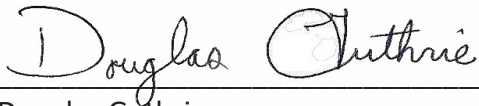


**RESOLUTION APPROVING AMENDMENT OF THE HOUSING AUTHORITY'S
SECTION 3 POLICY AND COMPLIANCE PLAN**



Douglas Guthrie
President & Chief Executive Officer



Howard Baum
Deputy General Counsel

Purpose: To amend the Housing Authority's Section 3 Policy and Compliance Plan (the "Section 3 Policy" or "Policy") to conform with PIH Notice 2022-10.

Regarding: HACLAs current Section 3 Policy was adopted by the Board of Commissioners pursuant to Board Resolution No. 9714 dated June 24, 2021, which superseded and replaced HACLAs previous Section 3 Guide and Compliance Plan. The Section 3 Policy was adopted to comply with new Section 3 Rules codified as 24 CFR Part 75 et seq. (the "New Rule"). The primary purposes of the Section 3 Policy are to authorize the imposition of Section 3 on contracting activities that would not otherwise be subject to Section 3, assist vendors in understanding their Section 3 obligations, and authorize the negotiation of heightened Section 3 commitments for redevelopment projects.

Issues: In April 2022, HUD published PIH Notice 2022-10 to provide guidance and clarification on implementation, administration and interpretation of the New Rule. Included in this guidance were limitations on the collection of funds from vendors to advance Section 3 qualitative efforts when Section 3 benchmarks are not met. Staff were unable to reconcile this guidance with the qualitative efforts described in 24 CFR 75.15 and 75.25. Those qualitative efforts authorize and encourage providing assistance with college and vocational training, sponsorships into apprenticeship programs, and work readiness, placement and retention programs. Staff contacted the HUD Regional Office and ICF (HUD's New Rule Training and Technical Provider), to reconcile the Notice with Subparts 75.15 and 75.25. Through these efforts, staff learned that vendors could continue their qualitative efforts but the manner in which they would need to do so differed from that understood by staff. In addition, HUD clarified that the Notice only applied to contracts subject to 24 CFR Part 75, and that HACLAs could continue to impose its Section 3 Policy on other contracts when deemed reasonably possible and in the best interest of Section 3 beneficiaries. With this new understanding and HUD's and ICF's encouragement, staff developed the "Promises Program", attached hereto as Attachment 2, which is intended to replace the current Section 3 Fund portion of the Section 3 Policy to conform with the Notice. Both HUD and ICF see the Promises Program as a national model for qualitative efforts under the New Rule.

The Promises Program is comprised of three primary areas with highlights as follows:

Trades Program: Vendors may select to provide training or apprenticeship opportunities to Section 3 Workers through *direct* sponsorship into the Union trades or other training programs.

Scholarship Program: Vendors may elect to provide assistance with college tuition, or vocational/training school *directly* to deserving persons. HACLA can facilitate these efforts by identifying and connecting vendors to Section 3 Workers from HACLA's public housing and Section 8-assisted households. Vendors may use whatever criteria they choose to identify recipients. Mechanisms could include an applicant application process followed by review and scoring, requesting that HACLA do so on their behalf, or other reasonable means.

Connecting to the World: Vendors may assist Section 3 Workers by connecting them with services supporting work readiness and retention programs, including drafting resumes, preparing for job interviews and finding job opportunities by connecting them to job placement services. Such assistance can be made possible in a variety of ways, including providing technology equipment, stationery, and related office products to students and youth residing at HACLA's public housing sites. Unless a vendor requests otherwise, supplies and equipment will be made available at HACLA's computer labs and at the WorkSource Center for use by all Section 3 Workers in order to maximize the number of persons served. This will enable Section 3 Workers access to these resources within proximity to their homes, thereby helping bridge the digital divide.

Note, the primary difference between the current and previous trades and scholarship program is vendor direct payment. In other word, funds will not be collected by HACLA for unknown future recipients, but instead vendors will "promise" to provide such assistance directly to deserving recipients once identified during their contract term. Vendors will also determine the level of qualitative assistance they desire to provide.

Current Request:

HACLA is requesting Board of Commissioner's approval to amend the Section 3 Policy so that the Promises Program can be incorporated to supersede and replace its current Section 3 Fund provisions. This request is being made to both ensure compliance with the Notice and continue inclusion of qualitative efforts in the Section 3 Policy. Attachment 3 is a redlined version of the Section 3 Policy identifying its proposed revisions.

Vision Plan: PEOPLE Strategy No. 7: Enhance Resident Access to Education Opportunities, Workforce Readiness Training, and Skills Development

HACLA's Section 3 Policy facilitates the creation of training, education, employment and other economic opportunities for those we serve under our Public Housing and Section 8 Programs, as well as neighboring communities by enabling such opportunities through our contracting and project redevelopment activities.

Funding: There are no HACLA funding implications associated with this request.

Environmental Review: CEQA and NEPA are not triggered by this request.

Section 3: This item is not a contract award where Section 3 is applicable.

Attachments:

1. Resolution
2. Promises Program
3. Proposed Revisions to Section 3 Policy and Compliance Plan (redlined)

ATTACHMENT 1

RESOLUTION

RESOLUTION NO. _____

RESOLUTION APPROVING AMENDMENT OF THE HOUSING AUTHORITY'S SECTION 3 POLICY AND COMPLIANCE PLAN

WHEREAS, the Board of Commissioners ("Board") approved HACLA's Section 3 Guide and Compliance Plan on Oct. 30, 2014, as subsequently amended on Nov. 28, 2017, under Board Resolutions 9167 and 9693, respectively (the "Section 3 Plan");

WHEREAS, in September 2020, HUD published the Final Section 3 Rule codified at 24 CFR 75 ("Final Section 3 Rule"), which replaced previous Section 3 regulations codified at 24 CFR 135 in their entirety;

WHEREAS, in June 2021 by Resolution No. 9714, the Board superseded and replaced the Section 3 Guide and Compliance Plan with the Section 3 Policy and Compliance Plan (the "Section 3 Policy") to conform with the Final Section 3 Rule;

WHEREAS, in April 2022, HUD published PIH Notice 2022-10 providing guidance on implementing and interpreting the Final Section 3 Rule; and

WHEREAS, for the reasons set forth in the Report of the President & CEO of the same date herewith (the "Report"), the Board desires to amend the Section 3 Policy as attached to the Report as Attachment No. 3 (the "Updated Section 3 Policy"), to conform with PIH Notice 2022-10.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby approves the Updated Section 3 Policy, and further authorizes the President & CEO, or designee, to make any non-substantive editorial revisions to the Updated Section 3 Policy, as necessary for its finalization and implementation.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By: _____
James Johnson, General Counsel

By: _____
Cielo Castro, Chairperson

DATE ADOPTED: _____

Attachment No. 2

Promises Program

PROMISES PROGRAM

Creating Opportunities Through Qualitative Efforts: Promises Program

Consistent with 24 CFR Part 75.15 (b) (2), (4), (6), (7) and (8) and 24 CFR Part 75.25 (b) (2), (4), (6), (7) and (8) HACLA has established a Promises Program. The main goal and purpose of the Program is to promote and contribute to the development of employment skills, trainings and educational opportunities for Section 3 Workers to help them realize sustained employment.

Vendors are encouraged to engage in a variety of qualitative efforts identified in 75.15 and 75.25 to the extent feasible, to assist them with meeting the Section 3 labor hour benchmarks and creating sustained employment.

In addition to engaging in outreach efforts and hiring Section 3 and Targeted Section 3 Workers, HACLA has identified several qualitative efforts described by HUD that are of particular importance for the Section 3 Workers we service as follows:

1. **Trades Program:** Consistent with 24 CFR Part 75.15 (b) (2), (6) and 24 CFR Part 75.25 (b) (2), (6) vendors may select to provide training or apprenticeship opportunities to Section 3 Workers.
 - a. HACLA can facilitate the process by identifying Section 3 Workers for sponsorship into the Union trades or other training programs. Vendors can thereafter assist with the onboarding of the worker, including payment of any applicable fees and costs directly to the worker or training program.
2. **Scholarship Program:** Consistent 24 CFR Part 75.15 (b) (7) and 24 CFR Part 75.25 (b) (7), vendors may elect to provide assistance to apply for/or attend community college, or four-year educational institution, or vocational/training school.
 - a. HACLA can facilitate these efforts by identifying and connecting vendors to Section 3 Workers from HACLA's public housing and Section 8-assisted households. Vendors may use whatever criteria they choose to identify deserving persons. Mechanisms could include an applicant application process followed by review and scoring, requesting that HACLA do so on their behalf, or other means. Once identified, the vendor would award the scholarship directly to the applicant awardee.
 - b. The number of scholarships and amounts provided are determined by the vendor.
3. **Connecting to the World:** Consistent with 24 CFR Part 75.15 (b) (4), (6), (8) and 24 CFR Part 75.25 (b) (4), (6), (8) vendors may assist Section 3 Workers by connecting them with job placement services, work readiness and retention services.
 - a. Vendors may assist Section 3 Workers to obtain financial literacy and coaching services at either HACLA public housing sites or at another location.
 - i. HACLA can facilitate these efforts by identifying and connecting vendors to Section 3 Workers from HACLA's public housing and Section 8-assisted households.

- ii. In addition to HACLA's assistance, vendors are encouraged to use HUD's Opportunity Portal, which is designed to match Section 3 Workers to jobs and training opportunities. See <https://hudapps.hud.gov/OpportunityPortal/>.
- b. Vendors may provide or refer Section 3 Workers to services supporting work readiness and retention programs, including drafting resumes, preparing for job interviews and finding job opportunities via connecting them to job placement services.
- i. Such assistance can be made possible in a variety of ways, including providing technology equipment, stationery, and related office products to students and youth residing at HACLA's public housing sites. Unless the vendor requests otherwise, supplies and equipment will be made available at HACLA's computer labs and at WorkSource Center for use by all Section 3 Workers in order to maximize the number of persons served. This will enable Section 3 Workers to have access to these resources within proximity to their homes, thereby helping bridge the digital divide.

Vendors will not be provided preferences of any kind or nature by choosing to participate in any of the above activities. Priority for opportunities and training should be given to Section 3 Workers following the order identified in 24 CFR Part 75.9 and 75.19, as applicable. Participation is voluntary and solely for the purpose of realizing qualitative efforts. Qualitative efforts are not in lieu of meeting the labor hour benchmarks. All vendors must engage in qualitative efforts to meet labor hour benchmarks and provide such reports to HACLA.

Attachment No. 3

**Proposed Revisions to Section 3 Policy and Compliance Plan
(redlined to identify revisions)**

Section 3 Policy and Compliance Plan (v~~4~~3)

Let's Get to Work!



Adopted: ~~June 24, 2021~~February 23, 2023

SECTION 3 POLICY AND COMPLIANCE PLAN

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SECTION 3 POLICY AND COMPLIANCE PLAN

I. INTRODUCTION

Section 3 Regulation.

Section 3 of the Housing and Urban Development Act of 1968 (codified at 12 U.S.C. 1701u and implemented at 24 CFR Part 75, hereinafter, "Section 3"), as amended, requires that economic opportunities, most importantly employment, generated by certain U.S. Department of Housing and Urban Development ("HUD") financial assistance shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, or residents of the community in which the Federal assistance is spent.

B. HACLA Policy.

It is the intent and policy of the Housing Authority of the City of Los Angeles ("HACLA") to fully comply with Section 3 and to require its Contractors undertaking contracts to which Section 3 applies to demonstrate good faith effort to comply, to the greatest extent feasible, with Section 3 and the responsibilities described under this Section 3 Policy and Compliance Plan (this "Policy") by providing economic opportunities to Section 3 Beneficiaries. While Section 3 is race and gender neutral, when employment opportunities are realized through Section 3 or other means, it is HACLA's expectation that there will be equal pay for equal work in all such opportunities so that the historical and persistent pay gap between men and women can be eradicated.

C. Applicability.

This Policy shall apply whenever federal assistance triggering Section 3 compliance is triggered and when HACLA, in its sole discretion, elects to impose this Policy upon its Contractors in connection with contracting awards. HACLA's decision to impose this Policy upon Contractors shall consider whether the nature of the underlying contract is one where the imposition of this Policy is reasonably possible and in the best interest of Section 3 Beneficiaries.

D. Purposes of this Policy and Compliance Plan.

The purposes of this Policy are to create sustained employment and other opportunities for Section 3 Beneficiaries and to assist Contractors in understanding their Section 3 obligations so that they can be successful in meeting these responsibilities. These purposes are accomplished through the guidance and instruction provided in the Policy, in other Section 3 materials and publications provided by HACLA, and assistance provided by HACLA's Section 3 Compliance Administrator. HACLA has developed and continues to develop programs and procedures, all as necessary to implement this Policy, in order to realize the goals of Section 3. This Policy shall remain in effect for so long as it remains consistent with federal regulations or until amended by HACLA's Board of Commissioners.

E. Part 75 Amendments and Conflicts.

Amendments to 24 CFR Part 75 shall apply to this Policy as of the effective date of the updated regulation. Where provisions of this Policy conflict with 24 CFR Part 75, the latter shall prevail.

II. DEFINITIONS

The following terms used throughout this Policy have the following assigned meanings.

“Contractor” means any person or entity that enters into a Section 3 Contract with HACLA, or performs work on a Section 3 Contract as a Prime Contractor or Subcontractor, or is a recipient or subrecipient of Section 3 covered funds.

“HACLA” means the Housing Authority of the City of Los Angeles and its instrumentalities subject to Section 3.

“Housing and Community Development Financial Assistance” shall have the meaning ascribed by HUD or other federal agencies or departments and includes, without limitation, the following sources of funding;

- a. Community Development Block Grants (CDBG);
- b. Home Investment Partnership Interest (HOME);
- c. Housing Opportunities for Persons With AIDS (HOPWA);
- d. Neighborhood Stabilization Program (NSP);
- e. Lead Hazard Control and Healthy Homes Program;
- f. Rental Assistance Demonstration Program (RAD);
- g. Choice Neighborhoods Program;
- h. Emergency Solutions Grants (ESG);
- i. Section 202 Supportive Housing for the Elderly;
- j. Section 811 Supportive Housing for the Disabled; and
- k. Disaster Recovery Grants.
- l. Economic Stimulus Funds

“HUD” means the United States Department of Housing and Urban Development.

“Metropolitan Area” means a metropolitan statistical area established by the Office of Management and Budget, and includes its plural form “Metropolitan Areas.”

“New Hire” means an employee hired on a permanent, temporary or seasonal basis as a direct result of a Contractor’s contractual obligation in connection with a Section 3 Contract, and includes its plural form “New Hires.” An employee who was on a Contractor’s/Subcontractor’s payroll on or prior to award of the Section 3 Contract shall not be counted towards the Contractor’s/Subcontractor’s New Hire benchmark goals.

“Neighborhood of the Project” also referred to as “Service Area,” means an area within one mile of the Section 3 Project or, if fewer than 5,000 people live within one mile of a Section 3 Project, within a circle centered on the Section 3 Project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.

“Public Housing Financial Assistance” shall have the meaning set forth in 24 CFR Part 75.3, as may be amended from time to time, as follows:

- a. Development assistance provided pursuant to section 5 of the United States Housing Act of 1937 (the 1937 Act);
- b. Operations and management assistance provided pursuant to section 9(e) of the 1937 Act;
- c. Development, modernization, and management assistance provide pursuant to section 9(d) of the 1937 Act; and
- d. The entirety of a mixed-finance development project as described in 24 CFR Part 905.604, regardless of whether the project is fully or partially assisted with public housing financial assistance as defined above in (a) through (c).

“Section 3” means Section 3 of the Housing and Urban Development Act of 1968, as amended, (12 U.S.C. 1701u) and implemented at 24 C.F.R. Part 75, as may be amended from time to time.

“Section 3 Benchmark(s)” shall mean those benchmarks for Section 3 compliance imposed upon a Contractor under a Section 3 Contract as provided in this Policy and includes both HUD and HACLA imposed goals.

“Section 3 Beneficiaries” refers, collectively, to Section 3 Workers, Targeted Section 3 Workers and Section 3 Business Concerns.

“Section 3 Business Concern” means a business concern as defined in 24 CFR 75.5, as may be amended from time to time, and means a business concern meeting at least one of the following criteria, as documented within the last six-month period through self-certification or other means acceptable HUD:

- a. It is at least 51 percent owned and controlled by low- or very low-income persons;
- b. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 Workers; or
- c. It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

“Section 3 Business Registry” means a registry of business concerns maintained by HACLA that at time of business registry self-certified as to meeting the definition of a Section 3 Business Concern.

“Section 3 Contract” means a contract subject to this Policy whether by virtue of Section 3 or HACLA’s imposition of Section 3 upon the contract, including without limitation, master developments agreements and disposition and development agreements pursuant to which development and redevelopment activities and projects are effectuated.

“Section 3 Economic Opportunity Plan” (EOP) means that Section 3 plan submitted by a Contractor in connection with a Section 3 Contract that commits to a plan to meet the Section 3 Benchmarks and other requirements applicable to the Section 3 Contract.

“Section 3 Project” means a Section 3 Project as defined in 24 CFR Part 75.3, as may be amended from time to time, and means housing rehabilitation, housing construction, and other

public construction projects assisted under HUD programs that provide Housing and Community Development Financial Assistance when the total amount of assistance to the project exceeds a threshold of \$200,000 or \$100,000 for other programs as identified in the CFR. The Project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing.

“Service Area” see definition of Neighborhood of the Project.

“Section 3 Worker” means any worker as defined in 24 CFR 75.5, as may be amended from time to time, and means a worker who currently fits or when hired within the past five years, fit at least one of the following categories, as documented through self-certification or other means acceptable to HUD:

- a. The worker’s income for the previous or annualized calendar year is below the income limit established by HUD
- b. The worker is employed by a Section 3 Business Concerns
- c. The worker is a YouthBuild participant
- d. The status of a Section 3 Worker shall not be negatively affected by a prior arrest or conviction

“Subcontractor” means any person or entity that has a contract with a Contractor to undertake a portion of the Contractor’s obligation to perform work under a Section 3 Contract.

“Section 3 Worker Registry” means a registry of Section 3 Workers and Targeted Section 3 Workers maintained by HACLA, who, at the time of registry, met the definition of a Section 3 Worker or Targeted Section 3 Worker, through self-certification or other means acceptable to HUD.

“Targeted Section 3 Worker” for Public Housing Financial Assistance means a Section 3 Worker as defined in 24 CFR Part 75.11, as may be amended from time to time, and means a worker documented through self-certification or other means acceptable to HUD, who is:

- a. A worker employed by a Section 3 Business Concern; or
- b. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - i. A resident of public housing or Section 8-assisted housing;
 - ii. A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance; or
 - iii. A YouthBuild participant.

“Targeted Section 3 Worker” for Housing and Community Development Financial Assistance means a Section 3 Worker as defined in 24 CFR Part 75.21, as may be amended from time to time, and means a worker documented through self-certification or other means acceptable to HUD, who is:

- a. A worker employed by a Section 3 Business Concern; or
- b. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - i. Living within the service area or the neighborhood of the project, as defined in § 75.5; or
 - ii. A YouthBuild participant.

III. PROVISIONS FOR PUBLIC HOUSING FINANCIAL ASSISTANCE AND BENCHMARKS

For purposes of this Article III, the definition of a Targeted Section 3 Worker is that applicable to a Targeted Section 3 Worker for Public Housing Financial Assistance.

A. Employment and Training.

Contractors must make their best efforts to provide employment and training opportunities generated by the assistance to Section 3 Workers and Targeted Section 3 Workers in the following order of priority:

1. To residents of the public housing projects for which the public housing financial assistance is expended;
2. To residents of other public housing projects managed by HACLA or for residents of Section 8-assisted housing managed by HACLA;
3. To participants in YouthBuild programs; and
4. To low- and very low-income persons residing within the metropolitan area in which the assistance is expended.

Section 3 Workers and Targeted Section 3 Workers are not exempt from meeting the qualifications of the position to be filled.

B. Contracting.

Contractors must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 Workers as set forth in their Section 3 Economic Opportunity Plan and in the following order of priority:

1. To Section 3 Business Concerns that provide economic opportunities for residents of the public housing projects for which the assistance is provided;
2. To Section 3 Business Concerns that provide economic opportunities for residents of other public housing projects or Section-8 assisted housing managed by HACLA;
3. To YouthBuild programs; then
4. To Section 3 Business Concerns that provide economic opportunities to Section 3 Workers residing within the metropolitan area in which the assistance is provided.

C. Benchmarks.

Contractors will be considered to have complied with the requirements in this part, in the absence of evidence to the contrary, if they:

1. Certify that they have followed the prioritization efforts above (consistent with 24 CFR Part 75.9); and
2. Meet or exceed the Section 3 Benchmarks as described below, unless other specific benchmarks for compliance have been negotiated with HACLA.
 - i. Twenty-five percent (25%) or more of the total number of labor hours worked by all workers employed with Public Housing Financial Assistance in the fiscal year are Section 3 Workers;
 - ii. Five percent (5%) or more of the total number of labor hours worked by all workers employed with public housing financial assistance in the fiscal year are Targeted Section 3 Workers;

- iii. Thirty percent (30%) of all New Hires are Section 3 Workers;
- iv. Meet Section 3 Business subcontracting goals, as may be imposed, from time to time; and
- v. Satisfy other Section 3 commitments as may be set forth their Economic Opportunity Plan or other agreements with HACLA.

IV. PROVISIONS FOR HOUSING AND COMMUNITY DEVELOPMENT FINANCIAL ASSISTANCE AND BENCHMARKS (SECTION 3 PROJECTS)

For purposes of this Article IV, the definition of a Targeted Section 3 Worker is that applicable to a Targeted Section 3 Worker for Housing and Community Development Financial Assistance.

A. Employment and Training.

Contractors covered by this subpart shall ensure that employment and training opportunities arising in connection with Section 3 Projects are provided to Section 3 Workers and Targeted Section 3 Workers within the metropolitan area in which the project is located in the following order of priority:

1. Section 3 Workers residing within the service area or the neighborhood of the project; and
2. Participants in YouthBuild programs.

Section 3 Workers and Targeted Section 3 Workers are not exempt from meeting the qualifications of the position to be filled.

B. Contracting.

Contractors covered by this subpart shall ensure contracts for work awarded in connection with Section 3 Projects are provided to business concerns that provide economic opportunities to Section 3 Workers residing within the metropolitan area in which the project is located, as set forth in their Section 3 Economic Opportunity Plan, and in the following order of priority:

1. Section 3 Business Concerns that provide economic opportunities to Section 3 Workers residing within the service area or the neighborhood of the projects; then
2. YouthBuild Programs

C. Benchmarks.

Contractors will be considered to have complied with the requirements in this part, in the absence of evidence to the contrary, if they:

1. Certify that they have followed the prioritization efforts above (consistent with 24 CFR Part 75.19); and
2. Meet or exceed the Section 3 benchmarks as described below.
 - i. Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 Project are Section 3 Workers;
 - ii. Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 Project are Targeted Section 3 Workers;
 - iii. Thirty percent (30%) of all New Hires are Section 3 Workers;
 - iv. Meet Section 3 Business subcontracting goals, as may be imposed, from time to

time; and

- v. Satisfy other Section 3 commitments as may be set forth their Economic Opportunity Plan or other agreements with HACLA.

V. PROVISIONS FOR MULTIPLE FUNDING SOURCES, HACLA SECTION 3 PROJECTS

If a housing rehabilitation, housing construction or other public or private construction project is subject to Section 3 because the project is assisted with funding from multiple sources, Section 3 applicability and related provisions and requirements will be specified in the contract or other related agreement(s) with the Contractor in accordance with 24 CFR Part 75.29.

VI. CONTRACTOR GOOD FAITH EFFORTS

In accordance with subpart 75.15, 75.25 and HACLA's requirements, HACLA will require the vendor to engage in qualitative efforts to satisfy its benchmark goals, which may include, but are not limited to the following:

1. Engaging in outreach efforts to generate job applicants who are Targeted Section 3 Workers, including notifying HACLA's Section 3 team, posting job openings at the job site, HUD Opportunity Portal, social media pages, contacting Resident Advisory Councils, and other platforms;
2. Contacting agencies administering Los Angeles County YouthBuild Programs, and requesting their assistance in recruiting LA County YouthBuild Program participants for training opportunities and employment positions;
3. Consulting with state and local agencies administering training programs, such as those funded through Workforce Investment Act, unemployment compensation programs, community organizations and other officials or organizations to assist with training and recruiting Section 3 Workers and Targeted Section 3 Workers;
4. Holding job fairs;
5. Providing or connecting Section 3 Workers and Targeted Section 3 Workers with assistance in seeking employment, including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services;
6. Providing or referring Section 3 Workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care);
7. Assisting Section 3 Workers to obtain financial literacy training and/or coaching;
8. Engaging in outreach efforts to identify and secure bids from Section 3 Business Concerns.
9. Providing technical assistance to help Section 3 Business Concerns understand and bid on contracts;
10. Dividing contracts into smaller jobs to facilitate participation by Section 3 Business Concerns;
11. Providing bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Business Concerns;
12. Promoting use of Section 3 Business Registries designed to create opportunities for Section 3, disadvantaged and small businesses.

VII. PROVIDING OTHER ECONOMIC OPPORTUNITIES VIA QUALITATIVE EFFORTS

Contractors who are unable to satisfy applicable Section 3 Worker and Targeted Section 3 Worker labor hour employment and hiring benchmarks may engage in qualitative efforts and offer other economic opportunities to Section 3 Workers and Targeted Section 3 Workers. These efforts shall be designed to assist with upward mobility, sustained employment and self-sufficiency via participation in HACLA's Section 3 Fund Promises Program. These opportunities may include, without limitation:

1. Providing assistance to apply for/or attend community college, a four year educational institution or vocational school; or
2. Sponsoring enrollments into apprenticeship and pre-apprenticeship programs.

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VIII: PROMISES PROGRAM

Consistent with 24 CFR Part 75.15 (b) (2), (4), (6), (7) and (8) and 24 CFR Part 75.25 (b) (2), (4), (6), (7) and (8) HACLA has established a Promises Program. The main goal and purpose of the Program is to promote and contribute to the development of employment skills, trainings and educational opportunities for Section 3 Workers to help them realize sustained employment. Vendors are encouraged to engage in a variety of qualitative efforts identified in 75.15 and 75.25 to the extent feasible, to assist them with meeting the Section 3 labor hour benchmarks and creating sustained employment.

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In addition to engaging in outreach efforts and hiring Section 3 and Targeted Section 3 Workers, HACLA has identified several qualitative efforts described by HUD that are of particular importance for the Section 3 Workers we service as follows:

1. **Trades Program:** Consistent with 24 CFR Part 75.15 (b) (2), (6) and 24 CFR Part 75.25 (b) (2), (6) vendors may select to provide training or apprenticeship opportunities to Section 3 Workers.
 - a. HACLA can facilitate the process by identifying Section 3 Workers for sponsorship into the Union trades or other training programs. Vendors can thereafter assist with the onboarding of the worker, including payment of any applicable fees and costs directly to the worker or training program.
2. **Scholarship Program:** Consistent 24 CFR Part 75.15 (b) (7) and 24 CFR Part 75.25 (b) (7), vendors may elect to provide assistance to apply for/or attend community college, or four-year educational institution, or vocational/training school.
 - a. HACLA can facilitate these efforts by identifying and connecting vendors to Section 3 Workers from HACLA's public housing and Section 8-assisted households. Vendors may use whatever criteria they choose to identify deserving persons. Mechanisms could include an applicant application process followed by review and scoring, requesting that HACLA do so on their behalf, or other means. Once identified, the vendor would award the scholarship directly to the applicant awardee.
 - b. The number of scholarships and amounts provided are determined by the vendor.

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3. **Connecting to the World:** Consistent with 24 CFR Part 75.15 (b) (4), (6), (8) and 24 CFR Part 75.25 (b) (4), (6), (8) vendors may assist Section 3 Workers by connecting them with job placement services, work readiness and retention services.

a. Vendors may assist Section 3 Workers to obtain financial literacy and coaching services at either HACLA public housing sites or at another location.

i. HACLA can facilitate these efforts by identifying and connecting vendors to Section 3 Workers from HACLA's public housing and Section 8-assisted households.

ii. In addition to HACLA's assistance, vendors are encouraged to use HUD's Opportunity Portal, which is designed to match Section 3 Workers to jobs and training opportunities. See <https://hudapps.hud.gov/OpportunityPortal/>.

b. Vendors may provide or refer Section 3 Workers to services supporting work readiness and retention programs, including drafting resumes, preparing for job interviews and finding job opportunities via connecting them to job placement services.

i. Such assistance can be made possible in a variety of ways, including providing technology equipment, stationery, and related office products to students and youth residing at HACLA's public housing sites. Unless the vendor requests otherwise, supplies and equipment will be made available at HACLA's computer labs and at WorkSource Center for use by all Section 3 Workers in order to maximize the number of persons served. This will enable Section 3 Workers to have access to these resources within proximity to their homes, thereby helping bridge the digital divide.

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Vendors will not be provided preferences of any kind or nature by choosing to participate in any of the above activities. Priority for opportunities and training should be given to Section 3 Workers following the order identified in 24 CFR Part 75.9 and 75.19, as applicable. Participation is voluntary and solely for the purpose of realizing qualitative efforts. Qualitative efforts are not in lieu of meeting the labor hour benchmarks. All vendors must engage in qualitative efforts to meet labor hour benchmarks and provide such reports to HACLA.

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VIII. SECTION 3 FUND CONTRIBUTIONS

A. Purpose of Fund.

~~In accordance with 24 CFR Part 75.15 and 75.25, HACLA has established a Section 3 Fund to permit Contractors to contribute funding for programs that lead to the development of employment skills and generate employment opportunities for Section 3 Workers. Contributions to the Section 3 Fund will be permitted in those instances where the Contractor has demonstrated to HACLA's satisfaction, that compliance with Section 3 requirements and providing other economic opportunities or qualitative efforts is not feasible or likely to lead to sustained employment. Contractor contributions to the Section 3 Fund are considered an option of last resort, as HACLA's preferred method for Contractors to~~

meet their Section 3 benchmark goals and obligations are through the direct creation of sustained employment opportunities. HACLA does not accept Contractor contributions to the Section 3 Fund in lieu of compliance with Section 3 or this Policy.

B. Participation in Fund.

Contractors who meet the eligibility requirements set forth in Article VIII.A above, or who are unable to satisfy their Section 3 commitments as set forth in their Economic Opportunity Plan may, at HACLA's election, be permitted to contribute to the Section 3 Fund and avoid the penalties for default described in Article XIII herein, provided the Section 3 Compliance Administrator finds the Contractor's lack of compliance is due to extraordinary circumstances and not due to the Contractor's lack of good faith compliance efforts or Contractor's failure to exhaust all feasible alternatives for compliance.

C. Contribution Requirements.

1. Contractor, subcontractor or other recipient contributions to the Section 3 Fund shall be equal to the lesser of three percent (3%) of the actual dollar amount spent by HACLA under the contract, unless otherwise agreed by HACLA.
2. Section 3 Fund contributions are based solely on net amount paid to the Contractor excluding shipping fees, returns, credits and taxes. All expenses authorized under the contract, including license fees, labor, materials costs, and subcontracting expenses, are subject to Section 3 Fund contribution calculations.

D. Payment Options.

1. For construction related Section 3 contracts of up to one (1) year, Contractors have the option of making contributions (i) in a single up front payment or (ii) making payments on a periodic basis following the receipt of contract payments from HACLA, provided such periodic payments must be in amounts of no less than three percent (3%) of the amount HACLA paid the Contractor for a particular installment, unless otherwise agreed by HACLA. In no event shall such contributions be deducted from the amounts due Contractor.
2. For all contracts exceeding one (1) year, Contractors have the option of making contributions (i) in a single up front payment at contract commencement based upon the subject year's contract award value, (ii) in periodic payments of three percent (3%) or greater of each payment received from HACLA, or (iii) at the end of each contract year based upon the actual dollar amount spent by HACLA under the contract for that particular year, unless otherwise agreed by HACLA.
3. Contractors making their Section 3 Fund contribution at the end of contract year shall submit payment in full within thirty (30) days after the receipt of HACLA's invoice for payment.
4. Section 3 Fund contributions for contracts terminated before the contract year end term shall be paid in full at the time of termination.

~~E. Voluntary Contributions.~~

~~Contractors may contribute to the Section 3 Fund in discretionary amounts in addition to satisfying their Section 3 benchmark goals and obligations.~~

~~F. Use of Section 3 Fund Proceeds.~~

- ~~1. Section 3 Funds shall only be used by HACLA to further the purposes of Section 3, which are to lead to the creation of sustained employment opportunities for Section 3 Workers and Targeted Section 3 Workers.~~
- ~~2. Section 3 Funds shall only be used for job and vocational training, education and tuition, and employment services programs that lead to meaningful and sustained employment. Such programs include, but are not limited to:
 - ~~i. Occupational/trade training programs that provide Section 3 Worker and Targeted Section 3 Worker trainees with individualized support to enhance social, vocational and developmental skills;~~
 - ~~ii. HACLA-approved apprenticeship training programs and HACLA-approved pre-apprenticeship training programs designed to prepare Section 3 Worker and Targeted Section 3 Worker Trainees to enter into and succeed in an approved apprenticeship program;~~
 - ~~iii. Trade school, college and university degree and certification programs.~~~~

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IX. SECTION 3 BUSINESS CONCERNS

- A.** Business owners seeking HACLA's designation as a Section 3 Business Concern must submit a Section 3 Business Certification Form (to be provided by HACLA) to be added to the Section 3 Business Registry.
- B.** HACLA reserves the right, but is not obligated, to accept a Contractor's certification as a Section 3 Business Concern approved by another governmental entity including such certifications provided by HUD.
- C.** Certification as a Section 3 Business Concern does not relieve Contractors from their Section 3 obligations, including the achievement of their Section 3 Benchmarks. All Section 3 Business Concerns are required to demonstrate compliance with Section 3 and this Policy. Businesses which desire to be identified as a Section 3 Business Concern at the time of bid or proposal submission will be required to provide HACLA with an updated Section 3 Business Certification Form, regardless of whether such businesses previously completed a Section 3 Business Certification Form or were determined eligible by HACLA.

X. SECTION 3 RECRUITMENT AND NEW HIRES

Contractors are expected to make best efforts to achieve the benchmarks and Section 3 Worker

priorities outlined in this Policy and at 24 CFR Part 75. This section provides guidance for the recruitment of New Hires who are Section 3 Workers and Targeted Section 3 Workers to assist Contractors in meeting their benchmarks and obligations.

A. Recruitment Efforts.

1. HACLA maintains a database of employment-ready Section 3 Workers/Targeted Section 3 Workers who meet certain minimum qualifications for various categories of employment. Upon receipt of a completed Section 3 Job Order Form from Contractor/Subcontractor, HACLA will provide referrals of qualified candidates from the database. Contractors are expected to provide HACLA with the Section 3 Job Order Form in sufficient time to identify prospective candidates, prepare and refer them for interviews, and secure employment in advance of project commencement.
2. Upon receipt of a Section 3 Job Order Form, HACLA will refer qualified candidates for interviews for each available position. Contractors are expected to give each referred candidate full consideration for available positions.
3. Independent of HACLA's efforts and referrals, Contractors shall engage in independent employment recruitment efforts and follow the Section 3 Worker and Targeted Section 3 Worker order of hiring priority as identified in this Policy.
4. Contractors shall submit to HACLA their interview notes, including reasons for denial of employment or training opportunity and any follow up actions to be taken to assist the Section 3 Worker in the future, as applicable.
5. Section 3 Workers and Targeted Section 3 Workers are not exempt from meeting the qualifications of the position to be filled.

B. Section 3 Worker and Targeted Section 3 Worker New Hires.

1. All Section 3 Worker and Targeted Section 3 Worker New Hires shall be employees of the Contractor and shall have all the protections afforded to employees under state, federal and local laws. Contractors are expected to impose the same hiring requirements and personnel rules and policies upon Section 3 Worker New Hires as are imposed upon their other employment candidates and employees. As stated in Article I.B, HACLA expects and requires Contractors to abide by equal pay for equal work principles.
2. Contractors are required to report to HACLA within three (3) business days of hiring Section 3 Workers and Targeted Section 3 Workers and shall provide to HACLA a completed Section 3 Worker Certification Form (to be provided by HACLA) for each Section 3 Worker and Targeted Section 3 Worker.

C. Apprenticeship Programs.

1. Contractors who employ apprentices are required to utilize apprenticeship programs approved by the federal Department of Labor ("DOL").

2. Contractors who employ apprentices on construction projects that are subject to the Davis-Bacon Wage Act are required to adhere to all legal requirements for wage rates and ratios of apprentices to journeymen set forth therein.

D. Limitations.

Contractors retain the sole discretion and control over any hiring and personnel decisions. HACLA cannot and will not exercise any control over any of the Contractor's employees, including New Hires, regardless of whether they were referred by HACLA or are Section 3 Workers/Targeted Section 3 Workers recruited through other means.

E. Documented Efforts.

Contractors shall document efforts taken to recruit and interview Section 3 Workers/Targeted Section 3 Workers for hire and shall, upon reasonable request, provide HACLA with documentation that demonstrates such efforts, including interview notes, which shall include reasons for denial of employment or other actions as applicable.

F. Lack of Compliance.

A Contractor's failure to satisfy the requirements of this section may result in HACLA's determination that the Contractor has failed to demonstrate good faith efforts to comply with the requirements of Section 3 and this Policy, and may subject Contractor to the penalties for default described in Article XIII.

XI. REQUIRED SUBMISSION DOCUMENTS

A. Section 3 Economic Opportunity Plan.

1. All Contractors awarded a Section 3 Contract and their Subcontractors shall prepare an Economic Opportunity Plan ("EOP") in accordance with this Policy. The EOP shall include a plan for meeting the Section 3 Benchmarks and other requirements as specified in the solicitation.
2. Unless the solicitation specifies otherwise, a Contractor's EOP shall be submitted to HACLA with Contractor's bid/offer package. Bids/Offer submitted by Contractors without an EOP, when required, may be rejected as non-responsive and determined ineligible for contract award.
3. Unless the solicitation specifies otherwise, a Subcontractor's EOP shall be submitted to HACLA prior to commencement of the contract.
4. EOP commitments will be incorporated into the contract. Contractors are responsible for incorporating their EOP commitments in any subcontracts it awards for the contract work.
5. Failure on the part of Contractor/Subcontractors to meet the commitments set forth in Contractor's EOP may subject Contractor to the penalties for default described in Article

XIII, including a determination that the Contractor is in material default of the contract.

B. Section 3 Compliance Summary Report.

1. Contractors shall provide periodic and project end reports using the Section 3 Compliance Summary Report form (to be provided by HACLA). Contractors shall submit with the Section 3 Compliance Summary Report form supporting documentation of efforts to demonstrate their good faith efforts and achievements. These documents include, but are not limited to the following:
 - i. Section 3 Worker and Targeted Section 3 Worker Certification Forms
 - ii. Section 3 Business Concern Certification Forms
 - iii. Payroll or time-and-attendance based records
 - iv. Outreach effort documentation
2. HACLA reserves the right to request from Contractor additional compliance documents to support data reported in the Section 3 Compliance Summary Report, and to request such other documents as HACLA deems necessary for verification and documentation of efforts.

XII. DEVELOPMENT AND REDEVELOPMENT PROJECTS

In recognition that large-scale development and redevelopment projects present a unique opportunity to: (i) provide job training and generate sustained employment opportunities for Section 3 Workers and Targeted Section 3 Workers, and (ii) provide numerous contracting opportunities for Section 3 Business Concerns, HACLA's Board of Commissioners has adopted heightened expectations for Section 3 compliance and commitments on the part of HACLA's development partners and their Contractors and Subcontractors. Regardless of whether the source of funding for such projects triggers the requirements of Section 3, all such projects shall be subject to Section 3 commitments that fully-align with all Housing and Community Development Financial Assistance, Public Housing Financial Assistance and other funding sources requirements, as applicable, and shall include the following:.

A. Priorities and Commitments.

1. The project's master development agreement, disposition and development agreement, or similar agreement between HACLA and the developer, will, consistent with 24 CFR Part 75, reflect priorities for training and employment opportunities, benchmarks goals and additional negotiated commitments pertaining to New Hires, Section 3 Business Contracting, and other economic opportunities and commitments beyond HUD requirements. In all instances these commitments shall include, at a minimum, the following:
 - i. Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 Project will be Section 3 Workers;
 - ii. Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 Project will be Targeted Section 3 Workers;
 - iii. Thirty percent (30%) of all New Hires on the Section 3 project will be Section 3

Workers with the highest hiring priority being residents of the subject redevelopment;

- iv. The imposition of Section 3 Business Concern subcontracting goals of no less than ten percent (10%) for all construction-related subcontracts and no less than three percent (3%) for all professional services agreements;
 - v. Section 3 Worker and Targeted Section 3 Worker New Hire goals for post-construction employment opportunities under contracts that support the redevelopment such as property management, social services/youth programming, and retail lease agreements, with the highest hiring priority being residents of the subject redevelopment;
 - vi. The commitment to engage in qualitative efforts to encourage, enable and assist Section 3 Workers and Targeted Section 3 Workers to obtain training and secure employment on the project as set forth in Article VI. Financial commitments for pre-apprenticeship and apprenticeship programs should be expected and included when feasible; and
 - vii. Section 3 compliance fees should be included in all such commitments that are reasonably-related to the cost of monitoring Section 3 compliance over the life of those commitments.
2. The developer is responsible for submitting to HACLA a detailed Section 3 Economic Opportunity Plan (may also be referred to as Construction Local Hiring and Contracting Plan or Post-Construction Local Hiring and Contracting Plan, as appropriate) that details its approach, methods and resources to be used to meet and/or exceed HUD and HACLA benchmark goals, prioritization efforts and additional negotiated commitments.
 3. The developer's specific, negotiated Section 3 commitments shall be made applicable to developer's Contractors, Subcontractors and all other businesses employed on the project.
 4. The developer will be held responsible for enforcing Section 3 requirements and project commitments, and for monitoring its Subcontractors' performance for compliance.

B. Penalties.

In the event the developer fails to meet its commitments and cannot demonstrate to HACLA's satisfaction that good faith efforts have been made to fulfil their commitments, it shall be subject to penalties for non-compliance as negotiated in its master development agreement, disposition and development agreement or similar agreement between HACLA and the developer. Shall no such penalty agreement exist, the penalties for non-compliance set forth at Article XIII.B shall apply to the project.

C. Conflicts.

Except as expressly set forth herein, Section 3 requirements and this Policy shall apply to the project. In the event of any perceived or actual conflicts between developer's specific, negotiated Section 3 commitments and the requirements of 24 CFR Part 75 and/or this Policy,

HACLA's determination shall be final and binding.

XIII. COMPLIANCE

A. Reviews for Compliance.

1. HACLA may periodically audit Contractors'/Subcontractors' performance for compliance with the requirements of Section 3 and this Policy, and may conduct periodic project site visits and employee interviews to support such efforts.
2. In connection with an audit for compliance, HACLA reserves the right to request from Contractors/Subcontractors reports and information concerning its efforts to comply with the requirements of Section 3, this Policy, and the Section 3 Contract's related contract terms and conditions.

B. Penalties for Non-Compliance.

1. Contractors who fail to comply with their EOPs or otherwise fail to meet their Section 3 commitments and obligations as set forth in their Section 3 Contract and/or EOP, shall, following notice and a reasonable opportunity to cure (as determined by HACLA in its sole discretion based upon the circumstances), be deemed in material default of their contracts, and may be subject to administrative penalties and/or debarment as follows:
 - i. 1st Violation: Administrative penalty of ten percent (10%) of the contract award amount including all amendments.
 - ii. 2nd Violation: Administrative penalty of additional ten percent (10%) of the contract award amount including all amendments.
 - iii. 3rd Violation: Debarment, suspension, denial of participation in HACLA contracting or HUD programs in accordance with 2 CFR Part 2424, and elsewhere.
2. Contractors and Subcontractors who engage in intentional acts of fraud such as providing false information, materially inaccurate information, or material omissions in the completion of Section 3 forms, including without limitation, certifications, payroll records, or project labor hour records, may be subject to debarment, suspension from, or denial of participation in HACLA, HUD and federal contracting, and may also be subject to criminal and/or civil liabilities and penalties.

XIV. RECORDS RETENTION

HACLA and any of its duly authorized representatives shall, until five years after final payment under the Section 3 Contract, have access to and the right to examine any Contractor or Subcontractor books, payroll records, documents, papers, or other records concerning Section 3 benchmarks, good faith efforts and reported achievements for the purpose of making audit, examination, or in response to HUD request.

XV. RESOURCES

A. General Information.

HUD publishes general information concerning Section 3, including the federal regulations implementing Section 3 (24 CFR Part 75), at www.hud.gov/section3.

B. HACLA Forms.

All HACLA forms referenced in this Policy are available online at www.hacla.org/forms or by contacting HACLA's Section 3 Compliance Administrator at: section3@hacla.org. Additional Section 3 information and links are available at www.hacla.org/section3.

C. Questions and Complaints.

1. Questions or complaints concerning this Policy should be directed to HACLA's Section 3 Compliance Administrator:

Housing Authority of the City of Los Angeles
Section 3 Compliance Administrator
2600 Wilshire Blvd., 4th Floor
Los Angeles, CA 90057
Email: section3@hacla.org

2. Consistent with 24 CFR Part 75.33, complaints alleging failure of compliance with this part may be reported to the HUD program office responsible for the public housing financial assistance or the Section 3 project, or to the local HUD field office.

History:

02/27/14: Section 3 Compliance Plan adopted by Board Resolution No. 9167

11/28/17: Plan revisions approved by Board Resolution No. 9693

06/24/21: Plan replaced with this new Policy approved by Board Resolution No. 9714

[02/23/23: Amendment](#)