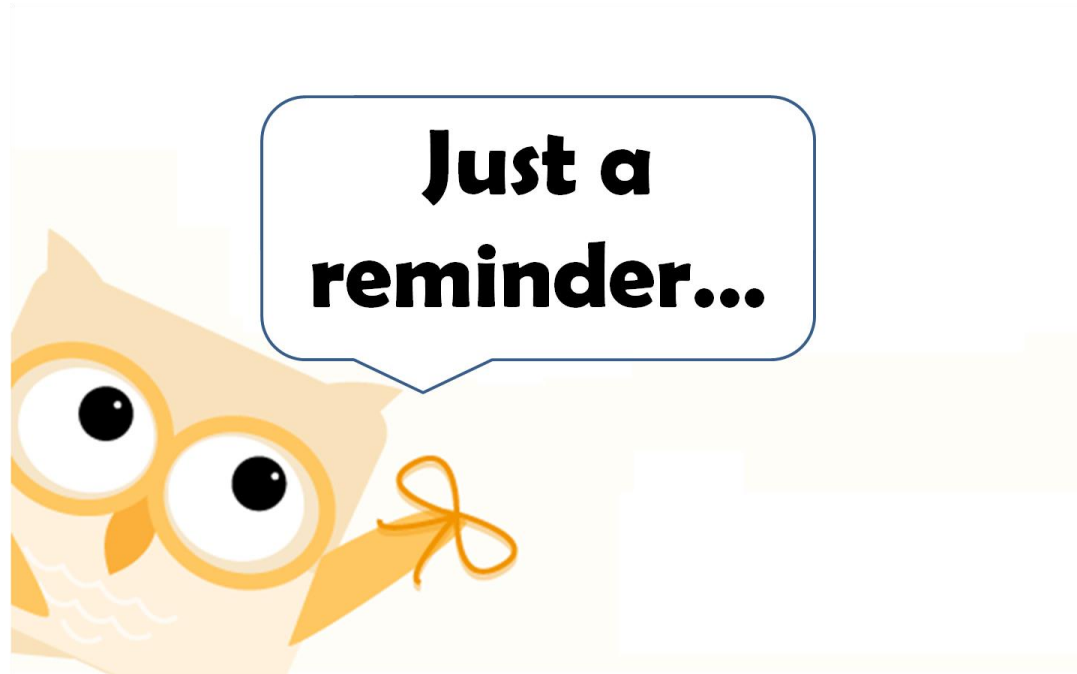


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Reminder to Record Meeting!



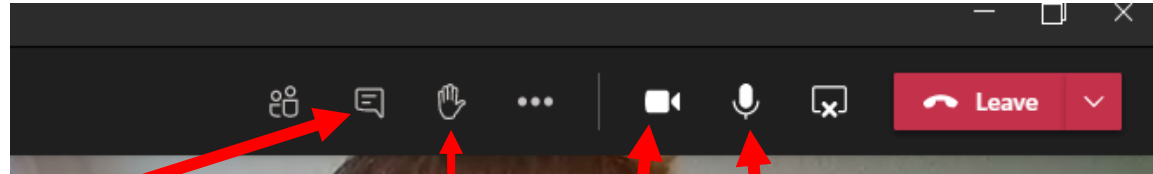
Teams Meeting Format

This meeting will be recorded and posted to our website.

Questions may be submitted through the Chat feature.

At the end of the presentation, we will review questions, publish the question for the group to see and answer the questions.

If the Q&A system doesn't work for you, please email questions to:
Steven.Stransky@IowaEDA.com
and I will respond after the event.



Use the Camera and microphone icons to control your personal settings.

Please turn off your microphone until after the presentation. There will be time for questions and discussion at the end.

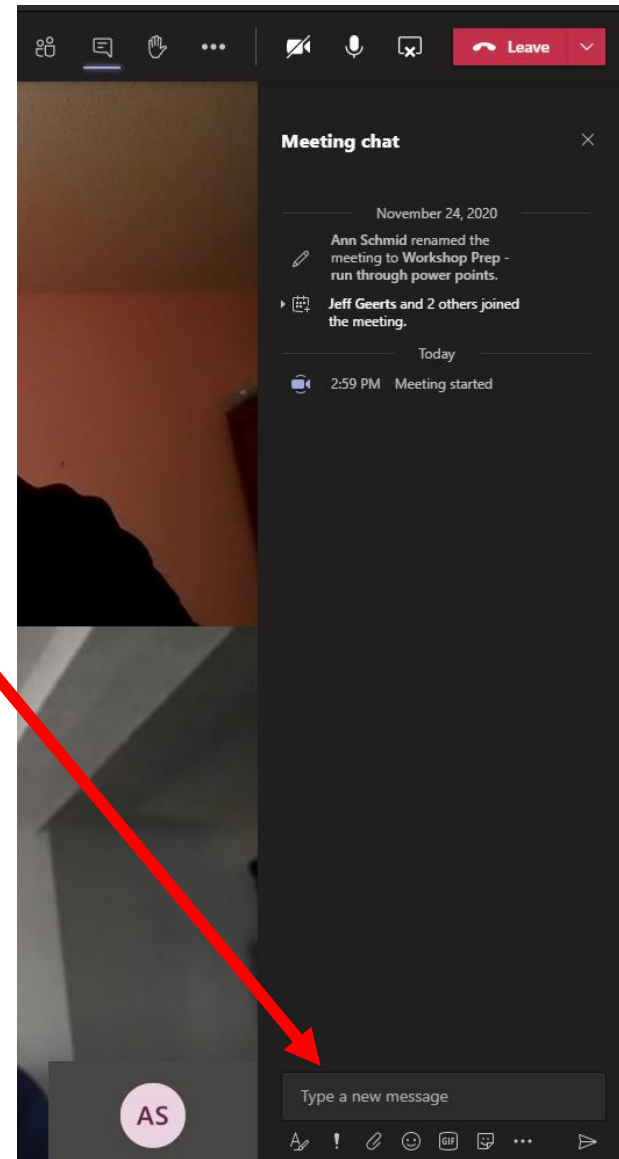
After the presentation, you can use the Raise Hand feature to ask a question, or the chat box.

Teams Meeting Format

Questions may be submitted through the Chat feature.

Type Question in the Chat box and click enter to send chat comment. This will be seen by all attendees to the meeting.

If you need to send a private question, send an email to Steven.Stransky@IowaEDA.com and I will respond after the event.



What is Section 3?

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

- » 24 CFR Part 75

- » Section 3 encourages the employment of low-income persons, preferably low-income persons residing in the local area, in HUD-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?

- » Previously, CDBG grant administrators submitted annual reports on the number of new hires for Section 3 compliance to IowaGrants.
- » Section 3 will now track labor hours instead of new hires. More details to follow in this presentation.
- » HUD updated the rule and it will come into effect on July 1, 2021 for applicable IEDA-awarded projects. These include:
 - Projects awarded after July 1, 2021 AND projects that have not launched bids or entered into construction contracts until after July 1, 2021 AND receiving at least \$200,000 in CDBG funds

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 following IEDA CDBG programs:
 - Disaster Recovery
 - For new housing, when a specific project receives at least \$200,000, not the overall community CDBG award.
 - Community Facilities & Services
 - Downtown Revitalization
 - When a specific owner receives at least \$200,000, not the overall community CDBG award.
 - Upper Story Housing
 - When a specific housing project receives at least \$200,000, not the overall community CDBG award.
 - Water and Sewer
 - Opportunities & Threats
 - COVID
 - When construction is involved and receives at least \$200,000

Section 3 Reporting Benchmarks

- » Section 3 will now track labor hours instead of new hires.
- » May provide more beneficial, long-term employment opportunities to low-income people than the prior rule.
- » 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.
- » IEDA will be providing templates to guide the tracking of labor hours on Section 3 projects

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

- » 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

- » It is much clearer to meet the labor hours benchmarks than using qualitative efforts.

Section 3 Reporting Qualitative Efforts

- » IEDA is still determining whether qualitative efforts will best be conducted at the State, local, or coordinated at both levels in order to ensure compliance.
- » Some of these efforts would be burdensome on grant administrators, while some are best handled with personal knowledge of local conditions.
- » We are looking for feedback from you on what your capacities are and how to best implement qualitative compliance efforts.

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	\$40,250	Clay	\$40,250	Des Moines	\$40,250
Appanoose	\$40,250	Cass	\$40,250	Winneshiek	\$45,300
Carroll	\$45,950	Webster	\$40,250	Cerro Gordo	\$41,300
Union	\$40,250	Marshall	\$40,250	State of Iowa	\$44,500

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 CDBG 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 a self-certification form to be registered as a Section 3 Business Concern and register at the link below:
- » **HUD Opportunity Portal:**
 - <https://hudapps.hud.gov/OpportunityPortal/>

Recipient Responsibilities

- » Recipient/Grant administrators are required to:
 - Verify and document the income of Section 3 workers
 - Track **all labor hours** on the project, including by non Section 3 workers
 - Document evidence of these hours
 - Document any qualitative efforts taken to comply with Section 3

- » Penalties for noncompliance include:
 - Sanctions from HUD
 - Termination of contract for CDBG funds
 - Debarment or suspension from future HUD assisted (e.g. CDBG) 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 within the past 5 years), 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 CERTIFICATION

A Section 3 Worker seeking preference in training and employment must certify eligibility (as defined in Section 75.5) by residency and household income. Please certify below and submit documentation of eligibility to the recipient contractor or subcontractor.

I, _____, am a legal resident of _____,
(Worker Name) (Community Name)
 and meet the income eligibility guidelines for low- or very low-income person as published below:

Please check below the size and income limit that apply to your household	Number in Household	Low Income Under 80% of <u>Area Median Income</u>
<input type="checkbox"/>	1 individual	ENTER INCOME LIMIT HERE

My permanent address is:

I have attached the following Section 3 Worker documentation:

- Copy of lease/mortgage or other acceptable verification indicating current address
- Copy of receipt of public housing or Section 8 assistance
- Copy of public assistance documentation
- Copy of annual income documentation
- Other: _____

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.

 Worker's Signature

 Date

Grant administrators will:

- 1) Enter the 80% 1-person household figure for the project area (link provided in future slide)
- 2) If income eligible, verify address for Targeted Section 3 worker status
- 3) Review the submitted income verification documents

Worker Certification Form

SECTION 3 WORKER CERTIFICATION

A Section 3 Worker seeking preference in training and employment must certify eligibility (as defined in Section 75.5) by residency and household income. Please certify below and submit documentation of eligibility to the recipient contractor or subcontractor.

I, _____, am a legal resident of _____,
(Worker Name) (Community Name)
and meet the income eligibility guidelines for low- or very low-income person as published below:

Please check below the size and income limit that apply to your household	Number in Household	Low Income Under 80% of <u>Area Median Income</u>
<input type="checkbox"/>	1 individual	ENTER INCOME LIMIT HERE

My permanent address is:

I have attached the following Section 3 Worker documentation:

- Copy of lease/mortgage or other acceptable verification indicating current address
- Copy of receipt of public housing or Section 8 assistance
- Copy of public assistance documentation
- Copy of annual income documentation
- Other: _____

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Worker's Signature

Date

Laborers will:

- 1) Write their name
- 2) Write their community name
- 3) Check if their income was at or below the limit grant administrators provided

If their income is at or below 80% AMI, see the next steps:

(continued on next slide)

Worker Certification Form

SECTION 3 WORKER CERTIFICATION

A Section 3 Worker seeking preference in training and employment must certify eligibility (as defined in Section 75.5) by residency and household income. Please certify below and submit documentation of eligibility to the recipient contractor or subcontractor.

I, _____, am a legal resident of _____,
(Worker Name) (Community Name)
and meet the income eligibility guidelines for low- or very low-income person as published below:

Please check below the size and income limit that apply to your household	Number in Household	Low Income Under 80% of <u>Area Median Income</u>
<input type="checkbox"/>	1 individual	ENTER INCOME LIMIT HERE
<input type="checkbox"/>		<input type="checkbox"/>

My permanent address is:

I have attached the following Section 3 Worker documentation:

- Copy of lease/mortgage or other acceptable verification indicating current address
- Copy of receipt of public housing or Section 8 assistance
- Copy of public assistance documentation
- Copy of annual income documentation
- Other: _____

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.

Worker's Signature

Date

If income eligible, laborers will:

4) Write their permanent address

5) Check and attach which verifying documentation to provide

6) Sign and date the 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: _____

Business Self-Certification Form

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 Grant Administrator.

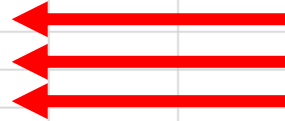
IEDA considers this form adequate documentation for self-certification.

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	200								
Sum of Section 3 Hours Worked	80								
Sum of Targeted Section Hours Worked	20								
Percentage of Total Labor Hours worked by Section 3	40.0%								
Percentage of Total Labor Hours worked by Targeted Section 3	10.0%								
Enter all laborers working on project									
Laborer ID	Work Week (enter date range)	Labor Hours Worked	Initial Date of Hire	Days From Hire Date to Project Start Date	Hourly Rate at Time of Hire	Current Hourly Rate	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	1/1/2010	4230	\$ 7.00	\$ 35.00	-	No	
Example: Cora Crawley	8/1/21-8/7/21	40	1/1/2014	2769	\$ 9.00	\$ 25.00	-	No	
Example: Mary Crawley	8/1/21-8/7/21	40	1/1/2018	1308	\$ 25.00	\$ 30.00	-	No	
Example: Charles Carson	8/1/21-8/7/21	40	1/1/2019	943	\$ 17.00	\$ 20.00	40	No	
Example: Anna Smith	8/1/21-8/7/21	20	7/1/2021	31	\$ 24.00	\$ 24.00	20	No	
Example: Beryl Patmore	8/1/21-8/7/21	20	1/1/2020	578	\$ 17.00	\$ 17.00	20	Yes	20
				44409			-		

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								

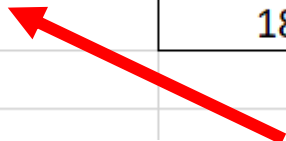


Type in:

- 1) Project Name
- 2) Project Address
- 3) Project Start Date

Labor Hours Worksheet Template

HUD MSA/County/City for which Income Limits apply:		Polk County, Iowa			
Family Size	80% Area Median Income	Number of days in five years			
1-Person Household	\$51,150	1825			



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

- 1) 80% Area Median Income (AMI) 1-person household income for project area.

Regardless of the worker’s household size, use 1-person 80% AMI household.

See the following link for FY 2021 income limits:

https://www.huduser.gov/portal/datasets/il/il2021/select_Geography.odn

Labor Hours Worksheet Template

Back to the main sheet, type in:

- 1) Laborer ID
- 2) Work Week
- 3) Labor hours for that week
- 4) Date initially hired
- 5) Initial and current wage rate
- 6) Yes or No if Targeted Section 3 worker

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	200
Sum of Section 3 Hours Worked	80
Sum of Targeted Section Hours Worked	20

Percentage of Total Labor Hours worked by Section 3	40.0%
Percentage of Total Labor Hours worked by Targeted Section 3	10.0%

Enter all laborers working on project

Laborer ID	Work Week (enter date range)	Labor Hours Worked	Initial Date of Hire	Days From Hire Date to Project Start Date	Hourly Rate at Time of Hire	Current Hourly Rate	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	1/1/2010	4230	\$ 7.00	\$ 35.00	-	No	



Labor Hours Worksheet Template

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

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	200								
Sum of Section 3 Hours Worked	80								
Sum of Targeted Section Hours Worked	20								
Percentage of Total Labor Hours worked by Section 3									40.0%
Percentage of Total Labor Hours worked by Targeted Section 3									10.0%
Enter all laborers working on project									
Laborer ID	Work Week (enter date range)	Labor Hours Worked	Initial Date of Hire	Days From Hire Date to Project Start Date	Hourly Rate at Time of Hire	Current Hourly Rate	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	1/1/2010	4230	\$ 7.00	\$ 35.00	-	No	
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				44409			-		

Labor Hours Worksheet Template

QUALITATIVE OUTREACH EFFORTS

Indicate the efforts made to direct the employment and other economic opportunities generated by HUD financial assistance for housing and community development programs, to the greatest extent feasible, toward low-and very low-income persons, particularly those who are recipients of government assistance for housing. (Check all that apply.)

- Attempted to recruit low-income residents through: local advertising media, signs prominently displayed at the project site, public housing units/common areas, contracts with the community organizations and public or private agencies operating within the metropolitan area (or nonmetropolitan county) in which the Section 3 covered program or project is located, or similar methods.
- Notified local HCV program voucher holders in the service area of opportunities for training and employment.
- Posted employment opportunities to the HUD Opportunity Portal
- Utilized Section 3 Business Registry to identify Section 3 Businesses and/or Workers in the project's service area
- Referred Section 3 workers to IowaWORKS or other providers that offer resume building, interview preparation, job search and placement, financial literacy or other services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care).
- Conducted job interviews at the housing development or developments where Section 3 workers reside, or at a location within the neighborhood or service area of the section 3 project.
- Contacted agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for any training and employment opportunities.
- Held one or more job fairs targeting Section 3 Workers

I affirm that the information contained in this report, including the above statements, are true, complete, and correct

Contractor's Signature

Date

- » Third tab of the worksheet template is Qualitative Outreach Efforts.
- » All recipients should complete this, regardless if able to meet the 25% and 5% thresholds.
- » Print, complete, sign, and upload it with the excel to IowaGrants at the conclusion of the project.

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.

- » IEDA will begin requiring Section 3 compliance on July 1, 2021 if:
 - Project awarded after July 1, 2021 AND
 - Construction out for bid after July 1, 2021 AND
 - Award amount \$200,000 or more

Questions/ Comments.

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