REGULATORY IMPACT ANALYSIS

Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses through Strengthened "Section 3" Requirements

Proposed Rule

Docket No. FR-4893-P-01

Summary of Analysis

This proposed rule updates HUD's regulations in 24 CFR Part 135, which provide for compliance with Section 3 of the Housing and Urban Development Act of 1968 (Section 3). The proposed rule updates the Part 135 regulations, established in 1994, and makes changes to strengthen Section 3 oversight and facilitate compliance with Section 3. The proposed rule incorporates new HUD programs established since 1994 that are subject to Section 3 requirements, revises the existing regulations to better promote compliance by recipients of Section 3 covered financial assistance, and strengthen HUD oversight of Section 3.

The purpose of Section 3 is to ensure that in an area in which HUD funds are being expended, jobs opportunities resulting from the expenditure of HUD funds, including apprenticeship opportunities, are made available to public housing residents and other eligible low- and very low-income residents, and contracting opportunities resulting from the expenditure of HUD funds are made available to businesses that substantially employ these persons. Section 3 does not call for the creation of jobs or contracts, but rather where job opportunities or contract opportunities result from the expenditure of HUD funds, the employer must consider Section 3 residents and businesses for these opportunities. Given HUD funds covered by Section 3 awarded annually, a reasonable estimate of the impact would be an additional 1,400 jobs provided to Section 3 residents, and more than $172 million in contracts annually as a result of increased oversight and clarification of program standards.

Additionally, as tenants of public housing's incomes rise, the federal rental subsidies provided to those tenants would be reduced. Such a reduction of federal subsidies could reach $19 million annually.

If implemented as proposed, this proposed rule would result in a reporting and record keeping burden of 226,640 hours or $7.3 million[1] the first year and a reduction of administrative burden by a net -10,000 hours or $320,000 in succeeding years. This rule will not have any impact on the level of funding for the impacted HUD programs. The level of funding is determined independently by congressional appropriations and for some funds by authorizing statutes that establish minimum or maximum grants or allocations. The proposed rule will, however, affect the allocation of resources both within HUD and amongst recipient agencies.

Consistent with Executive Order 12866[2] and OMB Circular A-4[3], this proposed rule is not economically significant and does not warrant a full regulatory impact analysis.

Background

The mission of Section 3 is to utilize existing federal funding streams for low-income housing and community development to provide economic opportunities for low-income individuals that reside in the proximity of HUD-funded projects, and businesses that are either owned by or substantially employ these persons. Section 3 is a set of statutory obligations for recipients of certain HUD financial assistance. Section 3 requires certain projects funded by HUD to meet, "to the greatest extent feasible," specific goals for hiring public housing residents and other local low-income persons and awarding contracts to eligible businesses. Pursuant to the statute, priority consideration shall be given to "Section 3 residents" and "Section 3 Businesses" when making HUD-funded hiring and procurement decisions. A Section 3 resident is either a resident of public housing or a low-income person residing in the metropolitan area or Non-metropolitan

[1] Average total compensation of all workers, BLS, March 2014. See http://www.bls.gov/news.release/ecec.t01.htm.

[2] Office of Management and Budget, Economic Analysis of Federal Regulations under Executive Order 12866, January 11, 1996, http://www.whitehouse.gov/omb/inforeg/riaguide.html.

[3] http://www.whitehouse.gov/omb/inforeg/cirular-a4.pdf.

County where the Section 3 covered assistance is spent. A Section 3 Business is currently defined as a business that satisfies either ownership or employment criteria with regards to Section 3 residents, or that can provide evidence of a firm commitment to award 25 percent of subcontracts to other Section 3 Businesses. This proposed rule removes the third category of the current definition of a Section 3 Business, and introduces two new categories in an effort to increase contracting opportunities for businesses that are owned by residents of public housing and to incentivize contractors to sponsor Section 3 residents to attend Department of Labor (DOL) or DOL-recognized registered apprenticeship programs.

Public housing agencies (PHAs) that administer public and Indian housing operating subsidies or receive funding for capital repairs are the primary focus of Section 3. Under this proposed rule, recipients of HUD housing and community development grants are also subject to Section 3, but only if their annual expenditure on construction related activities exceed $400,000.[4] Given that the problems of housing affordability and income stability are intertwined, Section 3 addresses these joint problems by directing a share of the income generated from HUD grants in economically distressed communities to low-income residents and eligible businesses within the local housing market.

Need for the rule

Section 3 requirements have been governed by regulations established in 1994, and good governance directs HUD to update these 20 year-old regulations. Much has changed since 1994, and HUD's Section 3 regulations need to reflect these changes. This proposed rule adds new HUD programs established since 1994 that are subject to Section 3 requirements, incorporates provisions designed to facilitate and enhance compliance by recipients of covered HUD assistance, and strives to mitigate barriers to achieve compliance.

[4] There are approximately 7,500 direct recipients of HUD funding (i.e., PHAs, local and State governments, multifamily property owners, and non-profit organizations). Approximately 13,350 subrecipients and contractors that receive HUD-funded contracts would also be required to comply with the proposed rule—Source: 2012 HUD's Integrated Disbursement and Information System (IDIS) and Public Housing Inventory data.

In August 2010, HUD hosted a Section 3 Listening Forum[5] that brought together recipients of Section 3 covered HUD financial assistance, community advocates, representatives from national housing organizations, Section 3 residents and businesses, and other stakeholders to identify best practices and to discuss barriers to full implementation across the country. Participants stated that the existing regulations: (1) are not sufficiently explicit about specific actions that could be undertaken to achieve compliance; (2) do not clearly describe the extent to which recipients may require subrecipients, contractors, and subcontractors to comply with Section 3; and (3) fail to identify actions that recipients may take to impose meaningful sanctions for noncompliance by their subrecipients, contractors, and subcontractors.

In recent years, HUD has undertaken efforts to improve compliance with Section 3 without resorting to regulatory changes, primarily by including increased reporting of Section 3 in HUD grant competitions, and establishing a Business Registry pilot program that was expanded nationally in 2014. These efforts have been helpful, but HUD recognizes that regulatory change is necessary to achieve longer-term and more meaningful and effective compliance. As more fully described below, this proposed rule clarifies definitions and provisions that are currently left to interpretation, introduces new definitions that eliminate unintended consequences, and attempts to establish universal procedures for demonstrating compliance to satisfy “the greatest extent feasible” standard.

Impact Analysis

The key provisions of the rule that will have an impact on covered recipients of HUD funding and intended beneficiaries are clearer compliance requirements related to new hires under Section 3, refinement of program thresholds, and increased reporting requirements. The following is an overview of some of the major provisions introduced in this proposed rule, and an analysis of their associated impact.

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[5] https://nhlp.org/files/09%20Section%203%20Barriers%20and%20best%20practices%208%2024%2010%20Final%20with%20attachment.pdf

Standard for Demonstrating Compliance "To the Greatest Extent Feasible": Increases Compliance by Covered Recipients

This proposed rule strives to achieve uniformity with the statutory standard to: (1) undertake "best efforts" to provide economic opportunities to Section 3 residents and businesses, and (2) ensure "to the greatest extent feasible" that opportunities for training and employment are provided to Section 3 residents and businesses. HUD views these standards as essentially the same and would remove the distinction in the existing codified regulations by only using the "to the greatest extent feasible" standard. The proposed rule clarifies that recipients are required to demonstrate compliance, to the greatest extent feasible, by: (1) establishing and implementing policies and procedures to achieve compliance with the regulations; (2) fulfilling the recipient responsibilities set forth at 24 CFR 135.13; and (3) either reaching or exceeding the minimum numerical goals for employment and contracting or providing a written explanation of why the goals were not met, barriers encountered, and actions that will be taken to achieve compliance in the future. HUD believes that articulating a clear standard will provide recipients more discretion for meeting their obligations while holding them accountable when their actions do not result in meeting the stated numerical goals. Given that approximately 40 percent of HUD's current overall budget or $18.9 billion is covered by Section 3, increased compliance will have a significant impact.[6]

Revised Definition of "New Hire" Ensures that Meaningful Jobs are Provided to Section 3 Residents

The current regulation sets a goal for Section 3 residents to comprise 30 percent of all new hires, regardless of the length of employment. As a result, recipients and contractors are able to hire Section residents for relatively short periods of time and still be considered compliant with this requirement. This proposed rule removes this unintended consequence by redefining a new hire as a Section 3 employee if the person works a minimum of 50 percent of the average staff hours worked for the job category that they were hired for throughout the duration of time that the category of work is performed on the covered project. For example, if a Section 3 resident is

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[6] 2014 HUD Budget Estimate: See http://portal.hud.gov/hudportal/documents/huddoc?id=BUDGETAUTHORITY.pdf

hired as a painter, and painters typically work 40 hours each week, the Section 3 resident must work a minimum of 20 hours each week during their employment on the project in order to be counted towards the recipient's minimum numerical goal for employment. By ensuring that HUD-funded employment opportunities are meaningful, this proposed rule could result in more than $16 million in weekly wages for Section 3 residents.[7]

New Definition of "Section 3 Businesses" Increases the Number of Businesses that are Eligible to Receive Preference

Currently, a Section 3 Business must meet one of the following three definitions: (a) 51 percent owned by Section 3 residents; (b) at least 30 percent of permanent, full-time employees are Section 3 residents; (c) provides evidence of a commitment to subcontract 25 percent or more of the dollar amount of all subcontracts to businesses that meet definitions (a) or (b). The proposed rule removes category (c) of the current definition of a Section 3 Business and adds two new categories. First, businesses that meet the definition of a resident-owned business as set forth in 24 CFR 963.5 will be the new category (a); and to incentivize contractors to sponsor Section 3 residents and the business either: sponsored a minimum of 10 percent of its current Section 3 employees to attend a DOL or DOL recognized State-Apprenticeship Agency approved, registered apprenticeship, or a pre-apprenticeship training program that meets the requirements in outlined DOL/ETA Training and Employment Notice 13-12; or that 10 percent of its employees are participants or graduates of a DOL YouthBuild program will be category (d). While HUD cannot estimate the number of additional businesses that may receive HUD-funded contracting opportunities as a result of expanding the categories set forth in the proposed definition of a Section 3 business, this change will undoubtedly result in an increase the number of Section 3 businesses that will be eligible to receive HUD-funded contracts which average approximately $121,410 per award.[8]

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[7] Source: 2012 Section 3 Summary Data System and BLS Data on Mean Wages for Construction Laborers. Estimate is based on a 40 hour work week. See http://www.bls.gov/oes/current/oes472061.htm

[8] Source: 2012 Section 3 Summary Data. According to the data, 7,627 Section 3 businesses were awarded contracts totaling $918,712,764.

Introduction of New Term "Section 3 Local Area" Keeps HUD-Funded Jobs and Contracts Local

The definitions of Section 3 resident and Section 3 business concern in the current Section 3 regulation do not limit eligibility to beneficiaries that are actually located in the proximity of HUD-funded projects or activities. To address this, and to be more consistent with the Section 3 statute and Congressional intent, this proposed rule clarifies that Section 3 residents and businesses must be located in the *Section 3 local area* which is defined as: (1) the primary statistical area where the Section 3 covered project or activity takes place; or (2) the nonmetropolitan county where the Section 3 covered project or activity takes place. Providing job opportunities within proximity to local Section 3 residents addresses other barriers to employment as well. More than half of public housing households, and nearly half of Section 8 voucher households, include a person who is elderly or has a disability. Many of these households include individuals who are able to work but also have care-giving responsibilities, which limit their flexibility in pursuing job opportunities. Families with young children face a similar quandary. By creating access to jobs on-site or within the service area, Section 3 makes it easier for residents to obtain a work-life balance.[9] If we assume that the average effective state and local corporate income tax rate is 6.35 percent, the $918 million in total HUD-funded contracts awarded to Section 3 businesses, as reported in 2012, would potentially generate more than $5.8 million in tax revenue to support and strengthen communities with the greatest economic needs under this proposed rule.[10] Additionally, keeping jobs and contracts local creates in a multiplier effect as the wages that are paid to Section 3 residents are used to purchase local goods and services (i.e., rent, groceries, public transportation, etc.).

Removal of Minimum Numerical Goal for Non-Construction Increases the Dollar Amount of HUD-Funded Contracts for Section 3 Businesses

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[9] When the service area is a large metropolitan area without transit, then overcoming spatial barriers is not a necessary outcome of Section 3.

[10] Source: 2012 Section 3 Summary Data and National Association of Home Builders (NAHB) "The Local Impact of Home Building in a Typical Metro Area". http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=219188.

Currently, the interim regulations set forth a minimum numerical goal that 3 percent of the total dollar amount of non-construction contracts shall be awarded to Section 3 businesses. In 2012, three percent of the $2,464,665,106 in HUD-funded non-construction contracts awarded equaled $73.9 million. Since there is no statutory basis for making a distinction between construction and non-construction contracts, and the interpretation of the non-construction goal has been problematic for recipients, HUD believes that it is more effective for the proposed rule to require recipients to award 10 percent of the total dollar amount of all covered contracts to Section 3 businesses regardless of the type. As a result, this proposed rule will potentially generate an additional $172 million in total HUD-funded contracts for Section 3 businesses annually.[11]

Section 3 Resident and Business Verification Procedures Reduce Administrative Burden

The current regulation does not require recipients to verify that Section 3 residents or businesses meet the applicable definitions. Instead, residents and businesses are merely required to comply with whatever procedures recipients put in place. This proposed rule still allows recipients to use their discretion for developing verification procedures. However, the proposed rule explicitly states that recipients can accept self-certifications from residents or businesses or they can presume that residents or businesses that are located in disadvantaged census tracts are eligible to be considered Section 3 residents or businesses. In an additional effort to reduce administrative burden for covered recipients, HUD expanded its Section 3 Business Registry nationwide in 2014. The Section 3 Business Registry is a resource that allows businesses to self-certify their Section 3 eligibility with HUD. It is used to ensure that consistent self-certification procedures will be implemented nationwide and streamlines the process of notifying Section 3 businesses about the availability of local HUD-funded contracts. HUD estimates that implementing self-certification procedures, and the expansion of the Section 3 Business Registry, will reduce administrative burden for covered recipients by 180,000 hours or $5,760,000 annually.[12]

Monitoring Payroll Data of Developers and Contractors Creates Minimal Burden

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[11] Source: 2012 Section 3 Summary Data. Under the existing numerical minimum goals $1,245,527,056 should have been awarded to Section 3 businesses. Ten percent of the total amount of reported contracts ($14,180,536,134) is $1,418,053,613.

[12] Average total compensation of all workers, BLS, March 2014. See http://www.bls.gov/news.release/ecec.t01.htm.

This proposed rule recognizes that most successful recipients combine Section 3 obligations with Davis Bacon payroll requirements. In an effort to formalize a long-standing best practice, this proposed rule requires Section 3 covered recipients that are administering Davis Bacon-covered projects, to monitor contractor payroll data for changes in workforce (i.e., terminations, retirements, transfers, and other new job vacancies) to proactively identify instances when Section 3 obligations are triggered. This practice will increase monitoring and oversight by recipients and significantly impact contractor accountability. Additionally, since Davis Bacon regulations already mandate this practice, and this activity only applies to projects that are subject to Davis Bacon, there is no significant impact related to proposing this recipient responsibility in the proposed rule.

Amending Agreements with Labor Unions Increases Jobs and Apprenticeships for Section 3 Residents

Recipients that are located in jurisdictions that are governed by bargaining agreements with labor unions typically have low rates of compliance with the minimum numerical goals for contracting because unions often do not recognize their contractor's Section 3 obligations. In fact, a review of project labor agreements in Chicago and New York City revealed that these documents do not make reference to HUD's Section 3 requirements. This proposed rule requires recipients to amend all existing agreements with labor unions after the publication of the Section 3 final rule to ensure that Section 3 obligations are included and to prevent labor unions from obstructing the recipients' ability to achieve compliance. As a result, this proposed rule is anticipated to generate increased employment and training positions for Section 3 residents and contracts for Section 3 businesses.

New Funding Threshold for Recipients of Section 3 Covered Housing and Community Development Financial Assistance Focuses Efforts to Areas of Greatest Significance

This proposed rule establishes a new threshold for recipients of covered housing and community development assistance that is based on the *expenditure* (not the receipt) of these funds. Under this proposed rule, Section 3 requirements apply to recipients of housing and community development financial assistance that plan to obligate or commit an aggregate amount of $400,000 or more in Section 3 covered financial assistance on projects involving housing rehabilitation, housing construction, demolition or other public construction during an annual reporting period. HUD believes that this threshold is more effective because it makes a direct correlation between the expenditure of covered financial assistance and the outcomes that are created for Section 3 residents and businesses. As a result, 37 percent of recipients of covered housing and community development assistance will be exempt from Section 3 obligations under this proposed rule, thereby reducing administrative burden for smaller agencies that spend relatively small amounts of covered HUD funding.

Cost of the Proposed Rule: Administrative Burden

Since recipients of covered HUD assistance currently have Section 3 obligations, the expenses set forth in this section provide an estimate of the incremental burden resulting from this proposed rule. HUD's Office of Fair Housing and Equal Opportunity estimates the following incremental and "one-time" costs:

Activity in this Proposed Rule	Number of Parties	Number of Responses Per Respondent	Estimated Average Time for Requirement (in hours)	Estimated Incremental Burden
Section 3 resident and business verification (§135.11)	2,000	1	-40	-80,000[13]
Maintain lists of eligible Section 3 residents and businesses (§135.13)	2,000	2	-20	-40,000[14]
Notify Section 3	2,000	2	-10	-20,000[15]

[13] Due to the recent expansion of the national Section 3 Business Registry, and the self-certification and presumed benefit procedures in this proposed rule, HUD estimates a decrease in the original amount of hours that it estimated that recipients devoted to this activity. This activity reduces administrative burden associated with this activity for covered recipients from 80 hours to 40 hours annually.

[14] See footnote #14. This proposed rule reduces administrative burden associated with this activity for covered recipients from 40 hours to 20 hours annually.

[15] See footnote #14. This proposed rule reduces the administrative burden associated with this activity for covered recipients from 20 hours to 10 hours annually.

Activity in this Proposed Rule	Number of Parties	Number of Responses Per Respondent	Estimated Average Time for Requirement (in hours)	Estimated Incremental Burden
residents businesses about the availability of economic opportunities (§135.13)				
Develop official Section 3 policies and procedures (§135.19)	5,000	1	20	100,000*
Monitor the payroll data of developers and contractors (§135.13)	2,000	1	40	80,000
Coordinate with DOL, Youthbuild, etc. (§135.13)	1,000	1	40	40,000
Incorporate Section 3 factors into contractor selection procedures (§135.13)	2,000	1	40	80,000*
Amend and re-negotiate existing collective bargaining agreements, PLAs, etc., as appropriate (§135.13)	500	1	40	20,000*
Draft written sub-recipient agreements (§135.15)	1,110	1	24	26,640*
Recordkeeping Requirements (§135.23)	5,000	1	10	50,000

* Denotes a “one time” burden”

As illustrated above, compliance with the requirements of this proposed rule would necessitate 226,640 hours in the first year, and reduces the amount of hours spent achieving compliance by -10,000 hours in subsequent years. Assuming an average hourly wage of $32[16], the total reporting and record keeping burden would be $7.3 million the first year the rule goes into effect and a decrease of -$320,000 in annual recurring costs.

Cost of Compliance: Reducing Flexibility of Contractors

The proposed rule would require covered recipients to monitor contractors more closely for compliance and impose sanctions as appropriate. Some contractors may have to alter their businesses practices to meet these refined Section 3 regulations. For instance, providing a training position to a Section 3 resident may result in projects taking more time to complete and increased costs. These are likely to be short-run adjustment costs and possibly may be offset as the worker gains more job experience while enhancing the pipeline of a future workforce. Since this proposed rule provides an incentive in the form of preference on HUD-funded projects for contractors that either sponsor Section 3 residents to attend DOL or DOL-approved registered apprenticeship programs and long-term retention of Section 3 workers, HUD believes that the benefits will outweigh any perceived disadvantages. Because HUD has not tracked contractors' efforts to sponsor Section 3 workers for DOL and DOL-approved apprenticeship programs, or to retain Section 3 residents on various HUD-funded projects, it is unclear what the impact of these activities will be. However, increased economic opportunities will positively impact the incomes of these workers and potentially result in more than $19 million in reduced rental subsidies for public housing residents, $46 million in additional wages for Section 3 residents, and the award of $1.41 billion in covered contracts to Section 3 businesses each year.

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[16]Source: 2012 Section 3 Summary Data System and BLS Data on Mean Wages for Construction Laborers. See http://www.bls.gov/oes/current/oes472061.htm

Greater Employment: Increased Income for Eligible Workers

HUD assumes that, on net, there will be greater participation in Section 3 as a result of the proposed rule. The effect will be to increase the income for eligible participants in the labor force. For example, suppose that the proposed rule has the desired impact of increasing employment among eligible workers. The Section 3 program reports that 28,407 jobs and $918 million in contracts were provided to program participants in 2012[17] who otherwise would not have had these economic opportunities. If we assume that as a result of the rule that there is a 5 percent increase in the number of jobs held by Section 3 residents above the current number reported, then there would be an additional 1,420 jobs for Section 3 residents annually Assuming 1,280 work hours per year[18] at $15.55 an hour,[19] there would be an additional $46 million in income generated locally for Section 3 residents (1,420 x 1,280 x $1515.55). In addition there may be a transfer of economic activity and local tax revenue to the areas where the residents reside. To facilitate this, the proposed rule would require recipients to coordinate with DOL workforce investment boards, and other local resources, to target Section 3 residents for training programs as appropriate. This action also leverages the utilization of services that are offered by two federally assisted programs to enhance workforce development and employment opportunities for local low-income residents.

Reduced Federal Subsidies: Transfer from Tenants to Federal Governments

Section 3 directs opportunities generated from federal housing and community development assistance that ultimately reduces the cost of providing rental subsidies. Public housing residents generally pay 30 percent of their income in rent, with federal subsidies covering the balance. As incomes of residents rise, their portion of their rent payments rise as well, resulting in reduced

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[17] Source: 2012 Section 3 Summary Report Data.

[18] The Department estimated an average of 8 months (40 hours x 4 weeks x 8 months for the typical Section 3 worker. The hourly wage was obtained from: http://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/computing-hourly-rates-of-pay-using-the-2087-hour-divisor/

[19] Median Wage, All Occupations, May 2013 National Occupational Employment and Wage Estimates, United States, Bureau of Labor Statistics

federal housing subsidies. The same pattern holds for Section 8-assisted households. For every $1,000 in extra income earned, federal outlays for rental subsidies decline by roughly $300. [20]

Applying the 30 percent figure to the increased earnings estimate of $65 million yields a reduction of approximately $19.5 million. This figure is almost certainly an overestimate of the reduction in housing subsidies because not all Section 3 residents receive housing assistance; a Section 3 resident only has to be a local resident that is eligible to receive housing assistance. Furthermore, the earned income disregard provision may negate some of the benefit.

Reducing Poverty

Section 3's most obvious potential benefit is to increase the incomes of low-income people by making more jobs available to them. Public housing residents, who receive first preference for Section 3 opportunities on HUD-funded public housing projects, experience high levels of unemployment. HUD reports that 42 percent of families living in public housing that are headed by a person who was not elderly or disabled had no earnings in 2008. Section 3 can also enhance the long-term employment prospects of other low- and very low-income persons within the metropolitan area or Non-metropolitan County. Possessing basic job skills has a positive impact on an individual's short- and long-term earnings. Unfortunately, many low-income people lack access to the job training programs that teach these skills. Section 3 is designed to provide this access, as this proposed rule incentivizes the provision of training or apprenticeships opportunities for Section 3 residents that are working on covered projects and will incentivize recipients to coordinate with local DOL training providers as appropriate. As previously indicated, increased emphasis on the job training and apprenticeship opportunities may result in covered projects taking more time to complete and increased costs associated with staff time that

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[20] In practice tenant rent is based on adjusted rental income and not gross income as depicted in this analysis. Tenant rent which is referred to as the Total Tenant Payment (TTP) is based on a family's anticipated gross annual income less deductions, if any. HUD regulations allow PHAs to exclude from annual income the following allowances: $480 for each dependent; $400 for any elderly family, or a person with a disability; and some medical deductions for families headed by an elderly person or a person with disabilities. The formula used in determining the TTP is the highest of the following, rounded to the nearest dollar:

(1) 30 percent of the monthly adjusted income. (Monthly Adjusted Income is annual income less deductions allowed by the regulations);
(2) 10 percent of monthly income;
(3) welfare rent, if applicable; or
(4) A $25 minimum rent or higher amount (up to $50) set by an HA.

is required to train less experienced workers. However, HUD believes that these costs may be short-term as the worker's proficiency improves. The overall benefit that results from making an investment in local residents with the greatest economic needs has a significant impact on promoting self-sufficiency and community revitalization.

Conclusion

The mission of Section 3 is to utilize existing federal funding streams for housing and community development to enhance economic opportunities provided to public housing residents and other low-income individuals within the proximity of HUD-funded projects, and the businesses that substantially employ them. By directing economic opportunities to Section 3 residents and businesses in the service area, the expenditure of HUD funds will have secondary impacts such as reducing poverty, lowering federal housing subsidies, and overcoming spatial barriers in labor markets. While the increased oversight and compliance requirements that engender these beneficial effects will lead to additional covered recipients' administrative burden in the first year, this proposed rule will result in a reduction in recurring administrative costs over time.[21]

[21] A decrease in administrative burden will not occur for all covered recipients. However, HUD estimates that the net burden will be reduced for the majority of covered recipients.