Overview

Section 3 of the Housing and Urban Development Act of 1968[12 U.S.C. 1701u and 24 CFR Part 135] is HUD’s legislative directive for providing preference to low- and very low-income residents of the local community (regardless of race or gender), and the businesses that substantially employ these persons, for new employment, training, and contracting opportunities resulting from HUD-funded projects.

As a condition of receiving HUD Community Planning and Development assistance, recipients certify that they will comply with the requirements of Section 3 annually pursuant to 24 CFR 570.607(b). Accordingly, HUD has the legal authority to monitor recipients for compliance and can impose penalties upon those that fail to meet these obligations.

The Home Investment Partnership Assistance (HOME) Program is considered to be a covered funding activity under the Section 3 requirements. Additionally, the requirements of Section 3 apply to recipients of funding exceeding $200,000 for activities involving housing construction, demolition, rehabilitation, or other public construction, i.e. roads, sewers, community centers, etc. Contractors or subcontractors that receive contracts in excess of $100,000 for Section 3 covered projects/activities are required to comply with the Section 3 regulations in the same manner as direct recipients.

Section 3 Triggers

Section 3 is triggered when the normal processes that lead to the completion of construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities. Nothing in the regulations should be construed to mean that recipients are required to hire Section 3 residents or award contracts to Section 3 businesses other than what is needed to complete covered projects/activities.

If the expenditure of covered funding does not result in new employment, contracting, or training opportunities, the requirements of Section 3 have not been triggered. However, each agency (such as Florida Housing Finance Corporation) must still submit Section 3 annual reports indicating this information.

Definitions

Section 3 Resident – A Section 3 resident is:

1. A resident of Public or Indian Housing; or
2. An individual who resides in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and whose income does not exceed the local HUD income limits set forth for low- and very low-income households.
   - low income = 80% or below the area median income
   - very low income = 50% or below the area median income
   (as a note, the area median income, also known as the area median income, or AMI, for all Florida counties and Metropolitan Statistical Areas, as determined by HUD, are posted on the Florida Housing web site)

Section 3 Business Concern – A Section 3 Business Concern is:

1. A Business that is 51% or more owned by Section 3 residents; or
2. A Business whose permanent, full-time employees include persons, at least 30% of whom are currently Section 3 residents, or within three years of the date of first employment with the firm were Section 3 residents; or
3. A Business that provides evidence of a commitment to subcontract in excess of 25% of the dollar amount of all subcontracts to be awarded to businesses that meet the qualifications described above.

Numerical Goals

Recipients must attempt to reach the Section 3 minimum numerical goals found at 24 CFR Part 135.30 by:

Employment and Training

1. Offering 30% of new employment opportunities to Section 3 Residents

   **Order of Priority for Employment and Training Preference**

   In meeting the 30% goal, employment and training preference should be applied in the following order of priority:

   a. Category 1 – Residents in the service area or neighborhood (of the Development)
   b. Category 2 – Participant’s in HUD’s Youthbuild program
   c. Category 3 – Homeless persons in the service area
   d. Category 4 – Other Section 3 Residents

   Section 3 Residents must demonstrate that they meet the qualifications for new employment opportunities created.

Contracts

1. Awarding 10% of the total dollar amount of all covered construction contracts to Section 3 Business Concerns

2. Awarding 3% of the total dollar amount of all other Section 3 covered contracts (non-construction contracts)

   **Order of Priority for Contracting Preference**

   In meeting the 10% goal, preference for Section 3 Business Concerns should be applied in the following order of priority:

   a. Category 1 – Section 3 Businesses that provide jobs and training for local residents
   b. Category 2 – Applicants selected to administer Youthbuild programs
   c. Category 3 – Other Section 3 business concerns

   Section 3 Business Concerns must submit evidence to demonstrate that they are responsible firms and have the ability to perform successfully under the terms and conditions of the proposed contract.

**Recipients that fail to meet the minimum numerical goals above bear the burden of demonstrating why it was not possible to do so. Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will enable HUD to make a compliance determination.**

The Section 3 Clause

All Section 3 covered contracts must incorporate verbatim the Section 3 clause, parts A through G. The complete clause can be found in Appendix A.
Section 3 Complaints

Any Section 3 resident or business seeking employment, training or contracting opportunities generated by Section 3 covered assistance may file a complaint using HUD form 958 found at http://www.hud.gov/offices/fheo/section3/rev_958_final.pdf. Section 3 complaints must be filed no later than 180 days from the date of the action of which the complaint is based.

Complaints must be filed at the appropriate Fair Housing and Economic (FHEO) Regional Office in which the violation occurred. The address and telephone number for FHEO regional offices can be found at www.hud/offices/fheo.

Annual Reporting of the Section 3 Summary Report (HUD-60002)

Annually, each direct recipient of Community Planning and Development funding (such as Florida Housing Finance Corporation) is required to submit form HUD-60002 to HUD’s Economic Opportunity Division in Washington, DC. The intent of the report is to measure each recipient’s efforts to comply with the statutory and regulatory requirements of Section 3 in its own operations AND those of its covered contractors, subcontractors, and subrecipients.

The report is due at the same time as annual performance (e.g. CAPERS) reports and should follow the same program, fiscal, or calendar year as the annual performance report, and should correspond to the covered projects and activities that were administered during the reporting period. Reports must be submitted whether the requirements were triggered or not.

Each submission should include the following information:

Required items:
• The total dollar amount of HUD funding that was received by the recipient for covered projects/activities during the specified reporting period.
• The total number of new employees that were hired by the recipient and/or its covered contractors, subcontractors, and subrecipients, as a result of performing or completing covered project/activities.
• The number of new employees described above that met the definition of a Section 3 resident.
• The total number of Section 3 residents that participated in training opportunities that were made available by the recipient agency, its contractors, subrecipients, or other local community resource agencies.
• The total dollar amount of construction and/or non-construction contracts (or subcontracts) that were awarded with covered funding.
• The dollar amount of the recipient’s construction or non-construction contracts (or subcontracts) that were awarded to Section 3 business concerns.
• Detailed narrative descriptions of the specific actions that were taken by the recipient (or its covered contractors, subcontractors, subrecipients, or others) to comply with the requirements of Section 3 and/or meet the minimum numerical goals for employment and contracting opportunities.

Optional items:
• The total number of man hours worked on covered projects.
• The aggregate number of hours worked by Section 3 residents on covered projects.

Recipient Responsibilities Pursuant to Section 3

Each recipient (and their covered contractors, subcontractors, or subrecipients) are required to comply with the requirements of Section 3 for new employment, training, or contracting opportunities resulting from the expenditure of covered funding. These responsibilities include:
1. Implementing procedures to notify Section 3 residents and business concerns about training, employment, and contracting opportunities generated by Section 3 covered assistance;
2. Notifying potential contractors working on Section 3 covered projects of their responsibilities;
3. Incorporating the Section 3 Clause into all covered solicitations and contracts [see 24 CFR Part 135.38];
4. Facilitating the training and employment of Section 3 residents and the award of contracts to Section 3 Business Concerns;
5. Assisting and actively cooperating with HUD in making contractors and subcontractors comply;
6. Refraining from entering into contracts with contractors that are in violation of Section 3 regulations;
7. Documenting actions taken to comply with Section 3; and
8. Submitting Section 3 Annual Summary Reports (form HUD-60002) in accordance with 24 CFR Part 135.90.

In addition, Florida Housing must also do the following:

9. Inform subrecipients about the requirements of Section 3;
10. Assist subrecipients and their contractors with achieving compliance;
11. Monitor subrecipients’ performance with respect to meeting the requirements of Section 3; and
12. Report to HUD on the cumulative Section 3 activities taking place within their jurisdiction on an annual basis.

Division of Responsibilities

In meeting its recipient responsibilities under Section 3, Florida Housing’s compliance activities will include efforts from Florida Housing staff, its Servicers, and borrowers receiving Section 3-covered assistance.

Florida Housing Responsibilities

- Identify a Section 3 Coordinator for Florida Housing Finance Corporation
- Develop a Section 3 Plan for ensuring Corporation compliance with Section 3
- Review Section 3 Plans received from the borrowers
- Review/analyze quarterly Section 3 Activity Summary Reports
- Provide guidance on monitoring processes, procedures, and requirements
- Develop and provide boilerplate correspondence
- Work with FHEO Office regarding filed complaints made by Section 3 residents to business concerns that the recipient, contractor or subcontractor is not in compliance
- Review/analyze the annual Section 3 Activity Summary Reports.
- Submitting Section 3 Annual Summary Reports (form HUD-60002)
- Provide related Section 3 documentation, which includes:
  - Section 3 Clause (Appendix A)
  - Certification for Resident Seeking Section 3 Preference in Training and Employment (Appendix B)
  - Certification for Business Concerns Seeking Section 3 Preference in Contracting and Demonstration of Capability (See Appendix C)
  - Contractor/Subcontractor Certification Regarding Section 3 and Segregated Facilities (Appendix D)
  - Section 3 Activity Summary Report (Appendix E)
  - Examples of Efforts To Offer Training and Employment Opportunities to Section 3 Residents (Appendix F)
  - Examples of Efforts To Award Contracts to Section 3 Business Concerns (Appendix G)
  - Examples of Procurement Procedures That Provide for Preference for Section 3 Business Concerns (Appendix H)
  - Developers Section 3 Plan (Appendix I)

Servicer Responsibilities

- Identify a Section 3 Coordinator
• Ensure efforts are being made reach the goals in the Section 3 Plans
• Obtain and Review Section 3 Resident Certification Forms and supporting documentation to verify the worker’s status as a Section 3 Resident
• Obtain and Review Business Concerns Seeking Section 3 Preference in Contracting and Demonstration of Capability and supporting documentation to verify the status as a Section 3 Business Concern
• Maintain a list of certified Section 3 Businesses and Residents
• Review/analyze Section 3 Activity Summary Report submitted by the borrower to monitor numerical goals and the borrower’s contractor’s efforts in recruiting and contract awarding. Provide Florida Housing with a copy of the Section 3 Activity Summary Reports.
• Review all contracts for inclusion of the Section 3 Clause
• Provide Section 3 training to borrowers, general contractors, and subcontractors during the Pre-Construction Conference. At the training, the regulation at 24 CFR Part 135 and the Appendices to this Plan should be provided at the Pre-Construction Conference.
• Conduct on-site visits to substantiate that Section 3 Residents and/or Business Concerns are actively engaged on the project and to ensure that the Section 3 Plan and notices of employment opportunities are posted on-site.
• Obtain and review payroll records to substantiate the continued employment of Section 3 Residents, particularly those that are not interviewed.
• Submit a annual Section 3 Activity Summary Reports to Florida Housing due on July 15

Borrower/Developer Responsibilities
• Identify a Section 3 Coordinator
• Submit a Developer Section 3 Plan along with preliminary commitment to Florida Housing
• Provide to its Servicer the Contractor/Subcontractor Certification Regarding Section 3 and Segregated Facilities form for each contractor and subcontractor employed on the project where the dollar amount of the contract exceeds $100,000
• Submits to its Servicer Section 3 Resident Certification Forms and supporting documentation
• Submits to its Servicer Business Concerns Seeking Section 3 Preference in Contracting and Demonstration of Capability forms and supporting documentation
• Submit to its Servicer a list of all contractors working on the project with contracts of $100,000 or more detailing which ones are Section 3 Business Concerns, the contract amounts, and Section 3 Resident’s race.
• Submit to its Servicer list of all new hires detailing which ones are Section 3 Residents and their race.
• Submit to its Servicer a list of all ‘core’ employees to its Servicer. Core Employees are employees on an individual company’s payroll on or before the effective date of signing the Section 3 contract.
• Ensure that the Section 3 Clause is included in all contractor and subcontractor contracts
• Posting the Section 3 Plan and other Section 3 language at the work site
• Submit quarterly to its Servicer the Section 3 Activity Summary Report. Proper documentation supporting the reports should be maintained for compliance monitoring.
SECTION 3 CLAUSE

All section 3 covered contracts shall include the following clause:

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 evidenced 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 700 § 135.40 24 CFR Subtitle B, Ch. I (4–1–03 Edition) part 135, and agrees to take appropriate action, as provided in an applicable provision 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 or 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).
APPENDIX B

CERTIFICATION FOR RESIDENT SEEKING SECTION 3 PREFERENCE IN TRAINING AND EMPLOYMENT
CERTIFICATION FOR RESIDENT SEEKING SECTION 3 PREFERENCE IN TRAINING AND EMPLOYMENT

ELIGIBILITY FOR PREFERENCE

A section 3 resident seeking the preference in training and employment provided by this part shall certify, and submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Section 135.5. (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

I, _____________________________________, am a legal resident of the United States of America and meet the income eligibility guidelines for a low- or very-low-income person as published below.

My permanent address is: _________________________________________________________

_________________________________________________________

I have attached the following documentation as evidence of my status:

☐ Copy of lease

☐ Copy of receipt of public assistance

☐ Copy of Evidence of participation in a public assistance program

☐ Other evidence _______________________

_________________________________________  ___________________________
Signature Date

SECTION 3 INCOME LIMITS

All residents of public housing developments of the _______________________ Housing Authority qualify as Section 3 residents. Additionally, individuals residing in the City of ______________________ who meet the income limits set forth below can also qualify for Section 3 status.

A picture identification card and proof of current residency is required.

<table>
<thead>
<tr>
<th>Eligibility Guideline</th>
<th>Number in Household</th>
<th>Very Low Income</th>
<th>Low Income</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1 individual</td>
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<td>2 individuals</td>
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APPENDIX C

CERTIFICATION FOR BUSINESS CONCERNS SEEKING SECTION 3 PREFERENCE IN CONTRACTING AND DEMONSTRATION OF CAPABILITY
CERTIFICATION FOR BUSINESS CONCERNS SEEKING SECTION 3 PREFERENCE IN CONTRACTING AND DEMONSTRATION OF CAPABILITY

Name of Business _______________________________________________________________

Address of Business ______________________________________________________________

Type of Business:  ☐ Corporation  ☐ Partnership  ☐ Sole Proprietorship  ☐ Joint Venture

Attached is the following documentation as evidence of status:

For Business claiming status as a Section 3 resident-owned enterprise:
☐ Copy of resident lease  ☐ Copy of receipt of public assistance
☐ Copy of evidence of participation in a public assistance program  ☐ Other evidence

For business entity as applicable:
☐ Copy of Articles of Incorporation  ☐ Certificate of Good Standing
☐ Assumed Business Name Certificate  ☐ Partnership Agreement
☐ List of owners/stockholders and % ownership of each
☐ Organization chart with names and titles and brief function statement
☐ Corporation Annual Report  ☐ Latest Board minutes appointing officers
☐ Additional documentation

For business claiming Section 3 status by subcontracting 25 percent of the dollar awarded to qualified Section 3 business:
☐ List of subcontracted Section 3 business(es) and subcontract amount

For business claiming Section 3 status, claiming at least 30 percent of their workforce are currently Section 3 residents or were Section 3 eligible residents within 3 years of date of first employment with the business:
☐ List of all current full-time employees  ☐ List of employees claiming Section 3 status
☐ PHAI/IHA Residential lease less than 3 years from day of employment  ☐ Other evidence of Section 3 status less than 3 years from date of employment

Evidence of ability to perform successfully under the terms and conditions of the proposed contract:
☐ Current financial statement
☐ Statement of ability to comply with public policy
☐ List of owned equipment
☐ List of all contracts for the past two years

___________________________________________
Authorizing Name and Signature

Attested by:_________________________________
APPENDIX D

CONTRACTOR/SUBCONTRACTOR CERTIFICATION REGARDING SECTION 3 AND SEGREGATED FACILITIES
CONTRACTOR/SUBCONTRACTOR CERTIFICATION REGARDING
SECTION 3 AND SEGREGATED FACILITIES

DEVELOPMENT NAME:  __________________________________________

CONTRACTOR:  __________________________________________

The undersigned hereby certifies that:

(a)  Section 3 Clause is included in the Contract.

(b)  The above stated company is a signatory to the developer’s Section 3 Plan.

(c)  No segregated facilities will be maintained as required by Title VI of the Civil Rights Act of 1964.

________________________________________________________________________

NAME AND TITLE OF SIGNER (PRINT OR TYPE)

________________________________________  _________________
SIGNATURE                      DATE

(This form is to be completed by general contractor and sub contractors and submitted to the developer.)
### Part I: Employment and Training

**Columns B, C, and F are mandatory fields. Include New Hires in columns E & F**

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Category</td>
<td>Number of New Hires</td>
<td>Number of New Hires that are Sec. 3 Residents</td>
<td>% of Aggregate Staff Hours of New Hires that are Sec. 3 Residents</td>
<td>% of Total Staff Hours for Section 3 Employees and Trainees</td>
<td>Number of Section 3 Trainees</td>
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<td>Professionals</td>
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<td>Technicians</td>
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<td>Office/Clerical</td>
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<td>Construction by Trade (List):</td>
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<td>Other (List):</td>
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<td>Total</td>
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### Part II: Contracts Awarded

**For Construction Contracts:**

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<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Total dollar amount of all contracts awarded on the project</td>
<td>$</td>
</tr>
<tr>
<td>Total dollar amount of contracts awarded to Section 3 businesses</td>
<td>$</td>
</tr>
<tr>
<td>Percentage of the total dollar amount that was awarded to Section 3 businesses</td>
<td>$</td>
</tr>
<tr>
<td>Total number of Section 3 businesses receiving contracts</td>
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</tbody>
</table>

**For Non-Construction Contracts:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total dollar amount of all non-construction contracts awarded on the project</td>
<td>$</td>
</tr>
<tr>
<td>Total dollar amount of non-construction contracts awarded to Section 3 businesses</td>
<td>$</td>
</tr>
<tr>
<td>Percentage of the total dollar amount that was awarded to Section 3 businesses</td>
<td>$</td>
</tr>
<tr>
<td>Total number of Section 3 businesses receiving non-construction contracts</td>
<td></td>
</tr>
</tbody>
</table>
Part III: Summary of Efforts
Indicate the efforts made to direct the employment and other economic opportunities generated by HOME funds for housing and community development programs, to the greatest extent feasible, toward low-and very low-income persons, particularly those who are recipients of government assistance for housing. (Check all that apply.)

_____ Attempted to recruit low-income residents through: local advertising media signs prominently displayed at the project site, contacts with community organizations and public or private agencies operating within the area in which the covered program is located, or similar methods.

_____ Participated in a HUD program or other program which promotes the training or employment of Section 3 residents.

_____ Participated in a HUD program or other program which promotes the award of contracts to business concerns which meet the definition of Section 3 business concerns.

_____ Coordinated with YouthBuild Programs administered in the metropolitan area in which the Section 3 covered project is located.

_____ Other Section 3 outreach efforts (describe below)
PART I: EMPLOYMENT AND TRAINING

Column A: Contains various job categories. Professionals are defined as people who have special knowledge of an occupation (i.e., supervisors, architects, surveyors, planners, and computer programmers). For construction positions, list each trade and provide data in columns B through F for each trade where persons were employed. The category of “Other” includes occupations such as service workers.

Column B: (Mandatory Field) Enter the number of new hires for each category of workers identified in Column A in connection with this award. New Hire refers to a person who is not on the contractor’s or recipient’s payroll for employment at the time of selection for the Section 3 covered award or at the time of receipt of Section 3 covered assistance.

Column C: (Mandatory Field) Enter the number of Section 3 new hires for each category of workers identified in Column A in connection with this award. Section 3 new hire refers to a Section 3 resident who is not on the contractor’s or recipient’s payroll for employment at the time of selection for the Section 3 covered award or at the time of receipt of Section 3 covered assistance.

Column D: Enter the percentage of all the staff hours of new hires (Section 3 residents) in connection with this award.

Column E: Enter the percentage of the total staff hours worked for Section 3 employees and trainees (including new hires) connected with this award. Include staff hours for part-time and full-time positions.

Column F: (Mandatory Field) Enter the number of Section 3 residents that were trained in connection with this award.

PART II: CONTRACT OPPORTUNITIES

Block 1: Construction Contracts:
Item A: Enter the total dollar amount of all contracts awarded on the project/program.
Item B: Enter the total dollar amount of contracts connected with this project/program that were awarded to Section 3 businesses.
Item C: Enter the percentage of the total dollar amount of contracts connected with this project/program awarded to Section 3 businesses.
Item D: Enter the number of Section 3 businesses receiving awards.

Block 2: Non-Construction Contracts
Item A: Enter the total dollar amount of all contracts awarded on the project/program.
Item B: Enter the total dollar amount of contracts connected with this project awarded to Section 3 businesses.
Item C: Enter the percentage of the total dollar amount of contracts connected with this project awarded to Section 3 businesses.
Item D: Enter the number of Section 3 businesses receiving awards.

PART III: SUMMARY OF EFFORTS

Check each effort made to reach Section 3 Residents and Business Concerns.
APPENDIX F

EXAMPLES OF EFFORTS TO OFFER TRAINING AND EMPLOYMENT OPPORTUNITIES TO SECTION 3 RESIDENTS
(1) Entering into “first source” hiring agreements with organizations representing Section 3 residents.
(2) Sponsoring a HUD-certified “Step-Up” employment and training program for section 3 residents.
(3) Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other section 3 residents in the building trades.
(4) Advertising the training and employment positions by distributing flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) to every occupied dwelling unit in the housing development or developments where category 1 or category 2 persons (as these terms are defined in § 135.34) reside.
(5) Advertising the training and employment positions by posting flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) in the common areas or other prominent areas of the housing development or developments. For HAs, post such advertising in the housing development or developments where category 1 or category 2 persons reside; for all other recipients, post such advertising in the housing development or developments and transitional housing in the neighborhood or service area of the section 3 covered project.
(6) Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing development or developments where category 1 or category 2 persons reside, and community organizations in HUD-assisted neighborhoods, to request the assistance of these organizations in notifying residents of the training and employment positions to be filled.
(7) Sponsoring (scheduling, advertising, financing or providing in-kind services) a job informational meeting to be conducted by an HA or contractor representative or representatives at a location in the housing development or developments where category 1 or category 2 persons reside or in the neighborhood or service area of the section 3 covered project.
(8) Arranging assistance in conducting job interviews and completing job applications for residents of the housing development or developments where category 1 or category 2 persons reside and in the neighborhood or service area in which a section 3 project is located.
(9) Arranging for a location in the housing development or developments where category 1 persons reside, or the neighborhood or service area of the project, where job applications may be delivered to and collected by a recipient or contractor representative or representatives.
(10) Conducting job interviews at the housing development or developments where category 1 or category 2 persons reside, or at a location within the neighborhood or service area of the section 3 covered project.
(11) Contacting agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for the HA’s or contractor’s training and employment positions.
(12) Consulting with State and local agencies administering training programs funded through JTPA or JOBS, probation and parole agencies, unemployment compensation programs, community organizations and other officials or organizations to assist with recruiting Section 3 residents for the HA’s or contractor’s training and employment positions.
(13) Advertising the jobs to be filled through the local media, such as community television networks, newspapers of general circulation, and radio advertising.
(14) Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably one of the section 3 business concerns identified in part 135), that will undertake, on behalf of the HA, other recipient or contractor, the efforts to match eligible and qualified section 3 residents with the training and employment positions that the HA or contractor intends to fill.
(15) For an HA, employing section 3 residents directly on either a permanent or a temporary basis to perform work generated by section 3 assistance. (This type of employment is referred to as “force account labor” in HUD’s Indian housing regulations. See 24 CFR 905.102, and § 905.201(a)(6).)
(16) Where there are more qualified section 3 residents than there are positions to be filled, maintaining a file of eligible qualified section 3 residents for future employment positions.
(17) Undertaking job counseling, education and related programs in association with local educational institutions.
(18) Undertaking such continued job training efforts as may be necessary to ensure the continued employment of section 3 residents previously hired for employment opportunities.
(19) After selection of bidders but prior to execution of contracts, incorporating into the contract a negotiated provision for a specific number of public housing or other section 3 residents to be trained or employed on the section 3 covered assistance.

(20) Coordinating plans and implementation of economic development (e.g., job training and preparation, business development assistance for residents) with the planning for housing and community development.
APPENDIX G

EXAMPLES OF EFFORTS TO AWARD CONTRACTS TO SECTION 3 BUSINESS CONCERNS
EXAMPLES OF EFFORTS TO AWARD CONTRACTS TO SECTION 3 BUSINESS CONCERNS

(1) Utilizing procurement procedures for section 3 business concerns similar to those provided in 24 CFR part 905 for business concerns owned by Native Americans (see section III of this Appendix).

(2) In determining the responsibility of potential contractors, consider their record of section 3 compliance as evidenced by past actions and their current plans for the pending contract.

(3) Contacting business assistance agencies, minority contractors associations and community organizations to inform them of contracting opportunities and requesting their assistance in identifying section 3 businesses which may solicit bids or proposals for contracts for work in connection with section 3 covered assistance.

(4) Advertising contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the common areas or other prominent areas of the housing development or developments owned and managed by the HA.

(5) For HAs, contacting resident councils, resident management corporations, or other resident organizations, where they exist, and requesting their assistance in identifying category 1 and category 2 business concerns.

(6) Providing written notice to all known section 3 business concerns of the contracting opportunities. This notice should be in sufficient time to allow the section 3 business concerns to respond to the bid invitations or request for proposals.

(7) Following up with section 3 business concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information on the contracting opportunities.

(8) Coordinating pre-bid meetings at which section 3 business concerns could be informed of upcoming contracting and subcontracting opportunities.

(9) Carrying out workshops on contracting procedures and specific contract opportunities in a timely manner so that section 3 business concerns can take advantage of upcoming contracting opportunities, with such information being made available in languages other than English where appropriate.

(10) Advising section 3 business concerns as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance.

(11) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of section 3 business concerns.

(12) Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by section 3 business concerns.

(13) Contacting agencies administering HUD Youthbuild programs, and notifying these agencies of the contracting opportunities.

(14) Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(15) Developing a list of eligible section 3 business concerns.

(16) For HAs, participating in the “Contracting with Resident-Owned Businesses” program provided under 24 CFR part 963.

(17) Establishing or sponsoring programs designed to assist residents of public or Indian housing in the creation and development of resident-owned businesses.

(18) Establishing numerical goals (number of awards and dollar amount of contracts) for award of contracts to section 3 business concerns.

(19) Supporting businesses which provide economic opportunities to low income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce and comparable agencies at the State and local levels.

(20) Encouraging financial institutions, in carrying out their responsibilities under the Community Reinvestment Act, to provide no or low interest loans for providing working capital and other financial business needs.

(21) Actively supporting joint ventures with section 3 business concerns.

(22) Actively supporting the development or maintenance of business incubators which assist Section 3 business concerns.
APPENDIX H

EXAMPLES OF PROCUREMENT PROCEDURES THAT PROVIDE FOR PREFERENCE FOR SECTION 3 BUSINESS CONCERNS
EXAMPLES OF PROCUREMENT PROCEDURES THAT PROVIDE FOR PREFERENCE FOR
SECTION 3 BUSINESS CONCERNS

This Section III provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the (“contracting party”) for implementing the section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).

(1) Small Purchase Procedures. For section 3 covered contracts aggregating no more than $25,000, the methods set forth in this paragraph (1) or the more formal procedures set forth in paragraphs (2) and (3) of this Section III may be utilized.
   (i) Solicitation.
      (A) Quotations may be solicited by telephone, letter or other informal procedure provided that the manner of solicitation provides for participation by a reasonable number of competitive sources. At the time of solicitation, the parties must be informed of:
         --the section 3 covered contract to be awarded with sufficient specificity;
         --the time within which quotations must be submitted; and
         --the information that must be submitted with each quotation.
      (B) If the method described in paragraph (i)(A) is utilized, there must be an attempt to obtain quotations from a minimum of three qualified sources in order to promote competition. Fewer than three quotations are acceptable when the contracting party has attempted, but has been unable, to obtain a sufficient number of competitive quotations. In unusual circumstances, the contracting party may accept the sole quotation received in response to a solicitation provided the price is reasonable. In all cases, the contracting party shall document the circumstances when it has been unable to obtain at least three quotations.
   (ii) Award.
      (A) Where the section 3 covered contract is to be awarded based upon the lowest price, the contract shall be awarded to the qualified section 3 business concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified section 3 business concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.
      (B) Where the section 3 covered contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall provide for a range of 15 to 25 percent of the total number of available rating points to be set aside for the provision of preference for section 3 business concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system.

(2) Procurement by sealed bids (Invitations for Bids). Preference in the award of section 3 covered contracts that are awarded under a sealed bid (IFB) process may be provided as follows:
   (i) Bids shall be solicited from all businesses (section 3 business concerns, and non-section 3 business concerns). An award shall be made to the qualified section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid--
      (A) is within the maximum total contract price established in the contracting party's budget for the specific project for which bids are being taken, and
      (B) is not more than "X" higher than the total bid price of the lowest responsive bid from any responsible bidder. "X" is determined as follows:

| When the lowest responsive bid is less than $100,000 | 10% of that bid or $9,000. |
| When the lowest responsive bid is at least $100,000, but less than $200,000 | 9% of that bid, or $16,000. |
| At least $200,000, but less than $300,000 | 8% of that bid, or $21,000. |
| At least $300,000, but less than $400,000 | 7% of that bid, or $24,000. |

   x = lesser of:
At least $400,000, but less than $500,000................................. 6% of that bid, or $25,000.
At least $500,000, but less than $1 million............................ 5% of that bid, or $40,000.
At least $1 million, but less than $2 million......................... 4% of that bid, or $60,000.
At least $2 million, but less than $4 million......................... 3% of that bid, or $80,000.
At least $4 million, but less than $7 million......................... 2% of that bid, or $105,000.
$7 million or more................................................................ 1 ½% of the lowest responsive bid, with no dollar limit.

(ii) If no responsive bid by a section 3 business concern meets the requirements of paragraph (2)(i) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.

(3) **Procurement under the competitive proposals method of procurement (Request for Proposals (RFP)).**

(i) For contracts and subcontracts awarded under the competitive proposals method of procurement (24 CFR 5.36(d)(3)), a Request for Proposals (RFP) shall identify all evaluation factors (and their relative importance) to be used to rate proposals.

(ii) One of the evaluation factors shall address both the preference for section 3 business concerns and the acceptability of the strategy for meeting the greatest extent feasible requirement (section 3 strategy), as disclosed in proposals submitted by all business concerns (section 3 and non-section 3 business concerns). This factor shall provide for a range of 15 to 25 percent of the total number of available points to be set aside for the evaluation of these two components.

(iii) The component of this evaluation factor designed to address the preference for section 3 business concerns must establish a preference for these business concerns in the order of priority ranking as described in 24 CFR 135.36. (iv) With respect to the second component (the acceptability of the section 3 strategy), the RFP shall require the disclosure of the contractor's section 3 strategy to comply with the section 3 training and employment preference, or contracting preference, or both, if applicable. A determination of the contractor's responsibility will include the submission of an acceptable section 3 strategy. The contract award shall be made to the responsible firm (either section 3 or non-section 3 business concern) whose proposal is determined most advantageous, considering price and all other factors specified in the RFP.
APPENDIX I

DEVELOPER SECTION 3 PLAN
DEVELOPER SECTION 3 PLAN

DEVELOPMENT NAME:  

DEVELOPER:  

HOME FUNDS AWARDED:  

This Plan will serve as the Section 3 Plan for the above project in compliance with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended (12. U.S.C. 1701u).

The purpose of Section 3 is to ensure that training, employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and Local laws and regulations, be directed to the greatest extent possible to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns, which provide economic opportunities to low- and very low-income persons.

NUMERICAL GOALS FOR TRAINING AND EMPLOYMENT OPPORTUNITIES

The _______________________________ (Developer) will, to the greatest extent feasible, when awarding contracts or providing training and/or employment opportunities for activities or projects subject to the requirements of Section 3, strive to comply with the goals established in this section.

The numerical goals established in this section represent minimum numerical targets. Recipients must attempt to reach the Section 3 minimum numerical goals found at 24 CFR Part 135.30 by:

1. Offering 30% of new employment opportunities to Section 3 Residents

Order of Priority for Employment and Training Preference

In meeting the 30% goal, employment and training preference should be applied in the following order of priority:

a. Category 1 – Residents in the service area or neighborhood
b. Category 2 – Participant’s in HUD’s Youthbuild program
c. Category 3 – Homeless persons in the service area
d. Category 4 – Other Section 3 Residents

Section 3 Residents must demonstrate that they meet the qualifications for new employment opportunities created.

NUMERICAL GOALS FOR CONTRACTING ACTIVITIES:

These goals apply to contract awards in excess of $100,000 in connection with a Section 3 eligible project, and it applies to developers, contractors and subcontractors.

The _______________________________ (General Contractor) will, to the greatest extent feasible, award to Section 3 business concerns by:

1. Awarding 10% of the total dollar amount of all covered construction contracts to Section 3 Business Concerns
2. Awarding 3% of the total dollar amount of all other Section 3 covered contracts (non-construction contracts)
Order of Priority for Contracting Preference

In meeting the 10% goal, preference for Section 3 Business Concerns should be applied in the following order of priority:

a. Category 1 – Section 3 Businesses that provide jobs and training for local residents
b. Category 2 – Applicants selected to administer Youthbuild programs
c. Category 3 – Other Section 3 business concerns

Section 3 Business Concerns must submit evidence to demonstrate that they are responsible firms and have the ability to perform successfully under the terms and conditions of the proposed contract.

All contracts (prime and sub contracts) in excess of $100,000 must include the Section 3 Clause at 24 CFR 135.38.

Recipients that fail to meet the minimum numerical goals above bear the burden of demonstrating why it was not possible to do so. Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will enable HUD to make a compliance determination.

QUARTERLY REPORTING:

The developer shall provide a Section 3 Activity Summary Report to the Servicer identifying its progress in meeting the Section 3 goals throughout the construction period. The report shall be submitted no later than 3 calendar days after the end of each calendar quarter.

PRECONSTRUCTION CONFERENCE:

The Servicer shall provide Section 3 training at the preconstruction conference which will be held before loan closing. The conference is for borrowers, general contractors, and subcontractors to obtain necessary information and documentation in order to meet the requirements.

In compliance with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, we the undersigned have read and agree to the terms in the Section 3 Plan for this project. We acknowledge being a party to this Plan and further pledge our commitment to adhere to the objectives set forth.

___________________________________________
Applicant’s Chief Executive Officer

Date

___________________________________________
General Contractor’s Chief Executive Officer

Date

This Section 3 Plan and the attached Section 3 Training/Employment Goals and Section 3 Contracting Goals are due along with the HOME funding Preliminary Commitment.
### SECTION 3 TRAINING/EMPLOYMENT GOALS

**DEVELOPMENT NAME:**

**DEVELOPER:**

**GENERAL CONTRACTOR:**

<table>
<thead>
<tr>
<th>Job Category</th>
<th># of New Hires Needed</th>
<th># of Core Employees</th>
<th># of New Hires that will be Section 3 Residents</th>
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<tbody>
<tr>
<td>Professionals</td>
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<tr>
<td>Technicians</td>
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<td></td>
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<tr>
<td>Office/Clerical</td>
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<td>Construction by Trade (List)</td>
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<td><strong>Total</strong></td>
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Job Category - Professionals are defined as people who have special knowledge of an occupation (i.e. supervisors, architects, surveyors, planners, and computer programmers). For construction positions, list each trade. The category of “Other” includes occupations such as service workers.

New Hires - Full-time employees for permanent, temporary or seasonal employment opportunities.

Core Employees - All employees on an individual company’s payroll on or before the effective date of signing the Section 3 contract.

Section 3 Resident:
1. A resident of Public or Indian Housing; or
2. An individual who resides in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and whose income does not exceed the local HUD income limits set forth for low- and very low-income households.
   - low income = 80% or below the median area income
   - very low income = 50% or below the median area income
SECTION 3 CONTRACTING GOALS

DEVELOPMENT NAME: ____________________________________________

DEVELOPER: __________________________________________________

GENERAL CONTRACTOR: _________________________________________

<table>
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<tr>
<th>Type of Contract</th>
<th>Number of Contracts</th>
<th>Dollar Amount of all Contracts</th>
<th>Number of Contracts to Section 3 Business Concerns</th>
<th>Dollar Amount of Contracts to Section 3 Business Concerns</th>
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<tr>
<td>Non-Construction</td>
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</tbody>
</table>

Section 3 Business Concern:
1. A Business that is 51% or more owned by Section 3 residents; or
2. A Business whose permanent, full-time employees include persons, at least 30% of whom are currently Section 3 residents, or within three years of the date of first employment with the firm were Section 3 residents; or
3. A Business that provides evidence of a commitment to subcontract in excess of 25% of the dollar amount of all subcontracts to be awarded to businesses that meet the qualifications described above.