

Section 3: Large PHA Listening Session
April 24, 2018
Session Transcript

Attendees:

San Francisco Housing Authority – In Person
Baltimore City Housing Authority – In Person
Charleston, NC – By Phone
Montgomery County, CA – In Person
Denise Cotton – In Person
Chicago Housing Authority – In Person
Kansas City Housing Authority – By Phone
NAHRO – In Person
St. Paul, MN – By Phone
Fairfax, VA – By Phone
CLPHA – In Person
Baltimore Housing Authority – By Phone
Robert Dalzell – In Person
Seattle – In Person
Crawford, Austin, TX – By Phone
Houston, TX – By Phone

HUD Staff:

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Emily Gargiulo, PIH
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Richard Washington, OGC
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Stephanie Waller, FHEO
Tiffany Johnson, OSPM
Tobey Zimmer, PIH
Todd Thomas, PIH
Tom Davis, HSG
Vicky Longosz, OGC

HUD's – Welcome Remarks.

Thanks for being here to discuss what improvements we want to make to Section 3, including processing, operations, to ease the administrative burden, and provide economic opportunity. We want to improve Section 3 to make a robust program, not just consensus. The rule has been in effect since 1984. In 2015, there was a proposed new rule. There were more than 300 comments to the proposed rule, with a lot of issues and concerns, and I read every one of them. In this process we are starting from scratch. We are not here to fix (the 2015 proposed rule), this will be a new proposed rule with incentives for PHAs to facilitate compliance.

Stephanie Waller: Just to let everyone know, there will be a Section 3 Training Conference, June 18-20, in Dallas, TX.

Unknown: I have heard HUD priorities have switched, tracking new hires vs hours worked. I would prefer new hires, this is much easier to track.

Tom Davis: The theory behind hours is to align to “Davis Bacon” reporting. Whether there’s a way to track contract teams vice payroll and shift to labor hours and align with other ways.

Kansas City: It's not tracking hours for the purpose of compliance (simple to add a column), but it's the actually securing of Section 3 hours that is hardest. For the purposes of reporting, we monitor to validate the hire, but that's not a HUD reporting requirement. What's the intent of this tracking?

Baltimore City: I see both sides of the argument: Tracking hours will be more difficult, burdensome, but I understand the intent of the goal of Section 3. Two weeks or two months would only count for a new hire, but it's not the meaningful number of hours we're going for. We're looking for ways to better monitor hires and strengthen regulations, so Section 3 employees get vital skills and we can't do that with a two-week hire.

Houston: Switching to hours could reflect the total amount of Section 3 actually going on. A person would be counted once as a new hire, even though they worked here for years. This will give the total extent of Section 3 hiring, not the one-time hiring, but the gainful employment that we've provided for folks. We'd like to get credit like that. It'd be interesting to see how many PHAs would instantly be over the 30% benchmark if we moved to hours. It's a mixed bag. What's the goal of reform with Section 3.

Charlotte: If we start recording hours, what is the threshold? What would the benchmark be if we moved to hours tracking? What is the compliance number?

San Francisco: We are already tracking the hours, because we thought it was important for compliance monitoring. We have challenges with the program, how to train, how to educate. We have \$700M in contracts in connection to our RAD project, we're hitting our goals and have hired 150 tenants, but I still thought we could do more. We have a partnership with the city to train and work with our tenants to work on this particular project. I am finding that we are exceeding our hiring goals for Section 3 because a lot of our tenants are afraid of getting income that puts them in a higher income bracket. However, the skill level of the tenants are not what the contractor needs. We need to think more on education and training.

Seattle: Echoes the need for education and training for our residents, not only hard training skills (construction, etc.) but soft training skills (clerical, administrative) too.

Kansas City: But the Workforce Investment Boards (WIB) should be doing that training. Remember, these are residents. They are a work force investment. That's where the training should be occurring. It's getting families the skills they need to be successful.

How many of you have relationships with your local WIB.

Kansas City: We do, much beyond just Section 3. They really don't understand Section 3. They just want to train for the best job.

Seattle: In Seattle, we've got some of the hardest to serve residents and employers don't want to hire them for all the work it will require. It takes more time to train, plus the language barrier is a challenge.

What about other partnerships.

St. Paul: We're finding fewer and fewer people want to go into construction.

San Francisco: We have some partnerships with unions, but most of our residents are already working. The transition to full, gainful employment from unemployment takes much more than a job, and HUD/Section 3 can't provide that. One of the things that would be most helpful would be if HUD funded a Section 3 coordinator.

Montgomery County: We experience a lot of bureaucratic challenges locally. Also, we're having trouble filling positions from just our own jurisdiction.

Houston: We do a lot of work with the local school systems, apprenticeship training, but we've got to be realistic about what Section 3 can and can't do. We can't find people who want to do the work we're paying for. Fewer residents want to go into the construction trade. It would be helpful if we can get funding for a Section 3/Job Training Coordinator.

Fairfax County: I worked with local non-profits and a construction training provider, but we didn't get anywhere because of the bureaucracy, specifically a local work force board. It's about what Section 3 can do and can't do. For example, I have a local exterminator willing to train people to be exterminators, but no one was interested. The same goes for the sanitation field.

Seattle: The majority of our residents are women of color and racism and sexism in the trades is real and very uninviting for many residents.

Chicago: We have a contractor program that wants to pay less for training on the job. There are small businesses that want to hire via Section 3 but can't pay the high wages. We have a lot of issues with Section 3 hiring that needs to pay "Davis Bacon" wages, especially in light of the training gaps for our residents. For example, construction wages are too high to bring someone on just starting out.

Can you tell us more about the kinds of jobs you are connecting your residents to.

Houston: Housing specialists, benefits program advisors and call centers. We're still not sure, though, on when Section 3 applies and when it doesn't. A lot of small businesses can't bring on new people at the start.

San Francisco: RAD conversion contracts. Also, when we transferred our files (from paper to electronic) we hired residents to assist.

Montgomery County: Electricians and construction, but background and drug screening weed out a lot of our tenants from being hired.

Houston: We have hired residents to help with energy conversion projects.

Chicago: It's challenging to get legal and financial (professional) services to hire under Section 3. Their hiring practices are very difficult to fill, but they contribute to a fund that supports Section 3 activities.

Baltimore City: How do you handle contributions to that fund? Do you get pushback on that?

Chicago: No. We do need guidance on the legality of processing the contributions from those who can't hire. We need someone to monitor it, hire finance, procurement and compliance staff. The goal is still always hiring, so they're happy to find alternatives when that's not possible (internships, training, etc.) if they can't support a direct hire to help break into that arena.

If you could design a Section 3 program, what would it look like.

Houston: Don't focus in on receiving funds from HUD. This is a labor issue, use WIBs to lead this work while partnering and focusing on our residents. We're happy to provide a supporting role, just not a lead role.

CLPHA: Echo that on the Federal level. We should coordinate more with the Departments of Education and Labor to help alleviate burden.

Houston: I would focus on local partnerships with local businesses that want to hire our residents.

Montgomery County: We have a simplified local version of Section 3. We focus on the smaller business that are left out of engaging with Section 3. We mandate contributions to the fund (which we can't do on the Section 3 side), which supports training and education. We partner with the local college and service providers/WIB to provide services paid for out of the fund.

How do you define small and large PHAs.

Montgomery County: Small, under \$50k in units. Large, \$1M in units.

Are there options of giving to the fund or hiring under Section 3.

Montgomery County: I like the fund better because it gives options. We need to distinguish between small and large businesses. I find that it's hard sometimes to get hiring centers to participate because of housing authorities.

Kansas City: We may sign off on million-dollar construction contracts, but sub-contractors can't afford new hires. It's a waterfall effect of who has to comply with Section 3.

Chicago: These jobs are not sustained employment, usually flaggers or sweepers. It's also not a new entitlement program. We have to find innovative ways to direct work to Section 3 businesses. We've actually created a Section 3 field office, collaborating with other departments. The question is, what does HUD want to accomplish with Section 3? Low income hirers all fall on the PHA.

Seattle: We're fishing out creative ways for longer retention. We need to use the system to encourage retention and provide accountability of training. It encourages residents to stick with that particular industry.

How do you create incentives to retain Section 3 employees longer.

Chicago: For the construction jobs, these are often still temporary positions. In order to create meaningful, sustained employments, we've started contracting directly for Section 3 residents. This provides employees that are outside of the union, a continuous funnel of workers. This contract is working with 107 Section 3 businesses now, in 6 tiers based on the size of contract. However, even when we create a sheltered outlet for Section 3, it doesn't help. We give them incentives to hire then they let them go as if they're passing through to just check a box.

Chicago: 30% of full-time workforce is fine. Benchmarks on resident-owned business are fine. 25% subcontracting continues to be a challenge (is this really a Section 3 business interest?)

Baltimore City: We're in a high construction zone where we're having trouble finding businesses who want to bid on the project, or they include more hidden fees to cover the bureaucratic process. I wonder how we can replicate CHA's level of investment is for other PHAs.

Chicago: The ideal program would come in waves, focusing on building business partnerships first and increasing hiring gradually. It may not even be sustainable for CHA, without some assistance or investment from HUD.

From the small PHAs, we heard a lot of frustration on what level of tracking is necessary for compliance and wanted a simplified way of keeping track.

Houston: We all want Safe Harbor, to know have I done enough, what is enough. We'd like an optional form, says what objectives we need to meet. HUD needs to provide a uniform template, resources, but not another requirement.

Chicago: We would be happy to share the forms we are using at the bigger PHAs to support smaller agencies. The self-certification of Section 3 businesses is challenging, very burdensome for our small businesses. Smaller Section 3 businesses have a problem with compliance. They don't have the manpower to do all the paperwork. We could use more guidance from HUD. We built a system in house to support them and help relieve that burden for many.

Ventura: I propose that service be provided nationally, instead of locally. This would be helpful alongside the business registry. Especially because we found that a lot of those businesses weren't actually certified. Maybe you could build a registry at HUD as part of the certification process, audits.

Baltimore: More supports are also needed for business incubators, developing these small, start-up businesses, and funding for entrepreneur programs.

What else can HUD be doing to partner with the Departments of Labor and Education.

Kansas City: Department of Labor grant NOFAs should incentivize working with PHAs. Currently, there's no incentive to work with these opportunities.

Chicago: We are utilizing our own resources, but we could always use more funding.

Kansas City: We hear from many of our residents "we're tired of being trained", we need to tie this to the end goal and the meaningful job that residents want. Jobs Plus does that, Section 3 does not.

What do you want to see or not see in the rule.

- Don't write a very prescriptive rule that doesn't allow for the kind of evolution we've discussed today;
- Don't set more mandates with benchmarks we can't hit;
- HUD should incentivize PHAs to pilot and innovate on strategies to reach these goals;
- We can probably learn a lot from MBE/WBE programs, on how to make it a competitive advantage to be a "Section 3-business" like it is to be a MBE/WBE-business;
- Incentives! Section 3 coordinators, business incubation grants, service grants;
- Get rid of SPEARS – It needs to be simplified, may be better to make it part of my compliance reporting in my audit. Two issues – System ease and data collection;
- Enhancement to the registry to assist businesses with self-certification and monitor the list (to ensure these businesses are actually Section 3);
- More best practices and information sharing across PHAs.

How do you define professional services.

Chicago: We lump everything that's not construction into professional services. It needs to be separated: Commodities, non- professional services, professional services, and construction.

You mentioned adding it to the annual audit. What would that look like.

Baltimore City: Most of this information is already captured in PIQ/5058. We need to be prospective, looking ahead, not retrospective, looking back. We can't control residents or the economy.

Numbers are one thing, but its more in telling the story of how we're working to get residents to work. How do we demonstrate the metrics in Section 3 reporting?

- Show "leading indicators" well before the hours tracked:
- New firms register and committee to the 30% benchmark;
- The percentage of residents employed over the year, not just "project by project" as Section 3 tracks it;
- We need more of a narrative in the annual plan, let me create the report, not fill in a mandated one;
- Links with our partners, documented and captured, something SPEARS does not allow, instead allow us to bring all of the pieces together to tell one story;
- Let HUD review and come up with the best practices.

Austin: It's refreshing to hear that we all have the similar issues with other PHAs. We all struggle with these outdated regulations, low participation rates from residents who are not looking for Section 3 jobs.

What types of jobs do residents want?

Austin: Residents prefer non-hard labor positions, but these are mostly temporary jobs, through the course of the project, and most of these companies are from out of town, so the residents lose out on the

jobs when it's over. Fewer and fewer want construction jobs. They want medical coding, or any long-term position.

Montgomery County: Most businesses are interested in Section 3 funds for training purposes. We need to expand YouthBuild to not just construction, but to also include other areas like medical coding. This will dramatically increase resident interest.

Chicago: Stable, well-paying employment. There's a capability gap of jobs not getting filled. We are working with our local community colleges, where residents can go for free to get certifications. We're also working with Lowes to provide our residents with entry-level positions for a discount on supplies for CHA.

What other things—opportunities on the administrative side, connections to FSS and other economic opportunity programs—are available for PHAs for employment?

Baltimore City: The funding for FSS is a better model than Section 3 funding. If it was opened up to more than just the head of the household, to other members of the family, it would help broaden the scope.

Chicago: FSS/Section 3 work close together. Maybe if HUD funded a coordinator grant, we could get more results.

Baltimore City: FSS is tenant driven with guidance, Section 3 is not. We need to give residents to take more responsibility. We're band-aiding all our resources together to find success.

Final Thoughts:

- Think through how Section 3 connects to other economic support/programs (EnVision Centers, JobsPlus, etc.).
- Be thinking longer-term and across federal agencies (receiving SNAP, Medicaid, etc) and the interaction with other potential benefits.
- Section 3, the annual plan, we need to open up all the doors to interconnect the information.