



SECTION 3 POLICY
Department of Development
Housing & Community Development Division

I. Definition of Section 3

Section 3 is the means by which HUD fosters local economic development, neighborhood economic improvement, and individual self-sufficiency. Section 3 is the legal basis for providing jobs for residents and awarding contracts to businesses in areas receiving certain types of HUD financial assistance.

II. Section 3 Authority / Compliance

Compliance with the provisions of Section 3 of the HUD Act of 1968, as amended, and as implemented by the regulations set forth in 24 CFR 135, and all applicable rules and orders issued hereunder prior to the execution of this contract, shall be a condition of the Federal financial assistance provided under the contract and binding upon the Subrecipients and any of the subcontractors. Failure to fulfill these requirements shall subject the Subrecipient and any of the subcontractors, their successors and assigns, to those sanctions specified by the Agreement through which Federal assistance is provided. The Subrecipient certifies and agrees that no contractual or other disability exists that would prevent compliance with these requirements.

The Subrecipient further agrees to comply with these “Section 3” requirements and to include the following language in all subcontracts executed under this Agreement:

“ The work to be performed under this Agreement is a project assisted under a program providing direct Federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S. C. 1701). Section 3 requires that to the greatest extent feasible opportunities for training and employment be given to low and very low-income residents of the project area, and that contracts for work in connection with the projects be awarded to the business concerns that provide economic opportunities for low-and very low-income persons residing in the area in which the project is located.”

The Subrecipient further agrees to ensure that opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low-and very low income persons residing within the metropolitan area in which the CDBG-funded project is located; where feasible, priority should be given to low and very-low income persons residing within the City/County in which CDBG-funded project is located; where feasible, priority should be given to low-and very low –income persons within the service area of the project or the neighborhood in which the project is located, and to low- and very low-income participants in other HUD programs (such as

Youthbuild); and award contracts for work undertaken in connection with housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project to business concerns that provide economic opportunities for low- and very low-income persons residing within the City/County in which the CDBG-funded project is located; where feasible, priority should be given to business concerns that provide economic opportunities to low- and very low-income residents within the service area or the neighborhood in which the project is located, and to low- and very low-income participants in other HUD programs.

The Subrecipient certifies and agrees that no contractual or other legal incapacity exists that would prevent compliance with these requirements.

Definitions:

Section 3 Business: A Section 3 business is defined as a business that is at least 51% or more owned by Section 3 residents or a business whose permanent full time employees include persons, of whom at least 51% are Section 3 residents or business concerns which are located in or owned in substantial part, by persons residing in the area of the project.

Section 3 Residents: Section 3 residents are individuals living in the project area and have low incomes (80% or below the median income of the area) or very low incomes (50% of the median income for the area).

Department Policy

Based on the above premise and being a recipient and administrator of Federal Community Development Block Grant funds and other funds from the Department of Housing and Urban Development for the Unified Government, the Department of Development has established the following:

- 1). It shall be the policy of the Department of Development to have each contractor afford Section 3 businesses and residents an opportunity to participate in the performance of the Department's contracts and subcontracts.
- 2). It shall be the policy of the Department of Development to include a copy of the Section 3 Policy in all contract documents.
- 3). It shall be the policy to award additional rating points to contractors that demonstrated in their proposals efforts to employ and provide training for low income Section 3 residents; utilized Section 3 businesses; and utilized the services of Youthbuild trainees as potential permanent employees;

*Examples:

- a) Existing contracts with Section 3 Business.
- b) Log of business contacted in proposal preparation (minimum of 3).
- c) Documentation of recruitment efforts in the neighborhood and public

- housing development.
- d) Posting of signs, placing ad, contracting residents through their neighborhood organizations and employment agencies.
 - e) Identify positions whether full time or temporary positions.
 - f) Verification of the purchase of services, supplies, equipment and construction that will be purchased from local Section 3 businesses.
 - g) Submittal of a Section 3 Strategy to comply with the Section 3 requirements.

Contractors shall demonstrate that they have made every effort feasible to meet the requirements of the Section 3 Policy for both businesses and residential participation by providing employment and training opportunities to lower income residents of the project area as defined in the HUD Section 3 Provisions attachment.

The proposal submitted to the Unified Government will be considered a part of the contract agreement signed between the Unified Government and the contractor.

The Department's Section 3 Compliance officer will review and monitor each contract to assure compliance with the bid proposal/contract document.

- 4). The Department shall require Contractors, whenever feasible, to obtain services and supplies from Section 3 business.
- 5) The Department shall require its contractors to utilize and /or to provide training to Section 3 residents on all projects funded with Federal funds.

Implementation of Policy

- 1). The Department shall develop procedures for implementation in its competitive procurement methods authorized in 24CFR 8.36 (d). The requirements procedures shall automatically become a part of the contract.
- 2). The Department will develop specific goals for services that should be obtained from Section 3 business for each contract based on the total amount of the contract.
- 3). The Department shall notify/educate all contractors, subcontractors, developers, CHDOs, CDC's Unified Government Departments that are the recipient of Federal financial assistance that the utilization of Section 3 Business and Residents will be incorporated as a part of all bid packets and the final contract.
- 4). The Department shall, when placing advertisements or contracting potential contractors, make potential bidders aware that the project requires the use of local Section 3 businesses and Section 3 residents when feasible.
- 5). The Department's compliance officer shall monitor the Section 3 participation by verifying information contained in the contractor's employee records, addresses and timesheets and the request for reimbursement from the contractors to verify the

compliance with Section 3 requirements.

Remedies for Supplying Incorrect Supporting Information:

- 1). The execution of the contract document serves as assurance that the contractor has accepted all terms and agreements as outlined and will therefore uphold those terms and agreements, inclusive of Section 3 Business Requirements.
- 2). A business that provided incorrect information in an effort to obtain a contract with CD or fail to uphold the terms of the agreement are subject to the following remedies:
 - (a) Termination of the contract
 - (b) An assessment up to 5% of the total contract amount.
 - (c) An assessment of the difference between the contract amount and what the costs would have been if the contract was properly awarded.
 - (d) Temporary debarment from transacting any business with the Unified Government for a period of not less than 3 months and not more than 24 months.
 - (e) Permanent debarment from being a contractor under the Unified Government.