

**Testimony from NYCHA's Senior Director of Resident Initiatives Shanna Castillo**  
***Resident Hiring and Section 3 Requirements***  
**Committee on Public Housing with the Committee on Civil Service and Labor**  
**Thursday, April 20, 2023 – 1 p.m.**  
**New York City Hall Council Chambers**

Chairs Alexa Avilés and Carmen De La Rosa, members of the Committees on Public Housing and Civil Service and Labor, other distinguished members of the City Council, NYCHA residents, community advocates, and members of the public: good afternoon. I am Shanna Castillo, NYCHA's Senior Director of Resident Initiatives. I am pleased to be joined by Chief Procurement Officer Sergio Paneque, Chief Asset and Capital Management Officer Shaan Mavani, Executive Vice President and Chief Administrative Officer Kerri Jew, Vice President of Design and Construction Matthew Charney, and other members of NYCHA's team.

Connecting residents to high-quality job training and employment opportunities is an integral part of NYCHA's mission to strengthen communities across the city. Thank you for the opportunity to discuss these efforts, which are so impactful to residents' quality of life.

**Connecting Residents to Opportunity**

NYCHA's Resident Economic Empowerment and Sustainability Office, known as REES, helps residents increase their income and assets through programs, policies, and collaborations in the areas of employment and career advancement, adult education and vocational training, financial empowerment, and business development in all five boroughs. The results of our work are tangible – since its inception in 2009, REES has established over 80 economic opportunity partnerships and has launched numerous initiatives tailored for NYCHA residents.

The NRTA is a key REES program that has provided residents with employment-linked training in maintenance, painters' apprenticeship, construction, janitorial services, and pest control, equipping residents with the knowledge, skills, and industry certifications they need to succeed. Since its creation in 2010, 3,486 residents have graduated from the NRTA, 89 percent of whom have gained employment at NYCHA or with NYCHA vendors and other employers. NYCHA has worked strategically to create career pathways opportunities for NRTA graduates, navigating the civil service system and receiving New York State Department of Labor recognition as a direct entry provider for construction training. We are proud that NYCHA's and the NRTA's success in training and hiring have been recognized by leading industry organizations.

To further our resident training and hiring efforts, NYCHA and the nonprofit Fund for Public Housing announced the NYCHA Clean Energy Academy last year, securing State and private funding. The two-year program will prepare 100 NYCHA residents for cutting-edge clean energy careers while helping the Authority achieve its sustainability goals. The first cohort starts this spring.

As part of our economic empowerment work, REES connects residents to Section 3 employment opportunities. Section 3 is a HUD regulation that requires recipients of HUD financial assistance to generate jobs and other economic opportunities for public housing residents and other low-income members of the community to the greatest extent feasible. From 2019 to 2021, NYCHA secured 3,070 Section 3 placements, of which 2,081 were internal NYCHA hires and 989 were vendor hires. This does not include Section 3 hires made by our PACT partners. Additionally, during this same time period, NYCHA and its partners secured 720 placements outside of Section 3 obligations.

Residents interested in working on a Section 3 project can get their skills, interests, and qualifications assessed at a REES info session. Interested residents are connected to partner providers for skills-based training. Residents are added to REES's database, which is used to make referrals to contractors. Residents may also utilize Opportunity Connect, one of NYCHA's self-service portals, to register their interest in Section 3 with REES and to refer themselves to vocational training services. Importantly, residents may apply directly for work with NYCHA contractors, as all vendors are responsible under the regulation for performing their own Section 3 workforce outreach.

### **NYCHA's Section 3 Program**

Section 3 requirements are applied to NYCHA's capital projects and operations work. Our PACT construction work is also subject to Section 3 requirements.

In accordance with HUD's previous Section 3 rule, NYCHA has aimed to ensure that at least 30 percent of new hires are Section 3 hires. HUD's new rule on Section 3 went into effect in November 2020; it updated the Section 3 benchmark metrics and the applicability of Section 3 across funding sources and contract types. The new benchmarks require 25 percent of all labor hours to be worked by Section 3 workers and 5 percent of all labor hours to be worked by

targeted Section 3 workers, for contracts awarded after the new rule went into effect. NYCHA public housing and NYCHA Section 8 residents are included in the definition of a targeted Section 3 worker. The change to HUD's new rule requires significant changes to our internal policies, processes, and systems.

In recent years, NYCHA has undertaken several internal enhancements to improve NYCHA's Section 3 program and transition to the new rule. That includes centralizing Section 3 compliance tracking under the Procurement Department; launching new technology to improve Authority-wide visibility of contractor commitment and performance; diversifying employment offerings by extending resident hiring requirements to building management post PACT conversion; implementing Other Economic Opportunities (OEO) requirements for professional services vendors; and developing updated procedures and training for staff across the Authority.

In July 2022, NYCHA launched a new, vendor-facing software solution to strengthen labor compliance. In the first phase of the rollout, contractors subject to prevailing wage requirements began submitting certified payroll data online as part of their invoice package. Through regular, required payroll submissions, NYCHA has greater visibility into contractors' Section 3 hires and labor hours. In October 2022, NYCHA expanded the scope to capture a broader range of Section 3 activities. Once fully implemented, the system will enable NYCHA to set Section 3 goals or 'commitments' on individual solicitations; allow proposers to submit Resident Economic Opportunity (REO) and Other Economic Opportunity (OEO) plans online; and allow all contracted vendors to submit Section 3 labor hours, including for workers not in prevailing wage titles. Contractors will also be able to submit payments to subcontractors directly into the system.

The technology will vastly streamline compliance activities for NYCHA and its vendors, improve visibility, and enable NYCHA to better track compliance and take action when contractors fail to fulfill their obligations. The system has other benefits, including robust reporting, flexibility to configure NYCHA-specific data fields, the ability to build and maintain a publicly available directory of Section 3 Business Concerns, and facilitation of more effective outreach. The expanded functionality will be introduced to all NYCHA contractors over the course of 2023.

In 2022, NYCHA introduced two procurement policy changes to strengthen Section 3. The "Section 3 and M/WBE First" policy gives first preference to Section 3 Business Concerns

(S3BC: businesses majority-owned or operated by Section 3 residents) and then to Minority and Women-Owned Business Enterprises (M/WBE) for all procurements up to \$250,000. In addition, NYCHA began assigning value to RFP proposal evaluation scores for the quality of proposers' Section 3 and M/WBE plans.

To foster equity and economic advancement, NYCHA regularly promotes contracting opportunities for Section 3 Business Concerns and M/WBEs. In February 2023, NYCHA Procurement hosted "NYCHA Connect – A Section 3 & M/WBE Event" at the Borough of Manhattan Community College to connect S3BCs and M/WBEs with NYCHA departments so they could learn about micro and small purchase opportunities. The speed networking event enabled attendees from nearly 100 businesses, including 36 S3BCs, to engage in brief conversations, round-robin style, with NYCHA staff from various departments, including Borough Property Management teams, Central Operations (Heating, Elevators, and Waste and Pest Management), Asset and Capital Management, and IT. Approximately 500 unique conversations were facilitated between vendors and NYCHA staff. Vendors also had the opportunity to obtain additional resources from NYCHA's Procurement Department, REES, NYC Small Business Services, the Mayor's Office of Contract Services, and the Mayor's Office of M/WBEs. Procurement and Asset and Capital Management are currently planning the next networking event.

From 2019 through 2022, nearly 8,500 micro, small, and larger purchases worth about \$1.2 billion were awarded to M/WBEs as prime vendors; an additional \$173 million was awarded to M/WBEs as subcontractors; and over 3,000 purchases worth more than \$80 million were awarded to S3BCs. These S3BC figures will be further refined as part of our technology enhancements.

### **NYCHA's Section 3 Performance**

In 2021, 314 hires or 20 percent of hires under NYCHA's completed capital projects and operations contracts subject to the old HUD rule were Section 3 hires, an increase over 13 percent in 2019 and 14 percent in 2020, but falling short of the 30 percent benchmark for these contracts.

However, through 2022, all PACT projects subject to the old Section 3 rule where construction is complete exceeded the required benchmark of 30 percent, with 356 hires or 58 percent qualifying as Section 3 hires in total across five completed projects. PACT projects with construction work subject to the new Section 3 rule are ongoing. NYCHA monitors and manages Section 3 performance of capital projects and operations contractors, and PACT partners, throughout the period of work contracted, and works with these contractors and partners to maximize Section 3 performance by the conclusion of construction.

Iris Collado, a 15-year resident of Ocean Bay Apartments, is one of the many residents hired by our PACT partners. She was originally hired to serve as a Construction Administrative Specialist and Resident Liaison for her development's conversion to Section 8. She has now been employed by MDG Design + Construction for over six years, working on three different PACT projects. Another MDG employee started out on the painting team with a sub-contractor working on comprehensive renovations at Betances Houses and was later hired by MDG as a full-time carpenter. He has also helped connect other residents to hiring opportunities at Betances. A Hammel Houses resident graduated from the NRTA and was referred by REES to work on comprehensive renovations at Linden Houses; she was hired full-time by the PACT partners' contractor and, thanks to the partners' support, joined the Local 79 union last summer.

Additionally, our PACT partners have been working with the YouthBuild program to provide training and internship opportunities throughout the city for Section 3 candidates, helping to create meaningful jobs for young people and provide them with the resources and support they need to succeed in their careers.

Hiring residents is not just a mandate but is integral to the culture of our organization – residents make up about 20 percent of NYCHA's workforce.

### **Additional Resident Economic Empowerment Activities**

Empowering residents with vital economic opportunities is at the heart of our work, and REES carries out this mission in various ways beyond connecting residents to Section 3 job opportunities through its partnerships with City agencies and local service providers. For instance, City and federal funding have enabled NYCHA, HRA, and other City agency partners

to launch and expand the Jobs-Plus program, which is currently at 12 sites, offering residents of 43 NYCHA developments life-changing employment, education, and financial empowerment services.

Also, NYCHA worked with the NYC Health Department and various local community organizations to prioritize NYCHA resident hiring and on-the-job training for new Community Health Worker opportunities. Forty-six residents were hired to support their neighbors at 43 developments by connecting them to highly beneficial health and social services.

Additionally, REES's Food and Catering Business Pathways, Childcare Business Pathways, and Construction Business Pathways programs for residents are helping budding entrepreneurs launch or grow their businesses. And our partnership with HPD, Enterprise Community Partners, and Brooklyn Workforce Innovations is training NYCHA residents for quality jobs in the affordable housing industry.

### **Partnering on Pathways for Success**

Providing residents with economic opportunities has significant and lasting impact on communities across the city – and it's through partnership that we can best foster these pathways for success and a brighter future. We thank the Council and other partners for their support with these efforts. And we look forward to collaborating with you to identify additional ways we can better serve NYCHA residents, as well as further strengthen our organization.

Thank you. We are happy to answer any questions you may have.