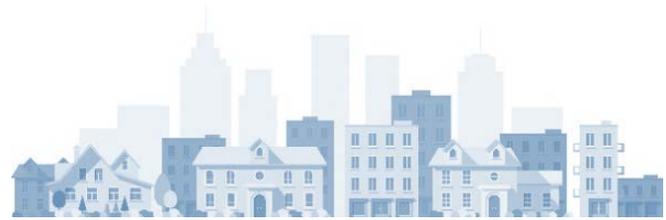


# SECTION 3 101 BRIEF



## Section 3 Compliance Triggers

HUD's Employment Opportunity requirements for CDBG-DR funded projects are commonly referred to as "Section 3 requirements." These regulations establish inclusive hiring, training, and procurement practices that prioritize local disadvantaged individuals and communities.

CDBG-DR subrecipients should understand Section 3 requirements and when they apply to CDBG-DR funded projects and programs. Section 3 compliance is triggered when subrecipients receive \$200,000 or more in CDBG-DR funding for construction-related activities **or** for individual construction contracts of \$100,000 or more.

To better understand these dollar thresholds, consider these important points:

- Contracts for Section 3 covered projects are not cumulative. The requirements of Section 3 apply to each individual contract that meets the thresholds.
- Section 3 requirements apply to recipients of Housing and/or Community Development Assistance exceeding \$200,000 combined from all sources in any one year. Section 3 covers the expenditure of any portion of those funds for any activity that involves housing construction, rehabilitation, or other public construction.
- Any agency that receives covered assistance that exceeds \$200,000 is required to comply with the requirements of Section 3 whenever any projects involving housing construction, rehabilitation, or other public construction are administered, regardless of the actual dollar amount of covered assistance that is invested into the individual project/activity.

## Section 3 Targets

To the greatest extent feasible (24 CFR 135.30), subrecipients should aim for the following Section 3 goals:

1.  $\geq 30\%$  of the aggregate number of new hires shall be Section 3 residents
2.  $\geq 10\%$  of the total dollar amount of all covered construction contracts shall be awarded to Section 3 Business Concerns
3.  $\geq 3\%$  of the total dollar amount of all covered non-construction contracts shall be awarded to Section 3 Business Concerns



### Application of Federal Regulations

GLO requires subrecipients to apply the principles of [24 CFR 135](#) (generally referred to as "Section 3"):

- Utilize CDBG-DR funds to create economic opportunities for local residents and businesses;
- Demonstrate good faith efforts in hiring, training, and contracting with disadvantaged individuals and businesses; and
- Monitor compliance of own agency and all contractors and subcontractors with all Section 3 required reporting, recordkeeping, and programmatic goals.

## Verifying a Section 3 Resident

1. Does the employee live in public housing or receive Section 8 Housing Vouchers?
  - a. If YES: the employee is a Section 3 resident (no need to verify household income status).
  - b. If NO: verify the employee's household income.
2. To verify the employee's income (using the revised authority given by the 83 FR 40314 and 84 FR 45838):
  - a. Refer to the current [HUD Income Limits](#) for your area and compare the employee's reported household size and income to the row labeled "Low-Income Limits, 80%".
  - b. If the employee's income is at or below the values shown on the Income Limit chart, the employee is a Section 3 Resident.
  - c. If the employee's income is above the values shown on the Income Limit chart, the employee is NOT a Section 3 Resident.

## Verifying a Section 3 Business

1. Did the business claim Section 3 Business Concern status by responding "Yes" to any of the questions below?
  - a. Is the company currently registered as a certified Section 3 business with HUD?
  - b. Is the business owned (51% or more) by Section 3 residents?
  - c. Are 30% (or more) of the company's permanent, full-time employees Section 3 residents?
  - d. Can the business provide evidence of a firm commitment to subcontract more than 25% of the total dollar amount of the pursued contract to any business that meets the criteria of a-c above (if applicable)?
2. If YES to one of the above: the business is a Section 3 Business Concern.
3. If NO to all of the above: the business is not a Section 3 Business Concern.

## Section 3 Reporting Requirements

Subrecipients must document actions taken to comply with established Section 3 goals, along with any impediments they encountered along the way. Subrecipients should maintain records of job vacancies, solicitation of bids or proposals, selection materials and contracting documents (including scope of work and contract amount), in accordance with Federal and State procurement laws and regulations.

Recipients must submit two reports to GLO:

- Section 3 Quarterly Progress Report (Exhibit G in GLO's Section 3 Plan)
- Section 3 Annual Summary Report (Exhibit H in GLO's Section 3 Plan)