Introduction to Section 3

City of Long Beach, Labor Compliance Division
Business Services Bureau, Financial Management Department

CITY OF LONG BEACH

Introduction to Section 3

Agenda

- What is Section 3?
- When does Section 3 Apply?
- What is a Section 3 Worker?
- What is a Section 3 Business?
- Benchmarks and Qualitative Efforts
- City of Long Beach Requirements for Contractors
- Monitoring of Section 3 Contracts
- Q & A

Introduction to Section 3

What is Section 3?

- ✓ A provision of the Housing and Urban Development Act of 1968.
- ✓ Program was created to ensure that **employment**, **training**, and **contracting opportunities** generated by certain HUD financial assistance benefit low- and very low-income persons, particularly those who receive HUD assistance for housing.
- ✓ Section 3 intended effects are to:
  - Help low-income persons gain professional skills that lead to long-term employment
  - Extend employment opportunities to low-income residents
  - Maximize the benefits of the federal investment to the community
- ✓ Section 3 is both race and gender neutral. The preferences provided under this regulation are **based only on *income-level* and *location***.

Introduction to Section 3

When Does Section 3 Apply?

Applies to **HUD-funded projects that exceed $200,000** or **Lead Hazard Control and Healthy Homes Assistance that exceed $100,000** on projects that involve new construction, rehabilitation or demolition of housing, infrastructure or public facilities.

Note:

- Section 3 applies to the *entire project*, not just the HUD funded portion.
- Section 3 DOES NOT apply to materials-only contracts or contracts that do not require any labor.

Introduction to Section 3

What are Section 3 Workers and Targeted Section 3 Workers?

Who qualifies as a "Section 3 Worker"?

An individual who:

- is low or very low-income person per HUD income limits;
- is a resident of public housing or Section 8-assisted housing;
- is a YouthBuild participant*; or
- is employed by a Section 3 Business Concern

Who qualifies a "Targeted Section 3 Worker"?

An individual who:

- is a low or very low-income resident per HUD income limits AND *lives within a one-mile radius* of the Section 3 funded project; or
- is a Youthbuild Participant*; or
- is employed by Section 3 Business Concern

* Youthbuild is community-based pre-apprenticeship program administered by Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of school.

Introduction to Section 3

What is a Section 3 Business?

A business that meets at least one of the following categories, within the last *six-month* period:

1. At least 51% owned by persons who are low-income.
2. At least 51% owned by current public housing residents or residents who currently live in Section 8 assisted housing.
3. Over 75% of the labor hours performed for the business over the prior *six-month* period were performed by Section 3 workers.

Introduction to Section 3

Benchmark Goals for Section 3 Contracts

- **Section 3 Workers must** make up at least **25%** of total labor hours; AND
- **Targeted Section 3 Workers must** make up at least **5%** of total labor hours

[Note: Targeted Section 3 workers *are included* in the total for Section 3 workers].

Introduction to Section 3

Qualitative Efforts

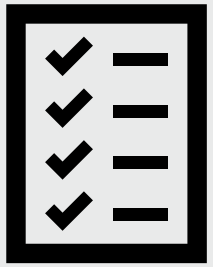
- Contactors on Section 3 projects must attempt to meet benchmark goals.

- If benchmarks are *not fully met*, contractors can still demonstrate compliance by documenting their efforts to provide opportunities to Section 3 Workers or Section 3 Businesses, these are referred to as "**Qualitative Efforts**".

Introduction to Section 3

Contractor's Documentation of Qualitative Efforts (Examples)

- Copies of outreach materials (flyers, direct mail solicitations, internet, emails, etc.)
- Flyers or brochures about meetings
- Sign-in lists from job fairs
- Agendas and/or meeting notes from meetings with contractors
- Advertisements in newspapers or community newsletters, especially those that serve low-income neighborhoods
- Copies of posts in Social media (Facebook, X, LinkedIn, Next Door, etc.)
- Signage and information intake forms and logs at/near the project site
- Advertisements in trade publications
- Proof that company provides training or apprenticeship opportunities
- Meeting agendas and notes from outreach efforts
- Documentation of training programs offered and participation
- Documentation of any assistance provided to Section 3 workers or businesses (including bonding assistance, guarantees, or other efforts to support viable bids form Section 3 Business Concerns)



Document, document, document your firm's attempts to utilize Section 3 Workers and Businesses!

Introduction to Section 3

City of Long Beach Contactor Requirements (Section 3 Projects)

Form	Description	Uses
Declaration of Intent to Comply with Section 3 Requirements (Submit with Bid Only)	A signed statement by contractors or subcontractors affirming their commitment to fulfilling Section 3 requirements, including hiring Section 3 Workers and Targeted Section 3 Workers and contracting with Section 3 Business Concerns	**Mandatory** – must be submitted with bid/proposal. To be submitted by bidders/proposers with their bid; failure to submit will render a bid non-responsive
Section 3 Project Compliance Report *(Post Award)*	A required report submitted by contractors summarizing their compliance with Section 3 goals, including hiring and utilization of Section 3 Workers and Targeted Section 3 Workers and any subcontracting with Section 3 Business Concerns	**Mandatory – must be submitted quarterly & at project close.** To be submitted by contractor to report cumulative Section 3 utilization
Documentation of Qualitative Efforts Form *(Post Award)*	A record of outreach and engagement activities to demonstrate efforts in meeting Section 3 requirements, such as job fairs, training programs, and advertisements targeting low-income individuals.	**Required if quarterly report shows Section 3 benchmarks are not being met.** To be submitted by contractor with Section 3 Compliance Report if benchmarks are not met

Introduction to Section 3

City's Monitoring of Section 3 Program

- City will monitor projects for Section 3 compliance via audits in LCPtracker© which is the software the City utilizes to monitor certified payrolls on public works projects. Section 3 workers labor hours are monitored and tracked within this software.
- City will monitor & evaluate contractor's efforts to hire Section 3 workers and businesses.
- A City assigned Labor Compliance consultant will assist awarded contactors with all Section 3 compliance questions, required forms and reporting.

Introduction to Section 3

Section 3 Resources

How Can I Find Section 3 Workers?

- City of Long Beach Workforce Development Department, Long Beach Innovation Network, LocalHire@longbeach.gov, (562) 570-7158
- City of Long Beach Section 3 Business Registry
- Long Beach Job Corps, Website, 562-519-8968, annino.sandy@jobcorps.org
- Housing Authority of the City of Los Angeles (HACLA), Section 3 Business Registry
- YouthBuild Schools in Los Angeles Area

How Can I Learn More About Section 3?

- U.S. Department of Housing and Urban Development (HUD): Section 3 Website

City of Long Beach

- Section 3 Guidelines and Forms and Section 3 Website (For City of Long Beach Contractors)
- Section 3 Bidding Documents (For City of Long Beach Departments Only)
- Financial Management, Business Services Bureau, Labor Compliance Division, LaborCompliance@longbeach.gov, (562) 570-6037

Questions?

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