Section 3 Annual Report

Vision Plan: Investing in People

Board of Commissioners – February 25, 2021
Vision Plan: People First

- Resident outreach
- Engagement
- Enhance resident access to workforce
- Job Placement
- Long term career opportunities

Outcome:
Help residents attain higher levels of education, financial security, personal wellness, community security, physical health, and household stability.
Agenda

- 2020 Section 3 Outcomes and Achievements
- Redevelopment Project Reviews: A Unique Opportunity for Section 3 Residents
- Overview of New Section 3 Rules
<table>
<thead>
<tr>
<th>HUD Expectation</th>
<th>HACLA Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Created: Federal Funds Only</td>
<td>Jobs Created: Federal and Non-Federal Funds</td>
</tr>
<tr>
<td>141</td>
<td>306</td>
</tr>
<tr>
<td>43</td>
<td>92</td>
</tr>
<tr>
<td>122</td>
<td>281</td>
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</tbody>
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- **All New Hires**
- **30% requirement**
- **Section 3 New Hires**
While hiring in 2020 exceeded benchmarks, COVID played a significant role in not realizing even greater success.

- Jordan Downs Phase S-3 and Area H construction commenced after outbreak and hiring was reduced/delayed due to restrictions
- Training and hiring events were postponed or cancelled
- Resident concerns with increased exposure to COVID and reduced employment interest
- Employer focus on rehiring laid-off employees
New Hires by Job Categories: 2019 vs 2020

Total New Hires:
2019: 352
2020: 281
HACLA, 71, 25%

Third Party, 210, 75%

Total New Hires: 281

Employer and Wage Information

2020 Hiring
- HACLA (25%) - Direct Hiring
- Third Party (75%) – Vendors and Development Partners

2020 Average Pay Rate: $22.31
- Males: $25.60
- Females: $18.31

2019 Average Pay Rate: $23.76
- Males: $26.88
- Females: $19.50
Total New Hires: 281
Third Party New Hires: 210

2020 Average Wages

- Admin: $15.50
- Construction: $45.89
- Outreach: $18.23
- Property Mgmt: $19.19
- Retail: $15.31
- Security: $13.66

Females: 97
Males: 113
Section 3 Scholarship Awards:

- Vendors who are unable to provide jobs or other economic opportunities contribute to the Section 3 Fund.
- The fund has continually grown over the years and includes contributors such as Yardi, Xerox, law firms, A/E firms, etc.
- A total of 35 college scholarships awarded to date (12 in 2020).
Section 3 Business Contracting

- Creating a business-friendly environment, sustained outreach efforts and use of HACLA’s Section 3 Business Registry continue to result in Section 3 Business contracting success.


Section 3 Business Contracting
(Federal Funds only)

- Construction Contracts (19%):
  - Section 3 Contract Award: $393,972.21

- Non-Construction Contracts (34%):
  - Section 3 Contract Award: $629,540.04
Redevelopment Projects Overview: 2020

A Unique Opportunity for Residents

- Completion of Phase 1B construction
- Area H
- Phase S-3
- Retail at Freedom Plaza
Phase 1-B (135 units)
Closeout

Hiring
114 Section 3 New hires
Average wages: $35.31
  Females (16): $22.89
  Males (98): $37.47

Subcontracting
- Section 3 Business: 48% ($18.5 million)
- MBE/WBE: 26% ($10.2 million)

![New Hires by Job Type and Gender](image-url)
<table>
<thead>
<tr>
<th>Project/Phase</th>
<th>New Hires</th>
<th>Average Wages</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom Plaza</td>
<td>54</td>
<td>$15.30</td>
<td>79% Female Workforce Mainly 18-24 year olds (64%)</td>
</tr>
<tr>
<td>Area H (80 units)</td>
<td>20</td>
<td>$52.45</td>
<td>Early Stages</td>
</tr>
<tr>
<td>Phase S-3 (93)</td>
<td>7</td>
<td>$40.79</td>
<td>Early Stages</td>
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New Section 3 Rules: 24 CFR §75

- On September 28, 2020 HUD published its Final Section 3 Rule in the Federal Register which went into effect as of November 30, 2020
- Transition period through at least July 1, 2021
- First reports due February 2023 (calendar year 2022)
- Construction-employment focused and exempts professional services contracts
- New definitions of Section 3 Residents and Businesses
- New benchmarking requirements: number of new hires replaced by hours worked standard
Section 3 New Rule Highlights

- Eliminates the 30% new hire requirement and replaces it with labor hour benchmarks at 25% for Section 3 Workers and 5% for Targeted Section 3 Workers.
- Eliminates the requirements to award ten percent (10%) of all construction contracts to Sections 3 Businesses and three percent (3%) to other professional services providers.
- Housing authorities are relieved of the current requirement to impose Section 3 on the award of non-construction professional services.
- Addition of Section 8 participants in the hiring priorities (P2 category).
New Hiring Benchmarks

25% Benchmark Goal
To Calculate:

\[
\frac{\text{Section 3 Worker Hours}}{\text{Total Labor Hours}} = 25\%
\]

5% Benchmark Goal
To Calculate:

\[
\frac{\text{Targeted Section 3 Worker Hours}}{\text{Total Labor Hours}} = 5\%
\]
General Observations on the New Rule

- The new rule provides some regulatory relief but creates new burdens as well
- The new rule definitions are confusing
- Counting labor hours will help ensure sustained employment but businesses may satisfy Section 3 with their existing workforce, which could mean fewer employment opportunities for public housing residents
- Section 3 compliance has been eliminated for non-construction contracts
- Non low-income individuals could qualify as Section 3 Workers
- Section 8 participants are now recognized in hiring priorities
Questions?