

114TH CONGRESS
1ST SESSION

H. R. 3697

To modernize and improve the program for economic opportunities for low-income persons under section 3 of the Housing and Urban Development Act of 1968, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 2015

Ms. VELÁZQUEZ introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To modernize and improve the program for economic opportunities for low-income persons under section 3 of the Housing and Urban Development Act of 1968, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Section 3 Moderniza-
5 tion and Improvement Act of 2015”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress finds that—

1 (1) funds administered by the Department of
2 Housing and Urban Development, particularly those
3 intended for housing construction, rehabilitation, re-
4 pair, modernization, management, self-sufficiency,
5 community development, and other public construc-
6 tion, provide State and local governments, housing
7 providers, and other recipients of this Federal finan-
8 cial assistance with substantial funds for projects
9 and activities that produce significant economic op-
10 portunities for the communities where the funds are
11 expended;

12 (2) low- and very low-income persons, especially
13 recipients of government assistance for housing,
14 often face barriers to access training, employment,
15 and contracting opportunities resulting from the ex-
16 penditure of Federal funds in their communities;

17 (3) training, employment, and contracting op-
18 portunities generated by projects and activities that
19 receive assistance from the Department of Housing
20 and Urban Development offer an effective means of
21 empowering low- and very low-income persons and
22 local businesses that provide training and job oppor-
23 tunities for such persons;

24 (4) past Federal efforts to direct training, em-
25 ployment, and contracting opportunities generated

1 by programs administered by the Secretary of Hous-
 2 ing and Urban Development to low- and very low-in-
 3 come persons, and businesses that provide training
 4 and job opportunities for such persons, have not
 5 been fully effective and should be intensified; and

6 (5) funding provided to other Federal agencies
 7 may also produce significant employment and con-
 8 tracting opportunities for the communities where the
 9 funds are expended.

10 **SEC. 3. REPORTING; SANCTIONS FOR NONCOMPLIANCE.**

11 Section 3 of the Housing and Urban Development
 12 Act of 1968 (12 U.S.C. 1701u) is amended—

13 (1) by redesignating subsection (g) as sub-
 14 section (k); and

15 (2) by inserting after subsection (f) the fol-
 16 lowing new subsections:

17 “(g) REPORTS.—

18 “(1) RECIPIENT REPORTS TO HUD.—

19 “(A) REQUIREMENT.—Each recipient of
 20 assistance referred to in subsection (c) or (d)
 21 (in this section referred to as a ‘recipient’) shall
 22 report annually to the Secretary on their com-
 23 pliance with the employment and contracting
 24 requirements and on their contractors and sub-
 25 contractors performance. Recipients shall en-

1 sure that their contractors and subcontractors
2 provide them with any information necessary to
3 make such reports.

4 “(B) INFORMATION REGARDING FAILURE
5 TO MEET EMPLOYMENT AND CONTRACTING RE-
6 QUIREMENT.—For any period during which a
7 recipient, or their contractor or subcontractor,
8 did not meet their employment or contracting
9 requirement under subsection (c) or (d), the re-
10 port shall describe actions that were taken to
11 meet the requirement, including actions taken
12 or that will be taken in future funding opportu-
13 nities to address the deficiencies in the actions
14 that resulted in failure to meet employment and
15 contracting requirements.

16 “(C) MONTHLY REPORTS BY SUBRECIPI-
17 ENTS.—Each recipient shall require any entity
18 that is a subrecipient of such recipient for as-
19 sistance referred to in subsection (c) or (d) to
20 submit a report to such recipient monthly con-
21 taining such information as the Secretary shall
22 require to ensure that the recipient can comply
23 with this paragraph.

24 “(D) PUBLIC AVAILABILITY.—Each report
25 pursuant to this paragraph (including reports

1 under subparagraph (C)) shall be made publicly
2 available, in its entirety, not later than 15 busi-
3 ness days after the end of the period covered by
4 the report. Such availability shall include post-
5 ing reports on a publicly accessible website on
6 the World Wide Web and making printed and
7 electronic copies publicly available upon request
8 at no charge.

9 “(2) ANNUAL HUD REPORTS TO CONGRESS.—

10 “(A) REQUIREMENT.—The Secretary shall
11 submit a report annually to the Congress that
12 provides a summary of the information con-
13 tained in the reports submitted pursuant to
14 paragraph (1). Such annual report shall provide
15 information on the total amount of Federal
16 funds that are subject to this section, by pro-
17 gram area and geographical jurisdiction, and
18 the outcomes produced, including specific infor-
19 mation on the amount of training, jobs, and
20 contracting opportunities generated by such
21 funds.

22 “(B) ASSESSMENT OF NONCOMPLIANCE.—
23 Each report under this paragraph shall in-
24 clude—

1 “(i) an assessment of any noncompli-
2 ance by any recipients with the require-
3 ments of this section, by State;

4 “(ii) specific recommendations regard-
5 ing actions to reduce and eliminate such
6 noncompliance; and

7 “(iii) any sanctions imposed pursuant
8 to subsection (h) for such noncompliance.

9 “(C) REVIEW OF EFFECTIVENESS.—Each
10 report under this paragraph shall include a re-
11 view of the effectiveness of the program under
12 this section in providing jobs for low- and very
13 low-income persons, meeting unmet training
14 and job readiness needs in the community, ena-
15 bling low- and very low-income persons to hold
16 a steady job, providing contracting opportuni-
17 ties for businesses that qualify for priority
18 under paragraphs (1)(B) and (2)(B) of sub-
19 section (d), and any recommendations the Sec-
20 retary determines appropriate regarding the
21 program under this section.

22 “(3) GAO REPORT.—Not later than the expira-
23 tion of the two-year period beginning on the date of
24 the enactment of the Section 3 Modernization and
25 Improvement Act of 2015, the Comptroller General

1 of the United States shall submit a report to the
2 Congress regarding the implementation of this sec-
3 tion (as amended by such Act), that—

4 “(A) specifically describes the extent of
5 compliance with this section, the amount of
6 funds awarded that were covered by this sec-
7 tion, and outcomes; and

8 “(B) makes recommendations to improve
9 the effectiveness of this section and for when a
10 subsequent such report should be required.

11 “(h) NONCOMPLIANCE.—

12 “(1) INVESTIGATION AND DETERMINATION.—In
13 carrying out this section, the Secretary shall develop
14 and implement procedures to assess compliance with
15 the requirements of this section, to review com-
16 plaints alleging noncompliance by any recipient or
17 contractor with the requirements of this section, to
18 make determinations as to whether such noncompli-
19 ance has occurred, and to take such actions as pro-
20 vided in this subsection as the Secretary determines
21 appropriate to ensure compliance and prevent future
22 noncompliance.

23 “(2) TIMELY ASSESSMENT.—The procedures
24 required under paragraph (1) shall include measures
25 that ensure that recipients and contractors are in

1 compliance with the requirements of this section
2 during the use of assistance referred to in subsection
3 (c) or (d), including a requirement to report to the
4 Secretary regarding compliance on a monthly basis
5 and a requirement that the Secretary assess compli-
6 ance by each recipient and contractor not less fre-
7 quently than once every 3 months.

8 “(3) SANCTIONS.—

9 “(A) ESTABLISHMENT.—The Secretary
10 shall develop and implement policies and proce-
11 dures for imposition of a series of administra-
12 tive sanctions, graduated in severity, which
13 shall be applied to recipients and their contrac-
14 tors and subcontractors that are determined do
15 not comply with this section or the require-
16 ments established under the program under this
17 section.

18 “(B) AUTOMATIC SANCTIONS.—Such sanc-
19 tions shall include certain measures, or a series
20 of measures, that are applied in all instances of
21 a determination of a failure to comply with cer-
22 tain requirements of this section or with certain
23 requirements established under this program
24 under this section, and shall not be subject to

1 any discretion on the part of the Secretary as
2 to whether to apply such measure or measures.

3 “(C) ACTIONS.—Such sanctions shall in-
4 clude—

5 “(i) requiring a recipient to enter into
6 a compliance agreement with the Secretary
7 is specifically designed to bring the recipi-
8 ent into compliance and provide for the
9 creation of additional employment opportu-
10 nities and, if such recipient refuses to
11 enter into such agreement, recapture by
12 the Secretary, from amounts provided to
13 the recipient that were subject to this sec-
14 tion, of an amount equal to the amount
15 that was required under this section to be
16 used to give low- and very low-income per-
17 sons training and employment opportuni-
18 ties or economic opportunities but was not
19 so used;

20 “(ii) reduction of future funds from
21 the Department, including any discre-
22 tionary funds available under the Choice
23 Neighborhoods Initiative under section 24
24 of the United States Housing Act of 1937
25 (42 U.S.C. 1437v) and the rental assist-

ance demonstration program (as such term
is defined in subsection (e) of this section);

“(iii) debarment and suspension from,
and limited denial of participation in pro-
grams of the Department; and

“(iv) such other sanctions as the Sec-
retary determines appropriate to discour-
age noncompliance.”.

SEC. 4. COVERAGE OF RENTAL ASSISTANCE DEMONSTRATION PROPERTIES.

(a) EMPLOYMENT.—Subsection (c) of section 3 of the
Housing and Urban Development Act of 1968 (12 U.S.C.
1701u(c)) is amended—

(1) in paragraph (2), by inserting before the
first comma the following: “(not including the rental
assistance demonstration program)”; and

(2) by adding at the end the following new
paragraph:

“(3) RENTAL ASSISTANCE DEMONSTRATION
PROGRAM.—

“(A) IN GENERAL.—The Secretary shall
require that public housing agencies and owners
of multifamily properties assisted under the
rental assistance demonstration program, and
their contractors and subcontractors, make

1 their best efforts, consistent with existing Fed-
2 eral, State, and local laws and regulations, to
3 give to low- and very low-income persons all the
4 training and employment opportunities gen-
5 erated by or in such properties, including such
6 opportunities not involving property construc-
7 tion or rehabilitation (which shall include op-
8 portunities involving administration, manage-
9 ment, service, and maintenance) and including
10 such opportunities generated by assistance pro-
11 vided under the rental assistance demonstration
12 program.

13 “(B) PRIORITY.—The efforts required
14 under subparagraph (A) shall be directed in the
15 following order of priority:

16 “(i) To residents of the housing devel-
17 opments for which the assistance is ex-
18 pended.

19 “(ii) To residents of other develop-
20 ments managed by the public housing
21 agency, if applicable, that is expending the
22 assistance.

23 “(iii) To participants in YouthBuild
24 programs receiving assistance under sec-

tion 171 of the Workforce Innovation and Opportunity Act.

“(iv) To other low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is expended.”.

(b) CONTRACTING.—Subsection (d) of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u(d)) is amended—

(1) in paragraph (2), by inserting before the first comma the following: “(not including the rental assistance demonstration program)”; and

(2) by adding at the end the following new paragraph:

“(3) RENTAL ASSISTANCE DEMONSTRATION PROGRAM.—

“(A) IN GENERAL.—The Secretary shall require that public housing agencies and owners of multifamily properties assisted under the rental assistance demonstration program, and their contractors and subcontractors, make their best efforts, consistent with existing Federal, State, and local laws and regulations, to award contracts for work to be performed in connection with such properties, including work

1 that does not involve property construction or
2 rehabilitation (which shall include administra-
3 tion, management, service, and maintenance
4 work) and including work in connection assist-
5 ance provided under the rental assistance dem-
6 onstration program, to business concerns that
7 provide economic opportunities for low- and
8 very low-income persons.

9 “(B) PRIORITY.—The efforts required
10 under subparagraph (A) shall be directed in the
11 following order of priority:

12 “(i) To business concerns that provide
13 economic opportunities for residents of the
14 housing development for which the assist-
15 ance is provided.

16 “(ii) To business concerns that pro-
17 vide economic opportunities for residents of
18 other housing developments operated by
19 the public housing agency, if applicable,
20 that is providing the assistance.

21 “(iii) To YouthBuild programs receiv-
22 ing assistance under section 171 of the
23 Workforce Innovation and Opportunity
24 Act.

1 “(iv) To business concerns that pro-
2 vide economic opportunities for low- and
3 very low-income persons residing within
4 the metropolitan area (or nonmetropolitan
5 county) in which the assistance is pro-
6 vided.”.

7 (c) DEFINITION.—Subsection (e) of section 3 of the
8 Housing and Urban Development Act of 1968 (12 U.S.C.
9 1701u(e)) is amended by adding at the end the following
10 new paragraph:

11 “(3) RENTAL ASSISTANCE DEMONSTRATION
12 PROGRAM.—The term ‘rental assistance demonstra-
13 tion program’ means the demonstration program of
14 the Secretary of Housing and Urban Development
15 conducted pursuant to the heading ‘Rental Assist-
16 ance Demonstration’ in title II of the Transpor-
17 tation, Housing and Urban Development, and Re-
18 lated Agencies Appropriations Act, 2012 (division C
19 of Public Law 112–55; 125 Stat. 673), as amend-
20 ed.”.

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