

Memo

To: CDBG Committee

From: Pam Rood, CD Grants Supervisor
Teresa Cothrine & Julie Spears, Grants Administrators

Date: 9/28/2011

Re: Section 3: Policies, Procedures, and Plan

Every year, the U.S. Department of Housing and Urban Development (HUD) invests billions of federal dollars into distressed communities for projects designed to build and rehabilitate housing, improve roads, develop community centers, and otherwise assist families to achieve the American Dream.

Originally enacted in 1968, the regulation known as Section 3 recognizes that HUD funding typically results in projects and activities that generate new employment, training, and contracting opportunities. As formula grantees of federal community development funds, HUD requires the City of Madison to develop and implement a Section 3 program to provide employment and training opportunities for low income persons (Section 3 Residents) and economic opportunities for businesses who are owned by or employ Section 3 Residents or commit to subcontract with Section 3 Business Concerns (see reverse).

On the most basic level, Section 3 is a local jobs initiative. These economic opportunities not only provide “bricks and mortar,” but can also positively impact the lives of local residents who live in the neighborhoods being redeveloped.

For almost a year, CDD staff have been working with our counterparts in the Community Development Authority, the Dane County CDBG office, and the Dane County Housing Authority to develop the attached document: **Local Jobs For Local People Section 3: Policies, Procedures, and Plan**. The group anticipates rolling out this initiative in the coming months.

The 2011 Action Plan for this inter-governmental initiative is to:

- Develop policies, procedures, and forms for certifying Section 3 Residents and Section 3 Business Concerns.
- Develop Section 3 Business Concern Registry including active outreach to existing MBE/WBE/DBE businesses to become Section 3 certified.
- Work with Public Housing Authorities (PHAs) to develop policies, procedures, and forms for certifying Section 3 residents.
- Review the policies and procedures with the respective Boards/Commissions and take needed action on adoption.
- Outline rollout plan with respective branches of City/County government.
- Place Section 3 information and materials on respective City and County web sites.
- Meet with representatives of key groups, such as National Association of the Remodeling Industry (NARI), Madison Area Builders Associations, National Association of Minority Contractors, Building Trades of South Central Wisconsin, START, etc. Provide copy that may be used in the respective newsletters.

Requested Action:

Staff requests that the CDBG Commission endorse the course of action by which CDD staff are working to fully implement a successful, collaborative and HUD compliant Section 3 Program.

SUMMARY OF HUD SECTION 3 REGULATIONS

Purpose of Section 3

“To ensure that **employment and other economic opportunities** generated by certain HUD financial assistance shall, *to the greatest extent feasible*, and consistent with existing Federal, State and local laws and regulations, **be directed to low-and very low-income persons**, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low-and very low-income persons.” [24 C.F.R.135]

Goals

1. **30%** of the aggregate number of new hires shall be **Section 3 residents**;
2. **10%** of the total dollar amount of all covered construction contracts shall be awarded to **Section 3 business concerns**; and
3. **3%** of the total dollar amount of all covered non-construction contracts shall be awarded to **Section 3 business concerns**.

Section 3 Business Concern:

1. That is **51%** or more owned by **Section 3 residents**; or
2. Whose permanent, full-time **employees** include persons, at least **30% of whom are currently Section 3 residents**, or within three years of the date of first employment with the business concern were Section 3 residents; or
3. That provides evidence of a **commitment to subcontract in at least 25%** of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in paragraphs 1. or 2. of this definition of “**Section 3 Business Concern**.”

Section 3 Resident:

1. A public housing resident; or
2. A low low-income individual \leq 80% CMI.