

Section 3 Requirements

for CDBG and NSP Grant Recipients

**Virginia Department of Housing and Community Development (DHCD)
Program Administration and Assistance Office
Richmond, Virginia**

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What is Section 3?

Section 3

- The Housing & Urban Development Act of 1968 requires recipients to direct employment, job training and contracting economic opportunities, to the greatest extent feasible, to low- and very low-income persons in neighborhoods where HUD funds are invested.
- Direct opportunities to local LMI persons and businesses

Section 3

Triggering Responsibilities

- Construction or Non-Construction contract will exceed \$100,000
- “New” Hires
- Subcontractors required

Section 3

Target and Direct Section 3 Business/Residents

- Notification of Bid Notices
- Notification of Pre-bid meetings
- Distribution of Resource Guides and Information Packets

Section 3

Who must comply?

- Grantees of CDBG/NSP funds exceeding \$200,000
- Contractors/subcontractors that receive awards exceeding \$100,000

Section 3

Intended Beneficiaries

- Based on income and location
- **Race and/or gender do not apply**

Residents

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- Public Housing Resident - automatic
- Persons of a metro or non-metro county who qualify as LMI
- They must complete a certification form

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Determining Eligibility

- Low-income is defined as 80% or below the median income of that area
- Very low-income is defined as 50% or below the median income of the area
- Public housing residents are automatically defined as low-income
- Persons who live in the county where a HUD-assisted project is located and who have an income at or below 80% of area median income (AMI)

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Section 3 Business Concern

- 51% or more owned by Section 3 Residents, or
- 30% of employed staff are currently Section 3 Residents or were Section 3 residents within three years of the date of first employment, or
- 25% of subcontracts committed to Section 3 Businesses.

Minimum Goals

30 • 10 • 3

30% of new hires annually

10% of total dollar amount of covered construction contracts

3% of the total dollar amount of covered non-construction contracts

Strategies

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- Build a business registry/ mailing lists
- Send invites to local businesses to complete certification documents
- Send invites to local affordable housing agencies for distribution to their clients to become Section 3 Residents
- Conduct a job fair in project area

State's Responsibility

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- Inform Grantees of the obligations
- Assist with compliance
- Monitor Grantee performance and that of their covered contractors

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Grantee Responsibility

- Identify local businesses needed
- Mail invites for application for certification
- Publish advertisement (local/display)
- Add respondents to bid documents
- Include Section 3 in Agenda for Pre-Bid Meetings and Pre-Construction Conferences
- Get Section 3 Plan signed by contractor
- Monitor new hires on payrolls and check for Section 3 Resident certifications

Section 3

Contractor Responsibility

- Provide Certification to Grantee (as applicable)
- Sign and follow Section 3 Plan
- Target solicitations for job openings
- Get new hires to complete income certifications
- Commit to 30% of new hires being Section 3 residents (if available and qualified)

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Document Document Document

- If no Section 3 residents and/or firms are identified or bid, you must document efforts and any impediments.
- Include the following in your recruitment efforts: distribution of flyers in LMI neighborhoods, post signs for job availability, contact resident organizations, local CDC's and VEC's, be creative.

Section 3

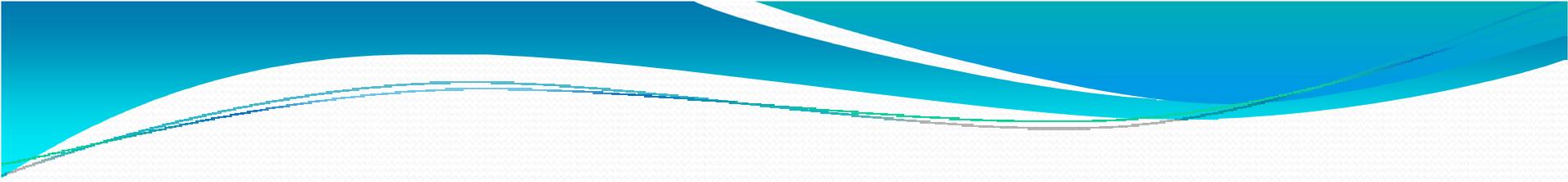
Keys to Success

- Include a Section 3 discussion whenever procurement takes place with federal funds, no matter the amount.
- Document actions along the way
- Report to DHCD annually, even if no action has occurred
 - Section 3 Summary Report
 - Contract and Subcontract Activity

Sample Form Review

Section 3

- Section 3 Plan of Action (including Tables A & B)
- Certification of Section 3 Business
 - *New Employee Tracking Form*
- Certification of Section 3 Resident
- Section 3 Summary Report (HUD 60002)
- Contractors and Subcontractors Activity Report (HUD 2516)



QUESTIONS?

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