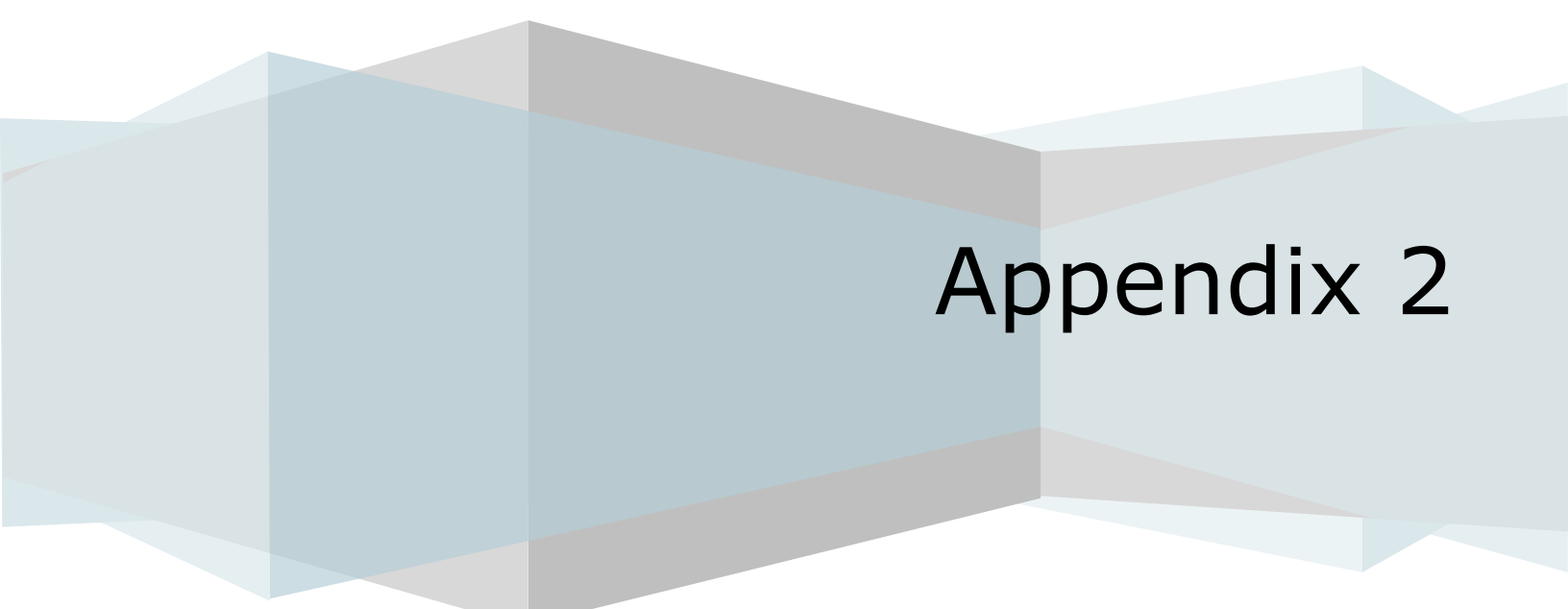


Section 3

Requirements

CDBG/HOME Guidebook



Appendix 2

Section 3 Requirements

Section 3 Requirements and Compliance

What is Section 3?

Each year the U.S. Department of Housing and Urban Development (HUD) invests billions of federal dollars into communities for projects designed to build and rehabilitate housing, improve roads, develop community centers, and otherwise assist primarily low-income families.

Section 3 regulations recognize that HUD funding typically results in projects/activities that generate new employment, training and contracting opportunities. These economic opportunities not only provide “bricks and mortar”, but can also positively impact the lives of local residents who live in the neighborhoods where HUD funded projects occur.

Section 3 of the Housing and Urban Development Act of 1968 is HUD’s legislative directive for providing preference to low- and very low-income residents of the local community 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 more than \$200,000 of HUD Community Development Block Grant (CDBG) or HOME Investment Partnership (HOME) funds, grant recipients must comply with the requirements of Section 3 if the funding will be invested into activities involving **housing construction, demolition, rehabilitation, or other public construction – i.e., roads, sewers, community centers, etc.** Section 3 also applies to the combined investment of more than \$200,000 into multiple single-family housing rehabilitation projects during a program year.

Contractors or subcontractors that receive contracts in excess of \$100,000 for Section 3 covered projects are required to comply with the Section 3 regulations in the same manner as grant recipient. If the grant recipient receives Section 3 covered funding and invests these funds into projects or activities, but no individual contract exceeds \$100,000, responsibility for complying with Section 3 only applies to the grant recipient.

Triggering the Requirements of Section 3

Section 3 is triggered when the normal completion of construction and rehabilitation projects creates the need for **new** employment, contracting, or training opportunities. This means all employment opportunities arising in connection with the project including management and administrative jobs. Management and administrative jobs include architectural, engineering or related professional

Section 3 Requirements

services; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

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.

Section 3 Residents and Businesses

Section 3 residents are:

- Public housing residents; or
- Low and very-low income persons who live in the Kitsap County.

Determining Income Levels

Low income is defined as 80% or below the Median Family Income as determined by HUD. HUD publishes income limits each year for the Bremerton-Silverdale Metropolitan Statistical Area (MSA). These limits can be requested from the Block Grant office.

Section 3 Business

Section 3 Business concerns are one of the following:

1. Businesses that are 51% or more owned by Section 3 residents;
2. Businesses whose permanent, full-time employees include persons, at least 30% of whom are currently Section 3 residents, or within 3 years of the date of first employment with the firm were Section 3 residents; or
3. Businesses that provide 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.

In accordance with the regulation, residents and businesses seeking Section 3 preference shall certify, or submit evidence to the grant recipient, contractor or subcontractor verifying that they meet the definition provided above. The Block Grant office will provide forms to assist in the verification process. Source documentation to verify Section 3 status includes such things as: proof of residency in a public housing property; proof of federal subsidies for housing, food stamps, or unemployment benefits; and payroll data or other relevant business information.

How Do We Comply with Section 3 Requirements?

Block Grant staff will work with grant recipients to comply with the requirements of Section 3 (forms & examples will be provided). As the recipient of \$200,000 or more of CDBG or HOME funds your responsibility includes:

Section 3 Requirements

1. Implementing procedures to notify Section 3 residents and businesses about training, employment, and contracting opportunities generated by your CDBG or HOME award. When you have determined there will be new hiring, either directly by hiring new employees, or by contracting (i.e. professional services, construction contractor, etc.) you will need to document your efforts to give preference to Section 3 qualified residents or businesses.
2. If the new hiring is to be done by a contractor or subcontractor that receives greater than \$100,000, you will need to provide a form letter to the general contractor, which they will send to the following:
 - Sound Works Job Center
 - Work Source Center
 - Washington State Employment Security
 - Skookum Enterprises
 - Kitsap Community Resources
 - Bremerton Housing Authority, attention Section 3 Coordinator.

This form letter will alert organizations that work with Section 3 residents of the upcoming construction project and potential employment opportunities. These organizations will be asked to make referrals to the general contractor, and to copy the agency on these referrals.

3. Incorporate the Section 3 Clause into all covered solicitations and contracts. All bid packets for contracts in excess of \$100,000 must contain the Section 3 clause and attachments which include:
 - Section 3 Instructions
 - Section 3 Plan
 - Section 3 Opportunities Plan with Tables A&B.
4. Work with contractors and subcontractors to ensure compliance. Information must be provided at the beginning of the project. Covered contractors must be provided the Section 3 forms and contracts must contain the Section 3 Clause (see #3 above).
5. Document actions taken to comply with Section 3.

Forms to be provided by Block Grant Office:

- Section 3 Business Certification
- Example form letter for Contractors
- Section 3 Clause for contracts
- Section 3 Instructions for Contractors
- Section 3 Plan (with signature block) for Contractors
- Section 3 Opportunities Plan with Tables for Contractors