

**Thursday, November 9, 2023**  
**2 PM**

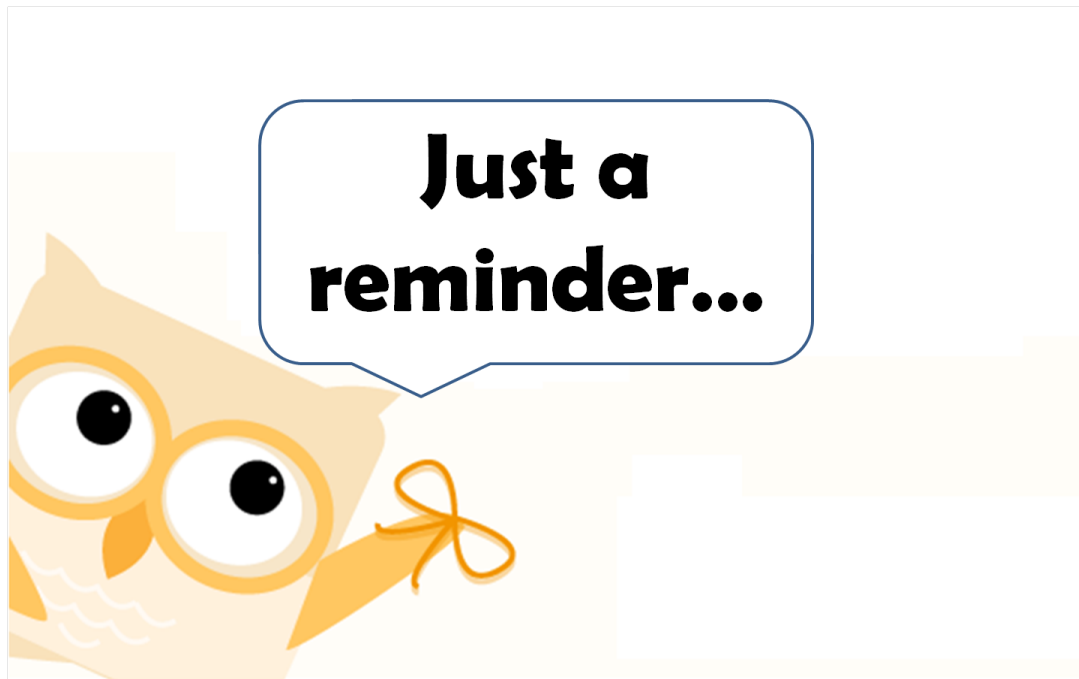
# **Section 3 Qualitative Efforts Dos and Don'ts**



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# Reminder to Record Meeting!



# Section 3 Overview

*Steven Stransky, Disaster Recovery Team Lead*

# What is Section 3?

- » Section 3 is the HUD regulatory requirement to employ low to moderate income workers on HUD-funded projects.
- » Section 3 requires that 25% of a project's labor hours are performed by persons who are at or below 80% of the area median income. 5% of a project's labor hours are to be performed by persons who live in the immediate area, are employed by a Section 3 Business, or are YouthBuild participants.
- » It has two versions: Community Development and Public Housing. This presentation will focus on the Community Development version.

# When did it change?

- » The new Section 3 rule came into effect on December 1, 2020, replacing a previous version that had been in effect since the 1990s. HUD provided a 6-month grace period to begin compliance.
- » IEDA began implementing the new rule for projects awarded as of July 1, 2021. Projects without substantial construction were also required to comply in the Disaster Recovery program.

# When Does Section 3 Apply?

- » Applies to construction, demolition, and rehabilitation activities.
- » Applies when receiving at least \$200,000 in HUD funds.

# When Does Section 3 Apply?

- » This applies to relevant awards in the following IEDA | IFA programs:
  - HOME
  - Housing Trust Fund
  - CDBG-DR Disaster Recovery
    - For new housing, infrastructure, trees, generators, when a specific project receives at least \$200,000, not the overall community CDBG award.
  - CDBG Community Facilities & Services
  - CDBG Downtown Revitalization
    - When a specific owner receives at least \$200,000, not the overall community CDBG award.
  - CDBG Upper Story Housing
    - When a specific housing project receives at least \$200,000, not the overall community CDBG award.
  - CDBG Water and Sewer
  - CDBG Opportunities & Threats
  - CDBG-V
    - When construction is involved and receives at least \$200,000

# Section 3 and Davis Bacon

- » Section 3 is separate from Davis Bacon.
- » Section 3 may apply even when Davis Bacon does not.
- » Tracking of hours for Section 3 may be easier to do in conjunction with Davis Bacon



# Reporting Requirements

- » All hours on the project need to be tracked. Even for over-income workers.
- » How else can you know if 25% and 5% labor hour benchmarks have been met?
- » Even if the project is failing to meet the labor hour benchmarks, the hours still need to be tracked.

# Reporting Requirements

- » Disaster Recovery projects are required to report annually on IowaGrants. These Section 3 reports are due by January 15<sup>th</sup> for the January 1-December 31 calendar year.
- » HOME, Regular CDBG & CDBG-CV will also collect reports in January for the previous calendar year.
- » Monitoring will incorporate checking-up on Section 3 compliance.

## Section 3/LMI

LMI

Section 3

Corporate needs you to find the differences between this picture and this picture.

They're the same picture.

# Section 3/LMI

Section 3



LMI

Section 3 applies to people who's 1-person income is at or below 80% of the area median income.

**Outreach to Section 3 persons should say “Low to Moderate Income”** and not Section 3. LMI is still jargon, but not as inaccessible jargon as “Section 3”.

Who off of this call in your community knows what a Section 3 Worker under the Housing and Community Development Act of 1974 means?

# 1-Person Household Income

- » LMI workers are eligible under Section 3 if their **individual** income is at or below the 1-person 80% income.
- » Section 3 does not consider household income. It just considers the income of the worker themselves.
- » This applies for someone who may have been LMI in the past, but is not currently. HUD allows for a look-back period to December 1, 2020 of when a person was LMI/Section 3

# It's Not About New Hires

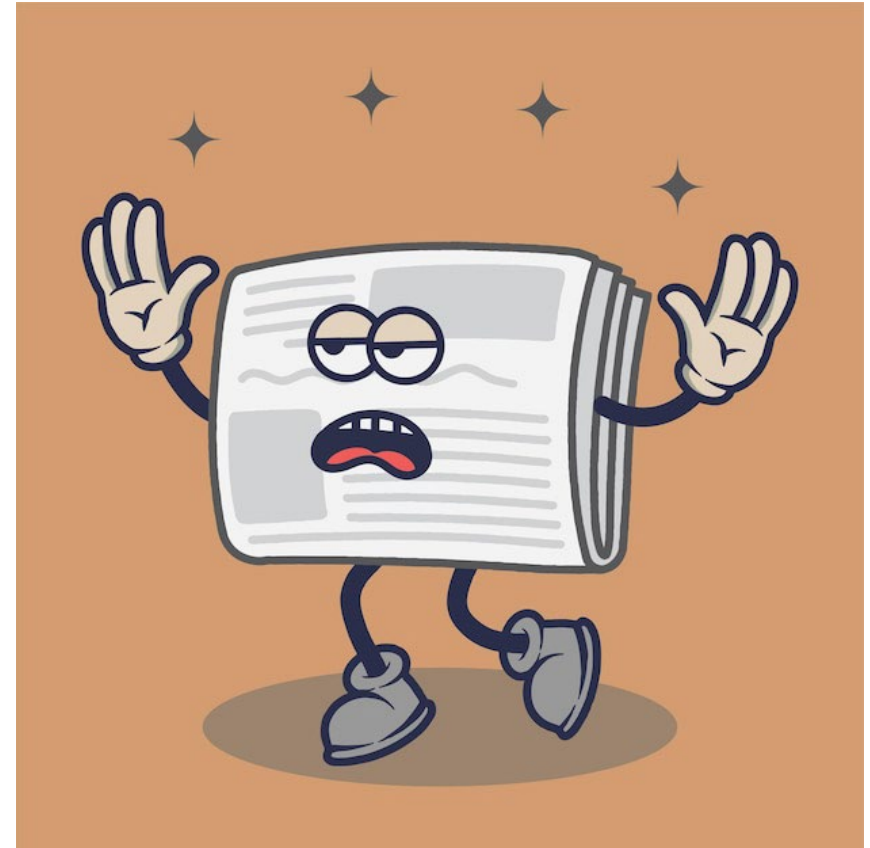


# It's Not About New Hires

- » The current/new Section 3 rule is not concerned with the number of new hires on the project. You don't report that.
- » New hires was tracked under the old Section 3 rule. It didn't result in fulfilling work and it was abused by many contractors.
- » The new Section 3 rule is focused solely on ensuring that LMI adult workers are working on the project or that qualitative efforts are done to strengthen the LMI workforce for construction, demolition, and rehabilitation.

# Not Just The Newspaper

- » Unfortunately, newspapers are not as widely circulated as in years past and the age demographic of their subscribers skews towards retirement.
- » Newspapers are also cost prohibitive to LMI workers.
- » Our programs require posting online to social media (of the City at minimum), community newsletters, posting in visible places to LMI workers (library, community center, etc.). Proof of posting should be submitted as well.





# 5,000-person radius

- » Targeted Section 3 workers are required to work 5% of a project's labor hours.
- » These are workers who, since December 1, 2020, have been LMI and also:
  - Employed by a Section 3 Business
  - YouthBuild Participant
  - Live within a 5,000-person radius of the project site (or 1 mile if more than 5,000 people live within 1 mile).
- » In most Iowa communities, fewer than 5,000 people will live within 1 mile.
- » You should be considering a 5,000-person radius of the project for determining whether a Section 3 worker is also a Targeted Section 3 worker.
- » HUD is 2 years delayed on releasing a tool to map this, so we will trust your judgment in determining this radius. But don't disadvantage your projects by glossing over this radius.

# It's About Developing the Workforce



- » Section 3's purpose is to promote the professional development of LMI workers in the workforce.
- » LMI (or recently LMI) workers can develop professional skills through construction, demolition, and rehabilitation work
- » Employment on HUD projects can help workers develop their skillsets and raise their incomes out of LMI income.

# It's About Growing the Workforce

- » If you fail to meet the labor hour benchmarks, then you will need to conduct a qualitative effort to help develop the LMI workforce in the community.
- » This will need to be done by the entity receiving the funds from IEDA | IFA consultation with your work as their contracted grant administrator.
- » There is room for creativity & subjectivity here. Reach out to IEDA | IFA before conducting one to ensure it will pass muster.



# Qualitative Efforts Dos and Don'ts

*Jacob Levang, Section 3 Coordinator IEDA | IFA*

# Qualitative Efforts

- » If a project fails to meet the 25% Section 3 and 5% Targeted Section 3 worker labor hour benchmarks, qualitative efforts may be used to demonstrate compliance.
- » These should be done **AT THE START** of the project to ensure that the project is compliant.
- » Permission should be requested from IEDA for the qualitative effort. If it was not done properly, it will have to be redone. Email Jacob Levang at [Jacob.Levang@IowaEDA.com](mailto:Jacob.Levang@IowaEDA.com) to discuss.

- » Be creative with your qualitative efforts.
- » Section 3 was written in an office in DC and is enforced by an office in Des Moines.
- » You are more connected with the community and know opportunities to strengthen the LMI workforce
- » However, it has to fit within guidelines of the regulation.

## Qualitative Efforts



# Qualitative Efforts

## Appendix Eight Files

- Section 3 Compliance form [Excel:121k]
- Intent to Comply with Section 3 [PDF:99k]
- Sample Section 3 employment notice [PDF:160k]
- Section 3 business certification [PDF:219k]
- Section 3 Worker certification [PDF:200k]
- Section 3 Worker Certification Spanish [PDF:166k]
- Section 3 Worker Certification Portuguese [PDF:28.5k]
- Section 3 Qualitative Efforts checklist [PDF:99k]

» The Qualitative Efforts Checklist is listed under Appendix 8 files on the CDBG Management Guide website.

» <https://www.iowaeda.com/cdbg/management-guide/>

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# Qualitative Efforts

» IFA: The Qualitative Efforts Checklist is listed under Appendix 8 files on the HOME Program Resources website.

» <https://www.iowafinance.com/resource-archive/?program=HOME+Program&page-id=437>

## Overview

## Documents

[Request for Contractor Eligibility form →](#)

[Section 3 Business Certification Form →](#)

[Intent To Comply with Section 3 Requirements →](#)

[Section 3 Labor Hours Worksheet →](#)

[Section 3 Qualitative Efforts Checklist →](#)

[Section 3 Sample Employment Notice →](#)

[Section 3 Worker Certification Form →](#)

[Section 3 Worker Certification Form- Espanol →](#)

# “Outreach Efforts to Generate Section 3 Job Applicants”

## Examples of a Do

- » You know of a contractor who posted a job in town or in a nearby, commutable-distance community in construction, demolition, or rehabilitation.
- » Region 12 sent information on the job posting to the local community action agency and the food pantry, and uploaded documentation of that communication to IowaGrants.
- » This outreach connected LMI persons with the job posting. Good option for IFA developers.

## Examples of a Don't

- » Take out an advertisement in the newspaper indicating that the City may have job postings in the future for Section 3 workers and to check in regularly.
- » There's no actual job posting, it contains jargon virtually no LMI worker will understand (“Section 3”), and it is published in a medium (the newspaper) that is cost prohibitive to LMI workers.

# “Outreach Efforts to Generate Section 3 Job Applicants”

## Examples of a Do

- » Post job opportunity with nonprofits and project partners who manage low to moderate income housing. This can be emailed to residents, posted outside community rooms, etc.

## Examples of a Don't

- » Do not just post on a flyer at the job site, just on developer/contractor social media, or just on developer/contractor employment page.
- » Outreach needs to be done to ensure that LMI workers are able to see the job posting.
- » Don't use “Section 3” on outreach but rather use “low to moderate income”.

# “Direct, on-the-job training programs for Section 3 Workers (including apprenticeships”

## Examples of a Do

- » The contractor of a CDBG-DR new housing project in Atkins is hosting a training demonstrating how green building practices are done. He has invited the trades program at Kirkwood Community College to attend as well.
- » ECICOG will conduct outreach to local organizations and through the City of Atkins to ensure that LMI persons are aware of the free training.
- » Good option for IFA developers.

## Examples of a Don't

- » Tell the contractor to host a training to people who may show up, but do no outreach efforts and have no documentation of that outreach or the event itself.

**“Provided and/or connected residents with assistance in seeking employment, including drafting resumes, preparing for an interview, and connecting residents to job-placement services”**

### Examples of a Do

- » The IowaWorks office in Burlington offers services to persons who need help to find a job and/or create a resume, training services, and job readiness workshops.
- » The City of Mediapolis worked with SEIRPC to advertise the availability of these IowaWorks services in a nearby community to low to moderate income residents through social media postings and inclusion in the community newsletter.
- » If IFA developer manages lower income housing, they could host this for their residents.

### Examples of a Don't

- » Providing templates for resumes or potential interview questions on a website rather than connecting them with an actual resource/organization

**“Provided and/or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, and/or transportation”**

### **Examples of a Do**

- » Most councils of government are co-housed with a regional bus network for persons to get to medical appointments, transportation, etc. Some may even offer specific routes to major employers.
- » A City may partner with the COG to offer a program for LMI workers to get to these services or employers. Information on the program and outreach should be posted places where LMI workers can view it (website, community facilities, etc.).

### **Examples of a Don't**

- » Write a statement that the regional bus system is available if people request it, but do not conduct any outreach to LMI population about its availability to defined services or employers.

# “Assisted residents to apply for and/or attend community college or a four-year higher education institution”

## Examples of a Do

- » A City/IFA developer may partner with a community college or four-year institution admissions team to apply for admission. This could take place as an application workshop where admissions counselors are present to help guide attendees through the application process.
- » Outreach efforts should be documented for reaching out to LMI workers in addition to attendance lists and information about the admissions workshop.
- » Adult LMI workers should be the target audience, not high schoolers.

## Examples of a Don't

- » Post a link to the application page of a local university, college, or community college without the outreach and actual assistance to residents in applying.

# “Assisted residents to apply for and/or attend a vocational/technical training program”

## Examples of a Do

- » A City/IFA developer may partner with a vocational/technical training program, union, etc. admissions team. This could take place as an application workshop where admissions counselors from the program, construction trades union, etc. are present to help guide attendees through the application process.
- » Outreach efforts should be documented for reaching out to LMI workers in addition to attendance lists and information about the admissions workshop.
- » Adult LMI workers should be the target audience, not high schoolers.

## Examples of a Don't

- » Post a link to the application page of vocational/training program without the outreach and actual assistance to residents in applying.



# “Assisted residents with obtaining financial literacy training and/or financial coaching”

## Examples of a Do

- » A City/IFA developer may partner with a HUD-certified financial counselor to host a training or workshop on financial literacy and/or financial coaching.
- » Outreach efforts should be documented for reaching out to LMI workers in addition to attendance lists and information about the training or workshop.
- » See link for list of HUD counselors:  
[https://hud4.my.site.com/housingcounseling/s/?language=en\\_US](https://hud4.my.site.com/housingcounseling/s/?language=en_US)

## Examples of a Don't

- » Host a training that does not involve a HUD-certified financial counselor.

# “Assisted residents with finding childcare”

## Examples of a Do

- » A City/IFA developer may partner with local childcare institutions to help provide options for childcare in the community. This could be done as a workshop.
- » Outreach efforts should be documented for reaching out to LMI workers in addition to attendance lists and information about the training or workshop.
- » See the link for childcare providers in Iowa:  
<https://ccmis.dhs.state.ia.us/clientportal/providersearch.aspx>

## Examples of a Don't

- » Providing the website or contact information to a childcare facility in a newspaper or Facebook post without specifically targeting LMI workers
- » Not providing specific examples of affordable childcare facilities but rather just claiming "childcare resources may be available upon request"

# “Provided or connected residents with supportive services that can provide direct services or referrals”

## Examples of a Do

- » A City/IFA developer may partner with local organization to help connect residents with these reservices. It can take the place of a workshop, information posted to the website & posted in public, etc.
- » Outreach efforts should be documented for reaching out to LMI workers in addition to information on where the information is posted and, if holding a workshop, attendance lists and information about the training or workshop.

## Examples of a Don't

- » Submit a chamber of commerce hiring managers' roundtable discussion on hiring challenges locally.
- » This event is not for or open to LMI workers and does not provide a direct benefit to developing the LMI workforce.
- » Outcomes from the roundtable may help develop the LMI workforce, however, so worth following up on their conclusions.

## “Held a job fair”

### Examples of a Do

- » The local IowaWorks office is hosting a job fair. Firms that specialize in construction, demolition, and rehabilitation activities will be in attendance.
- » Outreach to the LMI general public was done through sending information (no fewer than 4 days, no more than 20 days) to organizations that serve LMI workers in the community, along with posting to the City social media pages.
- » IFA developer may host a job fair with construction, demolition, and rehabilitation contractors & conduct outreach.

### Examples of a Don't

- » Conduct outreach for a National Guard job fair. While eligible Section 3 employers will attend, it is not open to the LMI general public.
- » Conduct outreach for a high school job fair. Again, same reasoning as above.
- » Falsify a job fair for the purposes of meeting this qualitative effort.

# “Indirect training of Section 3 Workers, including arrangement, contracting, and/or paying for off-site training”

## Examples of a Do

- » Connect with a local community college or other educational institution to provide resources such as training, scholarships, etc. That help to increase the skills of the LMI work force. These efforts should be advertised through various means such as postings in the library, local food pantry and the cities Facebook/website.
- » Find local organizations to partner with that do job trainings and work to advertise these trainings through various means such as postings in the library, local food pantry and the cities Facebook/Website

## Examples of a Don't

- » Submit a flyer or a newspaper article about a local trades program at the community college as a qualitative effort and have no documentation of any outreach done to make LMI workers aware of the opportunity.

# “Indirect training of Section 3 Workers, including arrangement, contracting, and/or paying for off-site training”

## Examples of a Do



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## Examples of a Don't

- » Submit a flyer or a newspaper article about a local trades program at the community college as a qualitative effort and have no documentation of any outreach done to make LMI workers aware of the opportunity.

# “Technical training of Section 3 Workers, including arrangement, contracting, and/or paying for off-site training”

## Examples of a Do

- » The community college, University of Iowa, local union, etc. offer a construction, demolition, or rehabilitation training program in the community or nearby.
- » The City may offer a program to provide for transportation to the program for LMI individuals and/or pay for admissions fees, textbooks, etc.

## Examples of a Don't

- » Tell a contractor that they have to host a training for people who may show up.
- » Training on the job site turns into free labor for the contractor for the time period rather than a training session. Davis Bacon concerns emerge.
- » Someone gets hurt on the site, and insurance doesn't cover it. Liability to take into account here.

# “Outreach efforts to identify and secure bids from Section 3 Business Concerns”

## Examples of a Do

- » Reach out to all Section 3 Business Concerns identified on the HUD Opportunity Portal in an appropriate service area to inform them of relevant contracting opportunities.
- » Include documentation of the outreach and scope of work that the outreach was conducted for.
- » Good option for IFA developers.

## Examples of a Don't

- » Submit a letter insisting that there are no Section 3 Business Concerns in Iowa (there are firms) and that a search that found none is sufficient for conducting this outreach.
- » If there are no Section 3 Business Concerns in the area that can do eligible work, then this qualitative effort is not appropriate.



# “Providing technical assistance to Section 3 Business Concerns to help them understand the contracting process and help to bid on projects”

## Examples of a Do

- » Southeastern Community College’s Center for Business (CBIZ) offers flexible trainings for business and industry.
- » One approach could be to partner with an organization, such as CBIZ, to conduct a training with local Section 3 Business Concerns, Disadvantaged Business Enterprises, and Targeted Small Businesses on contracting, bidding, etc.
- » Include documentation of the training and attendance sheets.

## Examples of a Don’t

- » Cold call or cold email all Section 3 Business Concerns in Iowa a copy of a Section 3 presentation or the Section 3 regulation.

# “Dividing up contracts into smaller jobs to facilitate participation from Section 3 Businesses”

## Examples of a Do

- » Search the HUD Opportunity Portal, Iowa DOT DBE registry, etc. and identify firms that realistically could bid on the work being performed.
- » Divide up the contract into smaller pieces that may better fit their capacities.
- » Document the search and outreach on the procurement process to the Section 3 Businesses and DBEs.
- » Good option for IFA developers.

## Examples of a Don't

- » Write a letter explaining that a search showed there are no relevant Section 3 Businesses on the HUD Opportunity Portal and that is sufficient for meeting this qualitative effort.

# “Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Businesses”

## Examples of a Do

- » We do not expect this qualitative effort to be implemented.

## Examples of a Don't

- » Write a letter explaining that a search showed there are no relevant Section 3 Businesses on the HUD Opportunity Portal and that is sufficient for meeting this qualitative effort.

# Section 3: More Information

- » More information can be found in Appendix Eight of the CDBG Management Guide and templates can be found under “Appendix Eight Files”: <https://www.iowaeda.com/cdbg/management-guide/>.
- » See our 2023 Certified Grant Administrator Section 3 Training here for more information on the rule and templates to use: <https://www.iowaeda.com/cdbg/training-resources/>

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