

**PROVISIONS AND PROCEDURES
PERTAINING TO
COMPLIANCE WITH
SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968,
AS AMENDED**

1. Assurance of Compliance

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701U (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidence by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each, and the name and location of the person(s) taking applications for each of the positions, and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provisions of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice of knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

2. Definitions

A. Section 3 Covered Contract means a contract or subcontract in excess of \$200,000, including professional service contracts, awarded by a contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project. Section 3 covered contracts do not include contracts for the purchase of materials and equipment unless the contract includes the installation of the material equipment.

B. Section 3 Resident means an individual who resides in the project area or the City of Pittsburgh and who is: (1) a low-income persons which is defined as families (including single persons) whose incomes do not exceed 80 per centum of the median income for the area or (2) a very low-income person which is defined as families (including single persons) whose incomes do not exceed 50 per centum of the median family income for the area. A person seeking the training and employment preference provided by Section 3 bears the responsibility of providing evidence, if requested, that they are eligible for the preference.

C. Section 3 Business means a business concern that is (1) 51% or more owned by Section 3 residents; or (2) whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or (3) provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in (1) or (2) of this definition of Section 3 business concern. A business concern seeking the preference provided by Section 3 bears the responsibility of production documentation to support the Section 3 business concern status.

3. **Section 3 Area Residents As Trainees and Employees**

A. Each contractor and subcontractor with a contract in excess of \$100,000 shall fulfill their obligation to provide training and employment opportunities for Section 3 area residents by:

- (1) Identifying the number of positions in the various job categories needed to perform the work under this Section 3 covered project;
- (2) Determining the number of positions which are currently filled and which positions are not filled by regular, permanent employees;
- (3) Establishing a target within each job category for the number of positions to be filled by Section 3 area residents.
- (4) Estimated Work Force – See Appendix #1.

4. **Utilization of Section 3 Businesses**

A. Each contractor and subcontractor with a contract in excess of \$100,000 for work on a Section 3 covered project shall give preference to Section 3 business concerns that meet one of three definitions outlined in Part 2 C. of these Provisions and Procedures by:

- (1) Identifying the approximate number and dollar value of contracts to be awarded to eligible businesses within each category over the duration of this contract.
- (2) Ensuring that Section 3 business concerns are notified of pending contractual opportunities either personally or through locally utilized media.
- (3) Section 3 Business Utilization – See Appendix #2.

SECTION 3 CERTIFICATION

_____ will abide by and include in all subcontracts the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended.

Company Name

Signature

Date

APPENDIX NO. 1

ESTIMATED WORK FORCE BREAKDOWN

Job Category	Total Estimated Positions Needed For Project	No. Positions Occupied by Permanent Employees	Number of Positions Not Occupied	Number of Positions To be filled with Section 3 Residents

* For definition of Section 3 Resident refer to Section 2.B. Of the Provisions and Procedures.

Company

Signature of Person Completing Form

Title

Date

SECTION 3 BUSINESS UTILIZATION

Federal Identification No.:

Address: _____

[illegible]

Total Dollar Amount Awarded to Section 3 Businesses \$

Refer to Sections 2.A. and 2.C. of the Provisions and Procedures

Section 3

What is Section 3?

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

How does Section 3 promote self- sufficiency?

Section 3 is a starting point to obtain job training, employment and contracting opportunities. From this integral foundation coupled with other resources

comes the opportunity for economic advancement and self-sufficiency.

- Federal, state and local programs
- Advocacy groups
- Community and faith-based organizations

How does Section 3 promote homeownership?

Section 3 is a starting point to homeownership. Once a Section 3 resident has obtained employment or contracting opportunities they have begun the first step to self-sufficiency.

Remember, "It doesn't have to be fields of dreams". Homeownership is achievable. For more information visit our HUD [website](#).

Who are Section 3 residents?

Section 3 residents are:

- Public housing residents or
- Persons who live in the area where a HUD-assisted project is located and who have a household income that falls below HUD's income limits.

Determining Income Levels

- Low income is defined as 80% or below the median income of that area.
- Very low income is defined as 50% or below the median income of that area.

What is a Section 3 business concern?

A business that:

- Is 51 percent or more owned by Section 3 residents;
- Employs Section 3 residents for at least 30 percent of its full-time, permanent staff;
or
- Provides evidence of a commitment to subcontract to Section 3 business concerns,
25 percent or more of the dollar amount of the awarded contract.

What programs are covered?

Section 3 applies to HUD-funded Public and Indian Housing assistance for development, operating, and modernization expenditures.

Section 3 also applies to certain HUD-funded Housing and Community Development projects that complete housing rehabilitation, housing construction, and other public construction.

What types of economic opportunities are available under Section 3?

- Job training
- Employment
- Contracts

Any employment resulting from these expenditures, including administration, management, clerical support, and construction, is subject to compliance with Section 3.

Examples of Opportunities include:

- | | | |
|-----------------------|---------------------|-------------------|
| • Accounting | • Electrical | • Marketing |
| • Architecture | • Elevator | • Painting |
| • Appliance repair | Construction | • Payroll |
| • Bookkeeping | • Engineering | Photography |
| • Bricklaying | • Fencing | • Plastering |
| • Carpentry | • Florists | • Plumbing |
| • Carpet Installation | • Heating | • Printing |
| • Catering | • Iron Works | Purchasing |
| • Cement/Masonry | • Janitorial | • Research |
| • | • Landscaping | • Surveying |
| Computer/Information | • Machine Operation | • Tile setting |
| • Demolition | • Manufacturing | • Transportation |
| • Drywall | | • Word processing |

Who will provide the economic opportunities?

Recipients of HUD financial assistance and their contractors and subcontractors are expected to develop a Section 3 Plan to assure that Economic opportunities to the greatest extent feasible are provided to low and very-low income persons and qualified Section 3 businesses. One element of that Plan is the use of a Section 3 clause which indicates that all work performed under the contract is subject to the requirements of Section 3.

Who receives priority under Section 3?

For training and employment:

- Persons in public and assisted housing
- Persons in the area where the HUD financial assistance is spent
- Participants in HUD Youthbuild programs
- Homeless persons

For contracting:

- Businesses that meet the definition of a Section 3 business concern

How can businesses find Section 3 residents to work for them?

Businesses can recruit Section 3 residents in public housing developments and in the neighborhoods where the HUD assistance is being spent. Effective ways of informing residents about available training and job opportunities are:

- Contacting resident organizations, local community development and employment agencies
- Distributing flyers
- Posting signs
- Placing ads in local newspapers

Are recipients, contractors, and subcontractors required to provide long-term employment opportunities, not simply seasonal or temporary employment?

Recipients are required, to the greatest extent feasible, to provide all types of employment opportunities to low and very low-income persons, including permanent employment and long-term jobs.

Recipients and contractors are encouraged to have Section 3 residents make up at least 30 percent of their permanent, full-time staff.

A Section 3 resident who has been employed for 3 years may no longer be counted towards meeting the 30 percent requirement. This encourages recipients to continue hiring Section 3 residents when employment opportunities are available.

What if it appears an entity is not complying with Section 3?

There is a complaint process. Section 3 residents, businesses, or a representative for either may file a complaint if it seems a recipient is violating Section 3 requirements are being on a HUD-funded project.

Will HUD require compliance?

Yes. HUD monitors the performance of contractors, reviews annual reports from recipients, and investigates complaints. HUD also examines employment and contract records for evidence that recipients are training and employing Section 3 residents and awarding contracts to Section 3 businesses.

How can Section 3 residents or Section 3 business concerns allege Section 3 violations?

You can file a written complaint with these HUD Offices

For Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia:

Philadelphia Regional Office of FHEO
U.S. Department of Housing and Urban Development
The Wanamaker Building
100 Penn Square East, 12th Floor
Philadelphia, Pennsylvania 19107-3380
(215) 861-7646
1-888-799-2085
TTY (215) 656-3450

or mail it to:

The Assistant Secretary for Fair Housing and Equal Opportunity Attn:
Office of Economic Opportunity U.S. Department of Housing and Urban
Development 451 Seventh Street, S.W., Room 5100 Washington, D.C.
20410-2000 - 1-800-669-9777 Or 1-800-927-9276 (TTY)

A written complaint should contain:

- Name and address of the person filing the complaint
- Name and address of subject of complaint (HUD recipient, contractor or subcontractor)
- Description of acts or omissions in alleged violation of Section 3
- Statement of corrective action sought i.e. training, employment or contracts.