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DEVELOPING A SECTION 3 PLAN



US Department of Housing
and Urban Development

National Training
CONFERENCE 2018

June 18 - 20th

SECTION **3**
of the Housing and Urban
Development Act of 1968



HUD ACT
of 1968



50 Years of Promoting

Economic Opportunity

**What Section 3
Requires of Recipients
and Contractors
Developing a Section 3 Plan**

Day 2

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Is Section 3 Plan a Regulatory Requirement?

- A Section 3 Plan is not a regulatory requirement but it's implied in HUD's Section 3 regulations:
- 24 CFR § 135.1(b) - [CDBG Recipient or PHA] must establish standards and procedures to be used to ensure that the objectives of Section 3 are met.
- 24 CFR § 135.92-Recordkeeping-Recipients must keep sufficient records, reports and other documents or items to demonstrate compliance with Section 3 regulations. If a complaint is filed, FHEO conducts a compliance review, or the Inspector General conducts a Section 3 audit-a Plan and supporting documents are critically important
- FHEO interprets these regulations to mean that a viable Section 3 Plan is an excellent business practice to ensure and documents efforts to comply.

Getting Started

- Once you determine that a Section 3 Plan is a good business practice and a Plan is necessary in order to ensure compliance with the Section 3 regulations, you should do some research before you develop your agency's Plan including:
- Read the Section 3 regulations, review the contents of your Certifications, & review your Program Area specific Section 3 regulations;
- Complete an inventory of your agency's Capital and Operating Funds
- Identify potential scenarios where Section 3 applies such as housing construction, upgrades to public utilities, ongoing maintenance needs of your housing inventory and supporting facilities, etc. For instance-you may have a lead based paint issue, or plan to replace roofs and boilers at 3 sites this FY.
- Know your Residents and where the local Section 3 Businesses are
- Identify road blocks to success
- Determine if activities warrant a part or full time staffer or Section 3 Office.

Getting Started

- The research is critical to determining if resources must be allocated to ensure compliance
- The largest PHAs and recipients in Region 2 have Section 3 Plans, a Section 3 Coordinator, part or full time staff assigned and/or small Offices dedicated to Section 3 and Economic Development (NYCHA, Jersey City HA, State of NJ- Disaster Recovery)
- Dedicated resources, a written Section 3 Plan, and SPEARs reports indicating indicate a Recipient's meaningful commitment to provide viable and sustainable economic opportunities for Section 3 Businesses and Residents of the jurisdiction
- Important to consider allocating resources if you are doing RAD conversion that includes substantial rehabilitation or resident relocation, Demolition and/or Disposition (i.e. new construction or one-for-one unit replacement), CDBG Disaster Recovery (large sums of money)

A Section 3 Plan is Important

- Section 3 has “lots of Moving Parts” A comprehensive Section 3 Plan highlights:
- Recipient’s Responsibilities such as
- Outreach Efforts to Section 3 Businesses and use of Section 3 Business Registry and Bus APP
- Outreach to Residents-Establishing a Section 3 Residents List
- Notifying residents of employment opportunities
- Notifying contractors/subcontractors and incorporating Section 3 clause into contracts
- Facilitating resident training (identifying and linking residents to resources ie-local Unions, Business Incubation Centers, SBA)
- Bid Process, Rating and Ranking, and Awarding contracts to Section 3 Businesses
- Monitoring compliance by principal developer, contractors and subcontractors
- Submitting annual SPEARs Reports-who does this in the agency and what is the succession plan?
- Documenting all actions to comply
- Meeting numerical goals



Section 3 Plan

- Plan should contain measurable attainable goals and objectives
- Plan should address Road Blocks to Success (ie lack of drivers licenses or access to affordable public transportation, poor work habits, cannot locate Section 3 Businesses, residents unwilling to participate, drugs and alcohol, local unions resistant to cross collaboration)
- Plan should be reviewed and updated at least every 1-2 years to determine its viability
- Cross collaboration between CDBG City and PHA to share resources

Contents of Section 3 Plan

- FHEO has examples to share
- Brief Discussion about State of New Jersey Section 3 Plan and Section 3 Implementation Guide
- FHEO Newark Field Office and FHEO HQ cross collaborated with State of NJ Department of Community Affairs Key Staff in 2014
- DCA Section 3 Plan and Guide - Contents and Topics Covered

Questions?

Technical Assistance is available-check with Regional FHEO or FHEO Field Offices to request TA and training