

February 5, 2007

ECONOMIC DEVELOPMENT

Section 3 Works Better When Providing Career Opportunities, Legal Services Attorney Says

To work as a community development strategy, the Section 3 program must provide participants with career opportunities, not short-term jobs, said Robert Damewood, a staff attorney with Regional Housing Legal Services in Pittsburgh, a presenter in an on-line discussion of the program sponsored by Knoeledgeplex.org, a Fannie Mae Foundation web site.

Section 3 of the Housing and Community Development Act of 1968 requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide low- or very-low-income residents with employment, contracting opportunities, or job training opportunities.

Persons who can benefit from Section 3 include public and Indian housing residents, Youthbuild participants, and low-income persons in the area surrounding a project receiving HUD funds.

Pittsburgh Case Studies

Damewood compared two construction projects near Pittsburgh that had decidedly different outcomes for the Section 3 participants. The first was phase one of McKees Rocks Terrace, a HOPE VI development which had development costs of \$10 million. The second was phase one of the Clairton Southside development.

At McKees Rocks Terrace, 112 townhouse units were built, and the focus was on maximizing the number of new hires so that 40 percent were Section 3 employees. The program's safe harbor is 30 percent.

Fourteen residents were hired as Section 3 workers, and they were placed directly on the job with no pre-job training. Nine quit due to harassment from permanent workers and frustration with doing non-skilled labor that involved carrying tools and digging foundations, Damewood said. Five completed the job, and one person retained permanent employment with the contractor.

Damewood said that these numbers were provided by the resident council and that he interviewed several residents about the results.

Clairton Southside

The Clairton Southside development of 44 townhouse units had \$7 million in construction costs, which was paid in part by community development block grant funds. The same general contractor participated and learned from the experience, said Damewood. The focus turned to recruitment, training, and support of participating residents.

Seventeen Section 3 participants were hired, and 10 enrolled in a six-month on-the-job training program. Two failed to be placed in a job at the end of the training while 15 worked for the duration of the job. Eight were retained or otherwise employed in the construction field after the job was finished.

At the Clairton project, the training included pre-construction classroom sessions, and the Section 3 workers were assigned to two on-the-job framing crews with one instructor in charge. Framing was chosen due to the continuity and duration of the work. The trainees were paid the journeyman wage for carpenters, and graduates of the six-month training course were referred to subcontractors on the site.

The remaining seven residents were hired outside of the training program, and two of those were admitted into the union apprenticeship program for painting and drywall finishing.

The community development corporation (CDC) involved in the project recruited heavily, knew the applicants, and was able to refer those who would take advantage of the opportunities, Damewood said.

Clairton Costs, Funding

A Section 3 coordinator provided case management, mentoring, evaluation, and troubleshooting. At Clairton, the total cost of the training program was \$295,000 and the net cost, after subtracting the value of work performed (\$116,000), was \$179,000.

The major costs of the training program were: instructor and trainee wages, \$243,000; Section 3 coordinator, \$29,500; classroom training, \$13,000; and miscellaneous support, \$10,000.

The sources of funds for training were: the construction contract, \$116,000; CDBG funds, \$104,500; and a contribution by the contractor, \$75,000.

Damewood said that HUD could provide better support for Section 3 efforts by implementing consistent and meaningful reporting and compliance monitoring standards. HUD could also provide funds for Section 3 coordination for on-the-job training, he said.

Damewood also said that the Section 3 standard could be something other than the percentage of new hires. Setting a standard of a percentage of the total workforce would be easier to enforce, he said, adding that HUD could require a percentage of the contract to be used for training.