

# Section 3

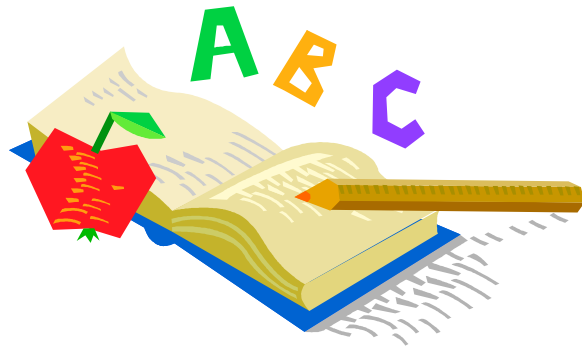


Training for \_\_\_\_\_  
City/State  
Date

Presenter  
Agency

# Topics of Discussion

- Overview: the Basics
- Recipient Responsibilities
- Section 3 Reporting
- Current Initiatives
- Q & A



# The Basics

## Purpose

To ensure that jobs, training and contracting generated by HUD funding shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to businesses that substantially employ those persons. [§ 135.1](#)

Section 3 is **race and gender-neutral**

# Intended Beneficiaries



## Section 3 Resident:

a public housing resident, or

a low- or very-low income person in the metropolitan area  
or non-metropolitan county

## Section 3 Business:

1. a business owned by section 3 residents;
2. a business with a staff comprised of 30% or more of Section 3 residents; or
3. a business that commits to award 25 % or more of total contract award to category 1 or category 2 Section 3 businesses

# Eligibility for Employment and Contracting

- A Section 3 resident must meet the qualifications of the position to be filled

§ 135.34(c)

- A Section 3 business concern must have the ability and capacity to perform

§ 135.36(c)



# Applicability

- Public Housing Funding – covers development, operations and maintenance with **no thresholds**
- Housing and Community Development Funding (non PIH): construction related activity only; Thresholds: \$200K per recipient, regardless of project size

§ 135.3(a)(3)

- Applies to HUD financed activity, fully or partially funded

• § 135.3(b).

# Housing and Community Development Thresholds

- \$200K threshold per recipient in any 12-month reporting period, for construction related activity only, regardless of project size
- Shared responsibility with contractors that receive more than \$100K

§ 135.3(a)(3)

Grantees must work with their contractors to achieve compliance by taking proactive steps to ensure employment and contracting opportunities are made available to intended beneficiaries.

# HUD Programs Covered by Section 3



- PIH Capital Fund Program (CFP)
- PIH Operating Subsidy
- Rental Assistance Demonstration (RAD)
- Choice Neighborhoods Grants (formerly HOPE VI)
- Community Development Block Grants (CDBG)
- HOME Investment Partnership Grants
- Emergency Shelter Grants
- Disaster Recovery Grants
- Section 202/811
- Lead Abatement Grants
- Certain NOFA Competitive Grants
- Self Help Ownership Program (SHOP)



# Coverage of PIH Operating Subsidy

- All internal hiring at the PHA up to and including the Executive Director position is covered by Section 3
- All contracts for services are covered by Section 3
  - IT service consulting contracts
  - CPA audit contracts
  - HVAC repairs and maintenance
  - Outside legal counsel
  - Security services
  - Management consulting

# Section 3 in the General NOFA

To implement 24 CFR 135.9(a) of the Department's Section 3 rules, program NOFAs where Section 3 applies, include information regarding how Section 3 activities will be considered in rating the application, the evaluation criteria utilized, and the rating points assigned. (See 24 CFR 135.9(a).) Applicants subject to this requirement must describe their plans to train and employ [Section 3 residents](#) and contract with [Section 3 businesses](#) that prioritize Section 3. By submission of an application for programs covered by Section 3, applicants certify compliance with Section 3 requirements.

Section 3 fund recipients must comply with 24 CFR 135. HUD encourages recipients to search the national [Section 3 Business Registry](#) to find local businesses that prioritize hiring Section 3 residents.

# Section 3 Goals

- Employment: 30% of new hires
- Construction Contracting (Building Trades): 10% of Total Contract Award
- Non-construction (Professional services and maintenance): 3% of Total Contract Award

§ 135.30

# Recipient Responsibilities

(a) Implementing procedures to notify Section 3 residents and business concerns about economic opportunities

(b) Notifying potential contractors for Section 3 covered projects of the requirements of this part, and incorporating the Section 3 clause ( § 135.38) in all solicitations and contracts.

(c) Facilitating the training and employment of Section 3 residents and the award of contracts to Section 3 business concerns...to reach the goals

d) Assisting ...in obtaining the compliance of contractors and subcontractors ..., and refraining from entering into any contract with any contractor that ... has been found in violation.

# Recipient Responsibilities- continued

(e) Documenting actions taken to comply with the requirements of this part, the results of actions taken and impediments, if any.

(f) A State or county which distributes funds for section 3 covered assistance to units of local governments, ... must attempt to reach the numerical goals set forth in 135.30 ... must inform units of local government ...of the requirements of this part; assist local governments and their contractors in meeting the requirements and objectives of this part; and monitor the performance of local governments with respect to the objectives and requirements of this part.

§ 135.32

# Eligibility for Employment and Contracting

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§ 135.34(c)

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§ 135.36(c)

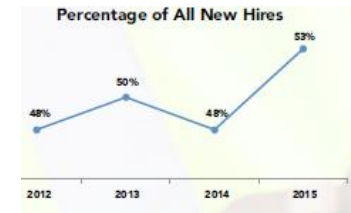
# Section 3 Clause



- All Section 3 covered contracts must include the Section 3 clause, verbatim, found at 24 CFR Part 135.38
- The clause reiterates that work performed under contract is subject to the requirements of Section 3
- Parties to the contract agree to comply with HUD regulations and certify there are no impediments to prevent compliance
- Contractor agrees to notify labor organizations of this requirement
- Contractor agrees to include clause in every subcontract

§ 135.38

# Section 3 Reporting



- Only direct recipients of HUD funding are required to submit annual reports summarizing Section 3 outcomes on Form HUD 60002

§ 135.38

- Recipients submit one report for **each** program area source of funding (CDBG, HOME, ESG or CFP, OFND, CN)
- Developers and contractors provide information to direct recipients for reporting to HUD
- PHA reports are 60 days after their fiscal cycle or fiscal year end (FYE)
- CPD grantee reports are due 90 days after their fiscal cycle or program year



# Section 3 Performance Evaluation and Registry System (SPEARS)

- SPEARS is the online reporting tool for submission of Section 3 Annual Reports, Form HUD 60002
- ID and Password protected site accessed via HUD's Security Portal, Web Access Secure System (WASS)
- Over 32,000 reports have been submitted by 4,100 recipients of HUD funding (PHAs, entitlement communities, states and other grantees)
- Guidance on using SPEARS is posted on the Section 3 Website:  
[https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/section3/section3/spears](https://www.hud.gov/program_offices/fair_housing_equal_opp/section3/section3/spears)

# Section 3 Business Registry



- The registry is a listing of businesses that have self-certified their eligibility to receive Section 3 preference
- There are currently over 4,000 businesses listed from nearly all 50 states
- Users can search by trade and/or geography and download contact information for outreach
- Local PHAs, Entitlement Communities and other HUD grantees are encouraged to utilize the Registry to identify eligible for contracting opportunities