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## **Section 3 and the Neighborhood Stabilization Program**

June 25, 2009  
Webinar

**Economic Opportunity Division**  
Office of Fair Housing and Equal Opportunity  
US Department of Housing and Urban Development

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## **Section 3**

- Background – The Basics
- Applicability and NSP covered activity
- Recipient Responsibilities
- Annual Reporting
- Form HUD 60002
- Current Initiatives
- Strategies for Implementation

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## **Purpose of Section 3**

To ensure that economic opportunities generated from HUD funded projects will be directed to low and very low-income persons - particularly those receiving assistance for housing.

§ 135.1

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SECTION

### Applicability for Housing & Community Development

Threshold:   \$200,000+ for recipients  
                   \$100,000+ for contractors

- Housing rehabilitation  
 (including lead-based paint abatement)
- Housing construction
- Other public construction

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SECTION

### NSP Activities Covered by Section 3

Eligible Activity	Covered by Section 3
Financing	
Purchase & Rehab	✓
Land Banks	
Demolition	✓
Redevelopment	✓

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SECTION

### Applicability to Entire Project

Section 3 requirements apply to the entire project or activity, regardless of whether it is fully or partially funded by HUD.

(Example: leveraged private funds associated with HOPE VI or CDBG.)

§ 135.3(b)

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## Definitions

Employment opportunities generated by Section 3 covered assistance.

Housing & Community Development Programs –  
Employment associated with building trades:

- Construction Labor
- Management & Admin. Support;
- Architectural, Engineering and Professional services.

§ 135.5

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## Definitions (continued)

Section 3 Resident:

- Public Housing Resident, or
- Resident of metro area or non metro county in which the Section 3 covered assistance is expended, and who qualifies as a low-income or very low-income person.

§ 135.5

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## Definition (continued)

Section 3 Business Concern

- 51% or more owned by Section 3 Residents, or
- 30% of employed staff are Section 3 Residents; or
- 25% of subcontracts committed to Section 3 Businesses.

§ 135.5

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### Numerical Goals (continued)

#### Employment:

30 percent of new hires annually.

#### Contracts:

10 percent of the total \$ amount of all Section 3 covered contracts for building trades work.

§ 135.30(b-c)

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### Recipient Responsibilities

- Notifying residents
- Notifying contractors and incorporating the Section 3 clause
- Facilitating training and employment of residents
- Awarding contracts to Section 3 Businesses
- Assisting with compliance among contractors
- Documenting actions to comply
- Meeting numerical goals

§ 135.32

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### Eligibility for employment and contracting

Section 3 is race and gender-neutral.

A Section 3 resident must meet the qualifications of the position to be filled.

§ 135.34(c)

A Section 3 business concern must have the ability and capacity to perform.

§ 135.34(a)(2)

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### **Annual Summary Report of Section 3 Activity**

Pursuant to 24 CFR § 135.90, all recipients of Section 3 covered funds must submit form HUD 60002 annually.

Reporting cycle – concurrent with CAPERS report, submit to EOD, HUD HQ.

§ 135.90

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### **Tracking Job Creation**

Form HUD 60002 is the primary existing vehicle to track job creation.

Proposed revised form to focus on expenditure vs. award, accommodate quarterly reporting and record multiple sources of funding.

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### **Current Initiatives**

- A-133 Compliance Audit for Form 60002
- Restrictions for noncompliance from FY2010 NOFA Competition
- Revisions to HUD Form 60002
- National Section 3 business database
- Legislative Reform – Amendment to Statute

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### **Strategies for Implementation**

- Collaborate with local housing authority; Networking
- Participate in Regional Consortium
- Use elements of Sample Plan
- Designate responsibility to "Section 3 Coordinator"
- Adopt and execute a Section 3 Plan

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### **Keys to Success**

- Communication with Stakeholders
- Assess hiring and subcontracting needs
- Discuss responsibilities
- Monitoring to track progress and to address problems

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### **Contact Information**

Economic Opportunity Division  
451 7<sup>th</sup> Street, S.W. Room 5232  
Washington, DC 20410

Phone: 202.708.3633  
Fax 202.708.0413

Local HUD Field Offices

[section3@hud.gov](mailto:section3@hud.gov)

[www.hud.gov/section3/](http://www.hud.gov/section3/)

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## Kansas City, Missouri



### Section 3 Requirements Neighborhood Stabilization Program

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## Kansas City, Missouri Section 3 Office



- ✓ One Stop-Shop for Section 3 transactions
- ✓ Contract with Full Employment (FEC)
  - a. Section 3 Resident Certifications (FEC staff on site at Section 3 Office)
  - b. Section 3 Resident Skills Assessments, Job training, job placement
- ✓ Certification of Section 3 Business Concerns
- ✓ Routinely updates Section 3 Business Concern list on the City's website – [www.kcmo.org](http://www.kcmo.org)
- ✓ Reviews and approves Section 3 Utilization Plans for the City
- ✓ Receives Section 3 monthly and quarterly reports
- ✓ Prepares and submits the City's Annual 60002 report on Section 3 activities

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## Kansas City, Missouri Neighborhood Stabilization Program

- ✓ Has a Land Bank entity – through City Contract
- ✓ Has selected community based groups, which are being referred to as Primary Property Developers – (PPDs)
- ✓ Primary Property Developers (PPDs) will be given contracts that will give them a bundle of foreclosed properties and provide significant funding for rehabilitation and marketing for resale
- ✓ Kansas City has already established the Section 3 requirements for the Neighborhood Stabilization Program
- ✓ Mandatory training Session for PPDs was conducted on June 1, 2009

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Key Components of Kansas City, Missouri Section 3 Utilization Plan – Neighborhood Stabilization Program

- ✓ Designate a project Section 3 coordinator
- ✓ List of subcontractors of \$100,000 or more (name, company, owner, contact person, amount of contract and %)
- ✓ For each such subcontractor listed, a complete Section 3 Utilization Plan is required



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Key Components of Kansas City Missouri Section 3 Utilization Plan – Neighborhood Stabilization Plan Program

- ✓ Section 3 Employment Plan – Project new hire opportunities and commit to a % of Section 3 hires
- ✓ Attach a list of core employees
- ✓ Section 3 Business Concerns Utilization Plan – Actually list the Section business concerns to be used on the project – date and amount and percent of contract



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Key Components of Kansas City Missouri Section 3 Utilization Plan – Neighborhood Stabilization Plan Program

- ✓ Section 3 Business Concerns Utilization Reports by Property Address
- ✓ Section 3 Utilization Plan, when approved, becomes part of contract documents
- ✓ Required aggressive outreach to Section 3 Business Concerns
- ✓ Required bid notices published for work to be performed in three local newspapers



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Key Components of Kansas City Missouri Section 3  
Utilization Plan – Neighborhood Stabilization Plan  
Program

- ✓ Section 3 outreach is to be well documented by Primary Property Developers
- ✓ Section 3 signage at all NSP property locations
- ✓ Monthly Section 3 Reports are required to be submitted by PPDs
- ✓ Subject to compliance monitoring by the City's Contract Compliance Division



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Key Components of Kansas City Missouri Section 3  
Utilization Plan – Neighborhood Stabilization Plan  
Program

- ✓ The Contract Compliance Office vigorously monitors all Section 3 Approved Utilization Plan to ensure requirements and responsibilities associated with work on the Section 3 project are met
- ✓ Monitoring procedures are designed to decrease occurrence of noncompliance violations
- ✓ The Contract Compliance Office will conduct Section 3 monitoring visits either on the project site or at the recipients office location



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Key Components of Kansas City Missouri Section 3  
Utilization Plan – Neighborhood Stabilization Plan  
Program

Contract Compliance will require the following:

- ✓ Documentation that the business concerns are certified as Section 3 Business Concerns
- ✓ Documentation that the Section 3 new hires are certified as Section 3 Residents
- ✓ Documentation that the Section 3 new hires are employed and working



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Key Components of Kansas City Missouri Section 3  
Utilization Plan – Neighborhood Stabilization Plan  
Program

- √ The construction schedule for the Section 3 project must be updated continuously and remitted to Contract Compliance
- √ Refusal to submit documentation or adhere to compliance requirements, may be viewed as a breach of contract
- √ Notification of corrective action will be provided to the Developer and or General Contractor
- √ Developer and or General Contractor must document efforts to comply with Section 3 provisions



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## Section 3 and Neighborhood Stabilization Program

Rafiq Munir  
Eco. Opp. Div.  
HUD

Sandra Walker  
Sheryl Kaullen  
City of Kansas City



Catherine M. Bishop  
NHLP

Andrea Robins  
Full Employment Council

June 25, 2009

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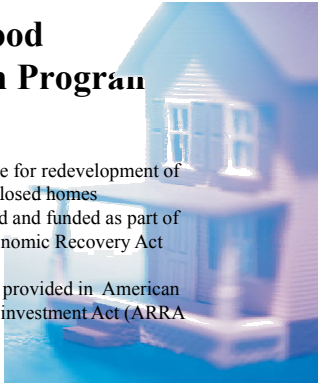
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## Neighborhood Stabilization Program

### Purpose

- Emergency assistance for redevelopment of abandoned and foreclosed homes
  - Originally created and funded as part of Housing and Economic Recovery Act (HERA)
  - Additional funds provided in American Recovery and Reinvestment Act (ARRA)



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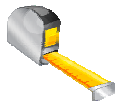
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## American Recovery and Reinvestment Act (ARRA)

### Purpose

- Preserve and create jobs
- Modernize the infrastructure
- Increased energy efficiency
- Provide opportunities for those most impacted by economic crisis



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## OMB Guidance on ARRA

### Purpose of ARRA

- Support small businesses including disadvantaged business enterprises
- Engage in sound labor practices
- Promote local hiring
- Engage with community-based organizations



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## What is Section 3?

- PURPOSE: To ensure the “employment and other economic opportunities generated by federal financial assistance for housing and community development programs shall, *to the greatest extent feasible*, be directed toward low-and very low-income persons, particularly those who are recipients of government assistance for housing.”
- Similar purpose as ARRA



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## How does Section 3 apply to NSP?

- There have been 3 NSP funding Opportunities: NSP1, NSP2 and NSP TA  
(Section 3 does not apply to NSP TA)
- NSP is a component of the CDBG program
  - Section 3 applies to the CDBG program
- NSP1: Notice of Allocations requires a Section 3 certification
- NSP2: NOFA requires certification, 60002 form and sanctions for failure to file

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## Enforcement, Monitoring and Reports

- Activities under Section 3 are included in ConPlan
- Section 3 requires annual reporting to HUD regarding Section 3 (HUD form 60002)
- NSP requires quarterly reporting of
  - numbers of low income persons and households benefitted
  - More?
- HUD Monitoring and Compliance Reviews
  - Used # of hours work not just # hired for each fiscal year



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## Section 3: Unrealized Potential

- NSP could yield 11,400 -18,600 jobs
  - Estimated 1.9 to 3.1 Section 3 jobs per million \$ (construction) other estimates are higher 32,000 (16,00 per \$3 billion)
  - More if NSP funds are leveraged
- Obstacles: Lack of understanding of § 3; threshold issues; “new” hires vs hours worked by new hires; long-term employment opportunities; identification of low-income workers
- Should be part of jurisdiction’s comprehensive employment effort



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## What can you do?

- Determine if there is understanding and implementation of Section 3 locally
  - Is there a Section 3 Plan; Section 3 Coordinator?
  - HUD Form 60002, has it been filed is it available?
- Determine if Section 3 is addressed in
  - ConPlan
  - PHA Annual Plan



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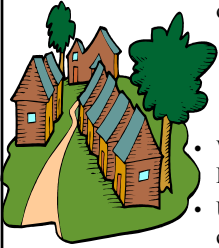
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## What Can You Do?



- Seek to have all HUD assisted tenants notified of Section 3 training and job opportunities
  - Work with local PHA
    - Public Housing Tenants
    - Voucher recipients
  - Project-Based Section 8 tenants
- Work with Work Force Investment Boards to implement Section 3
- Use complaint process for non compliance (HUD form 958)

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## Resources

- Notice of Allocations (NSP1), 73 FR 58330
- NOFA General Section, 73 FR 79548
- NOFA (NSP2), available on HUD website
- (HUD) Guidance on ARRA and Section 3
- Advocates Guide to Section 3, available from NHLP
- Reforming HUD's "Section 3" Requirements, available [www.CBPP.org](http://www.CBPP.org)

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## THE APPLICABILITY OF SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968 TO NEIGHBORHOOD STABILIZATION PROGRAM FUNDING

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### Neighborhood Stabilization Program Funding <sup>i</sup>

The Neighborhood Stabilization Program (NSP) was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties.

**NSP 1**, a term that references the NSP funds authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008, provides grants to all states and selected local governments on a formula basis. **NSP 2**, refers to NSP funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009, and provides grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis. The Recovery Act also authorized HUD to establish **NSP-TA**, a \$50 million allocation made available to national and local technical assistance providers to support NSP grantees.

NSP is a component of the Community Development Block Grant (CDBG) program. The CDBG regulatory structure is the platform used to implement NSP and the HOME program provides a safe harbor for NSP affordability requirements. NSP funds are to be used for activities that include, but are not limited to:

- Establishing financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties;
- Purchasing and rehabilitating homes and residential properties abandoned or foreclosed;
- Establishing land banks for foreclosed homes;
- Demolishing blighted structures; and
- Redeveloping demolished or vacant properties

NSP grantees can use their discretion to develop their own programs and funding priorities. However, at least 25 percent of their NSP funds shall be appropriated for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120 percent of area median income.

## Economic Opportunities for Low- and Very Low-Income Persons (Section 3)

Section 3 of the Housing and Urban Development Act of 1968 recognizes that the ***normal expenditure*** of certain HUD funds typically results in new jobs, contracts, and other economic opportunities; and when these opportunities are created, low- and very low-income persons residing in the community in which the funds are spent (**regardless of race and gender**), and the businesses that substantially employ them, shall receive priority consideration.

Section 3 is one of HUD's tools for ensuring that the expenditure of federal funds in economically distressed communities has a multiplier effect by targeting local low- and very low-income persons and qualified businesses for jobs, training, and contracting opportunities.

### Section 3 Applicability to NSP Funds

A grantee's combined investment in excess of **\$200,000** of NSP funding into projects arising in connection with ***housing construction, demolition, rehabilitation, or other public construction*** makes the requirements of Section 3 applicable to all individual properties that receive services with these funds—regardless of the actual amount that is spent on each individual unit/property.

Accordingly, the grantee shall ensure compliance with the statutory and regulatory requirements of Section 3 in its own operations, and those of covered contractors. These responsibilities include:

- 1) Making efforts to meet the minimum numerical goals found at 24 CFR Part 135.30;
- 2) Complying with the specific responsibilities at 24 CFR Part 135.32; and
- 3) Submitting Annual Summary reports in accordance with 24 CFR Part 135.90.

If covered contractors receive awards that exceed **\$100,000** for the construction and rehabilitation activities listed above, responsibility for Section 3 compliance is shared with that firm (with the exception of the submission of the Section 3 Annual report (Form HUD 60002), which must be submitted by the direct recipient of covered funds).

If **no contractor receives an award exceeding \$100,000**, responsibility for complying with the requirements of Section 3 stays with the grantee. Specifically, the grantee shall be responsible for awarding 10 percent of the total dollar amount of all covered contracts to Section 3 business concerns. Each recipient shall fulfill the responsibilities described below to meet the requirements of Section 3.

## Recipient Responsibilities Pursuant to Section 3 [24 CFR Part 135.32]

Each recipient of Section 3 covered financial assistance (and their contractors or subcontractors) are required to comply with the requirements of Section 3 for new employment, training, or contracting opportunities that are created during the expenditure of covered funding. This responsibility includes:

1. Implementing procedures to notify Section 3 residents<sup>ii</sup> and business concerns<sup>iii</sup> about training and employment opportunities generated by Section 3 covered assistance;
2. Implementing procedures to notify Section 3 business concerns about the availability of contracting opportunities generated by Section 3 covered assistance;
3. Notifying potential contractors completing work on Section 3 covered projects of their responsibilities;
4. Incorporating the Section 3 Clause (verbatim) into all covered solicitations and contracts [see 24 CFR Part 135.38];
5. Facilitating the training and employment of Section 3 residents and the awarding of contracts to Section 3 business concerns;
6. Assisting and actively cooperating with the Department in obtaining the compliance of contractors and subcontractors;
7. Refraining from entering into contracts with contractors that are in violation with the Section 3 regulations;
8. Documenting actions taken to comply with Section 3; and
9. Submitting Section 3 annual Summary Reports (form HUD-60002) in accordance with 24 CFR Part 135.90.

## Section 3 Compliance and NSP Funding

As with all other covered programs, the Department makes determinations regarding Section 3 compliance based upon the following:

1. Meeting the minimum numerical goals set forth at 24 CFR Part 135.30
  - a. 30 percent of the aggregate number of new hires shall be Section 3 residents; and
  - b. 10 percent of all covered construction contracts shall be awarded to Section 3 business concerns.
2. Recipients that fail to meet the numerical goals above **bear the burden of demonstrating why it was not possible.**
  - \* Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will allow the Department to make a determination regarding compliance.

## Section 3 Reporting Requirements

Each direct recipient of NSP funding is required to submit Section 3 summary data to the Economic Opportunity Division annually using form HUD-60002. This form can be submitted online at: [www.hud.gov/section3](http://www.hud.gov/section3).

Since NSP funding requires the submission of quarterly performance reports, grantees shall submit form HUD-60002 at the same time that the 4th quarter NSP report is submitted. The 60002 should reflect the cumulative employment, contracting, and training opportunities that were generated throughout the entire year.

## Section 3 Guidance and Technical Assistance

The Economic Opportunity Division in HUD Headquarters is committed to providing guidance and technical assistance to ensure compliance with the statutory and regulatory requirements of Section 3. For additional information, please refer to the following:

- [www.hud.gov/section3](http://www.hud.gov/section3)
- Section 3 Statute—12 U.S.C. 1701u
- Section 3 regulations—24 CFR Part 135
- [www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/)
- U.S. Department of Housing and Urban Development  
Economic Opportunity Division  
451 Seventh Street, SW Room 5235  
Washington, DC 20410  
202-708-3633 (this is not a toll free number)
- Email questions or comments to: [section3@hud.gov](mailto:section3@hud.gov)

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<sup>i</sup> Source: <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>

<sup>ii</sup> Section 3 residents are defined as: 1) residents of public housing; or 2) individuals that reside in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and meet the definition of a low- or very low-income person as defined by HUD).

<sup>iii</sup> Section 3 business concerns are defined as one of the following: 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.

**CERTIFICATION FOR BUSINESS CONCERNS SEEKING SECTION 3  
PREFERENCE IN CONTRACTING AND DEMONSTRATION OF CAPABILITY**

Name of Business \_\_\_\_\_

Address of Business \_\_\_\_\_

Type of Business:      ☐ Corporation                      ☐ Partnership  
                                 ☐ Sole Proprietorship              ☐ Joint Venture

Attached is the following documentation as evidence of status:

**For Business claiming status as a Section 3 resident-owned enterprise:**

- |                                                                                              |                                                               |
|----------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| <input type="checkbox"/> Copy of resident lease                                              | <input type="checkbox"/> Copy of receipt of public assistance |
| <input type="checkbox"/> Copy of evidence of participation<br>in a public assistance program | <input type="checkbox"/> Other evidence                       |

**For business entity as applicable:**

- |                                                                                                   |                                                                   |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| <input type="checkbox"/> Copy of Articles of Incorporation                                        | <input type="checkbox"/> Certificate of Good Standing             |
| <input type="checkbox"/> Assumed Business Name Certificate                                        | <input type="checkbox"/> Partnership Agreement                    |
| <input type="checkbox"/> List of owners/stockholders and<br>% ownership of each                   | <input type="checkbox"/> Corporation Annual Report                |
| <input type="checkbox"/> Organization chart with names and titles<br>and brief function statement | <input type="checkbox"/> Latest Board minutes appointing officers |
|                                                                                                   | <input type="checkbox"/> Additional documentation                 |

**For business claiming Section 3 status by subcontracting 25 percent of the dollar awarded to  
qualified Section 3 business:**

- ☐ List of subcontracted Section 3 business(es) and subcontract amount

**For business claiming Section 3 status, claiming at least 30 percent of their workforce are currently  
Section 3 residents or were Section 3 eligible residents within 3 years of date of first employment  
with the business:**

- |                                                                                                |                                                                                                          |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> List of all current full-time employees                               | <input type="checkbox"/> List of employees claiming Section 3 status                                     |
| <input type="checkbox"/> PHA/IHA Residential lease less than 3<br>years from day of employment | <input type="checkbox"/> Other evidence of Section 3 status less than 3<br>years from date of employment |

**Evidence of ability to perform successfully under the terms and conditions of the proposed contract:**

- ☐ Current financial statement
- ☐ Statement of ability to comply with public policy
- ☐ List of owned equipment
- ☐ List of all contracts for the past two years

\_\_\_\_\_  
Authorizing Name and Signature

(Corporate Seal)

Attested by: \_\_\_\_\_

## RESIDENT EMPLOYMENT OPPORTUNITY DATA

THE HOUSING AUTHORITY (or CITYOF)

### ELIGIBILITY FOR PREFERENCE

#### Eligibility for Preference

A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Section 135.5. (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

#### Certification for Resident Seeking Section 3 Preference in Training and Employment

I, \_\_\_\_\_, am a legal resident of the \_\_\_\_\_

\_\_\_\_\_ and meet the income eligibility guidelines for a low- or very-low-income person as published on the reverse.

My permanent address is: \_\_\_\_\_

\_\_\_\_\_

I have attached the following documentation as evidence of my status:

☐ Copy of lease

☐ Copy of receipt of public assistance

☐ Copy of Evidence of participation in a public assistance program

☐ Other evidence

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date



### SECTION 3 INCOME LIMITS

All residents of public housing developments of the \_\_\_\_\_ Housing Authority qualify as Section 3 residents. Additionally, individuals residing in the \_\_\_\_\_ City of \_\_\_\_\_ Who meet the income limits set forth below, can also qualify for Section 3 status.

A picture identification card and proof of current residency is required.

#### Eligibility Guideline

Number in Household	Very Low Income	Low Income
1 individual		
2 individuals		
3 individuals		
4 individuals		
5 individuals		
6 individuals		
7 individuals		
8 individuals		



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June 2009

## **Section 3 and the Neighborhood Stabilization Program: Requirements and Suggested Improvements**

This document analyzes the applicability of Section 3 of the Housing and Urban Development Act of 1968 to the Neighborhood Stabilization Program (NSP) as funded under the Housing and Economic Recovery Act of 2008 (NSP1) and the American Recovery and Reinvestment Act of 2009 (NSP2). For further information on Section 3 as it applies to both the NSP1 and NSP2 programs, advocates should consult the relevant statute and federal regulations governing Section 3 and the recently released Section 3 Guidance regarding the NSP.<sup>1</sup> In addition for NSP1, advocates should review the Notice of Allocation for the NSP1 and the new Guidance and for NSP2, the Notice of Fund Availability for the NSP2, HUD's Guidance on ARRA and Section 3, and the General Section to HUD's FY2009 NOFAs, all of which are discussed and cited below.

### **HERA Policies Regarding NSP**

The Housing and Economic Recovery Act (HERA) of 2008 appropriated \$3.92 billion for emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties. These funds were allocated by a special formula to certain jurisdictions.<sup>2</sup> The grants are to be considered Community Development Block Grant (CDBG) funds and subject to the CDBG regulations, unless those rules are modified by the Secretary.<sup>3</sup>

### **ARRA Policies and Goals**

The American Recovery and Reinvestment Act (ARRA) of 2009 included \$13.6 billion in funds to be administered through the Department of Housing and Urban Development (HUD). This funding, distributed across roughly nine existing and newly created HUD programs, through both formula and competitive allocation processes, will help advance a number of ARRA goals. These goals include promoting job creation and retention, modernizing the country's infrastructure, creating long-term

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<sup>1</sup> See The Applicability of Section 3 of the Housing and Urban Development Act of 1968 to Neighborhood Stabilization Program Funding, soon to be available on the HUD website.

<sup>2</sup> Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008; Notice, 73 Fed. Reg. 58330, 58345-49 (Oct. 6, 2008).

<sup>3</sup> *Id.* at 58330.

impacts through increased energy efficiency, and providing opportunities for those most impacted by the economic crisis.<sup>4</sup> In its *Guidance on ARRA and Section 3*, HUD states that

[s]ince ARRA funding is specifically intended to create jobs and other economic opportunities for those most impacted by the recession, compliance with the requirements of Section 3 is critical.<sup>5</sup>

Briefly, Section 3 focuses training and jobs to public housing residents and other low-income residents living in areas where HUD funds are expended so as to multiply the benefit of the funds for low- and very-low income individuals. As will be discussed further below, the underlying policy rationale of Section 3 is patently consistent with much of the driving force behind ARRA. By applying Section 3 requirements to its programs, HUD can ensure that ARRA funds create broad and lasting impact.

Subsequent implementation guidance issued by the Office of Management and Budget (OMB) echo the great potential that HUD programs have to carry out the goals of ARRA. In addition to the general goals of job creation, infrastructure building, and community impact stated in the Act itself, the OMB cites more specific policy goals of “promoting local hiring,” “providing maximum practicable opportunities for small businesses,” “engaging in sound labor practices” and “providing equal opportunity for Disadvantaged Business Enterprises.”<sup>6</sup> Recognizing the overlap between many of its goals under ARRA and those for other federal agencies, HUD Secretary Shaun Donovan issued a statement and Memorandum of Understanding, respectively, with his counterparts in the Department of Labor (DOL) and the Department of Energy (DOE) announcing HUD’s intent to coordinate its efforts with those of the DOL and DOE in order to achieve ARRA goals.<sup>7</sup> Secretary Donovan may be the first HUD Secretary to take seriously the Congressional directive that the Secretary *shall* consult with other federal agencies and their Secretaries to carry out Section 3.<sup>8</sup> Such coordination will increase job training and job opportunities, ease access to weatherization funds, and promote long-term economic stability for low-income households.<sup>9</sup>

ARRA does not increase or decrease a recipient’s Section 3 responsibilities, but it has the potential of enabling recipients to meet or exceed the goals of Section 3.

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<sup>4</sup> See American Recovery and Reinvestment Act, Pub. L. No. 111-5, 123 Stat. 115, 116 (2009) [hereinafter *American Recovery and Reinvestment Act of 2009*]; Memorandum Ensuring Responsible Spending of Recovery Act Funds, 74 Fed. Reg. 12531 (Mar. 20, 2009).

<sup>5</sup> HUD Economic Stimulus Funding And The Creation Of Jobs, Training, And Contracting Opportunities, (emphasis in original) <http://www.hud.gov/recovery> [hereinafter *Guidance on ARRA and Section 3*].

<sup>6</sup> Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, M-09-15 (Apr. 3, 2009). Though the Department of Transportation administers the DBE program, it imposes similar requirements on grantees as those that HUD imposes under Section 3.

<sup>7</sup> See DOL-HUD Green Jobs Letter to PHAs and WIBs (May 27, 2009), available at [http://portal.hud.gov/pls/portal/docs/PAGE/RECOVERY/TRANSPARENCY\\_RESOURCES/DOL%20-%20HUD%20WIB%20PHA%20LETTER%20FINAL.PDF](http://portal.hud.gov/pls/portal/docs/PAGE/RECOVERY/TRANSPARENCY_RESOURCES/DOL%20-%20HUD%20WIB%20PHA%20LETTER%20FINAL.PDF); Memorandum of Understanding Between Department of Energy and Department of Housing and Urban Development: Coordinating Recovery Act Funds for Home Energy Retrofits (May 6, 2009), available at <http://www.hud.gov/recovery/doemoucombined.pdf>, (hereinafter DOE and HUD MOU)

<sup>8</sup> 12 U.S.C.A. § 1701u(f) (Westlaw June 17, 2009).

<sup>9</sup> See DOL-HUD Green Jobs Letter to PHAs and WIBs and DOE and HUD MOU.

## Section 3 Overview

The policy goals articulated by ARRA and the OMB reflect the same concerns that motivated Congress to enact Section 3 over four decades ago in the Housing and Urban Development Act of 1968.<sup>10</sup> Section 3 aims to create a multiplier effect by targeting low and very low income individuals for the jobs created in the course of providing affordable housing or other public works. Where Section 3 applies, fund recipients must show that 30% of newly hired employees each year are Section 3 residents, which include public housing residents, residents (including the homeless) of the neighborhoods in which Section 3 projects are located, participants in the YouthBuild program and other low- and very-low income individuals.<sup>11</sup> Recipients must also commit to allocate at least 10% of the total dollar amount of building trade contracts and 3% of all other contracts to businesses controlled by public housing residents or other low- and very-low income individuals, or to businesses that largely employ such individuals.<sup>12</sup>

Recipients demonstrate their compliance with the provisions in several ways. Federal regulations require recipients “to comply with Section 3 in its own operations, and ensure compliance in the operations of its contractors and subcontractors.”<sup>13</sup> Such compliance includes implementing procedures to notify Section 3 residents of related training and job opportunities, notifying potential contractors of Section 3 requirements and the need to incorporate Section 3 language into all solicitations and contracts,<sup>14</sup> and documenting actions taken to comply with Section 3, along with the results of those actions and any obstacles faced in the course of its implementation.<sup>15</sup> In addition, applicants that receive funds subject to Section 3 are required to submit reports on Section 3 activities on an annual basis.<sup>16</sup> Failure to meet reporting requirements can result in sanctions that limit the ability to receive HUD funds in the future.<sup>17</sup>

As a general matter, Section 3 applies to all HUD funding received by public and Indian housing agencies, including capital fund and operating subsidy programs.<sup>18</sup> Beyond public and Indian housing, Section 3 also applies to rehabilitation, lead paint abatement, housing construction and other public construction projects funded by HUD programs providing housing and community development assistance.<sup>19</sup> While there are no minimum thresholds for Section 3 applicability on public and Indian housing programs and their contractors and subcontractors,<sup>20</sup> thresholds apply for other housing and community development work, such as NSP projects. Recipients of funds to perform such other housing and community development work need comply with Section 3 only if they are funded above

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<sup>10</sup> See 12 U.S.C.A. § 1701u (Westlaw June 17, 2009).

<sup>11</sup> 24 C.F.R. § 135.5 (2009).

<sup>12</sup> *Id.*

<sup>13</sup> 24 C.F.R. § 135.32 (2009).

<sup>14</sup> The required Section 3 clause is somewhat extensive, and can be found at 24 C.F.R. § 135.38.

<sup>15</sup> 24 C.F.R. § 135.32; *see also* § 135.30(d)(2).

<sup>16</sup> 24 C.F.R. § 135.90 (2009). *See also* Form HUD-60002 Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (6/2001).

<sup>17</sup> Notice of HUD's Fiscal Year (FY) 2009 Notice of Funding Availability (NOFA); Policy Requirements and General Section to HUD's FY2009 NOFAs for Discretionary Programs; Notice, 73 Fed. Reg. 79548, 79552 (Dec. 29, 2008).

<sup>18</sup> 12 U.S.C.A. § 1701u(c)(1)(A).

<sup>19</sup> *Id.* at (c)(2)(A).

<sup>20</sup> 24 C.F.R. § 135.3(a)(3)(i) (2009).

the \$200,000 level,<sup>21</sup> Section 3 then applies to their individual contractors and subcontractors with contracts above the \$100,000 level.<sup>22</sup>

Recipients and contractors that meet the numerical goals are considered to have met the preference requirements, unless there is evidence to the contrary.<sup>23</sup> The safe harbor provision is tempered by the fact that recipients and contractors are required to the “greatest extent feasible” to direct jobs and other economic opportunities to low- and very-low income persons, especially those who are recipients of federal housing assistance.<sup>24</sup> Thus, recipients of HUD funds subject to Section 3 are responsible to take “every affirmative action that . . . could [be] properly taken”<sup>25</sup> to achieve the goals of Section 3, as Section 3 “*emphasizes results*.”<sup>26</sup> Thus meeting the letter of the regulations may not be sufficient, if the spirit of the law is ignored.<sup>27</sup>

### **ARRA Funds and Section 3 Compliance**

ARRA allocated \$13.6 billion to HUD for distribution, of which \$7.8 billion carries a Section 3 obligation in either of two ways. In the interest of expediting fund distribution, HUD allocated roughly 75% of its ARRA funds through a traditional formula process.<sup>28</sup> For recipients of funding through formula allocations, the rules regarding Section 3 compliance have not changed. HUD programs receiving funding by formula include: the Public Housing Capital Fund Program (\$3 billion); Community Development Block Grant Programs (\$1 billion); and Native American Housing Block Grants (\$255 million).<sup>29</sup> For these programs, Section 3 applies as laid out in the Section 3 regulations<sup>30</sup> and in the rules applicable to the individual programs. Unfortunately, HUD’s communications to these groups have not always conveyed this message consistently, creating the possibility that grantees might mistakenly believe that the Secretary will not vigorously enforce Section 3 compliance for these programs.<sup>31</sup>

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<sup>21</sup> *Id.* at (a)(3)(ii)(A).

<sup>22</sup> *Id.* at (a)(3)(ii)(B).

<sup>23</sup> *Id.* at 135.30(d).

<sup>24</sup> 12 U.S.C.A. § 1701u(b) (Westlaw June 17, 2009).

<sup>25</sup> *Ramirez, Leal & Co., v. City Demonstration Agency*, 549 F. 2d 97, 105 (9th Cir. 1976).

<sup>26</sup> Letter from Carolyn Peoples, Assistant Secretary for Fair Housing and Equal Opportunity to Heather A. Mahood (April 26, 2004) (Section 3 Complaint: Determination of Non-Compliance, Carmelitos Tenants Association, et al. v. City of Long Beach, et al. Case # 09-98-07-002-720) available at [www.nhlp.org](http://www.nhlp.org) (emphasis in original).

<sup>27</sup> *Id.* at 12-13 (“Although it may appear that Recipient may have come close to meeting the numerical percentage goals set forth in the Section 3 regulations by relying on the hiring of individuals for only a limited number of work hours/days after the complaint filing, the City failed to meet its “greatest extent feasible” standard when analyzing the payroll data in “full time” hours worked.)

<sup>28</sup> HUD Allocates More than \$10 Billion of Recovery Act Funding One Week After Bill Signing, HUD No. 09-014 (Feb. 25, 2009).

<sup>29</sup> *Id.*

<sup>30</sup> 24 C.F.R. § 135.5.

<sup>31</sup> For example, the notice that HUD issued calling on CDBG grantees to amend their consolidated plans post-ARRA makes no mention of Section 3. HUD’s Formula Program Plan for NAHBG funds distributed via formula similarly fails to mention Section 3 requirements. See Notice of Program Requirements for Community Development Block Grant Program Under the American Recovery and Reinvestment Act of 2009, available at [http://www.hud.gov/offices/cpd/pdf/5309\\_N\\_01.pdf](http://www.hud.gov/offices/cpd/pdf/5309_N_01.pdf); American Recovery and Reinvestment Act of 2009, Department of Housing and Urban Development, Program-Level Plan, Native American Housing Block Grants (Formula), [http://portal.hud.gov/pls/portal/docs/PAGE/RECOVERY/PLANS/NATIVE%20AMERICAN%20HOUSING%20BLOCK%20GRANTS%20\(FORMULA\).PDF](http://portal.hud.gov/pls/portal/docs/PAGE/RECOVERY/PLANS/NATIVE%20AMERICAN%20HOUSING%20BLOCK%20GRANTS%20(FORMULA).PDF).

The remaining 25% of ARRA monies is being distributed through a competitive allocation process. HUD funds allocated through competitive processes in FY2009 are governed by the General Section requirements issued in the Federal Register prior to the release of program specific FY2009 HUD NOFAs.<sup>32</sup> The General Section, which unless otherwise stated applies to all NOFAs released for the competitive distribution of FY2009 funds,<sup>33</sup> contains relatively extensive treatment on Section 3, providing a brief overview of its requirements and purpose, a statement on annual reporting, instructions on report submissions, and a description of sanctions for failure to comply with reporting requirements.<sup>34</sup> These requirements apply to the Neighborhood Stabilization Program (\$2 billion) and other competitively-funded HUD programs.<sup>35</sup> The General Section for FY2008 NOFAs mirrors that of 2009 almost exactly, with the exception that HUD was then taking under consideration, but had not yet implemented the reporting sanctions that now apply in FY2009.<sup>36</sup>

Beyond the General Section requirements, however, the funding notices for individual programs vary widely in their discussions of Section 3. Further, HUD has not been consistent in its own compliance with the requirements placed on it by federal regulations. Regulations governing Section 3 require that with every applicable NOFA, HUD must include: a provision that Section 3 applies to the project, a certification for applicants regarding intent to comply with Section 3, a statement of purpose regarding Section 3, and usage of Section 3 as NOFA evaluation criteria in assigning points to funding applications.<sup>37</sup> The General Section meets two of the minimum requirements of the regulations, but does not address the certification or evaluation criteria.

### **NSP Section 3 Requirements**

Neighborhood Stabilization Program (NSP) funds are being distributed in three cycles, the first of which was funded through the Housing and Economic Recovery Act (HERA) of 2008. None of the funding notices for any of these cycles emphasizes Section 3 to the degree that the program should be. The funds for the program under HERA, known as “NSP1,” mentions Section 3 in its funding notice through only a one-sentence certification statement.<sup>38</sup> For this program only, HUD chose to waive the annual reporting requirements of the consolidated plan (ConPlan).<sup>39</sup> The justification for the waiver is to allow HUD to collect quarterly reports “on various aspects of the uses of funds and of the activities funded with these grants.”<sup>40</sup> The quarterly reports will require information regarding the numbers of low and moderate income persons or households benefited, but it is not clear whether that reporting will include compliance with Section 3. Because NSP1 is a Section 3-applicable program, NSP1

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<sup>32</sup> 73 Fed. Reg. at 79552.

<sup>33</sup> *Id.* at 79549.

<sup>34</sup> *Id.* at 79552.

<sup>35</sup> Public Housing Capital Funds (\$1 billion); the Green Retrofits Program for Multifamily Housing (\$250 million); Native American Housing Block Grants (\$242 million); and Indian Community Development Block Grants (\$10 million).

<sup>36</sup> Compare 73 Fed. Reg. at 79552 (General Section FY2009), with Notice of HUD's Fiscal Year (FY) 2008 Notice of Funding Availability (NOFA); Policy Requirements and General Section to HUD's FY2008 NOFAs for Discretionary Programs; Notice, 73 Fed. Reg. 14882, 14886 (Mar. 19, 2008).

<sup>37</sup> 24 C.F.R. § 135.9 (2009).

<sup>38</sup> Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees Under the Housing and Economic Recovery Act, 2008; Notice, 73 Fed. Reg. 58330, 58343 (Oct. 6, 2008).

<sup>39</sup> 73 Fed. Reg. at 58341 (waiving 24 C.F.R. § 91.520, performance reports, which require reports on actions indicated in the strategic plan and the action plan. The strategic plan includes the goals programs and policies for reducing the number of poverty-level families, including policies for providing employment and training opportunities to section 3 residents pursuant to 24 C.F.R. part 135.

<sup>40</sup> 73 Fed. Reg. at 58341.



recipients are required to submit an annual Section 3 report.<sup>41</sup> It would enhance compliance with Section 3 if the NSP1 recipients were required to submit the Section 3 report<sup>42</sup> on a quarterly basis. The sparse treatment that HUD gave Section 3 in the NSP1 program funding notice—one sentence out of twenty pages—has been significantly addressed in the newly released HUD guidance.<sup>43</sup>

NSP also received \$2 billion in funding from ARRA to continue neighborhood stabilization work (NSP2) and to provide technical assistance to community development grantees (NSP TA). Section 3 does not apply to the \$50 million for NSP TA work, as this does not involve the public and Indian housing or other housing and community development construction and maintenance that characterize Section 3 programs.<sup>44</sup> As with NSP1, the NOFA for NSP2 makes very little mention of Section 3 beyond certification statements that applicants will comply with its requirements.<sup>45</sup> The mandatory statement of purpose and statement of applicability, while not located in the NOFA itself, are covered by the General Section to FY2009 NOFAs.<sup>46</sup> In derogation of federal regulations,<sup>47</sup> however, the NSP2 NOFA does not contain evaluation criteria related to Section 3 despite the fact that it does describe in detail a 150-point scale that HUD will use in reviewing applications.<sup>48</sup> It is unclear at this point what reporting requirements will be required of NSP2 participants, but materials available on HUD's Recovery website currently do not mention Section 3 in its description on NSP2 "Data Collection and Reporting."<sup>49</sup> Despite this, NSP2 recipients are still subject to the annual Section 3 reporting requirements dictated by federal regulation.<sup>50</sup>

### **Recommendations for Section 3 Compliance**

The ability of Section 3 to create economic opportunities for low-income persons hinges at its core on HUD funding levels.<sup>51</sup> In recent years, funding for public housing and other housing and community development has been less than historic levels. With HERA and ARRA, however, comes a significant chance to apply Section 3 with new fervor to address the current economic crisis and to meet the goals that Congress had in mind when enacting Section 3 some forty years ago. In the past, when funding for public housing construction and rehabilitation was nearly \$3 billion, some estimated that there should

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<sup>41</sup> 24 C.F.R. § 135.90.

<sup>42</sup> Form HUD-60002 Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (6/2001).

<sup>43</sup> See The Applicability of Section 3 of the Housing and Urban Development Act of 1968 to Neighborhood Stabilization Program Funding, soon to be available on the HUD website.

<sup>44</sup> Notice of Funding Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program Technical Assistance under the American Recovery and Reinvestment Act of 2009 at 12, *available at* [http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp\\_ta\\_nofa.pdf](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp_ta_nofa.pdf).

<sup>45</sup> Notice of Fund Availability (NOFA) for the Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act, 2009 [*hereinafter* NSP2 NOFA], *available at* [http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2\\_nofa.pdf](http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/nsp2_nofa.pdf).

<sup>46</sup> 73 Fed. Reg. at 79552.

<sup>47</sup> 24 C.F.R. § 135.9(c).

<sup>48</sup> NSP2 NOFA, *supra* note. 45.

<sup>49</sup> American Recovery and Reinvestment Act of 2009, Department of Housing and Urban Development, Program-Level Plan, Neighborhood Stabilization Program (NSP), [http://portal.hud.gov/pls/portal/docs/PAGE/RECOVERY/PLANS/NEIGHBORHOOD%20STABILIZATION%20PROGRAM%20\(NSP\).PDF](http://portal.hud.gov/pls/portal/docs/PAGE/RECOVERY/PLANS/NEIGHBORHOOD%20STABILIZATION%20PROGRAM%20(NSP).PDF).

<sup>50</sup> 24 C.F.R. § 135.90.

<sup>51</sup> However, once Section 3 applies to a project, its requirements apply to the entirety of that project, regardless of whether HUD funds only a portion of the overall work. 24 C.F.R. § 135.3(b). Thus, Section 3 should have impact beyond the level of HUD funding.

be in excess of 16,000 jobs annually for public housing residents. Today, HUD has several times that amount at its immediate disposal—\$13.6 billion in ARRA funds, of which at least 57 percent is subject to Section 3 and \$3.9 billion for NSP1 under HERA—which should be used to create jobs for Section 3 residents and businesses. However, several challenges threaten to undermine Section 3’s potential impact.

First, HUD needs to continue to be consistent in the message that it sends to all recipients of HUD funds regarding the importance of Section 3.<sup>52</sup> The NOFAs must comply with the published regulations. HUD is required to include several items in every NOFA for programs subject to Section 3: a statement of purpose, notice of applicability, certification statement, and application evaluation consideration.<sup>53</sup> But while the FY2009 General Section, which applies to NSP2, addresses the first two items, the NSP2 NOFA contains little beyond single-sentence certification statements. All NOFAs should include Section 3 in the evaluation criteria. In addition Section 3 links should be available on the general HUD website, on the HUD Recovery website, and anywhere reporting requirements are mentioned for each of the applicable Section 3 programs.<sup>54</sup>

HUD also has the opportunity to encourage Section 3 compliance in light of the swift expenditure provisions of HERA and ARRA. Both Acts impose commitment and expenditure deadlines. NSP1 grantees must obligate their funds within 18 months of receipt, and must expend funds within four years.<sup>55</sup> Recipients of NSP2 funding must expend at least 50% of awards within two years and 100% of award amounts within three years of the award date.<sup>56</sup> Failure to meet those deadlines will result in the federal government recapturing funds. HUD will redistribute NSP1 funds, which are not obligated within the 18 month period in accordance with the emergency assistance fund allocation provisions of 42 U.S.C. 5306(c)(4);<sup>57</sup> the NSP2 NOFA does not state what HUD will do with recaptured funds. HUD should consider reallocating funds with a preference to those recipients that satisfactorily met Section 3 requirements. While HUD has moved in a positive direction in FY2009 by emphasizing the authority to impose sanctions for failure to submit Section 3 reports, HUD can further incentivize grantees to comply by offering the proverbial carrot, reallocating funds to those recipients who most utilized Section 3 residents and business concerns. This could also help resolve some of the problems that Section 3 has seen at the back end: while certifications upfront require that a project “will comply with Section 3,” there are few consequences at the end of the contract term for those that fail to do so. Until HUD is ready to address failings on the results end, financial incentives to successful Section 3 projects can help attend to this gap.

Advocates have a significant role to play in ensuring Section 3’s success in NSP. NSP2 applications for funding are due to HUD on July 17, 2009. These applications must include a summary of citizen

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<sup>52</sup> See e.g., The Applicability of Section 3 of the Housing and Urban Development Act of 1968 to Neighborhood Stabilization Program Funding, soon to be available on the HUD website

<sup>53</sup> 24 C.F.R. § 135.9.

<sup>54</sup> For example there is no reference to Section 3 on HUD’s NSP web site at <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>. HUD’s Recovery NSP web site, for NSP2 funds, now contains a link to a National Housing Law Project webinar on implementing Section 3 in the NSP, at [http://portal.hud.gov/portal/page?\\_pageid=153,7973319&\\_dad=portal&\\_schema=PORTAL](http://portal.hud.gov/portal/page?_pageid=153,7973319&_dad=portal&_schema=PORTAL).

<sup>55</sup> 73 Fed. Reg. at 58340.

<sup>56</sup> Neighborhood Stabilization Stimulus Program (Competitive), *available at* [http://portal.hud.gov/portal/page?\\_pageid=153,7973319&\\_dad=portal&\\_schema=PORTAL](http://portal.hud.gov/portal/page?_pageid=153,7973319&_dad=portal&_schema=PORTAL).

<sup>57</sup> 73 Fed. Reg. at 58331. (Section 5306 provides that the recaptured funds will be reallocated to metro cities and urban counties located in the area.)

comments received during an obligatory 10-day public comment period.<sup>58</sup> Raising Section 3 concerns during this time will flag this issue both for applicants and for HUD. Applicants are required to post summaries of their NSP2 plans on their websites as well as in general news media.<sup>59</sup> Any NSP1 grantee who needs to change its approved action plan must allow for a 15-day public comment period before submitting new action plan amendments to HUD.<sup>60</sup> It is also critical that NSP1 fund recipients, now in the process of implementing their proposals, are made aware of Section 3 requirements. Advocates should note that NSP grantees of both programs are required to certify with their applications that they will comply with Section 3, and that federal regulations state that during the application process HUD “will accept an applicant’s certification unless there is evidence substantially challenging the certification.”<sup>61</sup>

The OMB warns that the premium ARRA places on swift expenditures does not exempt agencies from following the same laws and principles that they must follow in administering non-ARRA funds. The desire for an expedited distribution process should not justify the derogation of Section 3, particularly in light of ARRA’s goals of job creation and long-term impact on communities most affected by the recession. Section 3 also furthers each of the seven policy goals laid out by the OMB in its guidance on ARRA implementation, which include compliance with equal opportunity principles, the provision of practicable opportunities for small businesses, and the promotion of local hiring. With nearly \$6 billion in NSP funds at issue, monitoring of fund administration and consistency of messaging to grantees will be crucial in ensuring that funds are properly used in accordance with Section 3 to benefit low- and very-low income residents to obtain training, jobs and other economic opportunities.

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<sup>58</sup> *NSP2 NOFA*, *supra* note. 45.

<sup>59</sup> *Id.*

<sup>60</sup> NSP Frequently Asked Questions, Action Plan Amendments, <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/nspfaq.cfm>.

<sup>61</sup> 24 C.F.R. § 135.9(a).

## FULL EMPLOYMENT COUNCIL SECTION 3 PROCESS

In conjunction with

Kansas City, Missouri  
Neighborhood Stabilization  
Program



### Who we are

- The Full Employment Council is a business-led, private, nonprofit corporation whose mission is to obtain public and private sector employment for the unemployed and underemployed residents of the Greater Kansas City area. Provides One-Stop Services for job seekers and employers.

### SECTION 3 The Full Employment Council

- FEC's role
  - Recruit and Screen
  - Orientation and Eligibility
  - Drug Screening
  - Interview Prep
  - Supportive Services

### SECTION 3 RECRUITMENT

- FEC Staff Person Located In Section 3 office
- Outreach with Community Based Organizations
- Neighborhood Association Meetings
- The Full Employment Council Career Centers (28,900 customers seen during the month of May)
- Local Hiring Fairs

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### Full Employment Council Services

- Job Readiness Training
- Classroom Training Scholarships for training in demand occupations.
- On The Job Training Through Employers
- Internships
- Supportive Services to assist with job retention

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### Section 3 Work Readiness

- Attitudes and Self-Esteem
- Resume and Application Review
- Video "Your Job is Out There"
- Resume Pointers
- Cover Letters, Thank You Letters and Notes
- Resume Building: Toward Self-Sufficiency
- Networking
- Employment Resources
- Career Readiness Competency Testing
- Interviewing Techniques
- Mock and One-on-One Interviewing
- Job Retention

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## WorkKeys is .....

- An assessment system that links skills in the workplace with the skills of individuals.
- Measures an individual's cognitive ability to apply their foundational skills base to tasks and duties in the workplace.
- An indicator of an individual's capacity to learn new skills required for a job and/or training programs.

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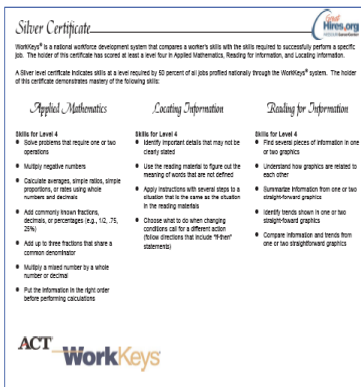
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## Worldwide Interactive Network Missouri

### Career Alignment

**NET Job Title:** Stock Clerk, Receiving, Warehouse, or Storage Unit  
**KS-DOT ID:** 43-5201.02

**Career Cluster:** Business Operations  
**Career Area:** Distribution & Operating

**Applied Math:** 4  
**Applied Technology:** 3  
**Listening:** 3  
**Listening Information:** 4  
**Observation:** 4  
**Reading for Information:** 3  
**Teamwork:** 4  
**Writing:** 3

**PRINT**

**Scores you selected:**  
 N/A - Change  
 N/A - Change  
 N/A - Change  
 N/A - Change  
 N/A - Change  
 N/A - Change  
 N/A - Change  
 N/A - Change

**Information:**  
 Career Exploration  
 Career Alignment  
 Career Planning  
 Career Development  
 Public Building  
 Career Assessments

**WIN**

[back](#)

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