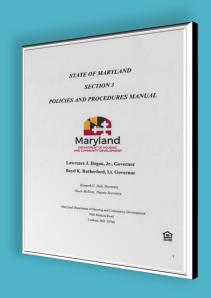# Section 3 Training
CDA Multifamily Construction
9/8/22

for grantees, subrecipients, developers, and contractors

Lead by   CDBG: Cindy Stone, Justin Fair

                      CDA/MF: Alvin Lawson

STATE OF MARYLAND
SECTION 3
POLICIES AND PROCEDURES MANUAL

Maryland
DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

Lawrence J. Hogan, Jr., Governor
Boyd K. Rutherford, Lt. Governor

Kenneth C. Holt, Secretary
Owen McEvoy, Deputy Secretary

Maryland Department of Housing and Community Development
7800 Harkins Road
Lanham, MD 20706

Maryland
DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

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Table of Contents

Section 3 Goals and Objectives

All HUD programs under one state department

Create one process
- ▶ Policies and procedures
- ▶ Ensure consistency
- ▶ Practical approach
- ▶ Make Section 3 mean something

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The Process

Step 1

- Formed Committee
- Held internal meetings w/program staff
- Considered program differences

Step 2

- Prepared draft manual
- Sought input from other staff and grantees
- Asked HUD staff to review

Step 3

- Developed forms
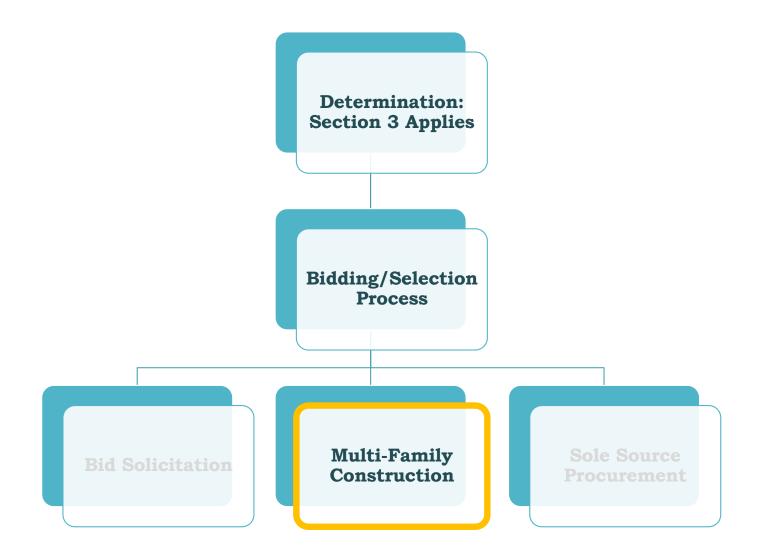- Finalized process
- Training
- Website

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Why one process?

► Small state
► Grantees, subrecipients and developers use multiple CPD programs
► Eliminate confusion
► Ensure different program staff speak same language
► Ensure same monitoring process used by program staff
► Consistent compliance documentation

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Step 1 – DHCD determine Section 3 applies

Step 2 – DHCD includes Section 3 requirements in grant or
loan agreements

Step 3 – Recipients (Grantees/Subrecipients/Developers)
identify Section 3 activities

Step 4 – Recipients must designate a
Section 3 Coordinator

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                    ┌─────────────────────┐
                    │   Determination:    │
                    │  Section 3 Applies  │
                    └─────────────────────┘
                               │
                    ┌─────────────────────┐
                    │  Bidding/Selection  │
                    │       Process       │
                    └─────────────────────┘
                               │
        ┌──────────────────────┼──────────────────────┐
 ┌──────────────┐      ┌──────────────┐      ┌──────────────┐
 │     Bid      │      │ Multi-Family │      │ Sole Source  │
 │ Solicitation │      │ Construction │      │ Procurement  │
 └──────────────┘      └──────────────┘      └──────────────┘
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Recipients must:

▶ Include Section 3 Hiring/Labor Hour Estimate Form with *application* for funding

▶ Include Section 3 Clause in contract with selected general contractor

▶ Require general contractor to search for Section 3 businesses for subcontracts

Multi-Family Construction

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Forms:

Clause
1. Section 3 Clause
2. Section 3 Clause – Multi-Family Construction – Developer
3. Section 3 Clause – Multi-Family Construction – Subcontractors

Business Forms
4. Section 3 Compliance Documentation Checklist
5. Section 3 Business Certification Form
6. Section 3 Hiring/Labor Hour Estimate Form – CDA Multi-Family Construction
7. Section 3 Hiring/Labor Hour Estimate Form – Bid Solicitation/Sole Source Solicitation

Worker Forms
8. Section 3 Worker Certification Form
9. Section 3 YouthBuild Participant Form

Reporting
10. Section 3 Labor Hours Worksheet for Contractors (EXCEL Document)
11. Section 3 Final Report Form

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Definitions

Who qualifies as a Section 3 Worker?

An individual who:

- is determined to be a low or very low person per HUD income limits in the county where they live; or
- is a YouthBuild participant; or
- is employed by a Section 3 Business Concern

Who Is A Targeted Section 3 Worker?

- employed by Section 3 Business Concern; or
- is a Youthbuild Participant; or
- is a low or very low income worker who resides within a one mile radius of the Section 3 funded project.

What is a Section 3 Business Concern?

- a business in which at least 51% is owned and controlled by low or very low income persons; or
- a business in which at least 51% is owned and controlled by current public housing residents or residents who live in a Section 8 assisted house; or
- a business where over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers
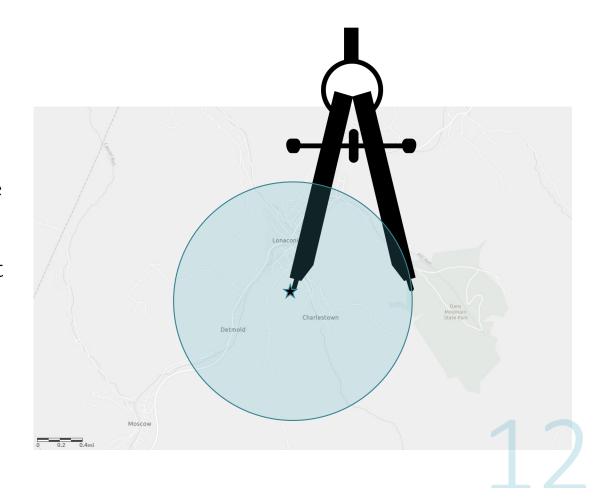
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Universe of Workers

Workers

Section 3 workers

Targeted Section 3 workers

Section 3 Service Area?

Note, if fewer than 5,000 people live within a one-mile radius, then expand wtihin a circle centered on the project site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census

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Please Confirm

Who's the designated Section 3 Coordinator on your team?

- Who's responsible to approve workers and businesses?

Who sends out bids?

MD Marketplace	Job Centers
MDOT MBE/WBE directory	Labor Unions

When filling out the Business Certification Form(s) please

▶ Confirm with your designated Section 3 Coordinator

▶ If you would like a second-opinion, seek DHCD's opinion by asking the DHCD Section 3 Coordinator (Mr. Fair)

Have dialogue with sub-contractors about new hires
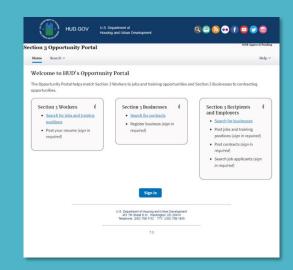
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Use the Section 3 Business Registry
▶ When solicting bids and when searching for employees

Who Collects Forms?
▶ Recipients will provide forms to Section 3 Business Concerns to submit for approval with supporting documentation

Review Labor Hours Weekly
▶ Keep track of hours reported on payrolls so you'll know if you're on track

Explore HUD's Registry
- Jobs
- Contracts
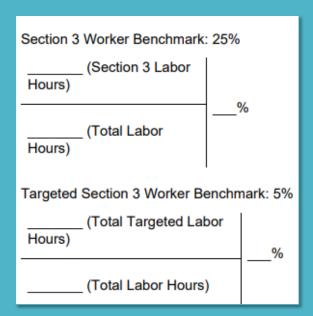- Self-certified Business Concerns

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Goals

► Your goal is to track and report on all labor hours performed by paid workers on a Section 3 project

► Benchmark Goals

 - for Section 3 workers is at least 25% of all reported labor hours for each Section 3 project

- for Targeted Section 3 workers is at least 5% of all reported labor hours for each Section 3 project

Section 3 Worker Benchmark: 25%

_____ (Section 3 Labor Hours)

_____ ___%

_____ (Total Labor Hours)

Targeted Section 3 Worker Benchmark: 5%

_____ (Total Targeted Labor Hours)

_____ ___%

_____ (Total Labor Hours)

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Examples of Qualitative Efforts

See a list on page 6 of the manual

1) Sponsor hiring workshops and job fairs

2) Speak often about looking for Section 3 workers

3) Post on your website and in brochures

4) Outreach to MD Employment Office

5) Split contract to potentially hire Section 3 Business Concerns

6) Sponsor a class on job classifications

7) Provide trainings and solicit apprenticeships to Section 3 workers

Document all that you do in your grant file!

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Reporting

Recommend weekly completion of your Section 3 Labor Hours Worksheet for Contractors (EXCEL Document)

At completion of the project, compile your Section 3 *Final Report Form* to explain your efforts to achieve benchmark goals

Each DHCD program may have additional reporting requirements

If a project includes funding from more than one applicable program, the report is to be submitted to each DHCD funding program

See notes on page 7 of the manual

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Section 3 Final Report

- Total number of certified Section 3 Workers, Targeted Section 3 Workers and YouthBuild participants
- Listing of all certified Section 3 Business Concerns
- Total number of paid labor hours performed for the entire project from all construction contracts
- Total number of paid labor hours performed by Section 3 Workers
- Total number of paid labor hours performed by Targeted Section 3 Workers
- Narrative explanation regarding efforts to comply with Section 3 requirements – Qualitative Efforts

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Monitoring

See page 11 of the manual

DHCD program staff will monitor projects for Section 3 compliance. See *Section 3 Compliance Documentation Checklist*

Monitoring findings or concerns will be issued based on review of the required documentation

Each DHCD program has different monitoring processes: Speak with your underwriter or project manager

More

Regular Trainings
- ►Grantees, subrecipients, developers
- ►Contractors

Website
- ►Question and Answer Section
- ►Links to HUD Section 3 Business Registry & Maryland employment centers,
- ►Examples of Qualitative Efforts

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