



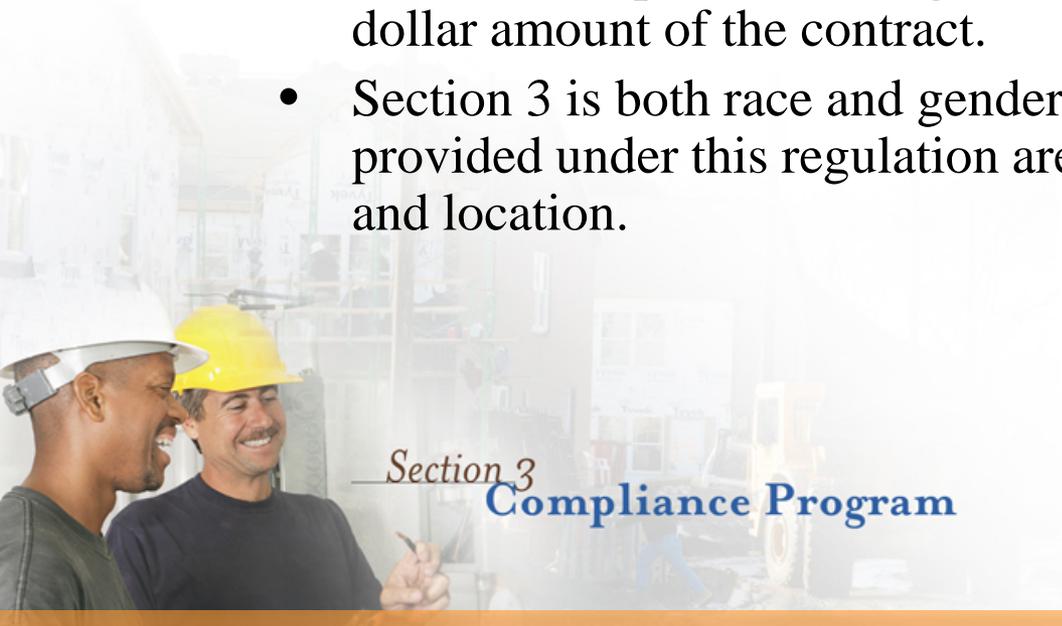
Philadelphia Housing Authority
Building Beyond Expectations

Section 3 Compliance Program



SECTION 3 – A BRIEF HISTORY

- The U.S. Congress established Section 3 of the HUD Act of 1968 to require recipients of certain HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.
- The requirements also apply to **all contractors** that receive awards from public housing authorities, regardless of the dollar amount of the contract.
- Section 3 is both race and gender neutral. The preferences provided under this regulation are based on income-level and location.



Section 3

Compliance Program

COMPLIANCE - PHA

The requirements of Section 3 apply *in the same manner as they do for other types of covered HUD financial assistance.*

HUD considers public housing authorities to be in compliance with Section 3 if they meet the following minimum numerical goals:

- A. **30 %** of the aggregate number of new hires shall be Section 3 residents;
- B. **10 %** of the total dollar amount of all covered construction contracts shall be awarded to Section 3 business concerns; and
- C. **3 %** of the total dollar amount of all covered non-construction contracts shall be awarded to Section 3 business concerns.

Public housing authorities that fail to meet the numerical goals above bear the burden of demonstrating why it was not possible.



WHO IS ELIGIBLE?

Section 3 Residents

A “**section 3 resident**” is:

1. a public housing resident; or
2. a low- or very low-income person residing in the metropolitan area or Non-metropolitan County in which the Section 3 covered assistance is expended.
 - A. Low Income = family’s income does not exceed 80% of median income
 - B. Very Low Income = family’s income does not exceed 50% of median income

Section 3 Business Concerns

Section 3 business concerns are defined as:

1. businesses that are 51 percent or more owned by Section 3 residents;
2. businesses whose permanent, full-time employees include persons, at least 30 percent of whom are current Section 3 residents or were Section 3 residents within 3 years of the date of first employment with the business concern; or
3. businesses that provide evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in the two previous categories.



PHA'S PRIORITIES

For Employment Opportunities:

1. Residents of Potential Site
2. Pre-Apprenticeship Program Graduates
3. Participants in DOL Youthbuild Programs
4. Residents of the Site's Surrounding Community
5. Philadelphia Residents

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CHALLENGES WITH CURRENT POLICIES

- Lack of clarity on New Hire definition
- Lack of clarity on Community Impact
- Lack of ‘Acceptable’ commitments from vendors
- Lack of options for ‘Compliance’ for vendors
- Limited results in Construction Contracts
- Limited benefit for Compliant Vendors
- Lack of clarity in Required Documentation
- Confusion in Contracting Language



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CHANGES- SPECIFICS

Issue	Solution
Lack of clarity on New Hire definition	<u>NEW HIRES.</u> Full-time employees hired for permanent, temporary, or seasonal employment opportunities. Building trades personnel are new hires at the start of each construction project.
Lack of clarity on Community Impact	<u>COMMUNITY.</u> Area within one-half (1/2) mile radius of propose Section 3 Covered Activity. ----- “For construction contracts and assignments that are site based or Community specific, PHA contractors and subcontracts, will demonstrate compliance by ensuring that 50% of all Section 3 New Hires are residents of the Community ”

CHANGES – SPECIFICS (CONT.)

Issue	Solution
Lack of ‘Acceptable’ commitments from vendors	<ol style="list-style-type: none">1. For trade, construction and rehabilitation work, the “value” of the other economic opportunity must equal or exceed 5% of the total contract amount plus any modifications to price;2. For other types of contracts, including service contracts, the “value” of the other economic opportunity must equal or exceed 3% of the total contract amount plus any modifications to price.
Lack of options for ‘Compliance’ for vendors	Defined Economic Opportunities available, including internships, P/T employment, training, scholarships, etc...
Limited results in Construction Contracts	Revised New Hire definition ---- For construction contracts and assignments, PHA contractors and subcontracts, will demonstrate compliance by ensuring that 20% of all contract wages are paid committed to employ Section 3 Residents working on Section 3 Covered Activity

CHANGES – SPECIFICS (CONT.)

Issue	Solution
Limited benefit for compliant vendors	Revised Tiering giving preference to: 1 st - Hiring 2 nd - Contracting 3 rd - Other Economic Opportunities
Lack of clarity in required documentation	<ul style="list-style-type: none">• Revised and cleaner documentation<ul style="list-style-type: none">• Revised Manual, from 35 pages to 19 pages• Reduced Forms, from 20 pages to 16 pages• Process flow and required document listing
Confusion in contracting language	<ul style="list-style-type: none">• Revised language and shortened policies• Section 3 Handbook under development
Lack of awareness	<ul style="list-style-type: none">• Monthly “Doing Business with PHA” Seminars• Section 3 Web site: www.pha.phila.gov/jobs/Section3• Participation in Vendor meetings• Collaboration with City of Philadelphia Section 3 initiatives



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