

# A Piece of the American Dream



*Moving People from Dependency to Self-Sufficiency into  
Homeownership*

*Office of Fair Housing and Equal Opportunity*

**Section 3**  
**Economic Opportunities for**  
**Low and Very Low-Income**  
**Persons**

**23<sup>rd</sup> Annual**  
**Affordable Housing**  
**Conference**  
**Orlando, Florida**  
**September 21, 2010**

# **Section 3**

## **Economic Opportunities for Low and Very Low-Income Persons**

**OFFICE OF FAIR HOUSING & EQUAL  
OPPORTUNITY**

**US DEPT OF HUD**

**Gregory King**

**Senior Civil Rights Analyst**

**[Gregory.B.King@HUD.GOV](mailto:Gregory.B.King@HUD.GOV)**

**ATLANTA, GEORGIA**

## *Purpose of Section 3*

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**To ensure that recipients of HUD funds direct employment & other economic opportunities generated by the receipt of those funds to low and very low-income persons - especially recipients of government housing assistance, & businesses that provide economic opportunities to the same.**

**§ 24.135.1**

# *Minority Business Enterprise*

- Section 3 of the HUD act is **race-neutral**.
- The preference provided by this federal act is based on income and location.
- A minority business enterprise shall be required to present Section 3 certification to receive preference.

# *Section 3 Applies to HUD Programs*

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## ➤ **Housing & Community Development**

### **[24.135.3 (a)(2)]**

- **Housing rehabilitation (including lead-based paint abatement)**
- **Housing construction**
- **Other public construction**
- **Neighborhood Stabilization Program (NSP)**

## *Section 3 Covers*

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- **JOBS,**
- **CONTRACTS, and**
- **TRAINING!**

# ***JOBS***

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- **Appliance repair**
- **Florists**
- **Landscaping**
- **Carpet installation**
- **Photography**
- **Marketing**
- **Janitorial**
- **Construction Laborers**
- **Printing**
- **Computer information**
- **Transportation**

# *Contracts*

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- **Architecture**
- **Bricklaying**
- **Carpentry**
- **Demolition**
- **Electrical**
- **Drywall**
- **Engineering**
- **HVAC**
- **Painting**
- **Plumbing**
- **Tile/Terrazzo**
- **Elevator construction**

# *Training*

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- **Accounting, Payroll, and Bookkeeping**
- **Research**
- **Purchasing**
- **Word Processing**

# *Covered Programs*

**Each program area within HUD has a responsibility to ensure that recipients of HUD funds comply with Section 3.**

## **Examples:**

- | HOPE VI, Capital Fund**
- | CDBG, HOME, Youthbuild, NSP**
- | Section 202 / 811**
- | Lead Base Paint Abatement**

**§ 24.135.3**

## *Section 3 Applies to the Entire Project*

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- **Section 3 requirements apply to the entire project or activity, regardless of whether HUD fully funds or only partially funds the project or activity.**  
(Example: Leveraged private funds associated with HOPE VI or CDBG.)
- **Section 3 requirements also apply to Indian Housing Authorities.**

§ 24.135.3(b)

# *When Does Section 3 Apply?*

- **Housing and Community Development**
  - Recipient/Project - \$200K
  - Contractor / Subcontractors - \$100K
- Entire project or activity funded through Indian Housing Authorities and Tribes
- Other HUD and Federal Assistance

## *Section 3 Employment Opportunities*

**All employment opportunities that result from:**

➤ **Sec. 3 covered projects in Housing and Community Development:**

- Includes management and administrative jobs – architectural, engineering, professional services and administrative support jobs

**§24.135.5**

## *Section 3 Residents*

- Public Housing Residents, or
- Any individual who resides in a metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended, and who is
  - **Low-income - 80% median area income**
  - **Very low-income - 50% median area income**

## *Contractor Responsibilities*

- **Certify Section 3 eligibility with recipients**
- **Employ low-income and very low-income residents in the community**
- **Subcontract with Section 3 Businesses**
- **Notify HUD of recipient noncompliance**

## *Section 3 Business Concern*

- 51% or more owned by Section 3 residents,  
or
- 30% of PFT employees currently qualify,  
as Section 3 Residents; or qualified within  
3 years of 1<sup>st</sup> date of employment,
- Proof that > 25% of \$ awarded to  
subcontractors will go Section 3 Business  
Concerns as defined above.

## *Eligibility for Employment and Contracting*

**A Section 3 resident must meet the qualifications of the position for which the recipient, contractor, or subcontractor seeks applicants.**

§ 135.34(c)

**A Section 3 business concern must have the ability and capacity to perform successfully under the terms and conditions of the proposed contract.**

§ 135.34(a)(2)

# *Order of Preference for Section 3 Residents In Training & Employment Opportunities*

## Order of Preference:

- Recipients, Contractors, and Subcontractors
- Shall direct their efforts to provide training and employment opportunities that result from spending Section 3 \$\$
- Section 3 residents in order of priority
- **TO THE GREATEST EXTENT FEASIBLE.**

## *Section 3 Preferences*

### *In Training & Employment Opportunities*

*In PIH Programs direct training and employment opportunities to Section 3 residents in order of priority:*

- Residents of the housing development where the HA spends the Section 3 covered assistance (category 1 residents).
- Residents of other housing developments managed by the Housing Authority that spends the Section 3 covered housing assistance (category 2 residents).
- Participants in HUD Youth-build programs operated in the metropolitan area (category 3 residents).
- Other Section 3 residents.

24.135.34(a)(1)

# *Order of Preference for Section 3 Residents In Training & Employment Opportunities*

## **In Housing and Community Development Programs, where feasible, give priority to:**

- Section 3 residents who reside in the service area or neighborhood where the Section 3 covered project is located (collectively referred to as category 1 residents); and
- Participants in HUD Youth-build programs (category 2 residents).
- Other Section 3 residents.

## *Preference for Section 3 Business Concerns*

- **Recipients, contractors and subcontractors**
- **Shall direct their efforts to award section 3 covered contracts,**
- **To the greatest extent feasible,**
- **Section 3 business concerns in the order of priority**

## *Preference for PHA*

### *Section 3 Business Concerns*

- **Business concerns where  $\geq 51$  percent owned by residents of the housing development or developments**
- **Where the PHA expends section 3 covered assistance, or**

## *Preference for PHA*

### *Section 3 Business Concerns*

- **Whose PFT workforce includes 30 percent of the Section 3 residents in the development as employees**

# *Preferences for Housing & CDBG*

## *Section 3 Business Concerns*

- **Section 3 business concerns**
- **That provide economic opportunities for section 3 residents**
- **In the service area or neighborhood**
- **Where the section 3 covered project is located (category 1 businesses);**

# *Preferences for Housing & CDBG*

## *Section 3 Business Concerns*

- **Applicants (as this term is defined in 42 U.S.C. 12899)**
- **Selected to carry out HUD Youthbuild programs (category 2 businesses); and**
- **Other section 3 business concerns.**

# *Eligibility for Preference as a Section 3 Business Concern*

- **To qualify as a Section 3 business concern**
- **To receive a section 3 contracting preference**
- **The business shall certify or submit evidence, if requested,**
- **That the business concern is a section 3 business concern as defined in § 135.5.**

# *Recipient Responsibilities*

- **Notify residents**
- **Notify contractors and incorporate the Section 3 clause in contracts**
- **Facilitate training and employment of residents**
- **Award contracts – Sec. 3 Business**
- **Assist with compliance among contractors**
- **Document actions to comply**
- **Meet numerical goals**

**§24.135.32**

*Section 3 Clause,  
24 CFR § 135.38*

- A. **Comply with Section 3**
- B. **Certify absence of impediments**
- C. **Notice of Section 3 commitments**
- D. **Place Section 3 Clause in all subcontracts**
- E. **Hiring practices to avoid Section 3**
- F. **Noncompliance sanctions**
- G. **Indian Housing**

# *Numerical Goals*

- **Meet the numerical goals to show compliance with the requirement to provide training and employment opportunities to “the greatest extent feasible.”**
- **Goals apply to the entire amount of Section 3 assistance awarded in any Federal FY**
- **Recipients who do not train, hire, or subcontract must ensure that their contractors provide training, employment, and contracting opportunities to Section 3 residents and businesses**
- **TO THE GREATEST EXTENT FEASIBLE**

# *Numerical Goals*

## *Community Development*

### **Employment:**

- **30%** of total number of **new hires** annually.

### **Contracts:**

- **At least 10%** of the total \$ amount of all Section 3 covered contracts for building trades work...
- **At least 3%** of the total \$ amount of all other Section 3 covered contracts.

**§ 135.30(b-c)**

# *Numerical Goals*

## *Other HUD Programs, and their Contractors & Subcontractors*

### **Employment:**

- **30%** of total number of **new hires** annually.

### **Contracts:**

- **At least 10%** of the total \$ amount of all Section 3 covered contracts for building trades work for maintenance, repair, modernization or development of PIH, or housing rehabilitation, construction, & other public construction.
- **At least 3%** of the total \$ amount of all other Section 3 covered contracts.

**§ 135.30(b-c)**

# *Reporting*

- Recipients are required to submit an annual report for the purpose of determining the effectiveness of Section 3. (HUD Form 60002).

# *Safe Harbor and Compliance*

In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the section 3 preference requirements. **24.135.32 (d) (1)**

# *Websites for Section 3, NSP, & ARRA*

- <http://www.hud.gov/offices/ftheo/section3/section3.cfm>
- <http://www.hud.gov/offices/ftheo/section3/HUD-NSP-sec3-Guidance-1.31.pdf>
- <http://www.hud.gov/offices/ftheo/section3/Econ-Stimulus-sec3-final.pdf>

**NOTICES  
SECTION**

***Questions  
and  
Answers***