



**MDA**  
**Disaster Recovery Division**  
**Section 3 Program**

**Training on**  
**Section 3 Requirements**

Sponsored by the  
Mississippi Development Authority

# What is Section 3?

HUD's Section 3 program requires that recipients of certain HUD financial assistance to the greatest extent feasible provide job training, employment and contract opportunities for low or very-low income residents in connection with projects and activities in their neighborhoods.

# Section 3 Applicability & Thresholds

- Applies to KCDBG projects/ programs because of expenditure of HUD CDBG funds on public construction/infrastructure.
- Differs from Minority Business Enterprise/Women Owned Business Enterprise
- Section 3 preferences focus on **household income and location**
- Section 3 preferences are **race and gender neutral**

## Thresholds:

- ❖ Recipient= \$200,000
- ❖ Contractor= \$100,000
- ❖ Subcontractor = \$100,000

# Section 3 Goals

- 30% of all employment and training opportunities to be awarded to Section 3 residents
- 10% of all construction contracting opportunities to be awarded to Section 3 businesses
- 3% of all non-construction contracting opportunities to be awarded to Section 3 businesses

# Preferences for Section 3 Residents & Businesses

## Preference for Training & Employment

- Category 1 – Residents in the service area or neighborhood
- Category 2 – Participants in HUD’s Youthbuild program
- Category 3 -Homeless persons in the service area
- Category 4 – Other Section 3 Residents

24 CFR 135.34(a)(2)

## Preference for Business Concerns

- Category 1 – Section 3 businesses that provide jobs and training for local residents.
- Category 2 –Applicants selected to administer HUD Youthbuild programs.
- Category 3 – Other Section 3 business concerns.

24 CFR 135.36(a)(2)

# Eligibility for Employment and Contracting

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

24 CFR § 135.34(c)

- A Section 3 business concern must have the ability and capacity to perform successfully under the terms and conditions of the proposed contract.

24 CFR § 135.34(a)(2)

# Section 3 Clause

All section 3 covered contracts and subcontracts shall include the Section 3 clause found at 24 CFR § 135.38 in its entirety, verbatim – parts A through G.

24 CFR § 135.38

# Who can qualify as a Section 3 Business Concern or a Section 3 Resident?

- Section 3 Business Concern is either:
  - 51% or more owned by Section 3 Residents;
  - 30% of full time employees are Section 3 Residents; or
  - 25% of subcontracts are to Section 3 Business Concerns
- Section 3 Residents are low (or very low) income persons residing in the project's service area or residents of a public housing authority.
- Low income level is based on community and number of household members:

<http://www.huduser.org/portal/datasets>





# Section 3 Business Concern Certification Process

- Complete Section 3 Business Concern Certification form
- Submit completed Certification and all necessary supporting documentation along with bid
- Supporting documentation depends on how contractor qualifies as Section 3 business

<b><u>Section 3 Business Concern Certification</u></b>	
<b>Instructions:</b> 1. This form must be completed by all contractors to certify whether they qualify for preference as a Section 3 Business Concern.	
Company Name: _____ Address: _____ Contact Person: _____ Phone Number: _____ Number of Employees: _____ (full time) _____ (part time)	
Does your firm represent and certify that it is a Section 3 business concern? <input type="checkbox"/> Yes <input type="checkbox"/> No	
If yes, please check all that apply. The contractor represents and certifies that:	
<input type="checkbox"/> The contractor's firm is 51 percent or more owned by Section 3 residents; or	
<input type="checkbox"/> The contractor's permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of their first employment with the business were Section 3 residents; or	
<input type="checkbox"/> The contractor hereby commits to subcontract in excess of 25 percent of the dollar amount of all subcontracts to be awarded by the business under the proposed contract to Section 3 businesses that meet the above two criteria, as identified below and detailed further in the contractor's Section 3 Subcontracting Plan:	
SUBCONTRACTOR NAME	SUBCONTRACT AMOUNT
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
On behalf of the above-referenced Company, I certify, under the penalty of perjury, that my answers are true and complete to the best of my knowledge. I understand that false or misleading information in this certification or other information provided may result in the termination of Company's contract and debarment, or prosecution.	
_____ DATE	_____ SIGNATURE OF COMPANY REPRESENTATIVE

# Outreach | How to Identify Section 3 Residents

- Utilize local media such as radio, newspapers and television to announce employment opportunities
- Contact local community organizations for assistance in identifying Section 3 residents
- Contact PHAs for assistance in identifying Section 3 residents
- Offer contractor events and job fairs at which Section 3 Business Concerns can participate and Section 3 residents can attend
- Contact organizations such as community centers, employment agencies, churches, non profits and housing developments
- Post signs and distribute flyers in the community

# Section 3 Reporting Requirements

- Monthly reports required to capture hiring and subcontracting opportunities & accomplishments.
- Contractor must submit a Section 3 Monthly Status Report to the GA, using the MDA-provided form.
  - Sub-contractor must submit this report to its prime contractor, within five (5) days after the end of each month.
- Using the Contractors' reports, GA must compile a Section 3 Monthly Status Report for **EACH project**.
- GA must submit these Reports to MDA by the **15<sup>th</sup> of each month**.
- Prime contractors and professional service providers should contact GA for submission deadlines.
- For the first three months of reporting, the GA will submit **all back-up documentation** for the report with the Request for Cash.
  - Contractors' Monthly Hiring Report, Subcontractors' Monthly Hiring Report, Certified Payrolls (to confirm number of employees on this project) and employee roster (ONLY IF change from initial Certified Employee Roster), Section 3 Resident Certifications, Section 3 Business Concern Certifications.

# Monitoring

- All grant administrators, contractors and subcontractors will be monitored for Section 3 compliance.
- **IF IT IS NOT DOCUMENTED, IT DID NOT HAPPEN!**
  - Grant administrators, contractors and subcontractors must maintain all documentation regarding Section 3 efforts and accomplishments.
- MDA will provide technical assistance during Summer 2014.
- MDA will conduct compliance reviews on Section 3 compliance at least two times per year.

# Compliance Reviews

- Conducted for contractors and selected subcontractors to determine compliance.
- Consists of a comprehensive analysis and evaluation of compliance.
- GA/ contractor will be advised of deficiencies for remediation
- GA/contractor will be advised of necessary corrective actions.
- Continued noncompliance may result in debarment, suspension and limited denial of participation pursuant to 24 CFR § 24.

# Common Issues in Compliance Reviews

## Failure to:

- Meet numerical goals;
- Ensure that contractors and subcontractors comply with Section 3;
- Submit monthly reports and all supporting documentation;
- Notify Section 3 residents of employment opportunities;
- Notify Section 3 Business Concerns about contracting opportunities;
- Notify potential contractors about Section 3 requirements;

# Common Issues in Compliance Reviews (cont.)

## Failure to:

- Incorporate the Section 3 Clause in solicitations or contracts;
- Train and/or employ Section 3 Residents;
- Award contracts to Section 3 Business Concerns
- Provide preference for Section 3 Residents and Section 3 Businesses



# More information on Section 3. . .

- Regulation 24 CFR Part 135:  
[www.gpoaccess.gov/cfr/index.html](http://www.gpoaccess.gov/cfr/index.html)
- HUD Website-  
[www.hud.gov/offices/fheo/section3/section3.cfm](http://www.hud.gov/offices/fheo/section3/section3.cfm)
- HUD FAQs (see information provided)
- MS Disaster Recovery Division Website –  
[www.msdisasterrecovery.com](http://www.msdisasterrecovery.com)

# Questions & Answers

- All questions regarding Section 3 compliance should be forwarded to:

[Section3@mississippi.org](mailto:Section3@mississippi.org)