



Lessons From the Field on the Implementation of Section 3

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FOREWORD

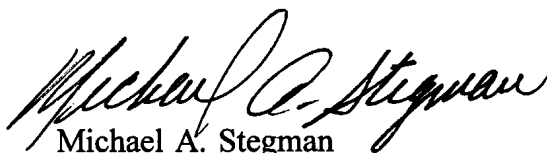
Programs of the Department of Housing and Urban Development provide housing assistance and supportive services to millions of America's poorest families, many of whom also rely on various other forms of Federal and State income assistance. Recently enacted welfare reform policies lend new urgency to strategies that can help these families move from economic dependency to self-sufficiency. One strategy that has captured the attention of policymakers in recent years is Section 3 of the Housing and Urban Development Act of 1968 which, as amended in 1992, requires public housing authorities (PHAs) and other HUD grantees to ensure that low-income residents of public housing developments have the opportunity to benefit from new jobs, job training, and contracts generated by Federal funding.

This study, conducted by the Manpower Demonstration Research Corporation, explores the potential of Section 3 as a tool for creating jobs and promoting economic independence.

The results suggest that Section 3 should be regarded as only one element of a broader community economic development strategy. Despite an increased commitment to enforcement, Section 3 remains an inherently limited mechanism for employing large numbers of low-income residents. The types of jobs generated by Section 3 are primarily construction-related and thus tend to provide periodic and short-term employment. Moreover, the number of jobs which could result from Federal funding to any one PHA is small compared to the need for jobs among residents.

Although the potential of Section 3 alone is limited, several PHAs, including those in Tampa, Jersey City, and Los Angeles, have been successful in increasing economic opportunity for public housing residents by "nesting" Section 3 strategies within larger economic development efforts that also include microbusiness enterprises, apprenticeship slots, and union training components. These strategies show potential for enabling significant numbers of welfare-dependent residents to move toward economic self-sufficiency.

Through new initiatives such as the Moving to Work and Jobs-Plus demonstrations, HUD is working to identify models that PHAs can use to help larger numbers of public and assisted housing residents achieve self-sufficiency.



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The Authors

CHAPTER 1

INTRODUCTION

In the spring of 1994, the Manpower Demonstration Research Corporation (MDRC), in partnership with the U.S. Department of Housing and Urban Development (HUD) and the Rockefeller Foundation, launched a project to determine the feasibility of a demonstration testing the effectiveness of Section 3 of the Housing and Urban Development Act of 1968 as a job creation/job access mechanism in public housing communities. This effort was spurred by the realization that residents of public housing, increasingly impoverished and welfare-dependent, need innovative and aggressive strategies to help them become economically self-sufficient, especially in an era of welfare reform. The anticipated strengthening and increased enforcement of Section 3, which obligates public housing authorities (PHAs) to afford residents access to jobs and contracting opportunities created by federal funding, seemed to offer a promising strategy for increasing access to jobs for residents of public housing. (The changes went into effect in mid-1995.)

HUD and the Rockefeller Foundation hoped that, by learning about what had already been done to implement the Section 3 mandate, MDRC would be able to determine whether Section 3 was sufficiently promising to warrant its testing in a demonstration. In addition, MDRC was to consider whether it would be important to include rent reform measures designed to reward work over welfare in any such demonstration. As MDRC began its exploratory work, the project quickly broadened in scope to encompass a focus on a wider range of programs, policies, and practices that PHAs were using to increase economic opportunities for residents. In some cases, these efforts were carried out in coordination with Section 3; in other cases, Section 3 activities and other resident employment programs were parallel but unconnected efforts; in still other cases, resident employment preparation and job access activities virtually ignored Section 3 as a job creation mechanism.

During the course of its reconnaissance, MDRC visited seven PHAs around the country and met with HUD officials and public housing experts on a variety of topics. This paper summarizes some of what was learned during the course of this project. It includes a brief discussion of Section 3; case studies of each of the PHAs visited, with descriptions of their Section 3-based initiatives and related programs; and a discussion of the salient issues around rent reform. It concludes by

identifying common themes that emerged from the investigation, sets out some preliminary lessons for practitioners and policymakers, and recommends an approach to a large-scale resident employment demonstration that situates Section 3 in a broader framework of work incentives, community building, and best practices in employment and training.

I. Background

The potential for public housing not only to provide shelter for low-income people but also to generate jobs and economic opportunity in low-income communities has long been recognized. PHAs annually receive billions of dollars in federal housing assistance for the maintenance and modernization of existing housing stock and the development of new housing. But how best to ensure that low-income residents of these neighborhoods can benefit from the resulting economic activity has continued to elude housing policymakers and practitioners.

The public housing resident population has grown poorer and progressively more disadvantaged over the last 30 years, adding urgency to this question. HUD, in conjunction with local housing authorities, has implemented a variety of initiatives designed to increase economic opportunity for residents. These efforts often consist of employment and training programs, a "supply-side" strategy that focuses on preparing residents for obtaining whatever jobs are available. The other side of the economic opportunity coin consists of "demand-side" strategies that seek to leverage economic activity created by federal funding to increase access to employment and business opportunities for residents. Ideally, a comprehensive resident economic opportunity strategy would consist of both sides working in tandem: Residents must be prepared to work, but appropriate job opportunities in sufficient numbers must be available and accessible.

II. Section 3

One of the earliest examples of the demand-side approach is Section 3 of the Housing and Urban Development Act of 1968. Section 3, as originally enacted, provided that economic opportunities related to HUD-assisted projects should be steered to persons residing or businesses located in the same area as the project. But, as HUD staff report, Section 3 was not vigorously enforced either at the federal or PHA level, and its potential remained largely unrealized. In 1992,

Congress passed a series of amendments designed to strengthen Section 3. The law, among other things, now mandates that to the greatest extent feasible, economic opportunities created by HUD funding for the operation, development, and modernization of public housing be steered to low- and very low-income people, especially public housing residents. These opportunities can take the form of training and employment services for residents or contracting preferences for certain classes of businesses — those employing large numbers of residents or those owned by residents.¹

Additional regulations promulgated by HUD in 1994 to implement the amended Section 3 attempt to make enforcement easier by clarifying the standards of performance for PHAs and other recipients of operating subsidies and funding for modernization and development. In particular, they set goals for the employment of residents: 10 percent of the aggregate number of new hires by recipients in FY 95 are to be residents, rising to 20 percent in FY 96 and 30 percent in FY 97. The regulations suggest various ways in which these goals can be achieved by recipients including: expanding resident outreach, establishing training programs, offering job counseling, hiring residents, and negotiating with contractors to hire more residents.

In addition, goals have been established for PHAs in the awarding of contracts in connection with all Section 3-covered activities: 10 percent of the total dollar amount of all contracts are to be awarded to Section 3 businesses. The regulations suggest various ways to meet these goals including: greater outreach to small and minority-owned businesses to ensure that Section 3 businesses are represented in the bidding pool, providing technical assistance to residents interested in starting businesses, and implementing cost variance allowances so that Section 3 businesses can submit higher bids than non-Section 3 businesses without losing their competitive advantage.

PHAs are also encouraged under the regulations to provide other kinds of economic opportunities to residents, such as hiring residents in temporary or "bridge" positions, encouraging the formation of joint ventures between resident-owned businesses and larger mainstream firms, and

¹Section 3 targets other groups of low-income individuals besides public housing residents; moreover, within the resident category, subsets of residents are accorded different priorities. For simplicity's sake, the authors use the term "residents" to describe all Section 3 individuals. Similarly, the term "resident-owned business" is often used to describe all Section 3 businesses, a category that also includes businesses with workforces comprised of at least 30 percent residents, and those committed to subcontracting 25 percent of the total value of their contracts to resident-owned businesses.

shielding resident-owned businesses from competition with large firms through the use of limited solicitations.

III. Challenges to Enforcement and Implementation of Section 3

Despite the passage of a newly strengthened Section 3, adoption of accompanying regulations, and a renewed commitment to enforcement, there remains a great deal of uncertainty over how much the law can reasonably be expected to accomplish. Briefings by various HUD officials and public housing experts indicated that accurately assessing Section 3's potential requires taking into account a complex web of factors, among them the realities of the labor market, institutional and legal constraints, the small business environment, and the needs and capabilities of public housing residents. By the beginning of MDRC's field visits, six areas of prime concern had been identified.

1. What kinds of economic opportunities are most likely to be created by Section 3?

The federal financial assistance covered by Section 3 — operating subsidies, Comprehensive Modernization Grant funds, and new development monies — relate to the maintenance and modernization of existing public housing stock, and the creation of new units. Most jobs and contracting opportunities created by these activities are in the areas of building services and construction, the so-called "bricks-and-mortar" sector. The concern here is whether residents could qualify for and gain access to these kinds of jobs.

2. Can the job opportunities generated by Section 3 offer a reliable route out of poverty for residents?

Most jobs generated through Section 3 are construction-related, so it is important to consider the employment patterns common to the industry. Since most such work is periodic and short-term, residents hired under Section 3 may be looking at only short-term jobs, with no definite prospects for future employment. For people who are on welfare, the prospects of entering a field where intermittent work is the norm could prove especially daunting. In addition, historical patterns of discrimination by the construction industry and its workers against minorities and women seeking employment complicate the question of access.

3. How many jobs and business opportunities for residents could Section 3 be expected to generate?

The regulations' hiring goals for residents apply only to *new* hires. If most PHAs have small workforces or little turnover, the goals, even if enforced to the maximum, would not translate into large numbers of jobs. Similarly, jobs with contractors (which are also subject to goals) may not turn out to be very numerous; hiring practices of many construction contractors rarely result in more than a few new workers being taken on for any particular project.

In terms of contracting opportunities, it may be difficult for any small business, let alone a fledgling resident-owned business, to bid competitively against larger firms for PHA work of any volume. Moreover, there was a concern over the dearth of residents who own their own businesses, especially those providing services that PHAs need.

4. Are public housing residents in a position to take advantage of the kinds of economic opportunities made available under Section 3, and are PHAs institutionally capable of providing the services needed to prepare residents?

A resident population that has become progressively poorer and more isolated from the economic mainstream over the years may lack the skills to compete in the labor market, especially for jobs in construction beyond the level of general laborer. How can residents be readied to compete for those jobs? A related question concerns the role PHAs should play in delivering employment training services to residents, i.e., whether they should assume primary direct service responsibility or seek linkages with existing providers. Similarly, while Section 3 offers contracting opportunities for resident-owned businesses, it is not known how many residents have either the skills or the inclination to become successful entrepreneurs of any type, let alone in areas providing services needed by PHAs.

5. Do state and local laws on procurement, and HUD procurement regulations, present an insurmountable barrier to effective enforcement of Section 3?

Many states and localities require PHAs by law to award contracts in competitive bid situations to the lowest responsible bidder. But fulfilling Section 3 obligations costs PHAs and

contractors money. While the interim regulations stated that there is no apparent conflict between state and local "low-bid" laws and Section 3, there is a widespread perception among PHAs that the conflict is real, and that without an explicit preemption provision in the federal law, they will be constrained in their ability to be more flexible around price when evaluating bids. In addition, there were concerns that traditional methods of procurement had produced a culture that may not be particularly receptive to social policy concerns outside the basic mission of providing housing.

6. Is Section 3 a stand-alone strategy, or is it best used in conjunction with other strategies?

While the initial focus of MDRC's field work was on Section 3 as a discrete policy, it became apparent that, by itself, it could not support a comprehensive economic empowerment strategy, and that many PHAs are implementing Section 3 in conjunction with other employment-related policies and programs. In learning about Section 3, therefore, MDRC learned much about the range of services and opportunities that will be needed to support residents in their efforts to become economically self-sufficient.

IV. Rent Reform Measures

There has been considerable debate about the work disincentive effects of public housing rent rules, with some concerns based on the actual rules for rent calculations and others resting on residents' perceptions of these rules and their application. Rent calculations — for most residents with earnings — start by compiling a resident's total income (with some specified exclusions) and subtracting deductions for the number of dependents and (in some circumstances) child care expenses related to working to produce an adjusted monthly income. Rent is then set at 30 percent of adjusted monthly income. Therefore, as earnings increase, public housing rent also increases, with no accompanying improvement in housing services.

Are rent calculation rules an important work disincentive for residents? The picture is complicated. HUD rules in some circumstances do allow for alternative calculations of rent to lessen work disincentives, but these are not widely used or seen as effective in many housing markets. In addition, residents may misunderstand the rent rules or believe that they might be "forced out" of public housing as they go to work. Residents' fears about being forced to enter the private housing

market are exacerbated by the instability of the types of jobs available to them. The potential of job loss while living in unsubsidized housing, many residents believe, could lead to homelessness, since long waiting lists in most PHAs make reentry extremely difficult.

V. The Project

The keystone of MDRC's fact-finding efforts was a series of two-day field visits made during the summer and fall of 1994 to seven PHAs around the country. These sites — Tampa, Jersey City, Los Angeles, Baltimore, Chicago, Fort Worth, and Macon — were recommended by HUD staff because each had a history of promoting economic opportunities for residents, although in differing ways and with varying degrees of success. In this sense, the sites were not chosen because they were typical in any way, but rather because their experiences would be most likely to illuminate the issues concerning the potential of Section 3. During these visits, MDRC staff met with a wide variety of PHA administrators and line staff, private contractors, representatives of the employment and training and welfare systems (i.e., the Job Training Partnership Act — JTPA — and the Job Opportunities and Basic Skills Training Program — JOBS — respectively), PHA- and community-based employment and training services providers, and residents. To gain a better understanding of what was being seen at the sites, MDRC staff also conferred regularly with HUD officials, public housing experts, and others to learn about such topics as the history of public housing, rent reform, procurement law, the workings of the Section 3-covered funding streams, the structure of African-American families, and past efforts to provide employment opportunities for residents.

This paper summarizes much of what was learned during the course of this project; it includes case studies of the seven PHAs, an analysis of issues around rent reform, and a discussion of the lessons that can be drawn at this preliminary stage. At the outset, however, it should be noted that the purpose of the project was not to conduct systematic case studies, but rather to explore the feasibility of a demonstration project to test the effectiveness of Section 3-related economic opportunity strategies. The field visits were undertaken to inform MDRC's thinking on this question. Also, because of the relative brevity of the visits — two days per site — MDRC did not attempt to verify the accuracy of the information given. Thus, the case studies should be read not as definitive statements, but rather as impressions derived from a necessarily limited base of knowledge.

Nonetheless, we believe they can provide policymakers and funders with some useful lessons on the programmatic and policy directions that can be most useful in addressing the employment needs of public housing residents. Drawing upon these lessons, MDRC recommends a multi-pronged resident job access demonstration that combines demand-side strategies such as Section 3 with supply-side employment and training "best practices;" introduces and implements work incentives; and uses a community building approach to maximize the benefits of the location-based dynamics of public housing communities. This recommendation is sketched out in the concluding chapter of this paper.

CHAPTER 2

SEVEN CASE STUDIES

This chapter looks at the range of strategies used by seven public housing authorities to implement Section 3 and foster economic opportunities for residents. Although none could boast of a comprehensive strategy addressing all aspects of the issue, four had articulated a coherent vision that was reflected in strong individual program components. The Tampa Housing Authority has de-emphasized the direct employment of residents in favor of selective privatization of services, allowing the housing authority to contract out basic services to Section 3 businesses, and encouraging residents to take over key management responsibilities. It has also implemented a technical assistance program for resident micro-enterprises. The approach used by the Jersey City Housing Authority focuses on resident apprenticeships in construction-related trades, and on directly hiring a large number of residents as employees within the PHA; it has also worked with contractors to ensure that they hire residents. The Los Angeles Housing Authority concentrates on establishing private subsidiaries that can perform basic services for the housing authority using resident labor and training residents in the construction trades in cooperation with local unions. A two-pronged approach has been pursued by the Housing Authority of Baltimore City, simultaneously emphasizing technical assistance to resident micro-enterprises that can contract with the housing authority to perform basic services, and training residents for the construction trades under an agreement with local unions.

The difficulties of implementing a strong economic empowerment program in a context where delivery of basic housing services remains a challenge is illustrated by the Chicago Housing Authority. This is not to say that there had not been instances of real innovation; Chicago's Step-Up program for training residents in the construction trades was the first in the nation. But for all its efforts, Chicago gave the impression of a PHA still struggling with the question of how to implement large-scale programs that could bring economic opportunity to more than a few residents.

Two other housing authorities, Fort Worth and Macon, have in place much less developed Section 3-based strategies for resident economic empowerment. Both are small, well-managed PHAs in relatively small southern towns. Their more low-key approach emphasizes a more social services

type of perspective, perhaps reflecting their lack of experience in using their economic leverage with the contracting community to effect change. Even so, there were differences between the two. Macon appears eager to do more to move residents toward self-sufficiency and had implemented a number of small-scale employment and training programs. In addition, it had recently started a business incubator program. Fort Worth, on the other hand, has had to concentrate on a range of social problems that have the potential to undermine efforts to promote resident employment.

Read separately, each case study illustrates how the implementation challenges for Section 3 are often site-specific and very much tied to other efforts to provide employment and training opportunities for public housing residents. Taken together, the studies suggest that, at this stage in its evolution, Section 3 is a promising strategy for job creation, but resident opportunities are likely to be relatively small in number, particularly when measured against the number of those residents who want to work.

I. TAMPA HOUSING AUTHORITY

With one of the more comprehensive approaches to Section 3, the Tampa Housing Authority illustrates how visionary leadership, combined with a broad economic development perspective, can result in a refocusing of resources and attention to the creation of economic opportunities for residents. An ambitious resident hiring goal for all contracts, together with encouragement of Resident Management Corporations and resident-owned businesses, is the centerpiece of this strategy.

Profile

The Tampa Housing Authority (THA) manages approximately 5,000 units across 28 developments, providing housing for 20,000 residents. THA data indicate that AFDC benefits are the major source of income for 53 percent of all THA households; 84 percent of all households are female-headed. For the 14 percent of THA residents who are wage earners, median income is less than \$8,000. African-Americans represent 77 percent of total residents, while the remainder are white (10 percent) or Latino (12 percent).

The transformation of THA into a public housing authority with residents' economic development as the core of its mission appears to be attributable largely to the broad vision of its leadership. The Executive Director and his staff share a vision of public housing as a "proactive, programmatic entity, whose goal is to improve the quality of life for its residents." This vision permeates all levels of the public housing authority, appears to be shared by residents, and extends to the public and private partners who have become involved in THA's initiatives.

THA's approach to Section 3 is characterized by:

- The use of aggressive procurement and contracting guidelines in tandem with other regulations and policies to position residents to benefit from dollars spent on construction and modernization activities.

- A proactive recruitment campaign to attract private sector partners — mainstream contractors and minority business owners — willing to agree to a 50 percent resident hiring goal.
- The incubation of resident businesses prepared to directly contract with the housing authority and to subcontract with private sector firms.
- Selective privatization of THA management and maintenance services, which are contracted out to Resident Management Corporations.

A closer examination of how these four practices, when applied simultaneously, have leveraged training and jobs for THA residents offers important lessons about the viability and potential of a more comprehensive approach to Section 3.

A. Procurement/Contracting

THA has aggressively pursued resident employment opportunities with local contractors; firms are told that if they want to do business with THA, they must agree to a 50 percent resident hiring goal for all new hires. In addition, minority-owned firms are actively courted by THA, which has a 40 percent minority business participation goal for the awarding of contracts, a fact all the more notable because the city itself has no such policy. The view of housing authority staff is that THA — not the contractor — is responsible for meeting Section 3 goals and that the way to meet this responsibility is to develop procurement guidelines that do not let contractors freely interpret the regulations. Thus, THA's stringent goals are balanced by a proactive technical assistance effort to help businesses understand and benefit from its Section 3 policies.

THA procurement officials have been using a combination of procurement and contracting methods to increase resident hiring and business opportunities. For instance, they are experimenting with a broader use of competitive negotiation processes, like the Request for Proposals (RFP) method, which allow more latitude than does the sealed bid process to factor in Section 3 when awarding contracts. They have also been exploring ways to implement the federal regulations at 24 CFR 963 that allow PHAs to limit solicitations of bids to groups of resident-owned businesses under certain circumstances. This gives small resident-owned firms an opportunity to grow before having to compete with larger, more established companies. However, THA officials point to the \$1 million limit on awards to any one business as a critical shortcoming of the "limited solicitation" regulations;

small businesses need a longer start-up time and the opportunity to accumulate more capital in order to become competitive.

When applied to its private sector partnerships, THA's multidimensional approach to procurement — 50 percent resident hiring goals, use of 24 CFR 963 regulations, 40 percent minority business participation goals — has widened residents' access to economic opportunities with contractors.

The case of the North Boulevard Houses Modernization Project illustrates how this multifaceted approach, along with joint venture formations, can build partnerships among residents, mainstream contractors, and minority business owners. THA procurement officials had been approached by Y. P. Seaton, a large majority-owned firm new to the Tampa area, seeking to get a foothold in the local construction market. Capitalizing on Seaton's interest, THA negotiated an arrangement through which Seaton agreed to form joint venture partnerships with several resident-owned businesses. Under this arrangement, Seaton would get 40 percent of the profit from each joint venture, the junior partners 60 percent. The larger firm would satisfy bonding and insurance requirements and lend its expertise in construction management, while the smaller firms satisfied THA's Section 3 and Minority Business Enterprise (MBE) goals. The joint ventures agreed to subcontract with minority-owned businesses recruited by THA.

The joint venture partnerships were tested out on the \$15-million North Boulevard Houses renovation project, which was divided into two phases, with the first phase subdivided into four packages of \$1 million dollars apiece. In the first phase, resident businesses were awarded contracts noncompetitively under the Part 963 regulations, and subcontracts were awarded to minority businesses. To be eligible for participation, MBEs had to commit, among other things, to train the resident businesses in their respective lines of work over the course of the project. THA officials believe that minority-owned firms bring a special sense of social responsibility that includes a willingness to invest in training and mentoring for residents.

Three African-American subcontractors who were interviewed by MDRC staff expressed support for THA's Section 3 goals and the joint venture approach. The three were unanimous, however, in observing that the experience gained by the resident businesses on the project, while extremely valuable, would not render the resident firms competitive with more established

companies. Indeed, the subcontractors admitted that they were themselves still struggling because of the difficulty in getting licensed and obtaining adequate levels of bonding for larger jobs.

The subcontractors hired residents for unskilled, laborer jobs but were able to incorporate a few residents into more skilled, higher-paying positions. It is common for construction firms to keep a core group of skilled workers, transferring them from job to job. Since Section 3's hiring goals apply only to new hires, these businesses are not compelled to replace their core workers with residents. Moreover, there is a gap between the more skilled work and most residents' skills, one that widens in more specialized trades like electrical work or plumbing. In these cases, the subcontractors can only hire residents as general helpers, basically cleaning up at the sites. On the other hand, the subcontractors acknowledged that hiring residents can help with safety and security because they can identify the local troublemakers, and their presence discourages pilfering from the job site. In fact, on the North Boulevard Houses project, pressure from resident trainees was considered instrumental in disrupting drug activity near the construction site.

The subcontractors' general comments point to two dilemmas that THA has yet to resolve. First, while Section 3 can be used to create contracting opportunities for resident-owned businesses on renovation work within the housing authority, the amount of work for the resident firms will be limited by the amount of modernization dollars available. To grow and thrive, many of the small businesses will need to be able to competitively bid for and secure contracts in the larger market. Without access to capital to cover insurance and bonding, Tampa's resident businesses will probably find it difficult to take the skills and expertise gained on jobs with the housing authority into the wider community on any significant scale, limiting their growth potential and their capacity to function as an employment and training resource for other residents.

Second, while Section 3 can be used to negotiate temporary, unskilled laborer jobs for residents, absent a formal training vehicle, residents will be unlikely to secure permanent, more skilled jobs. Both the training costs and the short-term nature of many of the projects seem to preclude on-the-job skills training by contractors. THA has recognized that it needs to become more proactive in devising methods through which residents can attain occupational skills training and use such skills to transfer from temporary, casual jobs through the housing authority contracts into more permanent attachments to the external labor market.

Nevertheless, the North Boulevard Houses renovation project and the joint venture partnerships offer a promising model of how mainstream contractors and minority subcontractors can help a housing authority reach its Section 3 goals. Indeed, Seaton has become such an active partner with THA that the firm has agreed to write a "how-to" manual based on the Tampa joint venture experience that could be used by other PHAs. Until THA, however, tackles the hard questions related to resident training for skilled construction jobs and how to cultivate resident businesses to compete for contracts independent of the housing authority, a small, permanent corps of residents and resident businesses may remain dependent on THA, limiting opportunities for others to use the housing authority as a training ground.

B. Resident Business Development

Most sites we visited had established Resident Initiatives Departments, although the responsibilities of these departments varied widely among the PHAs. The Tampa Housing Authority uses its Resident Initiatives Department almost exclusively to support resident entrepreneurship. Key programs include: the Resident Enterprise Assistance Program (REAP), the resident contracting program, family day care homes, a revolving loan program, and the Buy Back recycling center. THA has tied each of these programs into Section 3 goals: REAP incubates resident businesses; resident contractors provide maintenance and management services for the housing authority; the family day care homes are neighborhood-based centers owned and managed by residents; the revolving loan program provides short-term financing to resident businesses during their infancy; and the Buy Back recycling center provides employment for residents. In many ways, REAP is the hub of these efforts.

Project REAP was established in 1988 as an incubator for resident-owned businesses. Begun as a nine-month business development course, the program rapidly grew into a two-year program as experience showed that fledgling enterprises needed longer start-up support. Participants attend classes twice a week on budgeting, accounting, marketing, bid preparation, and taxes. Project REAP recruits by distributing flyers to all residents; housing managers hold orientation meetings for those who are interested.

At the time of MDRC's visit, there were 26 resident-owned enterprises holding contracts with THA. By far the largest number (16) were in landscaping, with the rest distributed among janitorial services, maintenance, painting, vacancy preparation, window installation, and answering services.

REAP staff also manage the revolving loan fund through which graduates recommended by the program director can apply to a local bank for a loan, which would be guaranteed by THA.

Interviews with three resident entrepreneurs revealed a high degree of enthusiasm for the program. One of those interviewed was a woman who owned a landscaping business. When asked whether she thought other women would want to do landscaping — work that is usually performed by men — she acknowledged that many women are hesitant (all of her current employees are men), but said that she saw herself as a role model, especially for younger women. Another program graduate, also female, was in the process of starting a janitorial service — an idea she got while working as a cleaning woman. She had just won her first contract, worth \$26,000, to provide cleaning services for one of the developments. The third person interviewed owned his own concrete and demolition company, and was clearly the most established of the three — he was the only one who had contracts outside THA and had been involved in a joint venture with Y. P. Seaton on several municipal jobs.

Under the auspices of Project REAP, THA also has helped more than 20 residents open in-home day care centers. The centers, which are owner-operated, meet the multiple goals of business ownership, resident employment, and provision of on-site child care for residents engaged in work or training. The latter feature is an important supportive service ingredient for residents targeted for Section 3 jobs.

C. Resident Management Corporations (RMCs)

Resident Management Corporations (RMCs) have been established at three of THA's developments. Interviews with resident managers in two of the developments offered examples of how Tampa's RMCs interact with resident employment efforts. The first manager ran her operation from a "command center" in the front lobby of one of the buildings. In addition to her role as resident manager, she also owns a small landscaping business. Assisting the manager were several other residents, performing various clerical chores on a voluntary basis. There was a strong sense of "family" throughout the building: Everyone entering was greeted personally, and problems that arose were handled with impressive aplomb. The resident manager oversaw the development's maintenance work, which had been contracted out to a resident business owner who maintained a

regular staff of three and hired additional residents on an as-needed basis. He had recently hired 18 residents — all men — for a large painting job.

The second resident manager, also charismatic and energetic, ran THA's second-largest development. THA contracts with the Resident Management Corporation to do all the lawn and building maintenance work for its buildings. The resident manager, a long-time resident who seemed to know everyone, had hired as many as 31 resident employees at any given time, at wages between \$5 and \$7 per hour. In tandem with THA, RMC was managing a brickface installation project that had been contracted out to a minority-owned business. As a condition for getting the contract, the MBE agreed to sponsor an apprenticeship-like brickfacing training program for teenaged residents of the development. RMC leadership selected the participating youth, who were paid between \$6 and \$7 per hour for three months. Once in the program, the young trainees received ongoing counseling, guidance, and support from the adult members of RMC. The program was such a success that the contractor planned to hire the young trainees to work on other installation jobs at the authority. The resident manager noted that the young people who had participated in the training were anxious to begin the next job, some calling daily to inquire about when the next project would start.

In both of these cases, the resident managers seemed to be important links between residents and Section 3 job opportunities. Their roles seemed to extend far beyond classic property management functions such as rent collection. Indeed, in many ways RMCs and their leadership seem to be establishing a set of expectations for their developments, not the least of which is the importance and value of work to improve their communities.

D. Residents as THA Employees

THA's emphasis on creating opportunities for resident-owned businesses has been accompanied by a steady shrinkage in its permanent workforce. Down from a high of 600 in 1988, THA now has 300 employees, approximately 100 of whom are residents. As staff positions have been eliminated, the services have been taken over by resident-owned businesses or MBEs that themselves are required to hire residents. There were estimates that as many as 200 residents were currently employed by these businesses, but it should be noted that this number included those who worked as occasional or day laborers over relatively short periods of time. The trade-off seems clear: While residents face diminished prospects in finding permanent positions with THA, they can take

advantage of greater opportunities to do business with THA as entrepreneurs, or to work for those entrepreneurs. Whether the trade-off ultimately works to the benefit of the residents is less clear, especially when many of the residents who are hired are temporary employees with no benefits.

E. The Family Self-Sufficiency Program (FSS)

A Family Self-Sufficiency Resource Center, occupying an entire building in a block of 160 modernized units, creates a "one-stop shopping" effect by locating together FSS case management staff, a variety of social service providers, a computer lab, classroom space for on-site instruction, and a subsidized day care facility. While the physical plant was impressively clean and modern, there was little activity in evidence while we were there. Yet the FSS model offers many of the features important in transforming a public housing community into a working one, including education services, case management, escrow accounts, and classroom skills training. Given its current underutilization, FSS might be better harnessed to support THA residents who are participating in on-site Section 3 employment opportunities.

F. Conclusion

THA's strategy is centered around a strong vision of resident entrepreneurship and responsibility, an approach that has clearly energized much of THA staff and residents. The corresponding weakness is that relatively little attention is paid to preparing residents for entry into jobs outside the public housing community.

II. JERSEY CITY HOUSING AUTHORITY

The Jersey City Housing Authority's approach to Section 3 is embedded in a broader plan to rescue its communities from social distress and physical deterioration. JCHA's decision to use Section 3 as a prevention strategy, targeting unemployed young men for a portion of its employment and training opportunities, illuminates how Section 3 can address both economic and social concerns. In order to create employment opportunities for the target group, JCHA uses Section 3 goals to create "an institutional path to negotiation" with unions and contractors.

Profile

The Jersey City Housing Authority (JCHA) manages 4,000 public housing units accommodating a total of 15,000 residents. Half of its 10 housing developments are garden-style apartments; most are mixed-income communities. It was reported that more than half of the families residing in Jersey City's public housing are headed by single women with children; depending on the development, between 21 percent and 42 percent of households receive AFDC benefits. Employment is the principal income source in fewer than half of the households within any development. Housing one-quarter of Jersey City's low-income population, the public housing community is relatively stable: Vacancy rates average between 1 and 3 percent at any point in time.

The Jersey City Housing Authority's strategies for meeting its Section 3 goals include:

- Institutionalization of resident management to help maximize resident employment within the JCHA workforce.
- Use of formal and informal agreements to help contractors reach a resident hiring goal of 25 percent.
- Creation of joint apprenticeship programs between JCHA and local unions.
- Targeting Section 3 opportunities to young residents as a prevention strategy.

A. Residents as Employees

JCHA has a workforce of 428, of whom approximately 50 percent are residents. There are three different avenues through which residents become employed by the authority: as regular employees of the JCHA central office, as staff of the Resident Management Corporations, or as staff of the Tenant Affairs Board.

Of the 340 JCHA central staff, 137 (40 percent) are residents. The majority are clustered in the administrative support, service/maintenance, and semi-skilled level — approximately three-fourths of resident employees are in these three job classifications. In order to ensure that residents are aware of employment opportunities within JCHA, job openings are posted within each development prior to external posting or advertising. Resident Management Corporations and resident leaders play an active role in recruitment and referrals.

The second route to JCHA employment is through the Resident Management Corporations (RMCs), separately incorporated nonprofit organizations that fall outside the civil service and union rules. The three existing RMCs account for 34 jobs, of which 82 percent are filled by residents in positions ranging from manager/assistant manager to apprentice painters and journeymen. The remaining 18 percent are filled by nonresidents, including union journeymen.

The Tenant Affairs Board is the third avenue through which residents can become JCHA employees. Also a separately incorporated nonprofit, the board was created to oversee many of the social service programs in those developments without Resident Management Corporations. The board has a total of 54 staff, ranging from managerial to apprentice painters and plasterers to after-school program staff. Eighty-five percent of the board staff are residents.

Sixty percent of residents employed by JCHA are in roles that directly support the management of their communities. By institutionalizing resident management and tying it into resident hiring goals, JCHA had the highest percentage of residents in its workforce among the seven PHAs visited.

B. Contracting/Procurement

The Jersey City Housing Authority has established a 25 percent resident hiring goal for all construction contracts of \$100,000 or more. While acknowledging that there is no statutory

foundation for this requirement, JCHA officials argue that the goal establishes a benchmark for negotiations with potential contractors. When the goal was first introduced, JCHA reported resistance among contractors; in response, a campaign was instituted to educate contractors and unions about the potential benefits of doing business with the housing authority. At the same time, JCHA contracting and procurement staff developed procedures through which to assist contractors in implementing plans to meet the resident hiring goal.

Based on JCHA's interpretation of state statutes, its policies require the acceptance of the lowest bid; however, contracts are approved contingent upon submission of an acceptable Section 3 plan. Through pre-contract conferences, potential bidders are alerted to Section 3 requirements, which are often presented as a means by which contractors can meet their Minority Business Enterprise goals as well. Once a contract is awarded, formal negotiations begin to develop a Section 3 implementation plan that is mutually satisfactory.

Key to successful negotiation is JCHA's willingness to assist contractors with implementation of the plan and a degree of flexibility when a contractor encounters problems in meeting the goal. JCHA staff monitor on a weekly basis a contractor's progress on meeting the targeted number of person-hours and workers needed to maintain the Section 3 goal. When a contract falls short of the goal, the monitor not only alerts the contractor but is also actively engaged in helping determine an appropriate remedy. JCHA officials believe that flexibility and implementation assistance are absolutely necessary since, in reality, they have no statutory authority to impose sanctions against a contractor who does not meet the 25 percent goal despite best efforts.

Most contractors appear quite willing to work with JCHA to create opportunities for residents. However, in a meeting with a group of contractors, several challenges to their participation in JCHA's Section 3 initiative were identified. Their common experiences included: an initial lack of knowledge about the requirements and provisions of the regulation; an absence of significant opportunities for unskilled and low-skilled employees; difficulties in arranging apprenticeship programs; a frustration with the federal Davis-Bacon prevailing wage requirements; and the inexperience and lack of upfront capital of minority subcontractors. Concerns were also shared about the costs associated with providing training and about the absence of work-readiness skills among many of the residents who had been hired.

The contractors had a number of suggestions for ways to facilitate their partnership with JCHA. Several advocated for either a full exemption from prevailing wage rules or a lowered prevailing wage rate for small-scale housing construction. A strategy to link contractors with training providers who could absorb training costs was also suggested. At the opposite end of the spectrum, contractors urged JCHA officials to develop a long-term advancement plan for trainees, since the intermittent nature of most construction jobs would often result in short-term work opportunities.

C. Apprenticeship Programs

In order to address the longer-term skills training needs of its residents, JCHA, in partnership with local unions, has developed two apprenticeship programs: a painters apprenticeship operated in conjunction with District Council 10 of the International Brotherhood of Painters and Allied Trades and a plasterers apprenticeship program in collaboration with the Plasterers Local 29. The painters program includes 13 apprentices and four journeymen and lasts for 36 months, while the 30-month plasterers program involves six apprentices and two journeymen.

Union-sponsored training programs were conceived by JCHA resident councils and staff as a way to simultaneously address the goals of housing rehabilitation and employment opportunities for young residents. JCHA staff acknowledged that their success in negotiating the two training programs was due, in part, to the fact that the current market for the painting and plastering trades is weak, making work with the housing authority especially attractive to the unions.

Residents played an active role in the design and implementation of the two training programs. Along with JCHA management, RMCs and resident councils negotiate with each union over wages, benefits, and work rules. The apprenticeship positions are intended to be filled by the residents of the development in which the work is performed, and resident leaders participate in recruitment and selection of participants.

The partnership creates a system of mutual obligations for the unions, the resident trainees, and the housing authority. The unions must commit to accepting the apprentices into the union as card-carrying journeymen upon successful completion of the training. Program participants must work as pre-apprentices for six months before they can be accepted into the union as apprentices. Upon the successful completion of three additional years of apprentice-level work, they can attain journeyman status. For its part of the bargain, JCHA formally agrees to employ the apprentices for

two of the three years and may continue employment into the third year if the work and funding are available. The programs are registered with the DOL/BAT and the parties agree to observe federal standards regulating apprenticeship training.

The success of the JCHA-union partnerships is based partly on extended groundwork begun nearly 10 years ago to develop a working relationship with the unions. In JCHA's view, housing authorities must be willing to eschew prescriptive arrangements, demonstrate flexibility in negotiating with unions for apprenticeship slots, and invest in a long-term process of relationship-building. Despite the partnerships' early successes, JCHA echoed the comments of contractors, warning that the intermittent nature of construction jobs can undercut attempts to build in long-term apprenticeship agreements.

JCHA helps non-union contractors gain access to schools with approved training programs in return for apprenticeship positions for residents. Through this arrangement, the contractor gets to pay the apprenticeship wage (which is significantly lower than the Davis-Bacon wage) and paid training opportunities are made available for residents. An issue JCHA is confronting with this approach, however, is how to ensure that trainees get the required number of on-the-job training hours for the apprenticeship program if the job is completed before the minimum number of hours of continuing work is reached.

For those residents participating in one of the Section 3-related apprenticeships, JCHA staff pointed to the need for support services that realistically cannot be provided by either contractors or unions. With additional resources, JCHA would provide a counselor/tracker to help participants manage personal and family problems and crises and a staff person to help program participants make the transition to other jobs when their training or apprenticeship job ends. Recently, JCHA has begun to think about ways in which to support and encourage apprentices to set up their own businesses and position themselves to contract directly with the housing authority for building rehab work. Yet, absent additional funding to support these needs, JCHA was not certain that they could move their resident employment and hiring initiatives very far beyond the current point.

D. Targeting Section 3 Employment and Training Opportunities

JCHA administrators voiced the belief that limited resources are best targeted in a manner that rewards desired behaviors and that Section 3 can be used as a prevention strategy to address social

problems within the housing community. A portion of JCHA's Section 3-generated employment and training opportunities has been targeted primarily to young men in the belief that good job opportunities can successfully compete with illegal activities that are all too accessible and attractive to young men facing limited legitimate alternatives. The targeting decision was worked out with the agreement of the resident leadership, who identified unemployed, unengaged young men as undermining their efforts to achieve strong, stable communities. Opportunities through Section 3 are not directed at "problem" youth, but rather to young people who are "doing the right thing," in the belief that absent concrete rewards (like jobs) for young people who do play by the rules, it becomes futile to try to convince other youth that there are benefits to staying out of trouble.

The decision to target young men is evident in the gender breakdown of residents currently participating in the apprenticeship programs: Only four are women. Absent significant efforts to recruit young women, this trend is likely to continue, although one of the female apprentices thought that her acceptance and success in the plasterers apprenticeship program could encourage other women to apply in the future. If these programs are to become more representative, JCHA may need to focus its persuasion and education approach with contractors on ways to support the entry of women into the skilled trades. When asked, contractors were noticeably silent about efforts to bring women into their workforce.

E. Additional Elements Needed to Help Residents Move to Economic Self-Sufficiency

JCHA does not see itself in the role of training provider, with the exception of construction-related training. As one JCHA staff member stated: "We do housing, and housing is construction. If you want computer training, go elsewhere. That's not what we do." Instead, JCHA views itself as a recruitment mechanism for training programs run by off-site providers. Yet their experiences have been less than encouraging. In particular, they were critical of the local JTPA system, to which they have made referrals only to have residents return angry about their treatment and frustrated about what they perceived to be the system's failure to provide post-training job placement.

JCHA's experiences with the Family Self-Sufficiency Program (FSS) have been equally disappointing. Though targeted at Section 8 certificate holders, FSS is assumed by many to contain key program elements equally applicable to public housing residents: assessment of household needs, case management, escrow accounts, and employment and training services. Yet, as of the date

of MDRC's visit, JCHA had succeeded in getting only two Section 8 holders into FSS, against a goal of 140. Explanations for their lack of success focused on inadequate funding, the mistaken assumption that jobs and training opportunities already exist and that low-income people merely need assistance in gaining access to them, and difficulties working with the welfare system to coordinate FSS efforts with the JOBS program. Moreover, JCHA staff return to a concern about the quality of many of the publicly funded employment and training programs and the high costs of programs run by private, nonprofit organizations.

Despite the disappointments with FSS, JCHA staff point to some of its more important features, which have been put into place in some communities. These program pieces — a pre-kindergarten program run by the Board of Education, referrals for drug counseling, an after-school program in which the Board of Education supplies teachers for computer courses, extensive summer recreation programs, Head Start Centers in each of the housing communities, and special programs for seniors — speak to the broader range of social services needs of public housing residents that JCHA staff think must be addressed simultaneously with a concerted Section 3 effort.

F. Conclusion

Jersey City has one of the most successful records of using Section 3 as leverage with the contractor community and unions. They have also aggressively pursued a resident hiring policy, although they have been less successful in coordinating efforts with other publicly funded employment and training systems. Accessing young women to apprenticeship opportunities, however, remains a challenge.

III. HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

The Housing Authority of the City of Los Angeles has described its Section 3 approach as focusing on "building up the inside to facilitate movement to the outside." HACLA becomes the "training ground" in which residents can gain occupational skills, work experience, and small business management experience that can be transferred to the wider community. HACLA's experiences illustrate both the rewards of work within residents' own communities and the challenges faced in helping residents transfer those experiences to the wider labor market.

Profile

As the city's largest landowner and developer, the Housing Authority of the City of Los Angeles (HACLA) manages 9,673 units housing 32,467 residents. The 17 largest public housing developments account for nearly 85 percent of the family housing units and over 90 percent of all residents served by HACLA. Nearly 65 percent of all residents within the large public housing communities are Latinos, while African-Americans represent a little over 27 percent. The average monthly income of those residing in the large public housing communities is \$811. With a housing stock that includes some developments that are more than 50 years old, the authority has mounted a significant modernization effort.

Strategies used by HACLA administrators, in partnership with 12 resident advisory councils and five resident management corporations, to implement Section 3 include:

- The creation of internal subsidiary companies that train and employ residents for maintenance jobs within the authority.
- The formation of joint ventures between Resident Management Corporations (RMCs) and private construction companies.
- The use of a Joint Apprenticeship and Training Committee made up of representatives from HACLA and local unions to develop, implement, and coordinate maintenance apprenticeship programs for residents.

- The use of Community Service Centers to help meet the training and supportive services needs of residents and their families.

The revisions to the Section 3 regulations are viewed as a statutory complement to many activities already under way, giving HACLA greater leverage in negotiating with unions and contractors.

A. Private Subsidiary Companies

At the time of MDRC's visit, HACLA had been tracking resident hiring for 20 months. During that period, 256 residents were placed in jobs through the authority's Section 3 efforts. Three private subsidiary companies set up by the authority have played a central role in moving residents into maintenance and construction work. Two of the companies — Kumbaya I and Kumbaya II — handle smaller jobs such as cleaning fences, painting walls, replacing toilets, and cutting concrete stoops. The two companies have handled jobs totaling more than \$10 million, employing more than 60 residents.

The Public Construction Company (PCC), HACLA's third subsidiary, has responsibility for training and hiring residents for larger jobs within the housing authority. Approximately 75 residents were working for the authority through PCC at the time of our visit, including about 30 temporarily employed on a lead abatement project. Whenever HACLA begins a new work project, internal goals are set for the percentage of hires that will be reserved for residents. All laborer work done through the company is performed by residents, as is some of the trade work, depending on the specific job and the skills required. PCC was described as a growing corporation and was expected to move into all of the trade areas in the future.

While HACLA has had some success using its private subsidiaries to employ residents, the full use of the subsidiaries has been impeded by territoriality among the housing communities. Spread across a wide geographic area, HACLA's public housing communities are also socially distanced from each other. Many of the communities are ethnic or racial enclaves. The viability of work crews from outside the housing community in which the work is being performed is often jeopardized by strong turf protection, sometimes involving gang activity. This has been particularly

troublesome in light of the fact that, in order to secure long-term or permanent employment with HACLA, residents must be ready to be deployed to wherever the work is needed.

HACLA has launched a campaign to address these issues, using a lottery system to make training and employment selections or asking resident leaders from each community to nominate the same number of residents to work on special teams for specific projects across developments. HACLA has also tried to increase the number of social activities that bring residents from different developments together in order to decrease the social distance between members of the various communities and has held meetings with gang members in an attempt to defuse tensions.

B. Joint Ventures

Noting that "the small business entrepreneurial approach has always worked in the U.S.," HACLA officials use Section 3 as a vehicle for meeting the small business ownership aspirations of some community residents. In analyzing the lack of success of an earlier attempt to support the participation of resident-owned business in bidding on construction work, staff concluded that the greatest barriers resident firms faced were the lack of resources to meet licensing and bonding requirements and lack of experience to successfully take on major construction contracts. In response to this finding, HACLA instituted a joint venture strategy for supporting resident-owned businesses. The joint venture structure, which brings small, inexperienced resident businesses into partnership with larger for-profit construction companies, eliminates the resident businesses' need for capital for bonding and builds in business management and occupational skills training. The staff of the HACLA Modernization Department provide training to resident groups on how to set up joint ventures. At the time of our visit, five joint ventures had been formed. Two recent examples illustrate both the promise and challenges of the joint venture approach.

1. Estrada Courts Joint Venture. The Estrada Courts Resident Management Corporation formed a joint venture that included a nonprofit organization, the East Los Angeles Community Union (TELACU), and Weisker, a private construction company. Weisker's bonding and insurance capacity helped the RMC receive a contract for a seven-month sewer installation job that required minimal training. Nine residents were hired, at a pay rate of \$14 an hour with no benefits. Residents who had been involved in the project spoke at length about their satisfaction with the work and their new respect for the development property.

However, once the sewer project was completed, residents' expectations that Weisker would hire some of them as permanent employees were not fulfilled. Moreover, expectations that their work through the joint venture would lead to the RMC's successful bid on a contract for a door and window replacement project in the development were not realized. Beyond the joint venture's failure to lead to other work, the residents who had participated in the joint venture were at a loss to figure out how to market the RMC outside the HACLA or how to conduct individual job searches in order to capitalize on the work experience they had gained. The residents with whom we met appeared to be waiting in frustration for the next HACLA contract and expressed bitterness at HACLA for its inability to deliver additional work quickly.

2. The Hacienda Village Modernization Corporation (HVMC). The Hacienda Village Modernization Corporation is a joint venture company owned 51 percent by the Hacienda Village Resident Advisory Council (RAC) and 49 percent by Job Makers, a partnership of several private banking, business, and construction companies. Created as a vehicle for successfully bidding on a \$500,000 lead abatement project, the joint venture was designed to bring a ready and willing labor force together with an entity that could provide the financial backing and business expertise necessary to successfully deliver on a major contract. As a resident-owned business, HVMC was able to benefit from HACLA's noncompetitive bid process to secure the contract, a feature that was particularly attractive to Job Makers.

The lead abatement project, which was delayed at the time of our visit owing to an underestimation of the scope of work, was expected to last for six months, creating employment for about 15 resident trainees/apprentices, four journeymen, and a few office staff. Entry-level pay was expected to be between \$8 and \$10 per hour. The selection of the skilled journeymen will be handled by Job Makers, while the RAC will recruit and select the trainees. The RAC had already enlisted 20 applicants, including four women. Some of the training costs will be offset through a HUD Technical Assistance Grant (TAG). Although there was no plan in place to provide support services, discussions were under way to define how the Community Services Center could target some of its resources in support of the trainees. (These multiservice centers are located in five of the developments.)

It was anticipated that at the completion of the project, the joint venture would be in a position to bid on other HACLA jobs, with projections that the corporation could eventually grow to employ about 50 residents a year. The cooperative spirit between the RAC and the for-profit corporation, the residents' excitement about engaging in work that will make a difference in their community, the potential for future employment opportunities, and the willingness of Job Makers to bring additional expertise to the project contributed to an air of optimism and enthusiasm about the growth potential for the resident corporation. Yet the experience of the Estrada Courts joint venture project suggested that HVMC might face significant challenges in realizing its long-range goals.

C. Other Resident Business Development Opportunities

Residents' interest in starting small businesses that do not interact with Section 3 was a theme repeated at each site visited. The HACLA administration also expressed interest in supporting the development of such resident businesses, especially those that could provide much-needed services to the community. To that end, a \$150,000 business start-up revolving loan program was instituted. The Coalition for Women's Economic Development manages the fund and provides a 12-week business training workshop. HACLA leadership are also exploring what it would take to "surface" underground cottage industries such as day care, tailoring, and auto repair and turn these into formal business initiatives.

D. Joint Apprenticeship and Training Committee

The Joint Apprenticeship and Training Committee (JATC) is a group made up of union representatives and HACLA staff. Originally created to facilitate the entry of residents into apprenticeships for HACLA maintenance positions, JATC is negotiating memorandums of understanding (MOUs) that will require contractors to sign agreements with each of five building trades — carpenters, painters, laborers, plumbers, and electricians. Over the next five years, the committee's goal is to train and place between 150 to 200 residents; about 20 percent of the hires are expected to be women.

HACLA's partnership with the plumbers, carpenters, and laborers unions, which has been developing over a period of about five years, has been marked by both significant progress and deep frustrations. A look at three points of conflict between the interests and goals of HACLA and those

of the unions contributes to an understanding of why partnerships such as JATC seem to require an extensive upfront investment of time before benefits accrue to residents.

First, HACLA staff and the union residents disagreed about whether to require contractors doing business with HACLA to hire only union-trained residents. The unions, in favor of such a requirement, seemed to view it as a way to increase their ranks and power. HACLA staff's bottom line interest in training and employment for residents led them to the position that no employers who agreed to resident hires should be turned away — including non-unionized contractors.

Second, traditional apprenticeship eligibility requirements were challenged by HACLA staff and residents. For example, while the unions require apprentices to have a high school diploma or a GED (high school equivalency certificate) and a driver's license, HACLA staff viewed the license requirement as an unnecessary barrier that would effectively screen out otherwise eligible residents. The Resident Management Corporations opposed the education requirement as unnecessary "creaming." At the time of our visit, JATC was trying to resolve these conflicts but appeared to be at an impasse, with each side holding firm to its position.

The question of how to provide continuous work for residents was a third source of conflict. Union representatives advocated that residents trained by the union be placed in non-HACLA work if there is no work available within the housing authority. While it was agreed that this was a good opportunity for residents, HACLA staff were concerned that when work did open up at the authority, trained residents would be unavailable.

As union representatives have come to better understand the support services HACLA residents may need in order to succeed in a union-sponsored training program, they have become advocates for such services. Once a resident completes a training program and begins work with a contractor, the union tries to offer some post-placement support and assistance. However, both HACLA staff and the union representatives agreed that two major needs — child care and transportation assistance — cannot be met by the unions. HACLA is attempting to respond to this concern by using Community Service Centers to help residents access the needed resources.

Despite disagreements, differences of philosophy and approach, and several unresolved issues, JATC seems to be a viable model through which to forge workable, mutually satisfying partnerships between the skilled trade unions and HACLA. The process, however, is a long-term one, which has

required both the housing authority and the unions to make concessions and to constantly refine their distinct roles.

E. Community Service Centers

Community Service Centers (CSCs), located in five of HACLA's housing communities, offer a range of services to residents including: general case management, job training and job development (primarily using JTPA funds), basic education, youth drug and gang diversion activities, and recreational programs. While there have been attempts to establish child care centers, these efforts had yet to lead to the operation of a center in any of the developments. Although the centers are open to serving all HACLA residents, the turf issues described earlier have resulted in the use of each center primarily by the residents of the development in which it is located.

Serving about 4,000 residents per year, the five CSCs have a total of 60 employees. In their efforts to hire a greater percentage of residents for CSC positions, HACLA is attempting to effect changes in the education requirements for positions such as case manager, which currently call for a GED or high school diploma. One proposed strategy is to count volunteer experience toward the requirement. In order to widen the pool of applicants, a training program has been developed through which residents are hired as case manager trainees in JTPA-funded work experience slots. Trainees would ultimately be transitioned into unsubsidized positions.

The Community Service Centers are involved in a range of resident employment and training activities that support Section 3 goals. These include recruiting, screening, and referring residents for work on modification projects; coordinating an apprenticeship training program for 20 to 30 residents to prepare them to work as assistants to HACLA maintenance staff; and overseeing an apprenticeship program through which the gas company provides weatherization training and job placement assistance.

While the Community Service Centers offer a promising model for providing site-based support services to residents, the activities of the centers are not directly targeted to those residents participating in Section 3 employment and training opportunities. Although turf and territoriality issues are a complicating factor, in order to maximize its resources, HACLA will need to consider steps to ensure that these important support services are accessible to a wider share of its residents involved in Section 3 activities.

F. Conclusion

Los Angeles has implemented several impressive initiatives to support resident entrepreneurs, and worked closely with local unions to maximize employment and training opportunities within the housing authority. HACLA staff however, have not yet developed a way to help residents translate their gains within the public housing community to the outside world.

IV. HOUSING AUTHORITY OF BALTIMORE CITY

Building upon earlier steps taken to establish a comprehensive family support system, the Housing Authority of Baltimore City considers Section 3 as a vehicle for tying employment and training into a broad network of social services. Step-Up — an apprenticeship program for the building and construction trades — forms the centerpiece of HABC’s Section 3 approach. HABC’s experience offers important lessons about the level of effort required to maintain the partnership between unions and governmental systems as well as to match residents with training opportunities. HABC’s efforts to hire residents for its workforce reflect some of the tensions between a unionized workforce and a PHA interested in creating greater employment opportunities for its residents.

Profile

The Housing Authority of Baltimore City (HABC), with 55,000 residents in 18,000 units and a workforce of 1,400, is one of the largest PHAs in the country. Of a total of 16,100 households, 91 percent are female-headed; AFDC was reported as the major source of income for 63 percent of all households. For the 28 percent of households with wages as the primary income source, median annual income is \$11,000. Ninety percent of Baltimore public housing is occupied by African-Americans, followed by 8 percent white. Latinos and Asians each make up 1 percent of the public housing population. The Executive Director of HABC is also Baltimore’s Commissioner of Housing.

Key features of the HABC approach to Section 3 include:

- Adaptation of the Step-Up model program to create training and apprenticeship opportunities for residents.
- A small business development and technical assistance initiative intended to incubate new resident businesses and strengthen small disadvantaged companies.
- Selective privatization of basic maintenance services.

- Coordination of a variety of training programs designed to prepare residents to assume jobs within its on-site family support system.

A. Step-Up

At the outset, it should be noted that subsequent to MDRC's visit, Baltimore's Step-Up program became controversial as a result of layoffs of residents participating in the program. The observations sketched out below must be understood in that context.

Baltimore's Step-Up program provides some interesting variations on the original model operationalized in Chicago. First, in the context of a depressed construction industry, unions in Baltimore have now turned to HABC construction and modernization activities as a potential new market. As a consequence, the Building Trades Union consortium was willing to join a taskforce of government representatives (from the PHA, the Department of Social Services, the Office of Economic Development, and the State Department of Employment and Economic Development) to work on the early design of the project. Second, HABC was successful in bringing multiple funding streams, including JTPA and JOBS, into support of the Step-Up program. Finally, negotiations with the construction unions led to an agreement through which Step-Up graduates would be *guaranteed* slots in a regular, union-run apprenticeship program, thus offering participants an opportunity for long-term training and certification in several construction-related skills areas.

Seventy-three residents were enrolled in this apprenticeship-like course designed to expose them over a year-long period to a variety of construction trades in job site settings. The residents were being supervised and trained by journeymen from the various building trades union locals. The HABC staff administering Step-Up had identified six key phases in the program: outreach and recruitment, screening, pre-orientation employment and training, pre-construction training, construction training, and job placement and follow-up. A closer look at these six phases illustrates the level of effort required to fill 73 training slots as well as the role each partner played in funding and administering the individual program components.

1. Outreach and Recruitment. The housing authority sent out more than 19,000 flyers announcing Step-Up, held orientations for resident groups, and ran TV and radio ads, especially targeting young men. In response to the outreach effort, 600 applications were received.

2. Screening. The application of threshold eligibility criteria (eighth-grade reading and math level, being named in the lease, and passing a drug test) halved the applicant pool to 300. JTPA eligibility criteria further reduced the pool to 150; interviews screened out another 40, and after physical examinations, 73 were ultimately selected. Forty-three, or almost 60 percent, were women, and 30 percent did not have a high school diploma (they were required to get a GED before the end of the program). The local JTPA agency administered and paid for the screening.

3. Pre-Orientation Employment and Training. This phase lasted one month and consisted of job-readiness training, again administered by JTPA. Participants received a stipend (in addition to welfare, if applicable) as part of an already existing JTPA program.

4. Pre-Construction Training. During this month-long phase, participants went to union work sites and were introduced to 17 trades, including carpentry, plumbing, electrical work, masonry, painting, roofing, and metalworking. They were also given workplace socialization training and refresher courses in math and English. Cultural diversity training was also offered, but only to the resident participants, although there were plans to introduce this component to journeyworkers in the future. In addition to the case managers provided through JOBS and JTPA, the Apprenticeship Assistance Program, a small HUD-funded initiative, paid for a staff person to provide counseling and assistance to apprentices and their families.

5. Construction Training. During this phase of the program, which was intended to last for a year, apprentices were to work side-by-side with journeyworkers in a variety of trades. In addition, they would be required to spend 144 hours in the classroom. Wages were set at a range between \$6.75 and \$9.00 per hour. To fund this component, the housing authority was planning to use a combination of grant diversion/work supplementation, allowable for up to nine months under JOBS and HUD's Comprehensive Grant funds. Grant diversion was described as complex, time-consuming, and costly to administer. This phase was intended to start immediately after the pre-construction training but had been delayed a couple of months because of difficulty in finding a suitable construction site. To fill the gap, Step-Up enrollees were assigned to work on HABC vacancy preparations.

6. Job Placement and Follow-Up. This phase had yet to be implemented, but the plans were to offer graduates three options: joining a regular union apprenticeship program, working for

the HABC in a maintenance position, or becoming part of a pool of workers available for contractors needing to meet their Section 3 resident hiring requirements. Whether Step-Up can keep its promise of a guaranteed union apprenticeship slot to every graduate of the program remains to be seen. Events subsequent to our visit, including resident layoffs, have underscored that uncertainty. Moreover, it is too early to tell whether Step-Up can be replicated on a larger scale, especially during economic downturns when construction work is scarce.

B. Awarding Contracts to Firms Hiring Residents

Among HABC's highest priorities was finding contractors with a track record of hiring residents. This meant enlarging the pool of contractors who could bid competitively by assisting minority- and resident-owned businesses in negotiating the sealed-bid process.

The renovation of the 600-unit Cherry Hill development is an example of how HABC sought to support small and minority-owned businesses in return for their commitment to train and hire residents. The \$25-million project to renovate the Cherry Hill development was divided into three phases instead of being bid out as a single large package. The third phase was further subdivided into six smaller packages in order to increase the likelihood that a resident or minority-owned business could win a bid. The invitations to bid spelled out the Section 3 requirements, and the contractors' submissions were evaluated for responsiveness. As it turned out, while there were no MBEs or resident-owned businesses among the winning bidders, the companies awarded contracts had committed in their bid documents to hire an unexpectedly high percentage of residents and agreed, through their minority business requirements, to subcontract with a number of MBEs. In the first and second phases, for example, the general contractors agreed to select 50 percent of their new hires from the residents.

Having extracted commitments from contractors to hire residents, HABC was immediately faced with how to provide a qualified labor pool. There had been discussion about creating a "job skills bank" listing that could be distributed to contractors; all residents available for work, along with their work experience, would be listed. But housing authority staff were concerned about how to independently verify the reported skills. Contractors appeared interested in the job skills bank, but wanted the housing authority to exercise some kind of quality control, as well as to act as a referee in disputes between contractors and residents.

The results of the bidding for contracts on the Cherry Hill project helped HABC staff understand that the few resident-owned businesses that did exist were not yet capable of competing with larger firms. Procurement officials began to look for alternative ways to steer business toward residents. A meeting with recent graduates of Business Owners Start-Up Services (BOSS), a 12-week program run by an outside consultant, confirmed that most of the HABC contract work available was too capital-intensive for these fledgling enterprises. As one response, HABC's small purchasing department took what was originally one large contract for janitorial services and divided it into three parts, which were then awarded to three resident businesses. Pleased with the results, the department was planning to similarly subdivide a pest control contract. At the same time, HABC developed plans to launch a small business development and technical assistance program.

C. Technical Assistance to Resident-Owned Businesses

The newly formed HABC Resident Initiatives Division is envisioned primarily as a business development program, while the Office of Family Support Services concentrates on social services for residents. At the time of MDRC's visit, the division was in the process of selecting an outside consultant to design the business program. Concerned that relatively few residents would be genuinely interested in or capable of starting their own businesses, and that even fewer would be interested in opening up maintenance- or construction-related firms, staff advocated for a two-track program in order to meet the needs of residents interested in gaining employability skills rather than becoming entrepreneurs.

The program was intended to start small — 25 residents plus 25 existing small disadvantaged businesses (SDBs) — with the former group having the option of being placed in either the job skills or business ownership track. Training was intended to last 13 weeks, after which participants could choose among a three-month business development course, OJT, or employment and post-placement follow-up. The SDBs would be offered bookkeeping courses and technical assistance on federal procurement rules and joint venture formation.

Residents who did want to open businesses were to be directed toward areas where HABC had a clear need for services. For instance, flyers had been printed and circulated in targeted developments announcing that training was being offered in lawn care and pesticides. These initial efforts, however, had yielded only a small group of residents who could meet the threshold eligibility

requirements of a high school diploma or GED and a driver's license, and more intensive recruitment was being planned.

D. Hiring Residents as HABC Employees

HABC's 1,400-member workforce is partially unionized, with 800 maintenance employees and their supervisors represented by two American Federation of State, County and Municipal Employees (AFSCME) locals. Estimates varied as to how much of the total HABC workforce was composed of residents; 10 percent was at the high end. According to union representatives, 25 to 30 percent of all maintenance jobs were held by residents, predominantly male. A listing of openings showed that these positions are at wages ranging from \$9 to \$18 per hour. Residents also made up 10 percent of the employees in the lower levels of development management, e.g., management aides and clerk/cashiers. Resident building aides, often the older sons of single mothers, clean the buildings and are paid the minimum wage.

Both HABC personnel department staff and residents expressed interest in developing more effective methods for publicizing job openings and matching residents with jobs. Resident leaders, in particular, were concerned about the lack of a systematic, user-friendly method for notifying their constituents of employment opportunities. For instance, while job announcements were posted at the developments, they were located in the management offices, where residents rarely went except to pay their rent. Residents felt it would be more effective to pay them to distribute flyers under apartment doors. They also suggested the creation of a resident-run newsletter that would contain job listings.

HABC was in the process of setting up its own maintenance subsidiary corporation — HABCO — which would contract with Step-Up grads (or with companies that hire them) to do maintenance work. Essentially, this would involve privatization of work, although contracts would be subject to HUD procurement rules. Staff intended to request a waiver of HUD procurement rules before committing themselves to this path.

Efforts to hire residents into its workforce and contract services out to resident-owned businesses have created tension between HABC administrators and its unions. Union representatives were concerned that, by deliberately not filling vacancies, HABC intended to increase their use of private contractors and temporary help to do basic maintenance and rehabilitation work, thereby

weakening the union. These practices were viewed by some union representatives as harmful to residents in the long run because many of the temporary slots were dead-end positions that offered no training.

E. Employment and Training Services for Residents

HABC manages a network of family services centers, funded through such sources as HUD's Comprehensive Grant program, CDBG, the State Department of Human Resources, and private foundations. Three community centers — the Family Investment Center, the Family Support Center, and the Family Development Center — offer one-stop shopping social services including day care, parenting skills workshops, and medical care. Ten day care centers employ residents working to become certified as child care workers. The day care facilities meet dual goals by provide training and employment opportunities for residents *and* providing accessible child care for working residents and those enrolled in training or related self-development activities.

The social services centers also offer job training and placement services in such diverse fields as child care, housekeeping for the elderly, counseling, geriatric care, and nurses' aides. A particularly striking feature of these programs is that they prepare residents to fill jobs within their housing communities that deliver much-needed social services for residents and their families.

Child care was the training course most often chosen by residents. The course, consisting of one year of classroom training and 90 hours of on-site work, always had a waiting list. A work experience component had been developed by the local JTPA agency; enrollees received their welfare grants plus an untaxed stipend of \$30 per week and attended classes in child development at a local community college. Despite the program's popularity, however, the child care training program had high turnover because the \$6 per hour wage was considered low.

Participants in the geriatric aide course undergo six months to a year of training. The housing authority, which paid these workers \$6 per hour, reported that it had been losing graduates to a local hospital that could pay more. Housekeepers for the elderly also made \$6 per hour, but with less demand for their services in the private sector, residents were well-represented among the 40 to 50 employed by the housing authority. The nurses' aide course, because it was the most rigorous of all, had the fewest resident trainees.

HABC's previous experience with a range of resident training programs should be of great value as the authority explores the development of training opportunities — beyond Step-Up — that support Section 3 goals.

F. Conclusion

Baltimore continues to build a solid record of preparing its residents for the world of work, through both occupational skills and job-readiness training. Whether such ambitious efforts as the Step-Up program can succeed will depend upon HABC's skills in negotiating the competing demands of unions, contractors, and residents, as well as larger market forces. HABC's resident entrepreneurship programs are still in their infancy and cannot yet be assessed.

V. CHICAGO HOUSING AUTHORITY

The Chicago Housing Authority has faced a series of longstanding problems including: the poor physical state of much of the housing, a high crime rate, the proliferation of youth gangs, and a high vacancy rate. The case of CHA illustrates some of the complexities of addressing Section 3 in a severely distressed housing authority. However, its Step-Up apprenticeship program, the first in the nation, has served as a prototype for other housing authorities.

Profile

The Chicago Housing Authority, with 40,000 units, is the second largest in the country. Ninety percent of CHA households are headed by single mothers, of whom over 90 percent are AFDC recipients. Over 10 percent of CHA housing stock is vacant. Events in late 1995, including HUD's takeover and the resignation of CHA's chairman, undoubtedly portend significant changes in CHA's operations and management.

For the most part, CHA's efforts in the areas of resident employment and business opportunities were underdeveloped, with the striking exception of Step-Up. Given a multiplicity of operational and management problems, it may be unrealistic to assume that Section 3 can be afforded top priority. Some of the Section 3-related initiatives in various stages of development included:

- The nation's first Step-Up model, providing apprenticeship training for jobs within the CHA workforce.
- A proposed board policy setting numerical Section 3 procurement and contracting goals tied to contract amounts.
- A program to foster the development of Resident Management Corporations.
- A resident business incubator program.

Although these efforts were intended to be coordinated by an inter-departmental task force composed of top management, contract administration officials, and resident social services specialists, competing priorities often made such coordination nearly impossible.

A. Step-Up

CHA, unlike its Baltimore counterpart, operates in a strong union town, so starting the Step-Up program required extensive negotiations with the various union locals representing CHA workers. Numerous agreements had to be hammered out to address the unions' concern that Step-Up graduates would be used to replace regular workers. One way in which union concerns were addressed was through an agreement that the Step-Up apprentices would have "neutral" job duties, i.e., exposure to a variety of trades without actually learning the specific skills of any single trade. The generic apprenticeship category of "building maintenance repair" was developed to act as a "bridging" mechanism to the construction trades.

Unlike the Baltimore model, where Step-Up graduates were guaranteed union apprenticeship slots, graduates in Chicago were only given a priority to be hired as apprentices as CHA work became available. CHA also agreed to hire 160 new journeyworkers on its payroll to train the Step-Up participants. Reaching agreement over wages for the Step-Up participants also required extensive negotiations. The unions pushed for a wage of \$6 to \$7 per hour, while CHA leadership favored a real apprenticeship wage of \$17 per hour. They ended up agreeing on a base rate of \$9.52 per hour plus \$4 for fringes (given in cash), for an effective hourly wage rate of \$13.52 plus \$5 per week in "needs-based payments" for transportation.

Three eligibility criteria were initially set: a ninth-grade reading/math level, being a leaseholder or named in the lease, and passing a drug test. At the urging of residents, the reading and math levels were reduced to sixth grade. Of 1,200 applicants, 298 were found eligible and enrolled. CHA staff pointed out that the drug test requirement screened out a disproportionately large number of male applicants.

The training program consisted of a half-day per week of classroom work (at a skills center operated by a local community college) for 20 weeks, and four days per week in the field, working alongside journeyworkers (at a ratio of two residents to one journeyworker). The union members initially resisted working with the Step-Up participants; hence CHA's hiring of 160 special

journeyworkers whose chief responsibility would be the training of residents. But over time, as the journeyworkers and the residents got to know each other, the training became progressively more effective.

Of the 298 who started in the program, 144 graduated. Of those, three found work in the private sector; the rest were working for CHA: 30 were in lead-based paint abatement; 19 entered the union's regular carpentry apprenticeship program; 15 were painters' apprentices; six were working as van drivers; two were plasterer pre-apprentices; one was working as a clerk; and 66 remained active in the program while awaiting placement. (The two remaining graduates were not accounted for.) Of those 154 who were terminated from the program, 67 percent were failed because of poor attendance and 33 percent were dropped because they had not gotten their GEDs.

Although the Chicago Step-Up program could not guarantee its graduates slots in a union-run apprenticeship program, CHA — with the support of the U.S. Department of Labor — arranged for Step-Up grads to jump to the head of the waiting list for *pre*-apprenticeship slots in union-run programs. Even so, not all the union locals would agree to give any preference to Step-Up grads. In any event, the efficacy of these preferences was debatable, since there was a perception that apprenticeship lists were "sewn up," with residents put at the bottom and never called for work.

Step-Up weathered its first major crisis in the previous year when CHA, facing a budget shortfall, instituted a plan to lay off employees. Under the collective bargaining agreement, employees with the least seniority were to be laid off first — which, if followed literally, would have included every Step-Up participant. CHA, however, was able to achieve a compromise with the unions by instituting rolling layoffs, where all union members, including Step-Up participants, were furloughed for three weeks at a time. According to CHA's chief labor negotiator, although the compromise was an adept way to avert an immediate crisis, the issue is not likely to go away, and future budget difficulties may not find the unions so obliging. Moreover, rolling layoffs spread among all unionized workers without regard to the need for their particular skills further complicates the management of CHA.

This problem may eventually be overtaken by the increased privatization of basic services. CHA had already entered into contracts with several private property management companies to operate some of the developments, and they were not bound by the collective bargaining agreement.

While the unions perceive this trend as a threat, it appears that they have little recourse to prevent it. For PHAs with a highly unionized workforce, as in the case of CHA, privatization efforts may clash with its unions' efforts to maintain jobs for its members.

B. Contracting/Procurement

The task of shaping a procurement policy to encourage contractors to hire residents and maximize contracting opportunities for resident entrepreneurs was a complicated one for CHA. In early 1994, the executive staff and the Board of Commissioners were prepared to adopt a policy authorizing the application of a set of resident hiring goals keyed to the total dollar amount of any contract containing a provision of labor. For instance, contracts valued at under \$200,000 would have to reserve no less than 5 percent of the total labor dollars for hiring residents, with the scale going up to 20 percent for contracts valued over \$1 million. The resolution also would have offered contractors alternative ways to satisfy resident hiring goals, by agreeing to train residents in particular skills, contributing to a scholarship fund, or using resident-owned businesses as materials suppliers.

However, the proposed policy had not been passed by the board by the time of our visit. Still under debate were the concerns raised by the procurement department about potential effects on the cost and quality of work performed by contractors. Procurement officials were especially concerned that such a policy would make it more difficult to attract contractors willing to bid on CHA work, noting that contractors were already hesitant to work with CHA owing to concerns about safety and security. CHA leadership, however, anticipated that these issues could be worked out and a policy would be put in place.

To the extent that procurement officials were trying to accommodate Section 3 concerns, they were planning to more frequently use the Request for Proposals (RFP) process. They saw as mostly unavailing efforts to build Section 3 criteria into the sealed bid process. For instance, they had begun using the RFP process to select construction management firms to oversee projects for a fee. The RFP method, the officials felt, would allow them to evaluate bidders more closely on the basis of their resident hiring plans and their past records.

Monitoring contractor compliance is difficult under the best of circumstances, and procurement officials thought that adding Section 3 to the mix would only make their jobs harder.

In addition to the problems inherent in the new hire rule, which is compounded by the transitory nature of much construction work, some longstanding informal hiring practices within CHA made tracking difficult. For instance, CHA runs a resident pre-employment program set up to funnel residents into jobs with contractors, but the contractors prefer directly hiring residents recommended by local area councils (LACs) representing the residents in each development. Because there is no system or process through which LACs report these hires back to CHA staff, no accurate counts on resident hires were kept.

In a public housing authority as large as CHA, which also has a long list of management difficulties to address, creative exploration of contracting and procurement practices that complement Section 3 may assume a relatively low priority.

C. Resident Management Corporations

Resident management training programs were operating within 19 CHA developments, preparing residents to eventually assume full or partial responsibility for daily management, maintenance, and control of the operating budget. (CHA planned to continue to manage HUD Comprehensive Grant expenditures.) Two of the 19 were in dual PHA/resident management, while the others were receiving training through a HUD grant under which the first on-the-job training resident management curriculum in the country was created.

Getting Resident Management Corporations (RMCs) to the point where they can actually take responsibility for management is known to be a long and arduous process. CHA staff estimated that it can take six years, requiring the involvement of a critical mass of residents within a development. Typically, a 130-unit development would require 12 trained residents. But RMCs were popular among CHA staff: They were seen as vehicles for increasing resident employment (for instance, one RMC had already hired 14 residents), as well as for expanding opportunities for resident businesses. Eventually, CHA also hoped to be able to compare the cost effectiveness of the PHA-managed, privately managed, and resident-managed developments.

D. Resident Services

The Resident Employment and Training Division (RET) provides pre-employment training and job placement services to residents. A staff of 10—trainers, job developers, and post-placement

counselors — work with the enrollees. Ninety-six single mothers on AFDC completed the course during the first nine months of 1994. The curriculum, which taught job-readiness and workplace socialization skills, was between four and five weeks long. Participants were encouraged to get their GEDs, but the program did not directly provide such services. Figures were unavailable on how many graduates were placed in jobs, although residents who were interviewed thought that only "a handful" of those completing the program received jobs.

CHA boasts a consortium of resident-run organizations, overseeing such services as nutrition programs, youth recreation activities, and mediation services. According to the consortium's director, 97 percent of those working for these programs were residents who had previously volunteered their time. Again, although figures were not available on how many residents got jobs through any one of these organizations, it was clear that there was an enormous pent-up demand for jobs among residents. For example, the consortium had recently received 825 applicants for 29 food service jobs.

E. Direct Hiring by CHA

Based on figures supplied by CHA personnel officials, slightly over 8 percent of CHA's permanent workforce was composed of residents, or 357 out of 4,378. The highest percentage of residents (29 percent of all employees in that category, or 22) were listed as paraprofessionals. The next highest (17 percent of all employees, or 138) were classified as administrative support, with the third highest (12 percent of all employees, or 112) being in the maintenance services category. Almost all of those employed in the skilled crafts categories (4 percent of the 1,062 skilled crafts employees, or 42) were Step-Up apprentices. The Step-Up program appeared to be the only targeted effort to increase the proportion of residents in the CHA workforce. There had been some discussion about establishing a job skills bank to link residents with relevant work experience to contractors with available jobs, but this matching system had not been set up by the time of our visit.

F. Department of Economic Development

CHA's Department of Economic Development is charged with helping residents start their own businesses. It offers a 12-week training course geared toward residents interested in providing services that CHA needs (e.g., exterminating or property management) or skilled in various crafts

(e.g., hairdressing or jewelry-making). The course covers standard business topics including financing, marketing, and creating a business plan; local business volunteers provide legal and accounting advice. The department has agreements with the Illinois Development Finance Authority and the Chicago Association of Neighborhood Development Organizations (CAN DO) to provide loans to the graduates of the program. The loans, which range from \$2,000 to \$6,000, were funded through the U.S. Small Business Administration.

Residents were recruited through the local area councils (LACs) and through PSAs, using local radio and TV. The sole eligibility requirement was that the enrollee be a bona fide resident of CHA or have a Section 8 certificate. There were no education thresholds; screening had more to do with ascertaining how serious the applicants were about starting their own businesses.

The program's first class went through the training in 1993. Ninety residents participated, and 24 of them graduated with some semblance of a business plan. Five graduates actually started businesses, four of which were still operating a year later. However, none of the small businesses — which included shops for barbering, needleworking, painting/decorating, data entry, and leatherworking — provided services for which CHA would contract, with the possible exception of the data entry shop. An attempt to start a janitorial services training program was aborted when the trainees dropped out, citing personal problems. Plans were under way to work with area businesses to start an exterminating course, but nothing had happened yet.

At the time of our visit, the program was serving its second cohort of students. As with the first class, the "funnel effect" was expected to be marked. Two hundred had originally applied, out of whom 100 were accepted and 90 enrolled. Attrition had already whittled the class to 40, with staff expecting additional dropouts as the reality of what is required to open a business began to sink in. The program director's view, similar to those of his counterparts in other PHAs, was that the majority of enrollees in business incubator programs are not really interested in becoming entrepreneurs; they are simply people looking for a job.

Despite the entrepreneurial development efforts of the Department of Economic Development, relatively few residents had started businesses, and no CHA business was being contracted out to any of them (owing mostly to the mismatch between the business services offered and those needed). The program's low success rate may be accounted for in part by the fact that the CHA business

development program did not appear to address the social and personal needs of the participants to the degree that the Tampa and Macon programs did. The explanations may be more complex, however. For example, unions are strong in Chicago, so selective privatization of services, which allows for more contracting opportunities, may be more difficult. Moreover, public housing residents in Chicago appeared to be poorer, and more geographically and socially isolated, than those in the other sites we visited. The personal and societal barriers to successful entrepreneurship may be more daunting here than elsewhere.

G. Conclusion

The Chicago Housing Authority offered isolated examples of innovation that promised success in the employment and training area, the Step-Up program being the most notable. Other CHA efforts, such as the resident pre-employment program and resident entrepreneurship, have not yet proven their effectiveness. The challenges of coordination among the various departments, given the size of CHA, appear to help explain the slow progress made in instituting large-scale resident employment programs. Moreover, it is hard to see how these problems can effectively be addressed while CHA's overriding priority continues to be general property management in order to meet the basic housing needs of its residents.

VI. FORT WORTH HOUSING AUTHORITY

Like many other PHAs, the Fort Worth Housing Authority is in the middle of broadening its focus to create economic opportunities for residents. Although several small-scale resident hiring and business development initiatives were under way, FWHA expected Section 3 job creation to represent a relatively small share of the employment and training opportunities for residents. The FWHA perspective and experience provide a glimpse into some of the difficulties smaller housing authorities may encounter in implementing Section 3.

Profile

The Fort Worth Housing Authority (FWHA) has 1,400 public housing units accommodating approximately 3,000 residents; 71 percent are African-American, 16 percent are white, 10 percent are Latino, and 2 percent are Asian. Five hundred and seventy-eight households receive AFDC, representing about 41 percent of the total resident population. There are seven public housing communities, five of which are occupied primarily by families. One of the communities is the location for FWHA's Project Self Sufficiency program. Although many households are technically female-headed, popular wisdom among some residents and staff held that many of these households included a male occupant who was not officially listed on the lease.

Residents and staff interviewed expressed concerns about quality of life issues including gangs, security, and drugs. Drugs were identified as an especially pervasive problem; some residents estimated that between 45 and 50 percent of the family units housed at least one member who was actively involved in the drug economy as a user, a seller, or someone allowing the residence to be used for drug transactions. Quality of life issues often seemed so pressing and urgent as to overshadow programmatic attention to large-scale resident economic development issues.

Within this context, FWHA's initial approach to Section 3 has focused on:

- A careful review of current contracting and procurement practices against both Section 3 opportunities and state laws.
- The development of a training program to position Resident Associations to successfully manage small maintenance contracts for the housing authority.
- Building support for public/private partnerships that can help FWHA meet residents' employment preparation needs.

A. Residents as Employees

FWHA maintains a permanent workforce of about 100. Approximately one-third of the workforce is in maintenance, which includes groundskeepers, custodians, laborers, laborers' aides, mechanics, mechanics' aides, and foremen. Estimates varied as to the number and percentage of FWHA employees who were current or former residents. On the low side, it was estimated that four of the 100 employees were residents; however, it was also stated that of the 32 maintenance positions, 40 percent (about 12) were held by current or former residents. Staff estimated a fairly low turnover rate within the FWHA workforce: about four openings per year. Nevertheless, all openings are posted within each housing community, and flyers advertising openings are sent directly to residents.

Experiences with residents as employees were characterized as marginally successful. FWHA found that residents were difficult to retain as employees, since they often lacked basic employability skills. Residents' frustrations with child care and loss of AFDC benefits were cited as additional reasons why residents lacked incentives to seek employment. Future opportunities for employment directly with FWHA may, in fact, decrease: The authority is considering a plan to reduce the workforce by contracting out for landscaping, grounds cleaning, and occupancy preparation services. While a preference was expressed for contracting with resident-owned businesses and/or resident associations, subsequent discussions revealed that FWHA's business incubation program was in a very preliminary stage of development.

B. Contracting/Procurement

Although FWHA has been working with local contractors to meet a 20 percent Minority Business Enterprise (MBE) requirement, it appeared that few of the lessons learned through this endeavor were considered applicable for meeting Section 3 resident hiring goals. In the view of one FWHA staff member: "a 30 percent [Section 3] new hire rule would make it impossible for the authority to get contractors." Indeed, FWHA exists in a contracting environment where, even absent the application of Section 3 requirements, few contractors bid on work with the Housing Authority.

In considering how Section 3 might be received by contractors, staff pointed to both the short-term duration of most of their modernization contracts — four to six months on average — and the small dollar figure for most of the contracts they let. The average contract size is between \$200,000 and \$250,000. Moreover, the small contracts were thought to generate very few new jobs. Most contractors were described as maintaining an "on board" workforce able to meet the requirements for a job without their having to add any employees. In the past, when contractors hired residents, it was usually because they had simply showed up on the job site. Most often, these hires were for short-term, entry-level, unskilled laborer positions.

FWHA staff identified several changes that would have to occur before contractors would take on residents as trainees: relief from workers compensation liability, permission to pay lower than the prevailing wage during training, and allowances for training costs in the bidding. A current contractor whom we interviewed concurred with this assessment. However, these three changes appear to be in conflict with existing state law; geographic preferences in hiring or contracting are also illegal. FWHA staff expressed concerns that the changes in the bidding and procurement procedures needed to meet Section 3 requirements could result in a flurry of lawsuits.

Without the environment, experience, or confidence to aggressively pursue Section 3 hiring, fearing lawsuits, and concerned about frightening away potential bidders, FWHA mentions but does not highlight Section 3 requirements in its contract solicitation packets. Section 3 and MBE goals are addressed in more detail at pre-bid and pre-construction conferences. The process and goals of Section 3 are summarized in a question and answer setting to offset contractors' fears and concerns.

C. Resident Business Development

Many FWHA staff and residents view resident-owned businesses as a more lucrative source for resident employment than holding contractors to hiring goals. To make it easier for residents to land contracts with the authority, FWHA was contemplating the elimination of stringent bonding requirements or assuming bonding itself.

A recent trial contract with residents suggests that residents will also need basic business management training. FWHA awarded a \$15,000 landscaping contract to one of its Resident Associations. The contract, which lasted a little over three months, produced jobs for about 25 residents. Although the quality of the work was acceptable, the Resident Association was found to lack fundamental bookkeeping and management skills. At the end of the contract, the association had incurred expenses in excess of income by almost \$3,000. Learning from this experience, FWHA was about to launch a business training program for each of its Resident Associations.

Residents expressed interest in non-Section-3-related business development to supply consumer goods and services to the community. As was the case in some of the other PHA communities visited, there were a number of such underground businesses already flourishing, including home grocery stores, beauty shops and barbershops, and "shade tree mechanics." Staff found, however, that residents were concerned about the financial disincentives associated with surfacing and legitimizing these informal businesses, and were especially fearful that unreported income, when revealed, would bring penalties from the welfare department and rent increases from the housing authority.

D. Preparing Residents for Work

FWHA staff have not actively pursued training opportunities with contractors because of the short-term nature of most of the work. A contractor we interviewed concurred, arguing that rather than expect contractors to assume the costs and responsibility for training, the Housing Authority should arrange for training through the local community college or other provider and create a pool of trained workers who would be available to contractors who come onto a site.

While FWHA's Board of Commissioner's formally adopted a Section 3 policy in 1993, a number of programs had been implemented prior to that date in order to promote resident

employment, economic development, and self-sufficiency. Two resident training programs for the building trades are of particular interest. In both cases, the programs were successful in recruiting applicants and in retaining a good percentage of participants through to the end of training, but job placement rates were disappointing. A building trades training program, run through the local community college, trained between 30 and 40 women, but only three or four got jobs, all within FWHA's maintenance department. A more recent home rehabilitation training program, funded by FWHA, the Department of Human Services, and JTPA, and jointly operated by the community college and the Women's Center (a local nonprofit organization), attracted 300 applicants. Of the 70 selected for the program, 48 completed it, and 15 were placed in jobs. Both programs have been discontinued in part because of placement difficulties.

Residents' enthusiasm for these two training programs seemed to be higher than for a JTPA-funded clerical training program, which, during the most recently completed cycle, attracted 75 applicants for 20 slots. Twelve of the 15 who completed the program were placed, yet the program was having difficulties recruiting for the next cycle. Although there were often conflicting views expressed about whether women were interested in nontraditional occupations, there seemed to be a growing lack of enthusiasm for clerical training. As one resident manager quipped, "If you can't do nontraditional [training programs], at least don't do clerical."

Residents and FWHA staff agree that any effort to get residents into the workforce, either through Section 3 or through linkages with employment and training outside the housing authority, must include a focus on work-readiness skills. Attention to retention during training was considered crucial in helping residents forge permanent attachments to the world of work. Recently, for example, all 12 residents who were enrolled in a Food Service Training program offered through the Fort Worth Independent School District dropped out before completion.

While FWHA staff and residents seemed aware of the importance of work-readiness training and agreed on the importance of moving residents to work, their employment and training initiatives were relatively small scale and encountered placement difficulties. FWHA's programs may become stronger through its efforts to marshal both public and private assistance to help meet some of the housing community's needs.

E. Public/Private Partnerships

Building additional linkages with the external community was viewed as an important step to breaking the insularity of Fort Worth's public housing communities. One vehicle for doing so is the Collaborative Leadership Council (CLC), a civic group that has initiated a "public housing community dialogue" in order to help support the creation of more employment opportunities for residents. Members of the council have urged the FWHA administration to become more proactive in defining the programs and services that are needed and to more aggressively push outside systems to respond to the needs of residents.

With the council's help, FWHA hosted a Job Fair in which the Fort Worth Independent School District and Harris Hospital recruited for upcoming positions. Of the 120 residents who attended, 36 were placed, with additional hires expected as positions become available. Also with the support of the CLC, FWHA conducted a survey of residents to determine on-site service needs. As a result, council members are helping FWHA contact resources to bring a grocery or convenience store on-site for more convenient resident access to food and other necessities. It was unclear whether jobs for residents were intended to be part of the bargain.

On a different front, FWHA submitted a proposal to HUD for funding for a Family Investment Center (FIC). With commitments from more than 20 human services organizations to provide on-site social services, the proposed center was considered a pioneering effort in bringing together educational institutions, hospitals and health care agencies, city employment and training providers, and several nonprofit agencies to deliver comprehensive services to residents.

Occupational skills training programs in the areas of home health aide, automotive repair, apartment maintenance, and clerical/word processing, would be included at the center. Two of these occupational areas — automotive repair and apartment maintenance — as well as a proposed small business and entrepreneurial training program offer an opportunity to complement Section 3. The site FWHA identified for the Family Investment Center, a former school located close to the largest housing community, is projected to require significant renovation, which will also afford opportunities for training and employment for residents.

F. Resident Leadership

Resident leadership and management at FWHA is in its beginning stages. As a step toward this end, residents who completed the first of a two-phase training program were hired into community organizer positions in each of the larger developments. Their range of responsibilities include keeping residents informed about available programs, bringing new services into the developments, linking residents with outside services (such as JTPA), and promoting voter education. Community organizers also provide support to the resident associations, which, according to the resident management staff interviewed, are poorly organized, have low participation, and are minimally involved in promoting residents' employment.

Resident leaders interviewed identified three social problems that interfered with residents' employment. First, the drug trade is seen by some residents as a viable alternative to legitimate employment. Second, a growing percentage of households are headed by young mothers between the ages of 18 and 20, many of whom have not completed high school. Long-term dependency on public assistance was identified as a third serious problem, with many residents particularly concerned about the loss of medical benefits if they took a job.

Resident leaders and resident services staff were often in agreement about what it would take for FWHA residents to take advantage of Section 3 or other opportunities. All thought that there were residents already possessing marketable skills, but that additional efforts would be needed to connect residents with jobs. For unskilled residents, any training program would have to be coupled with life skills instruction. In order to build confidence and help residents stay in programs, a system of daily or weekly rewards was recommended, along with need-based payments that would not be included in rent calculations during the course of the training period.

G. Conclusion

The FWHA experience illustrates the difficulties of implementing a Section 3 strategy for a small housing authority lacking economic leverage with the contractor community. Staff appear to be concentrating more on readying residents for the external labor market, although even these efforts appear to be in their infancy and to compete for priority with efforts to address crime and safety problems.

VII. MACON HOUSING AUTHORITY

Faced with a steadily declining percentage of households with a working family member, the Macon Housing Authority has made economic self-sufficiency a high priority. Two prerequisites to successful implementation of Section 3 have been identified: building a social services infrastructure to help prepare residents for work and reorganizing its operational structure to respond to demand-side challenges of contracting and procurement. The MHA story is one of a small housing authority's attempts to break through the long-standing isolation of public housing residents from the wider community, and vice versa.

Profile

The Macon Housing Authority (MHA) manages about 2,200 units, housing more than 7,500 residents. There are 18 housing communities, most of which are low-rise, garden-style developments. The prevalence of substandard private housing in Macon positions MHA as the preferred affordable housing provider among low-income people. Only 27 (1.4 percent) of MHA's housing units are occupied by two-parent households. The number of households with at least one wage earner has been on the decline over the past decade: In 1982, according to MHA officials, there were approximately 1,000 households with at least one working family member; by 1993, that figure had dropped to about 360. Among MHA residents between the ages of 18 and 20 who are not heads of household, the unemployment rate is estimated to be 86 percent.

Inexperienced in using Section 3 and cautious in their expectations of its utility as a job creation mechanism, MHA is developing various strategies to use Section 3 to complement its plans for residents' economic development. These include:

- Establishment of a separate nonprofit corporation with which to contract out all Section 3-related activities.

- Evaluation and assessment of the interface between Section 3 procurement and contracting guidelines and local and state regulations.
- Use of a program to incubate resident-owned businesses.
- Development of an on-site social services network to help support residents' entry into the world of work.

A. Organizational Restructuring

Implementation challenges of Section 3 — as well as other similar initiatives — often push public housing authorities to assess whether existing organizational structures support a resident employment focus. MHA leadership believes that nothing short of a massive reorientation and reorganization will support the expansion of its role beyond that of property manager.

Educating contractors about Section 3, making procedural changes in contracting and procurement practices, and developing a systematic approach for outreach, preparation, matching, and referral of residents to Section 3-generated opportunities were identified by MHA as the primary challenges driving the reorganization. In response to these challenges, MHA was taking steps to spin off its small business development program — Resident Initiatives for Self-Employment (Project RISE) — into a separate nonprofit organization with which it would then contract to manage the Section 3 initiative. (Early in 1995, Project RISE was indeed reestablished as an independent organization — Entrepreneurial and Employment Training Center, Inc. — and has been awarded a contract to operationalize Section 3.)

As a result of this organizational change, MHA would be positioned to concentrate on nurturing the relationships needed to build a social service infrastructure to support residents moving toward work. Plans were under way to use a HUD-funded Family Investment Center to bring a range of social service providers and Resident Initiatives Department staff together under one roof to create a seamless support system to prepare residents for entry into employment.

B. MHA as a Section 3 Employer

A commitment to "hiring our own when we can" exists within MHA independent of the Section 3 mandate. Nevertheless, the results of that commitment to date have been small — about 18 members of the 107-member staff are current or former public housing residents. Because the

workforce is not projected to grow over the course of the next few years and there appears to be low turnover within the existing positions, MHA does not anticipate meeting resident hiring goals through this avenue.

C. Contracting/Procurement

The Macon Housing Authority does almost no construction work by force account; virtually all of it is contracted out via the sealed bid process. Procurement and contracting staff hold the opinion that MHA does not have the power to require contractors to comply with Section 3. In their view, while the Section 3 regulations purport to allow the building of cost variances into the bid process, state laws with conflicting requirements are not preempted. Moreover, staff expressed concern that, in the absence of preemption, attempts to change the sealed bid process would be challenged in court by the powerful General Contractors Association, which has successfully blocked past attempts to establish minority set-aside goals. In light of these perceived barriers, MHA leadership was committed to an exhaustive legal review, including a disparity review in concert with other municipal agencies.

As a consequence of the new Section 3 regulations, MHA anticipated changing procurement practices to include a requirement that contractors submit Section 3 plans with their bid documents. Such a practice would allow MHA to throw out as nonresponsive any bid package that did not contain such a plan. This change, however, would not prevent a bidder from developing a plan that looked good on paper but that it would not or could not actually carry out. Because the regulations speak of "best efforts," MHA did not think they would be in a position to sanction contractors who failed to successfully implement their Section 3 plans. Enforcement of Section 3 remains a major concern of MHA staff. Uncertainty about the role that HUD can or should play in ensuring the successful implementation of Section 3 regulations in the face of countervailing local rules and regulations has caused MHA to proceed cautiously in modifying its contracting and procurement policies, pending the completion of a full legal review.

An additional barrier cited by both MHA officials and local contractors was the Davis- Bacon law, since contractors cannot or will not pay prevailing wages to workers who are not trained. The law's exemption for workers in apprenticeship programs approved by the Bureau of Apprenticeship and Training (BAT) does not help, since there are no such programs in Macon.

MHA finds itself in a contracting environment in which large firms rarely bid on public housing work. Small to medium-sized contractors are more likely to have a core group of workers and consequently are unlikely to generate many new jobs through MHA contracts. Contracting staff also observed that the more specialized the trade, the more likely the contractor is to have a permanent workforce. Those trades least likely to have a core group of workers include carpentry and landscaping. In light of these realities, MHA contracting and procurement staff have found it difficult to envision how Section 3 could leverage significant numbers of jobs for residents.

As an alternative, however, MHA has begun to pursue strategies that can build consenting, free choice agreements between contractors-as-employers and MHA — as suppliers of labor. For example, MHA is currently experimenting with a First Source Agreement as a means to promote resident hiring by contractors. Through this tactic, the pre-contract meeting with the winning bidder is used to negotiate an agreement in which the contractor would assent to interview the local labor pool prior to exploring other hiring avenues; the local JTPA agency would identify JTPA-eligible public housing residents for possible employment. In a very early implementation stage, the First Source Agreement has not yet yielded a significant number of jobs for residents.

D. Resident Business Development

MHA's approach to the opportunities presented through Section 3 is most visible in the ways in which their small business development program — Project RISE — evolved over its first year of operation. Through RISE, MHA is working to cultivate a number of resident-owned enterprises with which it can contract for a variety of services. The businesses, in varying stages of development, included: janitorial services, day care, computer consulting, cosmetology, and catering. While acknowledging that some of these businesses would not be relevant to Section 3, MHA places an equal emphasis on developing resident-owned businesses that can provide services to a working (and purchasing) community.

RISE uses resident services coordinators and site managers to recruit potential participants. A monthly orientation introduces the Project RISE opportunity to new residents. Those accepted into the program also become eligible for Mercer University's Educational Opportunity Center, which offers tutoring and job placement assistance. While RISE will accept residents reading below a sixth-grade level, those participants must be linked to the adult literacy program, Project READ.

Participants are required to acquire a GED before they can become eligible for business start-up funding.

During the first year of operation, several important lessons from Project RISE emerged about the utility of a resident-owned business development strategy for moving residents to economic self-sufficiency. First, it rapidly became clear to staff that many residents who responded to the program's outreach efforts were doing so in the interest of getting a job as opposed to becoming business owners. As this motivation became evident to program staff, a series of focus groups were held to gain a better understanding of residents' needs and interests. As a consequence, Project RISE, while maintaining its original small business development focus, now offers a second program track that focuses on employability and occupational skills training for those residents whose primary goal is to prepare for jobs in the private sector labor market.

A second important lesson for Project RISE staff was the amount of self-esteem and confidence-building activities required for program participants, most of whom are African-American women. Instructors in the program remarked on the enormous amount of time spent above and beyond specific skills classes helping participants cope with life crises and a range of personal and family problems. Consequently, an Afrocentric self-esteem curriculum has been added to the program. Resident participants — many of whom identified themselves as long-term AFDC recipients — described the self-esteem component as one of the most important program ingredients.

Participant access to start-up capital is an important feature of Project RISE. Consistent with the partnership theme evident in many of MHA's other programs, Project RISE staff work closely with a representative from the City of Macon Department of Economic and Community Development to help program participants become eligible for the department's small and minority business loan program. Through an agreement with a local bank, loans are available to residents and guaranteed by MHA. While no resident had yet qualified for a loan from either of these sources — program staff estimate that it would take a participant about three years in the program before qualifying — the availability of capitalization funds serves as an important incentive to participants and proof that the program can actually deliver. Several participants are in the second phase of the project — working to develop business plans to submit along with a loan request. One graduate is

planning to start a janitorial service with which MHA intends to contract as soon as the business is up and running.

E. Residents and Resident Services Staff Views

Resident leaders and resident services staff at MHA held similar views about residents' employment and training needs and about the personal and systemic barriers to residents' self-sufficiency. Both groups voiced strong concern about the employment needs of young people, particularly young men for whom, with the exception of the Adopt-A-Role-Model program, there seemed to be a dearth of services. Long-term AFDC recipients were also identified as a high-priority group for employment and training services.

In order to reach the long-term goal of residents' economic self-sufficiency, resident services staff identified a number of support services needs: on-site day care, reliable transportation (the public transportation system was characterized as very poor, and few residents have the means to purchase or maintain an automobile), case management services to address personal and family problems and crises, and an incentive system to motivate residents to enter the workforce, particularly long-term AFDC recipients.

Comments and observations offered during a meeting with approximately 20 resident association leaders closely mirrored those offered by the staff. The resident leadership group, all women, agreed that additional barriers to self-sufficiency included lack of skills, previous experiences with training programs that did not deliver real jobs at the end, experiences with low-wage jobs that left them worse off than they were when they were receiving public assistance benefits, and fear of making a change.

Collectively, the resident leaders defined a good employment and training program as one offering concurrent education and skills training, a course duration of six months to a year, upfront employer involvement, on-the-job training opportunities, training choices, a focus on general employability skills, mandatory participation for teens, good-paying jobs at the end, a counseling component, and on-site day care. As one resident declared, "Since we know what we want and need, we should be the ones to run the program!"

In subsequent discussions with MHA staff and local service providers, two external barriers were continually emphasized: the poor public transportation system and employers' negative

perceptions about public housing residents as potential employees. In response to the transportation problem, MHA staff has joined with a coalition of community activists attending public transportation hearings to advocate for better service for poor residents of the community. While committed to such advocacy, the coalition seemed to have few illusions that a timely resolution was forthcoming. Consequently, MHA staff began exploring a number of interim solutions, such as taxi vouchers and the development of a resident-owned van service.

F. Community and Social Service Partnerships

Working with a group of local social services leaders, informally called the "Macon Social Services Mafia," MHA leadership has aggressively pursued relationships with social service organizations in order to bring a range of services to its public housing communities. As a consequence, MHA has attracted on-site services and crafted collaborations with a number of social service providers including: a cooperative agreement for training with the Macon Technical Institute's New Connections Program for single parents and displaced homemakers, on-site placement of local JOBS program case managers at several of the housing communities, cooperative training programs with the local JTPA agency, a mentoring program for young men (Adopt-A-Role-Model), and a referral relationship with Mercer University's Educational Opportunity Center for literacy training, tutoring, and guaranteed college admission.

G. Rent Reform as a Key Element for Successful Implementation of Section 3

Residents, MHA staff, and many external services providers pointed to rent reform as a critical element for the success of Section 3. Absent policies that make work pay — including lowered ceiling rents that allow families to save part of their income and broader income exemptions that avoid penalizing households with working members — most thought that residents would be hesitant to avail themselves of job opportunities in general, including Section 3-generated jobs.

H. Conclusion

MHA's approach is a cautious, go-slow approach designed to bear fruit in the long term. It has placed a high priority on providing a network of social services along with pre-employment training

and, more recently, on developing resident-owned businesses. Strategies on the demand side have been slower in coming, and as yet have not been realized.

VIII. RENT CALCULATION RULES AS WORK DISINCENTIVES: A CROSS-SITE PROBLEM

During our visits to PHAs, the focus of the interviews was on programs intended to increase employment opportunities. But the rent calculation rules of PHAs influence the response of residents to any initiatives and occasionally were explicitly raised as part of the discussion of efforts to increase employment. Our visits to PHAs and review of some of the published material on the topic made clear that there are contradictory opinions about the work disincentive effects of public housing rent rules. Two types of possible effects have been discussed: the work disincentive created because rent increases as earnings rise (eating into the newly acquired income) and the sense by residents that likely jobs are unstable and working could cause one to lose public housing and be stranded in the private market.

A. The Effects of Losing Assistance as Earnings Rise

Strong work disincentives are clearly seen by some PHA officials and residents. People working in PHAs report that there is a perception among residents that rents can skyrocket when people go to work because rent is linked to income. In our visits, we heard residents report that rents can rise by dramatic percentages when someone starts working, which discourages employment. At the same time, when we asked questions about the examples people offered, it appeared that there might be misperceptions about the rules used to calculate rent.

There is also the sense that problems can arise even if the amount of rent payments does not rise dramatically. Because of the added expenses of working, rent is often a larger percentage of a working resident's *disposable* income (what remains after work expenses are deducted) than is the case for a nonworking resident who receives public assistance. To illustrate this, take the example of a resident who has two children and is receiving public assistance of \$600 per month. Under the rent calculation rules, she can claim deductions for two dependents of \$80 per month, so her adjusted monthly income would be \$520. With rent set at 30 percent of adjusted monthly income, her rent would be \$156 per month. Suppose instead that the same resident were earning \$1,000 per month, but paying child care expenses of \$300 per month out-of-pocket (which would be rent deductions), work-related transportation of \$100, and taxes of \$100 per month. Her adjusted monthly income

would then be \$700. Rent would rise, though not dramatically, to \$210, while her disposable income (earnings minus child care and transportation and taxes) would be \$500. In the second example, rent would be a higher percentage of disposable income; it would rise from 26 percent for the case with welfare (156/600) to 42 percent (210/500) in the example with employment. Even though the rent burden had not gone up dramatically, the family might well notice that rent was eating up a larger percentage of the income they needed to pay non-work-related expenses.

But we also encountered other views on work disincentives for residents receiving welfare. Academic researchers and policy analysts argue that residents receiving public assistance (and especially AFDC) do face major work disincentives, but the contribution of the rent calculation rules to this problem is secondary to the disincentives caused by the basic AFDC and tax rules.² Under AFDC and food stamps, the level of assistance drops sharply as earnings rise, especially after an initial four-month period of work, when some earnings are disregarded in grant calculations. Analysis by HUD staff indicate that, for a person who is receiving AFDC and food stamps during the initial four-month period of work, total income (earnings plus the various types of assistance) typically rises only 29 cents for every added dollar of earnings. If this person is also living in public housing (and thus subject to rising rent), the rental subsidy will also decline as earnings grow, further worsening the work disincentives; the household will be getting only 18 cents in added total income for every added dollar in earnings. These work disincentives are clearly substantial, but the bulk of them come from the AFDC and food stamp rules. The rent rules only make an already difficult situation somewhat worse. For a resident who has worked more than four months (and thus is not able to take advantage of the AFDC earnings disregards), the situation is even worse, but the rent rules make no contribution to the work disincentives. For this resident (assumed to receive both AFDC and food stamps), total income would rise only 6 cents for every added dollar of earnings no matter whether she was receiving housing assistance or not.

Our research also suggested that there are a variety of reforms in place (some for very specific circumstances) that are intended to lessen these work disincentives, but they are rarely used. For example, the existing regulations allow an 18-month disregard of earnings resulting from

²Examples of this analysis include an internal HUD memorandum prepared by Mark Shroder, and unpublished work by Barbara Schone and Michael Keane and Robert Moffitt.

participation in programs under the Family Support Act or comparable programs, though this has not been widely used. (On the other hand, a de facto income disregard operates at many PHAs. While PHAs are obligated to update rent calculations yearly, some do so less frequently. Even with annual updating, rents can adjust with a considerable lag. Therefore, there may be a significant delay between a residents' starting work and the recalculation of her rent.) Further, underuse of the Earned Income Tax Credit and transitional Medicaid and child care assistance under the Family Support Act has made the work incentives worse than they would have to be. Finally, as discussed below, ceiling rents in many PHAs have not effectively capped the rent of units as residents' earnings rise.

B. The Effects of Job Instability and Fear of Losing Public Housing

Many residents see the jobs they are likely to get as inherently unstable and their continued employment as uncertain. This may be because of the nature of job openings or the lack of confidence residents have in their abilities to meet the demands of the workplace. In addition, residents in many PHAs value public housing above other housing available to them because it may be safer and better maintained, the property owner is more forgiving of nonpayment of rent, and it may be harder to be evicted from their unit. If they shifted to the private housing market, many fear this would expose them to a greater risk of homelessness or other serious housing problems if things "go bad." These concerns are heightened in PHAs where there is a substantial waiting list to enter public housing, so a person cannot easily leave and re-enter a development.

PHAs also must contend with the belief that increased earnings can lead to loss of public housing. Despite the belief of some residents, it is not, in fact, true that people will be asked or told to leave public housing if their income rises. (In the current environment, quite the contrary may be true.) But they may be priced out of public housing because ceiling rents often are not set low enough to keep public housing attractive as income rises. For residents with higher earnings, the required rent for public housing (30 percent of their adjusted income) may be more than for comparable housing from the private market, thus providing an incentive to leave public housing. As discussed above, for some residents this is a frightening prospect, lessening their interest in beginning the move toward self-sufficiency.

Some aspects of the work disincentives described above clearly vary across developments and PHAs, depending on the portion of residents working and the relative attractiveness of public versus

private market housing. When residents see neighbors begin working, adjust to a new rent, and remain in public housing, some of the perceptual aspects of the work disincentives lessen. When ceiling rents provide an effective cap on rent that keeps public housing competitive, the work incentives are further improved.

CHAPTER 3

LESSONS FROM THE FIELD

The renewed interest in Section 3 comes at a time when PHAs are grappling with the implications of expanded roles far beyond that of property managers. The pressing need to attend to a growing range of social problems — including long-term joblessness, drugs, crime, and multigenerational AFDC receipt — has lent a new urgency to the search for ways to improve the quality of life for public housing communities. At the same time, steps taken by HUD to support a greater role for residents in management and decision-making have enabled administrators to increasingly share leadership responsibilities. A push by empowered residents for activities promoting economic independence has been an important ingredient in this process.

While some of the administrators we spoke to expressed uncertainty and ambivalence about expanding their roles, most were convinced that they needed to support residents' moving to economic self-sufficiency. To varying degrees, the PHAs we visited were committed to finding ways of facilitating the empowerment of residents, breaking the isolation of public housing communities, forging partnerships with the private sector, interfacing with a range of social service providers and systems, and creating linkages with those systems to bring additional resources into their communities. But because most of the PHAs had only recently begun to pursue these avenues, few programs had sufficient time to demonstrate their potential for large-scale implementation.

In particular, greater involvement by the private sector in promoting access to jobs was universally seen by PHA staff as a high priority. Some of the more aggressive PHAs had begun to develop linkages with local employers and businesses; others were playing a highly visible role in tying the PHA to local economic development activities. Still others were concentrating on using Section 3 to create partnerships with local unions and contractors in order to gain on-site employment and training opportunities. Most PHAs were concentrating on developing linkages with external social service providers and employment and training institutions, on the theory that establishing support networks to address a range of residents' needs is the first step toward economic empowerment. While still in the nascent stage, initial steps had been taken at most PHAs to build the infrastructures that support a large PHA role in preparing residents for employment. For most

of the PHAs, Section 3 was helpful in providing the tools, framework, and impetus for developing such infrastructures.

Competing demands on administrators' time meant that many could not devote the attention needed to manage an increasing array of programs and services. Rarely was there strong evidence that the services were well coordinated. Often services based in a single development were familiar or accessible only to the residents of that particular development. Compartmentalized responsibilities among staff, especially in the larger PHAs, sometimes meant that programs managed by one staff member were unfamiliar to another. A lack of coordination was even more apparent in services provided by external agencies, where policies and practices of different organizations often conflicted with each other. In one site, for instance, the participants in a training program were frequently absent because the welfare agency scheduled appointments that conflicted with the participants' training schedule.

For those PHAs attempting to deliver on a broader range of services and actively help residents toward employment, there seem to be inherent limitations to a Section 3-centered strategy. Even those PHAs with the most aggressive approaches had run up against several harsh realities: legal constraints on aggressive enforcement of Section 3; the relatively small number of jobs produced through Section 3; the lack of match between jobs created and the resident labor pool; the temporary nature of many jobs for a labor pool seeking permanent positions as a *reliable* route out of poverty; the broad range of social services needed to support many residents as they journey toward economic self-sufficiency; institutional and individual isolation from wider community-based resources; and, as articulated by both residents and staff, the numbing and often debilitating effects of multigenerational poverty and joblessness.

In this chapter, we consider the implications of some of these realities for a Section 3-based employment strategy. First, we examine obstacles to successful implementation of Section 3, e.g., the conflict between the statute and state/local procurement laws, limitations of traditional procurement methods, difficulties in enforcement and monitoring, and the nature of the construction industry and the available jobs. We also discuss whether Section 3 can be used as a bridge to private sector jobs. Second, we explore the social and cultural organization of the resident communities we saw, e.g., gender relations and the resulting distribution of rights and responsibilities, familial

characteristics, the role of older members of the community, and the informal vs. formal leadership networks. Third, we address the issue of preparing residents for the world of work, e.g., the importance of pre-employment services, skills training, and ongoing support services, as well as residents' perceptions of employment services aimed primarily at them. Finally, we discuss the interplay between these issues and PHA rent rules.

I. Operationalizing Section 3

The PHAs with the most creative economic opportunity programs for residents see Section 3 as a potentially useful, but limited, tool. While they support the setting of hiring and contracting goals as a way to strengthen enforcement, they understand that realizing the goals in practice presents formidable challenges. Some of these challenges have to do simply with the fact that Section 3 requirements run counter to the ways PHAs have always done business; still others have to do with the nature of the construction industry. However, some difficulties in operationalizing Section 3 are due to the fact that the assumptions underlying the regulations do not square with reality as the PHAs see it. Despite these obstacles, the most aggressive PHAs are finding ways to work with Section 3 in an overall context of residents' economic empowerment. The following are some of the primary areas of concern about fully implementing Section 3.

II. Contracting/Procurement

Traditionally, the driving principle of procurement practice has been price; PHAs are constrained by HUD regulations, and often state and local laws, to accept the lowest responsible bid in competitive bid situations. The vast majority of construction contracts are let through the sealed bid process, a method that lends itself to these strictures. Section 3 adds a discordant note to the process; bidders are required to submit plans on how they will meet Section 3 goals, and PHAs must evaluate the plans before selecting the winning bid. But the regulations are silent on how these plans are to be evaluated or to what degree Section 3 concerns can override those of price.

Procurement officials, left with the job of figuring all this out, varied widely in their responses. Some were confused and resistant to change, while others welcomed the challenge. Even the most enthusiastic were concerned about the impact the new regulations would have on their ability to get

essential maintenance and repair work done, and on their relationships with the contractor community. Perceiving PHA executive staffs and HUD as distant from these issues, procurement officials were often cynical about the likelihood of getting the administrative support they would need if they took Section 3 enforcement seriously.

A. Policy Commitment

Procurement departments often seemed to operate as separate cultures within the PHAs, strong in the conviction that only they understood the complexities of procurement and the ways of the construction industry. They sometimes saw themselves as intermediaries between federal bureaucrats and the contractor community and as the ones ultimately responsible for seeing that the basic business of the PHA is accomplished in a timely and cost effective manner.

Section 3 goals might be better advanced if a stronger system of communication was developed among HUD, PHA administrators, and procurement staff so that everyone felt they were on the same team and invested in achieving the same objectives. PHA boards and administrators can send a strong message to procurement staff that Section 3 is a top priority, and that this may mean that business cannot continue as it has in the past. One way to send the message would be to adopt an official board policy endorsing the use of hiring and contracting goals; this could underscore the PHA's commitment and provide the impetus for more vigorous enforcement. (A board policy could be especially effective in cities where the board works closely with the municipal government to coordinate related policies such as Minority Business Enterprise set-asides.) At the same time, strong policy statements would need to be accompanied by a willingness on the part of PHA management to acknowledge the more problematic aspects of Section 3 enforcement.

B. State/Local Laws

All procurement officials with whom we spoke cited state or local laws requiring acceptance of the lowest bid in sealed bid processes as the major impediment to effective Section 3 enforcement. But it was not always clear that they knew the precise parameters of the laws, or that they had fully explored whether contract awards partially based on Section 3 could be justified under state law. While some had been to court to defend contract awards in other kinds of cases, others were fearful (usually absent experience) that enforcing Section 3 would subject them to expensive, protracted

litigation. In fact, HUD itself has acknowledged that state or local laws making price the sole basis on which to award contracts are an obstacle to enforcement (although the regulations attempt to minimize the problem). Whether in a particular jurisdiction they constitute an insurmountable barrier should be explored by individual PHAs, in consultation with local counsel, and HUD.

C. The Sealed Bid Process and Its Alternatives

Most procurement officials were dubious about the wisdom of adding social concerns to a system that is price-driven. The competitive bid evaluation process essentially uses a checklist approach, i.e., either the contractor fulfilled a particular requirement or it did not. Evaluators, unused to exercising subjective judgments, uniformly expressed discomfort with having to do so. Few seemed to have considered throwing out bids not adequately addressing Section 3 as non-responsive or non-responsible. (In fact, the HUD procurement regulation, 24 CFR 85.36, would appear to give them enough room to do so, since it defines responsibility in part as responsiveness to public policy concerns.) Those procurement officials who had considered more aggressively applying a responsibility standard were not convinced that, in the absence of evidence of past contractor malfeasance, they would be able to throw out bids. Collecting such evidence requires effective monitoring of contractor performance, something few procurement officials could assert was being done in a systematic manner.

The PHAs most aggressively enforcing Section 3 within the confines of the sealed bid process indicated that they use the period between the announcement of the award and the signing of the contract to negotiate further concessions. The most frequently used tactics included having the contractor sign a "First Source" agreement, setting out explicit numerical goals in the contract, and tying the Section 3 requirements to the PHA's Minority and Women's Business Enterprise program. Finally, some sites had begun exploring alternatives to the sealed bid process, such as increasing their use of the RFP process in awarding construction contracts. That process allows for a more flexible evaluation of competing bids and is therefore more accommodating of Section 3. It may be that procurement officials, used to doing business in one way, need extra training on how to effectively use other methods to award contracts.

III. Enforcement of Section 3

A. Monitoring

With the exception of Jersey City, none of the PHAs we visited had in place adequate monitoring mechanisms to track contractor compliance with Section 3. Doing so is complicated, largely because of the intermittent nature of construction work (a subcontractor might be on the worksite for only a few days), and because the resident hiring goals for Section 3 apply only to new hires. Moreover, many procurement staff pointed out that the monitoring forms devised by HUD for this purpose are not adequate because they do not differentiate among the various priority categories for residents set by Section 3. The PHAs were receptive to the notion of piggybacking Section 3 monitoring onto that done for Davis-Bacon, but monitoring compliance with prevailing wage laws does not present the same set of challenges.

Some of the monitoring problems resulted from a lack of coordination among key players within the PHA. This suggests that contract compliance officers, resident employment and training service providers, Inspectors General, and other relevant PHA staff need to coordinate their efforts more closely. Similarly, PHAs may need to foster closer communication with general contractors in order to keep track of constantly changing personnel at the job site. HUD's monitoring forms need simplifying with sensitivity to the fact that PHAs feel they are already carrying excessive reporting burdens.

Lastly, the perception that there are institutional constraints on Section 3 enforcement must be addressed. One contract compliance officer was concerned that efforts to aggressively monitor and sanction for noncompliance would meet with resistance from the HUD Inspector General's office, which was characterized as mainly concerned with catching violations of the lowest bidder rule. Similarly, the leadership of another PHA voiced frustration over what they perceived as the HUD Inspector General's overemphasis on the lowest bidder rule to the exclusion of any other concerns, including resident employment opportunities. This suggests that HUD and PHAs need to communicate more regularly over how to reconcile the sometimes conflicting obligations of performing high-quality work in a timely fashion and providing jobs and training opportunities for residents.

B. Best Efforts Standard

Contract compliance officers expressed confusion about how tough they would be allowed to be with contractors failing to carry out their Section 3 promises. They are uncertain about how harshly they can judge such failures and about their ability to levy sanctions when the statutory standard is only one of best efforts. This was another point on which they felt uncertain about HUD's willingness to back a stringent enforcement policy at the PHA level.

C. Construction Jobs and Contractor Attitudes

Most jobs subject to resident hiring goals are in construction, but the intermittent nature of the work, coupled with the fact that the most desirable jobs are specialized and require training, make it particularly difficult for newcomers to get a foothold. Contractors assert that they cannot afford to pay prevailing wages (as they are required to by law) to inexperienced and unproductive workers without driving up the costs of completing the project. Yet, they said, they cannot get reimbursed for those added costs. More fundamentally, many contractors feel that it is not their job to train residents to be construction workers — they see that as the responsibility of the PHA or the employment and training system. As a result, most job opportunities afforded to residents seem to be in the security guard or laborer mold, jobs that rarely lead to long-term career development.

Whether a PHA is willing to assume an aggressive stance with contractors in this regard depends in part on their relative bargaining positions within the local economy. We observed that in sites where a fair amount of non-PHA construction work was available, the PHAs were reluctant to alienate the small pool of contractors willing to work on their sites by adding another layer of onerous regulation. In sites where the PHA was the only or primary construction game in town, PHAs appeared much more willing to get tough with the contractors.

There may be several approaches to dealing with this problem, although no PHA we visited had actually implemented any of them. First, PHAs might offer incentives to contractors willing to hire and train residents. Second, better links could be forged by PHAs with employment and training service providers in the community, which could lead to, among other things, listings of qualified residents for contractors looking to hire. Third, PHAs might work with contractors to identify

opportunities created by Section 3 that are not directly in construction but support construction, such as clerical jobs.

IV. Section 3 As a Bridge to the Private Sector

Job creation activities under Section 3 have concentrated primarily on jobs within public housing communities. Using Resident Management Corporations (RMCs) as contractors, hiring residents within a PHA's permanent workforce, negotiating resident hiring goals with outside contractors, and establishing contract preferences for resident-owned businesses are all strategies that deploy public housing residents for work within their own communities. Each site recognized the benefits of these strategies: increased residents' stake in the physical maintenance of their communities; pride and self-esteem associated with community improvement work; working residents as role models; connection to community-based support services and pre-existing peer support networks. Yet, the possibility exists that the emphasis on in-community jobs can further exacerbate residents' social isolation from the wider community and limit access to a broader range of job types and job skills.

Many residents indicated interest in jobs that are clearly outside the scope of Section 3's job creation capacity. In addition, absent a link between jobs within the public housing community that are of short duration and the transition to permanent jobs outside the community that can build on skills learned, there is a concern that a reliance on the PHA as the source of employment begins to build in an institutional dependency as opposed to developing the job and employability skills needed to compete in the wider labor market.

V. Targeting Section 3-Created Opportunities

In light of the limited opportunities likely to be afforded through Section 3, the question of whom to target for Section 3 employment and training is critical and one on which we heard a range of opinions. Some voiced a preference for using Section 3 as a prevention measure by targeting opportunities to young people or to prospective AFDC recipients; they appeared to have given up on older, more long-term AFDC recipients. Others saw Section 3 as a tool to reward those young people who have been playing by the rules — remaining in school, avoiding criminal involvement,

etc. — acting on the theory that rewarding young people who stay on track sets an example for their peers. Still others wanted to use Section 3 to provide jobs for heads of households in the belief that it offered the best return on the investment.

Young men were often identified as a particularly troublesome subset of the public housing community; their involvement in drugs and crime was seen as behavior that undercuts efforts to repair the social fabric of these communities. To that end, some housing communities intended to target their Section 3 efforts to young men. Only one PHA expressed a strong commitment to targeting Section 3 to low-income individuals living in neighborhoods adjacent to their public housing communities. Few that we spoke to favored an approach that targeted Section 3 to noncustodial fathers of children living in public housing, either those living outside the community or those living unofficially in residents' households.

In the future, PHAs will be faced with how to make informed decisions about which subsets of their populations to target for Section 3 opportunities, keeping in mind that such targeting should be coordinated with the appropriate support services. On the other hand, targeting policies that exclude a gender or age group may need to be reviewed in light of the potential long-term effects on the community as a whole. In particular, a re-examination of decisions to target young men without creating equal opportunities for young women may be warranted.

VI. Scale, Duration, and Types of Jobs

An aggressive Section 3 strategy appears likely to produce only a small fraction of the jobs needed to transform public housing communities into working communities. For example, in the seven PHAs we visited (which receive nearly \$250 million through HUD's Comprehensive Grant program annually), we estimate, based on past experience, that vigorous enforcement of Section 3 on new hires in construction and related spending would yield a total of 450 to 750 jobs. The lower end of the range rests on an assumption of 1.9 Section 3 jobs per \$1 million in construction and rehabilitation spending, and the upper end rests on an assumption of 3.1 Section 3 jobs per \$1 million in spending. These assumptions were developed by reviewing the experience of the seven PHAs we visited.

The relatively small job creation capacity of Section 3 is tied in part to the types of jobs to which Section 3 affords access. Construction-related jobs generated through Section 3 are no different from other jobs within the industry: short-term, seasonal, and highly sensitive to the total dollars available for specific projects. Adding to this instability is the fact that much of the work is compartmentalized: A single construction project can have several subcontractors come and go in quick succession, each doing a small part of the overall job, leaving only the general contractor on-site from start to finish.

Experienced construction workers and contractors have adapted to the uncertainty of the labor market in a variety of ways. First, skilled construction workers, especially if they are unionized, can command wages high enough to enable them to tolerate periodic unemployment. Second, contractors will often try to keep a core group of skilled workers busy all the time on successive jobs, so that they do not lose them to other contractors. These practices make it extremely difficult for newcomers to the field. Even if the newcomers find employment with a contractor willing to absorb the training costs, the jobs may not last long enough for the skills to be imparted. And without the skills, the resident employees cannot earn enough to afford the periodic unemployment.

Ironically, these problems are exacerbated by Section 3 practices. The statute places the highest priority on hiring residents of the particular development where the work is being done. While it makes intuitive sense for contractors to employ people living in the development, this practice undercuts the ability of resident employees to follow a contractor from job to job so that they can be trained in progressively more complex tasks.

In sum, the volatility in construction creates special barriers to residents looking for work. First, those residents receiving AFDC benefits may be justifiably apprehensive about committing to a field that is inherently unstable, especially if they are not in a position to command high wages. Second, public housing residents' geographic and social isolation is a particular handicap because of the importance of networking among fellow workers and employers to find the next job when the current one ends. Third, Section 3's emphasis on development-specific hiring conflicts with the goal of getting long-term training and steady work for residents.

In contrast to employment in the private construction sector, jobs with the public housing authority seem to offer more permanent employment prospects. Yet, this avenue may also be limited.

First, the workforces of the PHAs we visited were characterized by low turnover rates; moreover, projections were that there would be relatively small increases in the workforces in the coming years. Second, several PHAs had developed plans to downsize the PHA workforce by contracting out for routine maintenance work, a strategy that directly benefits residents only if there are enough resident businesses able to take advantage of the resulting opportunities.

Forming resident-owned businesses is in many ways the most circuitous route to providing permanent jobs for large numbers of public housing residents. Small business development for individuals who have been outside the world of work takes time; basic business skills must be learned; start-up capital must be found; and the business must be expanded to the point where it has the capacity for employing others. Small wonder, then, that there are so few resident firms in a position to contract with PHAs. Across the seven PHAs we visited, we estimate that vigorous efforts to contract with resident businesses might produce a total of 350 to 500 full-time jobs. The lower end of this range is based on the experience of the Tampa Housing Authority, while the upper end makes a more optimistic assumption based on the more typical experiences of the other six sites visited.

The question of the match between residents' skills and interests and the opportunities created by Section 3 is multi-dimensional, involving not only assumptions about gender-appropriate work, but also the interplay between residents' aspirations to a range of employment opportunities and the limited number of jobs covered by Section 3. Historically, construction-related occupations have been viewed as "men's work." Efforts during the 1970's and '80's by advocacy groups such as Wider Opportunities for Women, the Century Freeway Women's Project, and Nontraditional Employment for Women to increase women's access to traditionally male occupations, particularly in the building trades and construction field, have met with limited success.

It is, then, not surprising that the construction-related jobs generated through Section 3 have remained fairly inaccessible to female residents, even though in most public housing communities women far outnumber men. The attitudes and practices of contractors, union representatives, and even some public housing staff reinforce the message that construction-related jobs are men's jobs. Complicating this picture is the socialization process that encourages some women to share this view and the absence of female role models.

Yet, in each housing authority we visited, female residents expressed interest in or were willing to consider job opportunities in nontraditional fields. Even when there was no resounding endorsement for women in nontraditional occupations, women said that, at a minimum, they wanted the choice available to them. For some women, the driving force was economic: If construction-related jobs were the route out of poverty and public assistance, then they were interested in such work.

In order to guarantee equitable access by both men and women to the jobs generated by Section 3, PHAs may need to provide some training for contractors, union personnel, and their PHA staff. Linkages with programs and organizations that specialize in nontraditional employment and training for women may be necessary to help PHAs and their contractors facilitate female residents' access to and success in Section 3-generated opportunities in construction-related jobs. For those women who test out Section 3 jobs and find they lack the aptitude or interest to continue within that occupational area, it will be important to have a mechanism through which to build upon the work-readiness skills learned and direct residents into an appropriate training or job that more closely matches their interests.

VII. The Social and Cultural Organization of Public Housing Communities

The culture of public housing communities is strongly influenced by the race, ethnicity, and gender of the residents. Public housing communities often have social infrastructures that appear, at times, to sharply contrast with the dominant culture. Effective implementation of job access efforts calls for an approach that can capitalize on community features that support work.

A. Female-Headed Households and "Invisible" Men

Official household composition data reflect a high concentration of female-headed households in most public housing communities. Yet these statistics alone do not fully capture the intricate patterns of gender relations between men and women within the community. In conversations with residents during MDRC site visits, we often heard about the men living in the community who were officially invisible to the housing authority administration but who, in fact, were actively involved in the life of the community. In addition, in PHAs with large populations of recent immigrants, the

fear of reprisals against undocumented family members who may have joined the household after the lease was executed was thought to have resulted in some hidden male household presence.

In part because of both AFDC and HUD income eligibility guidelines, officially acknowledging the presence of men, especially those who are employed (even if only intermittently) is perceived as a significant threat to the continued receipt of these benefits. While public housing officials have tried to be vigilant about uncovering men who are unofficially residing in households, the task has proven to be complex. As one administrator observed: "On any given day, I can look out my window and see a number of men involved in activities with their children. Now, I know these guys aren't officially on the lease but are, in fact, living in the house. Am I supposed to track these guys down, throw them out of the household, and deprive these kids of their daddies?" The policies, practices, and perceptions that render male presence invisible can cause PHAs to be ill prepared to address the needs of male partners of female household heads. Absent official residency status, men cannot take advantage of employment opportunities such as Section 3 that are targeted to "official" residents. Moreover, ignoring the presence of men creates an incomplete picture of how men can either support or present barriers to employment efforts targeted at female heads of households.

With men physically absent, officially invisible, or economically marginalized, gender role expectations and responsibilities are somewhat different from those expressed as the dominant norm. Economic resources such as AFDC payments and food stamps are controlled by women, so they decide how to use and distribute such resources. Moreover, as official heads of households, women are usually the ones who interact with officials from public, social service, and government agencies. Consequently, it is women who often both learn and transmit the negotiating skills necessary to maneuver through complex bureaucracies. Access to such vital information, almost by definition, gives women in the community a measure of power. Within this context, female modes of leadership and decision-making are especially salient. Resident councils, associations, management corporations, and other forms of resident leadership we observed were overwhelmingly female, a formal and institutionalized manifestation of hitherto informal female leadership and power.

B. Community Elders

Age also works to define specific roles, responsibilities and relationships among community members. Older women, especially those who have long resided in public housing communities, are often accorded enormous respect and are frequently consulted by individual families and the wider community. Described by one administrator as "the eyes and ears of the community," female elders were portrayed as knowing the most about the paternity of children within the community, changes in individual household composition, and individual family difficulties. In addition, they are the ones who pass moral and ethical judgment on the behavior of other members of the community, both children and adults. Moreover, these elders often know who possesses the skills or knowledge that may be needed by others, so female elders often are engaged in informal information and referral practices, functioning as both repositories and brokers of that information.

C. Mobility of Children

Relationships between adults and children assume a distinct flavor as well. For example, PHA rules that allow adult children of current residents first priority for vacant units may result in the coexistence of second (and sometimes third) generation families within a single public housing community. As anthropologist Carol Stack and others have observed, within low-income African-American households, shared child-raising responsibilities often mean that children "live" simultaneously in multiple households, spending weeks, sometimes months, in a grandmother's or aunt's household, and then returning to the biological mother's household. The resulting fluidity of households and parenting responsibilities can be an important asset to support the successful entry of adults into training programs and employment.

D. Resident Organization and Empowerment

Both formal and informal resident leadership seemed to strongly influence residents' perceptions about the seriousness of a PHA's efforts to promote economic opportunity on their behalf. The level of residents' involvement with a PHA administration in setting goals, detailing plans for operationalizing Section 3, recruiting residents, and establishing new programs and initiatives seemed to have a direct relationship to the success of Section 3 and other employment and

training activities. Those PHAs with the highest level of formalized resident involvement tended to have stronger programs.

E. Informal Communication Networks

The informal communication system within public housing communities is as powerful a source of information for residents as any official or formal system managed by the PHA. Residents learn about employment opportunities, policy changes, and the PHA's plans through both systems. Elected resident leaders are seen as interpreting the plans and actions of PHA administrators, and sometimes official PHA pronouncements are believed only if informal resident leaders, usually community elders, confirm that they are real. Formal resident meetings and newsletters are viable mechanisms for disseminating information, but more informal conversations without the presence of either housing authority staff or formal resident leaders also are used to convey important information. Residents' experiences with programs and services are shared widely and often influence the take-up by other residents. If training programs, for example, have a poor reputation among residents for delivering actual jobs at the end of training, this will be conveyed quickly and can have a negative effect on the provider's ability to attract additional participants.

F. The Informal Economy

In those housing communities geographically isolated from providers of basic goods and services such as grocery stores, auto mechanics, restaurants, barber and beauty shops, residents often operate cottage industries to provide such services to the community. Marketed through the informal communications network, these businesses serve as an additional source of income for some residents and offset the cost and inconvenience of traveling outside the community to meet everyday needs. If those who provide such goods and services move into employment outside the community, it will be important to consider alternative ways to supply residents with such goods and services. One alternative may be to explore the feasibility of transforming these enterprises into resident-owned businesses.

VIII. Public Housing Residents' Preparation for the World of Work

A. Social Isolation

Many residents appeared to be formally disconnected from the world of work, with little previous positive work experience upon which to build, and often a minimal understanding of the rules and practices governing successful job acquisition and/or retention. The geographic isolation of many public housing communities from the business and commercial sectors only exacerbates the problem; many residents voiced a fear and suspicion of people and institutions on the "outside." Several PHA administrators commented that the social isolation acts as a barrier to moving residents to economic self-sufficiency. As one administrator noted: "Some kids don't get beyond 10 to 12 blocks of the PH development." This insularity was often cited as leading to pessimism, lowered self-esteem, and despair.

Frustration levels are often high. Residents repeatedly expressed a strong desire to work, while at the same time revealing a lack of knowledge about how to even begin to get there. Deep and bitter disappointment over prior experiences in training programs that yielded no jobs at the end had discouraged many of the residents who were interviewed. Even when residents had gotten on-site job and/or training opportunities through Section 3, they often seemed to be at a loss about how to capitalize on that work experience and access jobs outside their housing communities. In two different sites, residents whose Section 3-generated jobs had ended were sitting idle, waiting for the PHA to generate their next employment opportunity.

B. Pre-Employment and Work-Readiness Skills

PHA administrators, contractors, and many residents themselves observed that even highly motivated residents often lack fundamental skills related to punctuality and attendance, accepting supervision, getting along with co-workers, completing tasks, and problem-solving. For many contractors, residents' lack of work-readiness skills are viewed as a major deterrent to hiring residents. Employees with poor work habits make it more difficult to get a job done, and thus increase the overall cost of a project. Contractors, unwilling or ill-equipped to take on this aspect of work-readiness training, expressed the belief that preparing residents for the world of work was the job of the PHA.

Residents and PHA administrators alike identified as a significant challenge differences in cultural and communication styles between predominantly minority residents and predominantly white supervisors. Many concerns were expressed that employers tended to stereotype public housing residents as unmotivated, lazy, and poor workers. PHA administrators fear that residents who encounter such employer attitudes and perceptions would be ill-equipped to handle such situations short of leaving the job.

Few programs devoted exclusively to pre-employment skills training were in evidence, a fact often attributed to inadequate funding. Off-site training programs did not always include pre-employment skills training as part of their services, although many attempted to duplicate the workplace in their training environments. The importance of including a pre-employment component was underscored by the experiences these programs had with many of the residents; personal crises and family problems often interfered with attendance, punctuality, and program completion.

C. Occupational Skills

Although few residents possess formally certified skills in the occupational areas in which most Section 3 jobs will be generated, there are residents who have informally acquired experience in construction-related work. Absent a plan, however, for identifying transferrable skills or for giving credit for skills learned informally, these residents are doomed to remain in entry-level jobs. Public housing staff may want to meet with skills certification bodies, including unions, apprenticeship programs, community colleges, and vocational schools, to develop a certification process that recognizes skills learned through informal processes.

The establishment of skills banks — listings of residents available for work and their applicable experience — was an idea supported by residents, PHA staff, and private contractors alike. Private contractors, in particular, claimed they were willing to hire residents, but lacked the resources to screen for qualifications, which a PHA-sponsored list would presumably do for them. But implementation poses several problems. First, some PHAs had tried in the past to conduct a PHA-wide inventory of residents' skills, but their efforts were met with suspicion and a lack of cooperation. On the other hand, no one seemed to know how to verify the skills levels identified by residents. Contractors who hire from a PHA list felt that they should be able to rely on the representations in the skills bank listing, whereas PHA administrators protested that they lack the

resources and expertise to independently verify these skills. In sum, while everyone concerned agreed that skills banks were a good idea, no one knew how to follow through.

D. Support Services

Many public housing residents face a multiplicity of personal problems undercutting their efforts to become self-sufficient. Child care, transportation problems, difficulties in negotiating with social service providers, family crises, and difficulties in finding safe activities for older children during parental work hours are needs that were repeatedly identified by residents with whom we spoke. In some cases, these needs are met through informal networks and arrangements within the community. Such informal support services may need to be standardized to support heads of households as they begin work. At the same time, the economic loss to residents once they have to pay for support services previously provided free (or through the trade and barter method) will warrant consideration.

In many sites, residents and staff alike expressed concerns about the lack of self-esteem and motivation among some residents. In cases where residents were enrolled in training programs, a lack of self-confidence seemed to interfere with their ability to attain success or complete these programs. Training providers often noted that it is not enough to work on skills-building alone; efforts also have to be made to cultivate trainees' confidence and a positive self-image. Several peer support groups that had been established for residents participating in such programs appeared to be making a difference in some sites.

E. Perceptions and Attitudes

While all the residents interviewed expressed a strong desire to work, there was often an undercurrent of distrust toward the PHAs. Why, they wanted to know, was the PHA emphasizing resident employment at this particular point in time? Some thought that PHAs were trying to cover up larger plans to move residents out of public housing; others saw a covert strategy for collecting higher rents. Still others saw a conspiracy to move more working people into public housing in light of shortages of affordable housing in the surrounding communities. Some saw the plans as a way to encourage men who were living unofficially in public housing to surface in order to take jobs, after which they would be expelled from the community.

Residents' confidence in the good intentions of the PHA administration were highest in those PHAs with strong, well-organized resident bodies that had been involved in the decision-making from the beginning. When residents were empowered, they perceived themselves as working *with* housing authorities to achieve shared goals. Absent such empowerment, residents often viewed employment and training plans as imposed from above, even when the goals were ones with which they would agree.

IX. Work Disincentives and Implications for Rent Reforms

The information on work disincentives outlined earlier in this paper suggests two types of strategies worth testing: efforts to clarify existing rent calculation rules and experiments with alternative rules.

It is clear that HUD and PHAs have made considerable efforts to inform residents about the existing rent rules and their implications. Our sense in talking with residents and administrators, however, is that there remains some confusion, which is not surprising given the rules' complexity. As a first step, it would probably be useful for PHAs to explore more systematically than was possible during this review residents' current state of knowledge. To the extent that there is confusion about particular aspects of the rules, this could suggest an information campaign by PHA staff targeted on specific issues.

Since some residents suspect that employment programs are a ruse to force working residents out, or to unreasonably raise rents as earnings rise, it is crucial to involve existing networks of residents and key individuals whose insights and opinions carry special weight. Connecting with these individuals and alerting them to the common interests of PHAs and residents in raising residents' income in these times of housing and public assistance cuts could serve to allay these more general suspicions about PHA actions. This message must be delivered clearly and in a way that allows resident leaders to ask questions and discuss the matter so that misperceptions can be squarely confronted.

Our review also suggests that it seems worth undertaking experiments with various forms of rent reforms to increase work incentives. These experiments would require action by HUD officials (and in some cases Congress), but local PHAs could inform HUD of their interest in any of these

tests. (Because these topics are the subject of considerable debate, congressional action may change the current law in ways that make some or all of these reforms outdated.) Among the reforms that could be the subject of tests are:

- **Changes in the percentage of income going to rent.** This could be accomplished by substituting a different flat rate or introducing changing rates as income rises or by changing the income deductions.
- **A well-publicized, broadened rent freeze.** Existing law allows an 18-month rent freeze for JOBS participants, but this is not widely used and is not available for other residents.
- **A limit on rent increases after this freeze ends.** Existing law authorizes this, but it is not funded.
- **Ceiling rents that are set lower and are well publicized and linked to a clear statement that the goal is mixed-income housing.**
- **Rent changes coordinated with a related U.S. Department of Health and Human Services' test of alternative AFDC rules.** This could be the most important test because many of the work disincentives for residents receiving public assistance arise because of AFDC rules.

In assessing these options and the feasibility of more careful tests, there is a clear need to balance the possible changes in work behavior against the administrative difficulty and expense of implementing the possible reforms.

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

There is an emerging consensus among public housing policymakers and practitioners that helping residents become economically self-sufficient will be of critical importance in the coming years. MDRC's investigation of efforts by seven Public Housing Authorities to implement the Section 3 mandate reveals that many in the public housing community — both staff and residents — are aware of the nature of the challenges they face and are taking serious and sustained steps to meet them. Although a number of programs held real promise, the evidence suggests that many PHAs are still struggling with the task of broadening their mission to encompass an economic opportunity agenda, while continuing to effectively deliver basic housing services. Moreover, aside from issues concerning the institutional capabilities of PHAs, our investigation suggests that a Section 3 strategy alone cannot deliver the numbers of jobs and economic opportunities to form the centerpiece for a large-scale resident employment effort.

MDRC's work thus far indicates that PHAs will do well to pursue a variety of job and economic opportunity strategies that include, but are not limited to, Section 3. Indeed, those PHAs that are already combining Section 3 with other employment and training efforts offer the most promising models upon which to build larger-scale efforts. Based on MDRC's observations from the field, it is recommended that, rather than conducting a narrow test of Section 3, HUD strongly consider a more ambitious demonstration within a three-pronged framework of work incentives, community-building, and best practices in employment and training. The synergy among these three components may be especially effective in transforming public housing communities into working communities.

Work Incentives. From the perspective of many public housing residents, *not* working is often a rational economic decision. The prospect of a substantial increase in rent, along with the loss of other benefits, is especially discouraging to those residents receiving AFDC. A resident employment demonstration that features work incentives through both the public housing system and the welfare system could respond to residents' concerns that work does not pay and provide a

financial cushion as residents move into the labor market. Work incentives may offer a means of supporting the transition to work until some measure of economic and social stability is attained.

Community-Building. Resident leadership as well as informal networks of community support help set the tone and norms within public housing communities. An effort to build upon existing social supports may be critical in building a public housing community that actively promotes and supports work. A public housing employment demonstration that includes a community-building component offers an opportunity to turn the concentration of low-income people in one location into an asset.

Employment and Training Best Practices. As a job creation and job access tool, the promise of Section 3 may be best realized when nested within a set of best practices that rigorous, long-term evaluations have shown to be successful in moving welfare recipients and other economically disadvantaged people into work. In addition, because residents' work aspirations are varied and their employment and training needs are greater than Section 3's capacity to meet them, strategies for job preparation, job access, and job retention will be required to move large numbers of residents into the world of work.

The challenge of moving large numbers of unemployed residents into jobs will require dramatic changes in the ways PHAs operate. In particular, the social isolation of housing authorities and the mainstream community must be diminished. In addition, it will be critical for PHAs to find ways to better balance their traditional property management role with their more recent social services function. Yet, duplicating efforts of existing social service providers and systems would be inefficient. Instead, a large-scale resident employment and training demonstration will call for PHAs — and residents — to develop collaborations with community partners: the welfare, employment and training, and education systems; the private sector; and local community and civic organizations. A collaborative approach that targets existing resources both inside and outside the public housing community can focus new energies on responding to the social urgency to transform public housing communities into working communities.