

Section 3: Small PHA Listening Session
March 28, 2018
Session Transcript

Attendees:

Lebanon County Housing Authority, PA –
In Person
York Housing Authority, NE – In Person
PHADA – In Person
Elkton, MD – In Person
Chelsea, MA – By Phone
NAHRO – In Person & By Phone
Hightstown Housing Authority, NJ – In
Person
York, PA – In Person
Belding, MI – By Phone
Marquette, MI – In Person
Pocatello, ID – In Person
Pleasantville Housing Authority, NJ – In
Person

HUD Staff:

Aaron Santa Aaron, OGC
Bernita James, PIH
Dominique Blom, GDAS, PIH
Emily Gargiulo, OSPM
Eric Christensen, PIH
Mark Piggott, PIH
Merrie Nichols-Dixon, PIH
Michael Stettes, PIH
Nicola Sanders, OGC
Tiffany Johnson, OSPM,
Tobey Zimber, PIH
Todd Thomas, PIH
Tom Davis, HSG
Vicky Longosz, OGC

HUD's – Welcome Remarks.

One of HUD major tools to make sure HUD residents and folks in communities are getting connected to employment. We are not building off the 2015 proposed rule, we are starting over so your input is really important

Lebanon County: Overarching frustrations with Section 3 is the assumption in the rule that there are a wide range of contractors anxious to work with PHAs. Also, that there is this overwhelming volume of residents who are unemployed and want to work with the PHA. These assumptions are untrue and make it all the more difficult for contractors to work with the PHA. The vast majority of my residents are employed. I also don't have that much work – small roof repair, etc – jobs that take a month or two, not two years.

Elkton: Similar issues to Lebanon County. We have contractors who are interested until they hear about the Section 3 requirements. Mom and pop shops that are not in favor of Section 3 preferences. We are in the process of RAD conversion, so we've had even less capital jobs in preparation for the conversion. Our jobs are short and that makes it less attractive for residents and contractors to go through the hassle. For residents – especially unattractive if they'll have to pay more for the rent. We keep a file for resumes for jobs that come up and only 3 resumes have been received. Our residents are overwhelmingly single-mother led households, who don't want these construction jobs. We've had more success with new hires, but on a very small scale with a couple stories here and there of people who graduate through the programs and increasing jobs in the PHA.

Pocatello: We love the *idea* of lifting our residents out of poverty, and we all agree on that. But the challenge is we just put out an RFP for a \$150k roof project – and only received two applications. We too don't see a lot of contractors jumping to work with the PHA. Our residents are also employed, even if it's only part-time, they don't want to leave that work for a short gig. Our auditors came up with an idea for more shadowing/ apprenticeship for our residents to expose them to the professional services work. It

Highstown: Noble purpose, but the 94 rule and 15 proposed rule are confusing and at times conflicting. The business registry is not very helpful – only one company in our area which claims to do everything (so not the highest confidence that they do anything!). We hire and train PH residents for our maintenance staff; less success with admin but some. One of our highest contracts is for landscaping – the last contract received 6 applications and then only one was willing to go through the effort of the Section 3 paperwork. Our “work able” residents (non-elderly, non-disabled) are working 30+ hours. Many may not be fully documented, that create another barrier for contractors.

York: Echo what everyone said. For Small PHAs we do not have enough contractors to overwhelm with all of the Davis Bacon requirements in addition to Section 3. It inevitably drives up the cost of our projects as we have to work with businesses that are bigger and further away. We only have 2 part-time and one full time staff. They end up having to help a lot of the contractors with all of the paperwork. And then we have to worry about the confidentiality of the paperwork if that staff is all residents. Most of our residents do not possess the skills to perform the tasks we need done. The FSS program is helpful for our residents. Question for HUD staff – what's the end goal? We should begin with the end in mind and work towards that. Because poverty is a tough thing and we need to be realistic about what we're working towards. People care about their friends, and staying

York: I've been here for a long time. In Dayton, OH in 94 we were very excited about this, but as the ED of a small PHA it's very different. It's not that contractors don't want to work with our residents, there's a liability to it. They've got specialized needs and tools that our residents are not trained to use. Contractors who have to hire these residents see it as an added expense. And residents in turn don't want to work with them.

Belding: Add to what York and everyone said. Very difficult to find contractors in my rural areas. The closest metro area is 20+ miles away, and when we give the jobs to contractors from this area it's much more expensive. The local contractors find enough local work and choose not to compete with the big metro businesses. Some contractors may even be embarrassed to admit they are a low-income contractor. I have 5 FTE (including myself). I was successful with finding a part-time admin staff who was a PH resident and who has received good job training, but those are limited successes. PHA facts: 140 PH unit – 110 of which are elderly, disabled. The rest are families who are working.

Chelsea: Echo everyone. The paperwork is daunting and not worth it for contractors or residents. Our FSS program is working, and we have to remember that the majority of our residents are working.

Can you all speak a little more about the reporting burden you experience?

York: What's going to be acceptable for auditing? What does "the greatest extent feasible" mean? We don't know what supporting documents are necessary.

PHADA: When I worked at a small PHA, I had to make all my own forms. Outside of SPEARS reporting, HUD offers nothing.

Lebanon/Highstown: There's already a ton of paperwork on wage rates/certified pay role for Davis Bacon! No one wants to bid.

Belding: Our residents also don't want to report how much they were previously making.

York: We're all carrying this out differently now, and because these are self-created forms, there's a big issue in continuity.

Highstown: The complexity of the rule is not helpful. Make a one page rule about what we should do, a simple threshold, get rid of SPEARS and make the compliance work carried out by auditor.

York: I don't have an auditor. I would not be able to meet most of these thresholds. Do we put a dollar amount on that "greatest extent" standard? Or effort?

Bryan: For our highly specialized, more expensive contracts, we can't find the Section 3 contractors.

York: There should be a threshold that kicks in Section 3 requirements.

Sharon: Perhaps a dollar size of contract or percentage.

York: Unions also create a big barrier for us. You have to go through a standard path, with apprenticeship to work on our projects.

Can you all explain what is driving the confusion about the paperwork?

Many: What will meet "the greatest extent feasible" standard.

Is that just a function of HUD not having a consistent direction? Historically has FHEO come in and dinged people for not meeting the standard?

Pocatello: The risk of a mark.

PHADA: SPEARS reporting does not convey the effort going in to this compliance. I do not say the solution is make a burdensome reporting.

NAHRO: The audit should be the one to capture the greatest effort, when safe harbor not met.

Marquette: Maybe some flow chart to show how effort is being made?

Would that kind of form to prove effort and reduce reporting reduce the burden or unattractiveness to contractors?

York: Our contractors really don't want to give information on their employees and our contractors are not experts on paperwork. They want to do plumbing and landscaping.

We've been asked to explore shifting to hours of employment instead of new hires for Section 3 data tracking and goal setting. It appears this would be more consistent with Davis Bacon hours tracking. What do you think?

Pocatello: Proposal makes sense, but at first blush most EDs don't like. I surveyed many of them (including those that do Section 3 really well) in advance of coming here, and heard it feels very much like tracking work requirements for residents (for community service) and it's very burdensome. They are not in favor in hours instead of hires.

Marquette: How will this interact with the thresholds of Davis Bacon.

York: Why don't we separate things for small and large PHAs? Give me a simple form that provides a checklist. Also, I think you may run in to some misrepresentation of hours. One contractor sent me his whole payroll and my resident worked 40 hours, but only 10 of the those were for the PH project.

What is the number? 250 units? 550 units? A dollar amount?

York: Dollar amount shifts too much from year to year, and we need to be realistic about what things cost nowadays.

Sharon: Why don't we use the CDBG threshold of \$250k?

Georgi: We should standardize this and make it very specific.

PHADA: PHAs with 550 units or less represent only 10% of the federal program.

Pocatello: I agree with Georgi we need to be very clear and specific about the unit and/or dollar threshold. Sometimes I am a small agency and sometimes I am not.

Bryan: HUD should focus on the PHAs/entities that can meaningfully generate jobs and contracts, and small PHAs cannot do that.

York: I don't even have the volume of tenants who are interested in it.

Pocatello: To that point, hires are much more cut and dry than hours with the residents we do have.

Sharon: Hours could be a threshold too.

York: And unit size, we have to have unit size. And then we need the guidance or standardized form.

Pocatello: But that form needs to capture the actions that are currently not tracked. The true effort that our very dedicated staff are making but aren't currently captured by SPEARS.

Highstown: my residents are gainfully employed

Tiffany: When would make the most sense to fill this form out?

Pocatello: We prefer annually over project completion.

Bryan: And as possible, combine it with other annual reporting, such as the PHA Plan (York agreed).

Highstown: Or with audits, for those of us who are audited. But all of this is confused by the complexity of the rule, that makes the implementation of this rule so different from place to place.

Sharon: You should think about the burden of reporting/compliance for the field office as well. Will this be something simple enough for them to review as well?

Pocatello: I think the greater success of bringing people in the workforce is demonstrated through the FSS program rather than Section 3.

Joanne: The rule mentions trainings programs in addition to jobs. Do you have success stories on training opportunities?

York: Our community is focused on agricultural training, which we connect our residents to. Also a vocational training program at our school. But we are not running any of those programs, we just don't have the money.

Bryan: We could direct Section 3 contracting dollars into a fund that could support training or scholarships for rent. It would inevitably raise the cost of the bid and be capital fund dollars redirected to this purpose, though.

York: Our agency is entering an MOU with Career link to connect our residents to a referral system to pre-employ screening and training.

Elkton: we are fortunate to have funding for a jobs specialist at our agency who is making the connections between local employers and our residents.

Pocatello: Those kinds of coordinators are critical to those connections, and they are funded through FSS and ROSS, not Section 3. And those programs have not been opened to new applicants in a while.

Bryan: Is this rule just too old? The world has changed since 1994.

Pocatello: Well it comes back to what is the goal? Is it to get people employed? If so, FSS and ROSS are doing a lot more in that regard than Section 3. So lets focus on funding those.

York: it would be great if this could be incorporated into our FSS tracking!

Sharon: We use stipend employees too, provided a \$200 stipend.

Tom: And those folks would be captured better in an hour tracking than a hires tracking, correct?

Pocatello: They don't work on an hourly basis, they have duties and set stipend.

York: But remember we don't have any tracking of the incidentals – of a resident who has an accident and can't work, but the simplification – small vs. large PHAs, and a safe harbor form/checklist of simple efforts.

What about resident businesses?

Lebanon: Told the success story of a woman who was cleaning and the PHA helped her to start her own business which was great, but then she moved out of the area and we lost our Section 3 cleaning lady!

Marquette: Remember the diversity of “small PHAs.” Some of us just have PH, others are working with LIHTC and MFH. Some just don't have the

How do you all define local?

York: The locality who created us. We served a 500 square mile radius.

Belding: We have different radiuses for PH and HCV. Three agencies have 1-2 square miles jurisdiction.

What about if a goal is to hire locally for projects? What radius should we use then?

PHADA: Any of those locality requirements are going to increase your cost and burden for contractors.

York: we have very low unemployment, we actually have a surplus of jobs right now. And every additional burden you add to hiring for a Section 3 job, you disincentivize residents to come to these jobs.

Lebanon: There are just so many increasing costs to hiring people too. I went from 32 to 17 employees for the same portfolio because increasing operating costs, reduced capital funding, and increasing healthcare costs for my employees.

What should Section 3 look like for small PHAs?

Exemptions:

- A consistent threshold – focused on capital contracts (do not combine with operating fund contracts!)
- Streamlined compliance form that creates
- Data tracking that captures all of the work we are doing to meet these goals

Lebanon: Why isn't MFH accountable to Section 3? They're not facing the same funding cuts as we are, they're serving just as many low-income residents as we are.

Pocatello: Especially as we're pushing RAD!

Lebanon: I run senior PHA on \$407 and I run MFH Section 202 10 miles away I get \$767.

Pocatello: I see the same thing!

York: Back to what you asked, we need this to be simpler and consistent.

Pocatello: and we could use HUD's help on coordinating PHAs. I have had so much success through the education and inspections calls that HUD has hosted between other small PHAs where we can share best practices and ideas, etc.

Lebanon: Perhaps a self-certification.

We should be clear that both Operating Fund and Cap Fund are subject to Section 3.

Marquette: Please come to us to weigh in on any proposed form/checklist.

York: You do your thing and we do ours. Let us help you.

PHADA: Please use the trade groups, we are convening PHAs all throughout the year in DC and we can help to get feedback in these meetings.