
**COUNTY OF SAN DIEGO
HOUSING AND COMMUNITY DEVELOPMENT SERVICES**

**A COMPLIANCE GUIDE TO SECTION 3 OF THE HOUSING AND
URBAN DEVELOPMENT ACT OF 1968**

Economic Opportunities for Low- and Very Low-Income Persons

**November 8, 2019
Section 3 Compliance Guide**

TABLE OF CONTENTS

I.	Purpose	3
II.	Background	3
III.	Definitions.....	3
	a. Section 3 Resident	3
	b. Section 3 Business Concern.....	3
	c. New Hire.....	3
	d. Sub-recipient.....	3
	e. Contractor	4
	f. Subcontractor	4
IV.	Applicability	4
	a. Section 3-Covered Community Planning and Development (CPD) Funding	4
	b. Section 3 applies to the following types of Public and Indian Housing (PIH) assistance:	4
V.	Thresholds	5
	a. Sub-recipient Threshold.....	5
	b. Contractor and Subcontractor Thresholds	5
	c. Threshold for Sub-recipients Not Contractors or Subcontractors	6
VI.	Numerical Goals.....	6
	a. Training and Employment.....	6
	b. Contracts.....	6
VII.	Compliance Time Period is July 1-June 30	6
VIII.	Responsibilities.....	7
	a. Sub-recipient	7
	b. Contractor	7
IX.	Preferences/the “X” factor component.....	7
X.	Examples of Actions Demonstrating a Good Faith Effort.....	8
XI.	Recipient Records and Reports	9
	FORMS	9
XII.	Contractor	
	a. Section 3 Form A – Bidder’s Certification.....	10
	b. Section 3 Form B – Estimated Workforce Breakdown.....	11
	c. Section 3 Form C – Actual Workforce Breakdown	12
	d. Section 3 Form D – Certification of Section 3 Business.....	15
	e. Section 3 Form E – Certification of Section 3 Resident	16
	INCOME LIMITS CHART	17
XIII.	Subcontractor	
	a. Section 3 Form C – Actual Workforce Breakdown	12
	b. Section 3 Form F – Section 3 Contractor Summary Report	18
	c. Section 3 Form G – Section 3 Project Summary Report	19
	APPENDIX ONE: Section 3 Contract Clauses	22
	APPENDIX TWO: Section 3 Questions and Answers	23
	APPENDIX THREE: Section 3 Compliance – Suggested Examples.....	25
	Notice to All Employees.....	27

I. Purpose

The County of San Diego's Housing and Community Development Services (HCDS) administers funds from federally-funded programs for housing and community development activities. Recipients and sub-recipients of these funds must ensure that all federal requirements are followed. The purpose of this manual is to provide a guide of "Section 3" requirements. The manual provides a description of the requirements and a copy of the forms that must be completed for compliance.

II. Background

Section 3 of the Housing and Urban Development Act of 1968 recognizes that job training, employment and contract opportunities are generated by U.S. Department of Housing and Urban Development (HUD) programs designed to aid housing, urban planning and community development. Section 3 is a mandate to target these economic opportunities flowing from the HUD-assisted projects to lower income residents and businesses in those jurisdictions and areas where HUD is "investing" public resources. This law requires that HCDS take affirmative steps to meet this objective. Through HUD regulations, participants in HUD's assistance programs—recipients and contractors—are required to make good faith efforts to provide "to the greatest extent feasible" opportunities to Section 3 area residents and Section 3 business concerns.

III. Definitions

a. Section 3 Resident

- i. Public housing resident or resident of San Diego County (preferably, but not necessarily, of the immediate or extended area served by the HUD-funded project) who qualifies as a low-income person. HUD defines a low-income person as one whose household income does not exceed 80% of the median income for the region, with adjustments for family size. See accompanying Table (page 17) for income limits set by HUD for the San Diego region.

b. Section 3 Business Concern

- i. A Section 3 business concern--
 1. That is 51 percent or more owned by Section 3 residents; or
 2. That has permanent full-time employees including persons, at least 30 percent of whom are currently Section 3 residents, or who are Section 3 residents within three years of the date of first employment; or
 3. That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to businesses that meet qualifications set forth in conditions (1) or (2) of this paragraph.

c. New Hire

- i. A full-time employee for a new permanent, temporary or seasonal position that is generated from the expenditure of HUD funds covered by the Section 3 regulations. This section 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.

d. Sub-recipient

- i. A public or private non-profit agency or organization receiving CPD funds (i.e.,

CDBG, HOME) from a grantee or another sub-recipient to undertake eligible activities.

e. Contractor

- i. Any entity which contracts to perform work generated by the expenditure of Section 3-covered assistance, or for work in connection with a Section 3-covered project.

f. Subcontractor

- i. Any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of Section 3-covered assistance, or arising in connection with a Section 3-covered project.

IV. Applicability

Section 3 of the Housing and Urban Development Act of 1968 [12 U.S.C. 1701u and 24 CFR Part 135] applies to Community Planning & Development (CPD) Programs and Public and Indian Housing Programs (PIH).

a. Section 3-Covered Community Planning and Development (CPD) Funding:

- i. Community Development Block Grant (CDBG)
- ii. Home Investment Partnership Program (HOME)
- iii. Housing Opportunities for Persons with Aids (HOPWA)
- iv. Economic Stimulus
- v. Economic Development Initiative (EDI)
- vi. Brownfield Economic Development Initiative (BEDI)
- vii. Emergency Solutions Grant (ESG)
- viii. Homeless Assistance
- ix. University Partnership Grant
- x. Neighborhood Stabilization Program (NSP)
- xi. Lead Hazard Control Grant
- xii. Certain Grants Awarded Under HUD Notices of Funding Availability (NOFAs)

*NOTE: The requirements of Section 3 only apply to the portion(s) of covered funding that are issued by HCDS for use in housing rehabilitation (including the reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement); housing construction; and other public construction projects.

b. Section 3 applies to the following types of Public and Indian Housing (PIH) assistance:

- i. Public Housing Operating subsidies;
- ii. Public Housing Capital Funds for Development and Modernizations;
- iii. Hope VI Revitalization Grants;
- iv. Resident Opportunities and Self-Sufficiency (ROSS) Grants;
- v. Family Self-Sufficiency (FSS) Grants; and
- vi. Economic Stimulus Funding

*NOTE: The requirements of Section 3 apply to **all Public Housing Authorities (PHAs)** regardless of size or number of units. The requirements also apply to **all contractors** that receive awards from PHAs, regardless of the dollar amount of the contract.

V. Thresholds

Community Planning & Development (CPD)

Section 3 requirements only apply when any of the following thresholds are reached for CPD funding.

a. Sub-recipient Threshold

- i. A sub-recipient that receives community development assistance covered by Section 3 for which the total aggregate amount of assistance exceeds \$200,000 for projects/activities involving housing construction, rehabilitation, or other public construction.

Example: The City of Hilltop receives \$210,000 through the CDBG program. The funds will be used as follows:

1. Housing rehabilitation - \$180,000
2. Micro-enterprise revolving loan fund - \$20,000; and
3. Fair housing counseling - \$10,000

The City of Hilltop is not subject to Section 3 requirements because only \$180,000 is spent for Section 3-covered activities, and the remaining \$30,000 is not used for construction, rehabilitation, or other public construction. Therefore, the \$200,000 threshold is not met. However, the city must still submit applicable Section 3 sub-recipient forms to HCDS.

b. Contractor and Subcontractor Thresholds

- i. Section 3 requirements apply to contractors and subcontractors performing work on the Section 3-covered project(s) for which the total amount of the assistance exceeds \$100,000; and the contract or subcontract exceeds \$100,000.

Example: The City of Summit receives \$300,000 through the CDBG program. The funds will be used as follows:

1. Housing rehabilitation – \$250,000 (\$150,000 of which will be under contract)
2. First-time homebuyer education - \$50,000

The City of Summit is subject to Section 3 requirements because the \$200,000 threshold is met. In addition, the \$100,000 contractor threshold is also met. The city must submit applicable Section 3 sub-recipient forms to HCDS.

- ii. Professional service contracts (i.e., architecture) are covered under Section 3, provided that the work to be performed by the professional is for work generated by the expenditure of Section 3-covered assistance or for work arising in connection with a Section 3 project (e.g., housing rehabilitation, housing construction, or other public construction project).
- iii. Section 3-covered contracts do not include contracts issued for the purchase of materials, supplies, or equipment, unless installation "work" is involved.

c. Threshold met for sub-recipients, but not contractors or subcontractors

- i. If a sub-recipient receives Section 3-covered housing or community development assistance in excess of \$200,000, but no contract exceeds \$100,000, the Section 3 preference requirements apply to the sub-recipient (see Responsibilities, Section VIII).

Public and Indian Housing Assistance (PIH)

There is no funding threshold for PIH. Section 3 applies to all PIH activities regardless of the dollar amount. The requirements apply to **all contractors and subcontractors** that receive PIH funds from PHAs, regardless of the type and dollar amount of the contract.

VI. Numerical Goals

Federal regulations, effective June 30, 1994, set numerical goals for jurisdictions for the hiring/training of Section 3 residents and contracting with Section 3 business concerns on HUD-assisted projects. Good faith efforts by contractors and subcontractors will aid jurisdictions to meet their goals.

a. Training and Employment

Goals are based on the percentage of new hires. A new hire means a full-time employee for permanent, temporary or seasonal employment opportunities.

- i. Housing assistance: Employ Section 3 residents as 10 percent of the aggregate number of new hires for each year over the duration of the Section 3 project.
- ii. Community development assistance: Employ Section 3 residents as 30 percent of the aggregate number of new hires for each year over the duration of the Section 3 project.

b. Contracts

Each contractor and subcontractor that meets the threshold requirement may demonstrate compliance with Section 3 requirements by committing to award Section 3 businesses:

- i. At least 10 percent of the total dollar amount of all Section 3-covered contracts for building trades work for maintenance, repair, modernization or development of public housing; or building trades work arising in connection with housing rehabilitation, housing construction, and other public construction.
- ii. At least 3 percent of the total dollar amount of all other Section 3-covered contracts.

VII. Compliance Time Period is July 1 – June 30

For those projects that have received a release of funds from HUD, Section 3 information that reflects hiring and contracting in the above reporting period should be submitted to HCDS by **July 15** of each year. Supplemental information should be submitted during the next reporting period.

a. Sanctions

Sanctions that may be imposed on recipients that fail to comply with the Section 3 regulations include debarment, suspension and limited denial of participation in HUD programs.

VIII. Responsibilities

a. Sub-recipient

- i. A sub-recipient that receives community development or housing assistance covered by Section 3 has the responsibility to comply with Section 3 in its own operations. This responsibility includes:
 1. Notifying Section 3 residents and businesses about jobs and contracts generated by Section 3-covered assistance, so that residents may seek jobs and businesses may submit bids/proposals for available contracts;
 2. Notifying potential contractors of the objectives of Section 3 and ways in which each contractor can assist the sub-recipient to meet its goal;
 3. Facilitating the training and employment of Section 3 residents and the award of contracts to Section 3 business concerns;
 4. Documenting the action that the sub-recipient takes to comply with the Section 3 requirements, the results of the actions, and impediments, if any;
- ii. Sub-recipients have a responsibility to “ensure compliance” of their contractors and subcontractors. This means that a sub-recipient must:
 1. Notify contractors of their responsibilities under Section 3 including, but not limited to, incorporating the Section 3 clauses in contracts and procurement documents.
 2. Refrain from contracting with contractors as to whom they have received notice or have knowledge that the contractors have been found in violation of the regulations in 24 CFR Part 135.
 3. Respond to complaints made to the recipient by Section 3 residents or business concerns that the sub-recipient, a contractor or subcontractor, is not in compliance with 24 CFR Part 135.
 4. Submit applicable Section 3 forms to HCDS. These forms are used to prepare Form HUD 60002 that is due to HUD in accordance with 24 CFR Part 135.90; and
 5. Cooperate with HUD in obtaining the compliance of contractors and subcontractors when allegations are made that the sub-recipient's contractors and subcontractors are not in compliance with the regulations of 24 CFR Part 135.

b. Contractor

- i. Notify subcontractors of their responsibilities under Section 3 including, but not limited to, incorporating the Section 3 clauses in subcontract documents.
- ii. Refrain from contracting with subcontractors as to whom they have received notice or have knowledge that the subcontractors have been found in violation of the regulations in 24 CFR Part 135.
- iii. Maintain records that document a good faith effort to utilize Section 3 area residents as trainees and employees (required of both contractor and subcontractor).
- iv. Submit applicable Section 3 forms to Sub-recipient. These forms are used to prepare Form HUD 60002 that is due to HUD in accordance with 24 CFR Part 135.90.

IX. Preferences/the “X” Factor Component

Section 3 businesses are offered a preference. In other words, if a Section 3 business concern is a responsible bidder and their bid price is slightly higher than a non-Section 3

firm, the recipient agency can give preference to the Section 3 business. This is known as the “X” factor.

A reasonable bid is a bid received from a Section 3 business concern that is within a Zone of Consideration (see table below) compared to the lowest bid from any responsive and responsible bidder. The Zone is determined by combining the actual lowest bid amount with the “X” factor. The “X” factor is the lesser of:

1. The percentage (expressed in dollars) listed in the chart below; OR,
2. The actual dollar amount listed on the chart below.

Zone of Consideration

If the Lowest Bid is		The “X” FACTOR is the Lesser of	
At Least	But Less Than		
\$ 0	\$ 100,000	10%	\$ 9,000
\$ 100,000	\$ 200,000	9%	\$ 16,000
\$ 200,000	\$ 300,000	8%	\$ 21,000
\$ 300,000	\$ 400,000	7%	\$ 24,000
\$ 400,000	\$ 500,000	6%	\$ 25,000
\$ 500,000	\$1,000,000	5%	\$ 40,000
\$1,000,000	\$2,000,000	4%	\$ 60,000
\$2,000,000	\$4,000,000	3%	\$ 80,000
\$4,000,000	\$7,000,000	2%	\$105,000
\$7,000,000		1.5%	NO LIMIT

X. Examples of Actions Demonstrating a Good Faith Effort

- a. Targeted recruitment of Section 3 area residents for training and employment positions by taking such steps as:
 - i. Advertising in local media;
 - ii. Prominently placing a notice of commitments under Section 3 at the project site or other places where applications for training and employment are taken;
 - iii. Contacting local job training centers, employment service agencies and community organizations;
 - iv. Developing on-the-job training opportunities or participating in job training programs;
 - v. Contacting assisted housing resident councils and resident management corporations;
 - vi. Keeping a list of Section 3 area residents who apply on their own or by referral for available positions;
 - vii. Sending to labor organizations or representatives of workers with whom the recipient, contractor or subcontractor has a collective bargaining agreement or understanding, a notice about contractual commitments under Section 3; and
 - viii. Selection of Section 3 area residents for training and employment positions.

XI. Recipient Records and Reports

a. Recordkeeping and access to records:

HUD and HCDS shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the Section 3 regulations.

b. Examples of records to be maintained are:

- i. Copies of advertisements for training and employment;
- ii. Lists of Section 3 residents who applied or otherwise expressed an interest in training positions or employment;
- iii. Copies of solicitations or requests for proposals;
- iv. Documentation of pre-construction conferences;
- v. Records of bid evaluations and selections;
- vi. Correspondence or other documentation related to Section 3 grievances;
- vii. Photographic evidence of displayed signs;
- viii. Copies of letters to community organizations;
- ix. Copies of notifications of awards to grantees and contractors;
- x. Copies of business affirmative action plans, including records of solicitation mailing lists, direct solicitation of bids or proposals; and
- xi. Evidence of affirmative steps to include Section 3 business concerns such as dividing total work requirements into smaller sub-tasks; joint ventures between a large business and a Section 3 business concern; and limiting competition to Section 3 business concerns pursuant to HUD regulations at 24 CFR Part 963.

XII. Contractor—Instructions for Completing Forms

The following forms are completed when the contract exceeds \$100,000:

- a. **SECTION 3 FORM A – Bidders Certification:** This form is completed and submitted with the bid.
- b. **SECTION 3 FORM B – Estimated Workforce Breakdown:** This form is completed at the beginning of the project.
- c. **SECTION 3 FORM C – Actual Workforce Breakdown:** This form is completed at the end of the project, and/or at the end of the reporting period.
- d. **SECTION 3 FORM D – Certification of Section 3 Business Concern:** This form is completed to determine a Section 3 business.
- e. **SECTION 3 FORM E – Income Certification for Section 3 Resident:** This form is completed by employees working on the project to determine Section 3 residents.

XIII. Sub-recipient Instructions for Completing Forms

The following forms are completed when the sub-recipient received at least \$200,000 in covered funds:

- a. **SECTION 3 FORM C – Actual Workforce Breakdown:** This form is completed at the end of the project, and/or at the end of the reporting period, if the sub-recipient has new hires.
- b. **SECTION 3 FORM F – Section 3 Contractor Summary Report:** This form is a summary of all contracts issued for the project, whether or not the individual contract exceeds \$200,000.
- c. **SECTION 3 FORM G – Section 3 Project Summary Report:** This form is completed using information from the completed Section 3 Form C – Actual Workforce Breakdown (i.e., sub-recipients and/or contractors).

**SECTION 3 – FORM A
(SUBMIT WITH BID)
CONTRACTOR**

**COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
3989 RUFFIN ROAD
SAN DIEGO, CA 92123-1815**

SECTION 3 BIDDER'S CERTIFICATION

Name of Company: _____

Address: _____

Project Title: _____ Number: _____

This is to certify that I have read and understand the Section 3 resident employment and Section 3 resident business utilization requirements that apply to the above-cited project, said requirements being known as the Section 3 clauses found in 24 CFR 135, and that neither the project, nor the company, are under any contractual restrictions or other disabilities which would prevent the company from complying with said requirements.

Signature of Company Officer: _____

Title of Officer: _____

Date: _____

SECTION 3 – FORM B
(SUBMIT WITH BID)
CONTRACTOR

COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
3989 RUFFIN ROAD
SAN DIEGO, CA 92123-1815

SECTION 3 ESTIMATED WORKFORCE BREAKDOWN

To be completed by contractors during the bidding process

1. Contractor Name and Address:	2. County Contract No.:	3. Dollar Amount of Contract:
	4. Contact Person:	5. Phone (include area code):
	6. Reporting Period:	7. Date Report Submitted:
8. Project Name:		9. HUD No. (HCDS use):
10. Person Completing Form (if different from item 4 above):	11. Phone (if different from item 5 above):	12. Email:

EMPLOYMENT AND TRAINING

Job Category	Total Estimated Positions Needed for Project	No. of Positions Occupied by Permanent Employees	Number of Positions Not Occupied	Number of Positions to be Filled with Section 3 Residents*
Professionals				
Technicians				
Office/Clerical				
Construction by Trade (List)				
Trade:				
Trade:				
Trade:				
Trade:				
Trade:				
Other (List)				

*Section 3 Resident: Public housing resident or resident of San Diego County (preferably, but not necessarily, of the immediate or extended area served by the HUD-funded project) who qualifies as a low-income person. HUD defines a low-income person as one whose household income does not exceed 80% of the median income for the region, with adjustments for family size.

COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 3989 RUFFIN ROAD
 SAN DIEGO, CA 92123-1815

SECTION 3 ACTUAL WORKFORCE BREAKDOWN

To be completed by contractors at the completion of the reporting period (July 1 – June 30) or at the completion of the work, whichever comes first.

1. Contractor Name and Address:	2. County Contract No.:	3. Dollar Amount of Contract:
	4. Contact Person:	5. Phone (include area code):
	6. Reporting Period:	7. Date Report Submitted:
8. Program Code*:	9. Project Name:	10. HUD No. (HCDS use):
11. Person Completing Form (if different from item 4 above):	12. Phone: (if different from item 5 above):	13. Email:

Part I: EMPLOYMENT AND TRAINING (Include New Hires in Columns E & F)

A	B	C	D	E	F
Job Category	Number of New Hires	Number of New Hires that are Section 3 Residents	% of Aggregate Number of Staff Hours of New Hires that are Section 3 Residents	% of Total Staff Hours for Section 3 Employees and Trainees	Number of Section 3 Employees and Trainees
Professionals					
Technicians					
Office/Clerical					
Construction by Trade (List)					
Trade:					
Trade:					
Trade:					
Trade:					
Trade:					
Other (List)					

*Program Codes
 1 = Flexible Subsidy
 2 = Section 202/811

3 = Public/Indian Housing
 A = Development
 B = Operation
 C = Modernization

4 = Homeless Assistance
 5 = HOME
 6 = HOME State Administered
 7 = CDBG – Entitlement

8 = CDBG - State Administered
 9 = Other CD Programs
 10 = Other Housing Program

SECTION 3: Actual Workforce Breakdown – Continued

Page 2 of 3

SECTION 3 – FORM C
HCDS Version of Form HUD-60002
CONTRACTOR/SUB-RECIPIENT**PART II: Contracts Awarded****1. Construction Contracts:**

- | | |
|---|----------|
| A. Total dollar amount of all contracts awarded on the project | \$ _____ |
| B. Total dollar amount of contracts awarded to Section 3 businesses | \$ _____ |
| C. Percentage of the total dollar amount that was awarded to Section 3 businesses | _____ % |
| D. Total number of Section 3 businesses receiving contracts | _____ |
| (List Section 3 businesses and addresses) | |
-

2. Non-Construction Contracts:

- | | |
|--|----------|
| A. Total dollar amount of all non-construction contracts awarded on the project/activity | \$ _____ |
| B. Total dollar amount of non-construction contracts awarded to Section 3 businesses | \$ _____ |
| C. Percentage of the total dollar amount that was awarded to Section 3 businesses | _____ % |
| D. Total number of Section 3 businesses receiving non-construction contracts | _____ |
| (List Section 3 businesses and addresses) | |
-

PART III: Summary

Indicate the efforts made to direct the employment and other economic opportunities generated by HUD financial assistance 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 the community organizations and public or private agencies operating within the metropolitan area (or non-metropolitan county) in which the Section 3-covered program or project 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; describe below:

Public reporting for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, mandates that the Department ensures that employment and other economic opportunities generated by its housing and community development assistance programs are directed toward low- and very low- income persons, particularly those who are recipients of government assistance housing. The regulations are found at 24 CFR Part 135. The information will be used by the Department to monitor program recipients' compliance with Section 3, to assess the results of the Department's efforts to meet the statutory objectives of Section 3, to prepare reports to Congress, and by recipients as a self-monitoring tool. The data is entered into a database and will be analyzed and distributed. The collection of information involves recipients receiving Federal financial assistance for housing and community development programs covered by Section 3. The information will be collected annually to assist HUD in meeting its reporting requirements under Section 808(e)(6) of the Fair Housing Act and Section 916 or the HCDA of 1992. An assurance of confidentiality is not applicable to this form. The Privacy Act of 1974 and OMB Circular A-108 are not applicable. The reporting requirements do not contain sensitive questions. Data is cumulative; personal identifying information is not included.

SECTION 3 Actual Workforce Breakdown Continued:

Page 3 of 3

Instructions: This form is to be used to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968. The Section 3 regulations apply to any **public and Indian housing programs** that receive: (1) development assistance pursuant to Section 5 of the U.S. Housing Act of 1937; (2) operating assistance pursuant to Section 9 of the U.S. Housing Act of 1937; or (3) modernization grants pursuant to Section 14 of the U.S. Housing Act of 1937 and **to recipients of housing and community development assistance in excess of \$200,000** expended for: (1) housing rehabilitation (including reduction and abatement of lead-based paint hazards); (2) housing construction; or (3) other public construction projects; and to **contracts and subcontracts in excess of \$100,000** awarded in connection with the Section-3-covered activity.

Form HUD-60002 has three parts, which are to be completed for all programs covered by Section 3. Part I relates to **employment and training**. The recipient has the option to determine the numerical employment/training goals either on the basis of the number of hours worked by new hires (columns B, D, E, and F). Part II of the form relates to contracting, and Part III summarizes recipients' efforts to comply with Section 3.

Recipients or contractors subject to Section 3 requirements must maintain appropriate documentation to establish that HUD financial assistance for housing and community development programs was directed toward low- and very low-income persons.* A recipient of Section 3-covered assistance shall submit one copy of this report to HUD Headquarters, Office of Fair Housing and Equal Opportunity. Where the program providing assistance requires an annual performance report, this Section 3 report is to be submitted at the same time the program performance report is submitted. Where an annual performance report is not required, this Section 3 report is to be submitted by January 10, and, if the project ends before December 31, within 10 days of project completion. **Only Prime Recipients are required to report to HUD. The report must include accomplishments of all recipients and their Section 3-covered contractors and subcontractors.**

1. Contractor/Subcontractor: Enter the name and address of the Contractor/Subcontractor submitting this report.
2. County HCDS Contract No.: Enter the number that appears on the award. The number may be a contract number or a work authorization, if another County Department.
3. Dollar Amount of Award: Enter the dollar amount, rounded to the nearest dollar, received by the recipient.
4. & 5. Contact Person/Phone: Enter the name and telephone number of the person with knowledge of the award and the recipient's implementation of Section 3.
6. Reporting Period: Indicate the time period (months and year) this report covers.
7. Date Report Submitted: Enter the appropriate date.
8. Program Code: Enter the appropriate program code, as listed at the bottom of the page.
9. Project Name: Enter the name of the County SDHCDS project.
10. HUD No. (HCDS use). Enter the number assigned to the project.
11. & 12. & 13. Person Completing the Form: Enter the name, telephone number and email of the person completing the form.

*The terms "**low-income persons**" and "**very low-income persons**" have the same meanings given the terms in section 3(b)(2) of the United States Housing Act of 1937. **Low-income persons** mean families (including single persons) whose incomes do not exceed 80 percent of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 percent of the median for the area of the basis of the Secretary's findings such that variations are necessary because of prevailing levels of construction costs or unusually high- or low-income families. **Very low-income persons** mean low-income families (including single persons) whose incomes do not exceed 50 percent of the median family income area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

SECTION 3 – FORM C HCDS Version of Form HUD-60002 CONTRACTOR/SUB-RECIPIENT

Part I: Employment and Training Opportunities

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 I: 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 the 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/program awarded to Section 3 businesses.

Item D: Enter the number of Section 3 businesses receiving awards.

Part III: Summary of Efforts—Self-explanatory

SECTION 3 – FORM D
CONTRACTOR

COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
3989 RUFFIN ROAD
SAN DIEGO, CA 92123-1815

SECTION 3 CERTIFICATION OF SECTION 3 BUSINESS

To be completed by contractor or subcontractor.

1. Contractor Name and Address:	2. Contractor License Number:	3. County Contract Number:
	4. Dollar Amount of Contract:	5. Reporting Period:
	6. Project Name:	7. HUD No. (HCDS use):
8.a. Contact Person:	8.b. Phone (include area code):	8.c. Email:
9. Person Completing Form (if different from item 8.a. above):	9.b. Phone (if different from item 8.b. above):	9.c. Email (if different from 8.c. above):

Type of Business:

☐
☐

Corporation
Sole Proprietorship

☐
☐

Partnership
Joint Venture

IS THE BUSINESS A SECTION 3 BUSINESS?

☐

YES

☐

NO

Qualifying Basis:

1. ☐ 51 percent owned by Section 3 resident*; or
2. ☐ Permanent, full-time employees include at least 30 percent Section 3 low-income residents; or
3. ☐ Written commitment to subcontract more than 25 percent of dollar award from San Diego County to business concerns who meet the above number 1 or 2 Section 3 qualifications.

I certify that the above named Business is a Section 3 Business and meets the requirements specified in Section 3 of the Housing and Urban Development Act of 1968.

Signature

Print Name

Title

Date

***Section 3 Resident:** Public housing resident or resident of San Diego County (preferably, but not necessarily, of the immediate or extended area served by the HUD-funded project) who qualifies as a low-income person. HUD defines a low-income person as one whose household income does not exceed 80% of the median income for the region, with adjustments for family size.

SECTION 3 – FORM E
CONTRACTOR

COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
3989 RUFFIN ROAD
SAN DIEGO, CA 92123-1815

SECTION 3 CERTIFICATION FOR SECTION 3 RESIDENT

To be completed by employees working on Section 3-covered project.

1. Contractor Name and Address:	2. Contractor License Number:	3. County Contract Number:
	4. Dollar Amount of Contract:	5. Reporting Period:
	6. Project Name:	7. HUD No. (HCDS use):
8.a. Contact Person:	8.b. Phone (include area code):	8.c. Email:

This project received federal funds from the U.S. Department of Housing and Urban Development. Your cooperation in filling out this form is requested in order to determine whether you qualify as a Section 3 employee or owner of a Section 3 business. The purpose of Section 3 of the Housing and Urban Development Act of 1968 is to ensure that employment and economic opportunities generated by HUD dollars are directed, when feasible, to lower income persons.

1. What is your hire date (Month/ Day/ Year)?
(May be completed/verified by employer)

3. Number of persons in your household?

2. Please circle the appropriate job category.
1 = Business Owner/ Professional
2 = Technicians
3 = Office/Clerical
4 = Construction
(If construction, specify trade/ classification)

4. What is the total combined annual income of all members of your household?

Name (Print): _____

Address of Household: _____

Telephone Number: _____

Email Address: _____

Employee's Signature

Date

The information provided on this form may be subject to verification by responsible local and federal agencies. Please be aware there may be a penalty for falsifying information provided here.

SECTION 3 CHART—INCOME LIMITS

2019 HUD REGIONAL FAMILY MEDIAN INCOME LIMITS FOR SAN DIEGO COUNTY

The following are lower income limits adjusted for family size.

Low- Income	FAMILY SIZE							
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80% of Area Median Income	\$59,950	\$68,500	\$77,050	\$85,600	\$92,450	\$99,300	\$106,150	\$113,000

Note: HUD sets the income limits, which are updated annually. Contact HCDS for the most current income limits or visit www.huduser.org/portal/datasets/il.html.

SECTION 3 – FORM F
SUB-RECIPIENT

COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
3989 RUFFIN ROAD
SAN DIEGO, CA 92123-1815

SECTION 3 CONTRACTOR SUMMARY REPORT

To be completed by the sub-recipient at the end of the reporting period (July 1 to June 30) or at the end of the project, whichever comes first. Complete the form if the sub-recipient received at least \$200,000 total in covered funds (i.e., CDBG, HOME, HOPWA, etc.).

1. Sub-recipient Name and Address:	2. County Contract No.:	3. Dollar Amount of County Contract:
	4. Funding Source (i.e., CDBG):	5. Date Report Submitted:
	6. Contact Person:	7. Phone (include area code):
8. Reporting Period:	9. Project Name:	10. HUD No. (HCDS use):
11. Person Completing Form (if different from 6 above):	12. Phone (if different from 7 above):	13. Email:

SUMMARY OF CONTRACTOR/SUBCONTRACTORS

Prime Contractor/ Subcontractor Name	Contracting Period	Contract Dollar Amount	Is contract dollar amount at least \$100,000? (Yes/ No) If Yes, Section 3 Report Required.	Section 3 Report Attached? (Yes/ No)	Section 3 Report Previously Submitted (Date)
TOTAL:					

COUNTY OF SAN DIEGO
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 3989 RUFFIN ROAD
 SAN DIEGO, CA 92123-1815

SECTION 3 PROJECT SUMMARY REPORT

To be completed by the sub-recipient at the end of the reporting period (July 1 – June 30) or at the end of the project, whichever comes first. Complete the form if the sub-recipient received at least \$200,000 total in covered funds (i.e., CDBG, HOME, HOPWA, etc.).

1. Sub-recipient Name and Address:	2. County Contract No.:	3. Dollar Amount of Contract:
	4. Contact Person:	5. Phone (include area code):
	6. Reporting Period:	7. Date Report Submitted:
8. Program Code*:	9. Project Name:	10. HUD No. (HCDS use):
11. Person Completing Form (if different from item 4 above):	12. Phone (if different from item 5 above):	13. Email:

Part I: EMPLOYMENT AND TRAINING (Include New Hires in Columns E & F)

A	B	C	D	E	F
Job Category	Number of New Hires	Number of New Hires that are Section 3 Residents	% of Aggregate Number of Staff Hours of New Hires that are Section 3 Residents	% of Total Staff Hours for Section 3 Employees and Trainees	Number of Section 3 Employees and Trainees
Professionals					
Technicians					
Office/Clerical					
Construction by Trade (List)					
Trade:					
Trade:					
Trade:					
Trade:					
Trade:					
Other (List)					

*Program Codes
 1 = Flexible Subsidy
 2 = Section 202/811

3 = Public/Indian Housing
 A = Development
 B = Operation
 C = Modernization

4 = Homeless Assistance
 5 = HOME
 6 = HOME State Administered
 7 = CDBG – Entitlement

8 = CDBG - State Administered
 9 = Other CD Programs
 10 = Other Housing Program

SECTION 3: Actual Workforce Breakdown—Continued**SECTION 3 – FORM G**
HCDS Version of Form HUD-60002
SUB-RECIPIENT

Page 2 of 3

PART II: Contracts Awarded**1. Construction Contracts:**

- | | |
|---|----------|
| A. Total dollar amount of all contracts awarded on the project | \$ _____ |
| B. Total dollar amount of contracts awarded to Section 3 businesses | \$ _____ |
| C. Percentage of the total dollar amount that was awarded to Section 3 businesses | _____ % |
| D. Total number of Section 3 businesses receiving contracts | _____ |
- (List Section 3 businesses and addresses)
-

2. Non-Construction Contracts:

- | | |
|--|----------|
| A. Total dollar amount of all non-construction contracts awarded on the project/activity | \$ _____ |
| B. Total dollar amount of non-construction contracts awarded to Section 3 businesses | \$ _____ |
| C. Percentage of the total dollar amount that was awarded to Section 3 businesses | _____ % |
| D. Total number of Section 3 businesses receiving non-construction contracts | _____ |
- (List Section 3 businesses and addresses)
-

PART III: Summary

Indicate the efforts made to direct the employment and other economic opportunities generated by HUD financial assistance 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 the community organizations and public or private agencies operating within the metropolitan area (or non-metropolitan county) in which the Section 3-covered program or project 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; describe below:

Public reporting for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, mandates that the Department ensures that employment and other economic opportunities generated by its housing a community development assistance programs are directed toward low- and very low- income persons, particularly those who are recipients of government assistance housing. The regulations are found at 24 CFR Part 135. The information will be used by the Department to monitor program recipients' compliance with Section 3, to assess the results of the Department's efforts to meet the statutory objectives of Section 3, to prepare reports to Congress, and by recipients as a self-monitoring tool. The data is entered into a database and will be analyzed and distributed. The collection of information involves recipients receiving Federal financial assistance for housing and community development programs covered by Section 3. The information will be collected annually to assist HUD in meeting its reporting requirements under Section 808(e)(6) of the Fair Housing Act and Section 916 of the HCDA of 1992. An assurance of confidentiality is not applicable to this form. The Privacy Act of 1974 and OMB Circular A-108 are not applicable. The reporting requirements do not contain sensitive questions. Data is cumulative; personal identifying information is not included.

SECTION 3 Actual Workforce Breakdown—Continued:

SECTION 3 – FORM G HCDS Version of Form HUD-60002 SUB-RECIPIENT

Page 3 of 3

Instructions: This form is to be used to report annual accomplishments regarding employment and other economic opportunities provided to low- and very low-income persons under Section 3 of the Housing and Urban Development Act of 1968. The Section 3 regulations apply to any **public and Indian housing programs** that receive: (1) development assistance pursuant to Section 5 of the U.S. Housing Act of 1937; (2) operating assistance pursuant to Section 9 of the U.S. Housing Act of 1937; or (3) modernization grants pursuant to Section 14 of the U.S. Housing Act of 1937 and **to recipients of housing and community development assistance in excess of \$200,000** expended for: (1) housing rehabilitation (including reduction and abatement of lead-based paint hazards); (2) housing construction; or (3) other public construction projects; and to **contracts and subcontracts in excess of \$100,000** awarded in connection with the Section-3-covered activity.

Form HUD-60002 has three parts, which are to be completed for all programs covered by Section 3. Part I relates to **employment and training**. The recipient has the option to determine the numerical employment/training goals either on the basis of the number of hours worked by new hires (columns B, D, E, and F). Part II of the form relates to **contracting**, and Part III summarizes recipients' efforts to comply with Section 3.

Recipients or contractors subject to Section 3 requirements must maintain appropriate documentation to establish that HUD financial assistance for housing and community development programs was directed toward low- and very low-income persons.* A recipient of Section 3-covered assistance shall submit one copy of this report to HUD Headquarters, Office of Fair Housing and Equal Opportunity. Where the program providing assistance requires an annual performance report, this Section 3 report is to be submitted at the same time the program performance report is submitted. Where an annual performance report is not required, this Section 3 report is to be submitted by January 10, and, if the project ends before December 31, within 10 days of project completion. **Only Prime Recipients are required to report to HUD. The report must include accomplishments of all recipients and their Section 3-covered contractors and subcontractors.**

1. Sub-recipient: Enter the name and address of the recipient submitting this report.
2. County HCDS Contract No.: Enter the number that appears on the award. The number may be a contract number or a work authorization, if another County Department.
3. Dollar Amount of Award: Enter the dollar amount, rounded to the nearest dollar, received by the recipient.
4. & 5. Contact Person/Phone: Enter the name and telephone number of the person with knowledge of the award and the recipient's implementation of Section 3.
6. Reporting Period: Indicate the time period (months and year) this report covers.
7. Date Report Submitted: Enter the appropriate date.
8. Program Code: Enter the appropriate program code, as listed at the bottom of the page.
9. Project Name: Enter the name of the County SDHCDS project.
10. HUD No. (HCDS use). Enter the number assigned to the project.
11. & 12. & 13. Person Completing the Form: Enter the name, telephone number and email of the person completing the form.

*The terms "**low-income persons**" and "**very low-income persons**" have the same meanings given the terms in section 3(b)(2) of the United States Housing Act of 1937. **Low-income persons** mean families (including single persons) whose incomes do not exceed 80 percent of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of the Secretary's findings such that variations are necessary because of prevailing levels of construction costs or unusually high- or low-income families. **Very low-income persons** mean low-income families (including single persons) whose incomes do not exceed 50 percent of the median family income area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

Part I: Employment and Training Opportunities

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 I: 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 the 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/program awarded to Section 3 businesses.

Item D: Enter the number of Section 3 businesses receiving awards.

Part III: Summary of Efforts—Self-explanatory

APPENDIX ONE

Section 3 Contract Clauses:

These clauses should be included in the solicitation package and/or any contract awarded for Section 3-covered projects administered by the sub-recipient:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR 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.
- (5) 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.
- (6) 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.
- (7) 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 TWO

(Page 1 of 2)

Section 3 Questions and Answers

Section 3 Jobs for Residents:

Provide job training, economic opportunities, and self-sufficiency to businesses and residents of neighborhoods receiving U.S. Department of Housing and Urban Development (HUD) funding for housing and community development.

What is Section 3?

It is a 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.

Under Section 3 of the HUD Act of 1968, wherever HUD financial assistance is given for housing or community development, to the greatest extent feasible, economic opportunities will be given to residents and businesses in that area.

Section 3 Policy

Congress established the Section 3 policy to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing.

Who are Section 3 residents?

Residents of public housing and low-income persons who live in the area in which a HUD-assisted project is located.

What is a Section 3 business?

A business that:

- Is owned by Section 3 residents; or
- Employs Section 3 residents in full-time positions; or
- Subcontracts with businesses which provide economic opportunities to low-income persons.

What types of economic opportunities are available under Section 3? Examples include:

Administrative/ Management		
Accounting	Payroll	Research
Bookkeeping	Purchasing	Word Processing
Services		
Appliance Repair	Floral	Marketing
Carpet Installation	Janitorial	Photography
Catering	Landscaping	Printing
Computer/ Information	Manufacturing	Transportation
Construction		
Architecture	Bricklaying	Cement/ Masonry
Demolition	Drywall	Electrical
Elevator Construction	Carpentry	Engineering
Fencing	Heating	Ironworks
Machine Operation	Painting	Plastering
Plumbing	Surveying	Tile Setting

Who will award the economic opportunities?

Recipients of HUD financial assistance and their contractors and subcontractors are required to provide economic opportunities to the greatest extent feasible, consistent with existing Federal, State, and local laws and regulations.

Who receives priority under Section 3?

For training and employment:

- Persons in public and assisted housing
- Persons in the neighborhood
- Participants in HUD Youthbuild programs
- Homeless persons

For contracting:

- Businesses which fit the definition of a Section 3 business

How can businesses find Section 3 residents to work for them?

Businesses can recruit in the neighborhood and public housing developments to tell residents about available training and job opportunities. Distributing flyers, posting signs, placing ads, and contacting resident organizations and local community development and employment agencies to find potential workers are effective ways of getting jobs and people together.

How can businesses and low-income persons find out more about Section 3?

Contact the Fair Housing and Equal Opportunity representative at your nearest HUD Field Office.

What kinds of economic opportunities?

- Job training
- Employment
- Contracts

What if it appears that an entity is not complying with Section 3?

There is a complaint process. Section 3 residents and business concerns may file complaints if they think a violation of Section 3 requirements has occurred where a HUD-funded project is planned or underway. Complaints will be investigated; if appropriate, voluntary resolutions will be sought. A complaint that cannot be resolved voluntarily can result in an administrative hearing.

Will HUD require compliance?

Yes. HUD investigates complaints and monitors the performance of recipients and contractors. HUD examines employment and contract records for evidence of actions taken to train and employ Section 3 residents and to award contracts to Section 3 businesses.

How can Section 3 businesses or residents complain about a violation of Section 3 requirements?

They can file a complaint in writing to the local HUD Field Office or to:

The Assistant Secretary for Fair Housing and Equal Opportunity
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W., Room 5100
Washington, D.C. 20410-2000

A written complaint should contain:

- Name and address of the person filing the complaint
- Name and address of subject of complaint (HUD recipient or contractor)
- Description of acts or omissions in alleged violation of Section 3
- Statement of corrective action sought

APPENDIX THREE

(Page 1 of 2)

SECTION 3 COMPLIANCE—SUGGESTED EXAMPLES

Following are acceptable methods that, when documented demonstrate compliance with Section 3:

1. 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 a contractor's or subcontractor's training and employment positions.
2. Advertising the jobs to be filled through the local media.
3. Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably a Section 3 Business Concern) that will undertake efforts to match eligible and qualified Section 3 residents with the training and employment positions that the contractor intends to fill.
4. Establishing training programs, which are consistent with the requirements of the Department of Labor, for public housing residents and other Section 3 residents in the building trades.
5. 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 housing developments where category 1 or category 2 persons reside.
6. Entering into "first source" hiring agreements with organizations representing Section 3 residents.
7. Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing developments where category 1 or category 2 persons reside, to request the assistance of those organizations in notifying residents of the training and employment positions to be filled.
8. Sponsoring a job information meeting to be conducted at a location in the housing developments where category 1 or category 2 persons reside, or in the neighborhood or service area of the Section 3-covered project.
9. Arranging assistance in conducting job interviews and completing job applications for residents of the housing developments where category 1 or category 2 persons reside and in the neighborhood or service area in which a Section 3 project is located.
10. Arranging for a location in the housing developments where category 1 or category 2 persons reside, or the neighborhood or service area of the project, where job applications may be delivered and collected or where job interviews can be conducted.
11. 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.
12. Undertaking such continued job training efforts as may be necessary to ensure the continued employment of Section 3 residents previously hired for employment opportunities.

APPENDIX THREE

(Page 2 of 2)

Efforts to Award Contracts to Section 3 Business Concerns that Demonstrate Compliance with the “Greatest Extent Feasible” Requirements of Section 3

- 1. In determining the responsibility of potential subcontractors, consider their record of Section 3 compliance, as evidenced by past actions and their current plans for the pending subcontract.*
- 2. Contacting business assistance agencies, minority contractor’s associations and community organizations to inform them of contracting opportunities and request their assistance in identifying Section 3 businesses which may solicit bids or proposals for contracts for work in connection with Section 3-covered assistance.*
- 3. 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 invitation or request for proposals.*
- 4. 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.*
- 5. Coordinating pre-bid meetings at which Section 3 Business Concerns could be informed of upcoming contracting and subcontracting opportunities.*
- 6. 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.*
- 7. Arranging solicitations, times for presentations of subcontract bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of Section 3 Business Concerns.*
- 8. Where appropriate, breaking out subcontract work items into economically feasible units to facilitate participation by Section 3 Business Concerns.*
- 9. Advertising subcontracting opportunities through trade association papers and newsletters, and through other local media, such as newspapers of general circulation.*
- 10. Requesting a list of eligible Section 3 Business Concerns according to desired trades. HCDS exchanges information with the San Diego Housing Commission*

NOTICE TO ALL EMPLOYEES WORKING ON FEDERALLY-FUNDED PROJECTS

SECTION 3 COMPLIANCE

Section 3 is a statutory provision that targets economic opportunities flowing from U.S. Department of Housing and Urban Development (HUD)-assisted projects, to lower income residents and businesses in areas where HUD is “investing” public funds. This legislation stipulates that participants in HUD’s assistance programs—recipients and contractors—are required to make good faith efforts to provide, “to the greatest extent feasible,” employment, training and contracting opportunities, to Section 3 residents and business concerns.

If you have questions about Section 3 regulations, call the County of San Diego Department of Housing and Community Development at (858) 694-4825.