



Section 3 Policies and Procedures For Recipients of HOME Program Funds

Virginia Department of Housing and Community Development

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OVERVIEW

As a HOME participating jurisdiction (PJ), DHCD and the entities to which it provides HOME funds must comply with Section 3 of the Housing and Urban Development Act of 1968, as amended (“Section 3”). Section 3 requires that economic opportunities that are generated by the use of HOME funds be made available to low- and very low-income persons that reside in the project’s service area and the businesses that employ them, to the greatest possible extent. Section 3 establishes goals for (1) job training and employment opportunities for any new hires that result from the investment of HOME funds, and (2) contracting and subcontracting opportunities that result from HOME investments.

These procedures summarize the Section 3 requirements and describe how DHCD implements them. They outline what DHCD and its housing partners must do to comply with Section 3, and identify the recordkeeping and reporting requirements that funded entities must conduct.

Note: A number of HUD programs are subject to the requirements of Section 3. These procedures refer to “HOME funds,” since this guidance is provided to HOME recipients. However, if the recipient receives other covered Section 3 assistance, the numeric Section 3 thresholds include HOME funds in combination with these other sources.¹

Resources on Section 3

- The Section 3 implementing regulations (at 24 CFR part 135) can be found at, http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_12047.pdf
- HUD’ Fair Housing and Equal Opportunity Office maintains a Section 3 website that provides detailed guidance and updated policy guidance on Section 3 at, http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_op/section3/section3
- HUD’s HOME Program Office has issued Section 3 guidance as it specifically relates to the HOME Program in its model program guide, Fair Housing for HOME Program Participants, available at, http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/library/modelguides

¹ Other sources of HUD Section 3 covered assistance include: Community Development Block Grants (CDBG), Housing Opportunities for Persons with Aids (HOPWA), Economic Development Initiative (EDI), Brownfield Economic Development Initiative (BEDI), Emergency Shelter Grants, Homeless Assistance, University Partnership Grants, Neighborhood Stabilization Program (NSP), Certain Grants Awarded Under HUD Notices of Funding Availability (NOFAs), Section 202 Supportive Housing for the Elderly, Section 811 Supportive Housing for the Disabled, and Project Based Section 8 Vouchers.

SUMMARY OF THE SECTION 3 REQUIREMENTS

The Section 3 regulation identifies who is subject to the Section 3 requirements, to what projects these requirements apply, and how funded entities can comply, as follows:

Entities that Are Subject to Section 3

As a HOME PJ, DHCD is subject to the Section 3 requirements, as are all the entities that receive HOME funds from DHCD (in combination with other HUD funds to which Section 3 applies). This includes DHCD's state recipients, contractors, subcontractors, developers (including community housing development organizations), owners, and sponsors.

Determining Section 3 Applicability

Section 3 applies only to projects of a certain scope and size (in terms of monetary threshold) and is triggered when these thresholds are met and **new** hiring and/or contracting opportunities are generated by the use of HOME funds.

- **Scope.** Section 3 requirements apply to projects that involve work arising in connection with the construction or rehabilitation of a HOME project, regardless of how the HOME dollars are actually spent. Section 3 requirements do not apply to projects that do not involve rehabilitation and new construction, such as direct homebuyer assistance for the purchase of standard housing, or tenant-based rental assistance programs.
- **Dollar Thresholds.** Section 3 applies when these thresholds are met:
 1. The HOME administering entity receives more than \$200,000 in HOME funds, and invests any amount of these funds to carry out new construction or rehabilitation activity (including demolition and lead-based paint abatement). The HOME administering entity includes the HOME PJ (DHCD), as well as any state recipient (unit of local government) or subrecipient (nonprofit organization) that receives over \$200,000.
 2. A contractor/subcontractor of a project receives a contract for \$100,000 or more in HOME assistance. Note, once it is determined that Section 3 applies to a project, the Section 3 requirements apply to **all** contracts over \$100,000, including those that are not funded with HOME funds.

If the HOME funds in a new construction or rehabilitation project exceeds \$200,000 but no single contractor is awarded more than \$100,000, then the Section 3 requirements apply to the training, employment, and contracting activities of the PJ, state recipient, or subrecipient but not to those of the contractor(s) of the project. This means new hiring and contracting by the PJ, state recipient, or subrecipient that is related to work arising in connection with the HOME new construction or rehabilitation project would be subject to the Section 3 hiring and contracting goals, as described in the following section.

Key Section 3 Requirements: Hiring and Contracting Goals

Section 3 establishes **minimum** numerical goals related to employment and contracting on eligible HUD-assisted projects.

- **Job training and employment.** A minimum of 30 percent of the aggregate number of new hires for a Section 3 project should be Section 3 residents (low- and very low-income residents

of the area, as defined below) for each year for the duration of the project. Section 3 does not encourage or require employers to hire persons that are not qualified for the job.

- **Contracting.**

- A minimum of 10 percent of the total dollar amount of **construction-related contracts** should be with Section 3 business concerns (as defined below).
- A minimum of 3 percent of the total dollar amount of **non-construction contracts** should be with Section 3 business concerns.

Definitions and Preferences: Section 3 Resident and Section 3 Business Concern

The recipient must verify that the residents and businesses it employs and contracts with meet the HUD definitions in order to be “counted” towards the Section 3 goals. A self-certification is an acceptable form of verification.

Section 3 resident includes any low- or very low-income individual who resides in the metropolitan area or non-metropolitan county in which the HOME funds are expended. A family is low-income when its annual gross income is less than or equal to 80 percent or 50 percent respectively, of the median income for the County or the Metropolitan Statistical Area, whichever applies. It is very low-income when its annual gross income is less than or equal to 50 percent of the area median income.

Within the pool of Section 3 residents, where feasible, priority consideration should be given to:

- Category 1: Section 3 residents residing in the service area or neighborhood in which the Section 3 covered project is located. The service area cannot extend beyond the unit of general local government in which the HOME funds are expended.
- Category 2: Participants in HUD Youthbuild programs.
- Category 3: Where the Section 3 project is assisted under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 *et seq.*), homeless persons residing in the service area or neighborhood in which the Section 3 covered project is located shall be given the highest priority.
- Category 4: Other Section 3 residents, that is, low-income residents of the metropolitan area or non-metropolitan county who do not reside in the neighborhood, as defined in Category 1.

Section 3 business concern is a business that meets one or more of the following criteria:

- Is 51 percent or more owned by Section 3 residents.
- Has 30 percent or more permanent full-time employees that are currently Section 3 residents, or were Section 3 residents within three years of the date of first employment with the business.
- Provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to business concerns that meet the qualifications in the first and second bullet points above.

Within the pool of Section 3 business concerns, HUD requires the PJ and its partners to implement the following preferences:

- Category 1: Section 3 business concerns that provide economic opportunities for Section 3 residents in the neighborhood in which the HOME-funded project is located.
- Category 2: Applicants selected to carry out HUD Youthbuild programs.
- Category 3: Other Section 3 business concerns.

Compliance with Section 3

The PJ and its housing partners who are subject to Section 3 requirements must meet the numerical goals for employment and contracting opportunities to Section 3 residents and Section 3 business concerns to the greatest extent feasible. When a PJ or its housing partner meets the minimum numeric Section 3 goals for hiring and contracting, it demonstrates to HUD's satisfaction that it is in compliance with Section 3, absent any evidence to the contrary. This is a "safe harbor."

However, when a PJ or its housing partner is unable to meet these numeric goals, it is the responsibility of the PJ to demonstrate to HUD that it made all reasonable efforts to meet the goals, and to justify in detail why it was not feasible. HUD evaluates the PJ based on its assessment of the efforts that the PJ (and/or its housing partners) took to meet the hiring and contracting requirements and the impediments incurred despite actions taken.

DHCD SECTION 3 PROCEDURES FOR HOME PROGRAM RECIPIENTS

DHCD has established the following procedures to ensure that its recipients of HOME funds comply with the federal Section 3 requirements.

For purposes of these procedures, a *HOME administering entity* includes an entity that receives HOME funds from DHCD to administer a rehabilitation or new construction program or project. This is typically a local government (known as a “state recipient”) or nonprofit organization (“subrecipient”). A *HOME recipient* includes any entity that receives HOME funds from DHCD – directly, or indirectly through other entities -- that are subject to Section 3. This includes the local government state recipients, nonprofit subrecipients, as well as developers, owners, and sponsors.

1. Each HOME administering entity that receives over \$200,000 in HOME funds for rehabilitation or new construction programs must comply with Section 3 in its own operations and must ensure compliance by its contractors and subcontractors. DHCD will identify these entities and notify them of their obligations.
2. Each HOME administering entity that is subject to Section 3 will adopt and implement a Section 3 Business and Employment Plan that is modeled after Exhibit 2-A. The Plan will:
 - Describe the Section 3 requirements and contracting and hiring goals.
 - Identify the project neighborhood boundaries and describe the hiring preferences.
 - Outline the steps that must be taken to ensure that Section 3 residents and business concerns are made aware of any opportunities generated by the use of HOME funds.
 - Identify the staff person(s) responsible for administering and enforcing Section 3 (“Section 3 coordinator”).
3. Each HOME administering entity that is subject to Section 3 will identify those projects/contractors that are subject to Section 3 and oversee the Section 3 implementation. This will include:
 - Require that contractors and subcontractors that receive \$100,000 or more to complete a Section 3 Plan of Action. (See Exhibit 2-C.) As part of this Plan of Action, the contractor will identify the proposed subcontracting and new employment opportunities. (See Exhibits 2-D and 2-E.)
 - Monitor the hiring and contracting activities related to the program/project.
4. For any recipient receiving HOME funds from DHCD for work connected to new construction or rehabilitation, if the recipient hires any new employees or issues any new contracts, then it must comply with Section 3 hiring and contracting goals to the greatest extent feasible, and must document its efforts. DHCD adopts the federal Section 3 goals of:
 - 30% of all new hires shall be Section 3 residents
 - 10% of all construction-related contracts will be issued to Section 3 business concerns
 - 3% of all non-construction related contracts will be issued to Section 3 business concerns.

5. The recipient will inform its contractors and subcontractors of Section 3 covered projects of the Section 3 requirements and hiring/contracting goals. The recipient will provide a copy of these procedures to potential contractors and subcontractors, and review these obligations at pre-bid meetings for potential bidders.
6. The recipient must conduct outreach to notify potential Section 3 residents of training and employment opportunities generated by the investment of the HOME funds. At a minimum, the recipient must (1) publish a Notice in the local newspaper to solicit Section 3 residents as a display advertisement; and (2) notify the Virginia Employment Commission of all job openings. Exhibit 2-B provides a sample of the notice. The recipient must retain documentation of these efforts – i.e., retain a copy of the advertised notice in its files and note the publication date(s); and, retain a copy of correspondence to the Virginia Employment Commission.

Other optional outreach methods include: expanding advertising of employment and training programs in project neighborhood; contacting community action agencies, health and human service providers, faith-based entities, public housing resident councils, or other entities that serve low-income residents of the neighborhood; sponsoring or establishing training and employment programs for Section 3 residents.

7. The recipient shall notify Section 3 business concerns about contracting opportunities generated by Section 3 covered assistance. At a minimum, the recipient must publish a notice in the local newspaper to solicit Section 3 residents as a display advertisement. The recipient must retain a copy of this advertisement in its files. Exhibit 2-B provides a sample of this notice.

Other optional outreach methods include: contacting any and all known Section 3 businesses, developing a Section 3 business communication network; expanding advertising to and/or contacting local chambers of commerce, small business associations, state and local economic development associations, minority contracting associations, or community organizations to seek their assistance in identifying, recruiting, and assisting any potential Section 3 business concerns.

8. The recipient must collect and retain the names of all responding businesses and job seekers and provide them to all potential bidders and contractors.
9. Local government recipients must publicize the local preference for Section 3 residents and business concerns within its procurement processes. For competitively awarded assistance involving housing rehabilitation, new construction, or other public construction, where the award amounts are equal to or exceed \$100,000, the Notice of Fund Availability (NOFA) must include a statement that one of the purposes of the assistance is to give, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to Section 3 residents and Section 3 business concerns.
10. All recipients must include, verbatim, a copy the Section 3 Clause in all solicitations and contracts as required in Section 24 CFR 135.38. This clause is provided as Exhibit 1.
11. Upon award of HOME funds, the funding entity will ask contractors and subcontractors that are subject to Section 3 to execute a Plan of Action that specifies the contractor/subcontractor Section 3 obligations, and documents their understanding of the Section 3 requirements. Exhibit 2-C provides a model of this Plan of Action.

12. The recipient must secure and retain documentation that the new hires that are “counted” as Section 3 residents meet the income and residency requirements imposed by Section 3. The recipient must ask the applicant/employee to self-certify its eligibility using the household income survey form provided as Exhibit 2-H. The administering entity should review these forms to verify income and residency eligibility, using current HUD income limits and the neighborhood boundaries of the project in order of federal preference (described above). Exhibit 2-G provides a format for verification of the resident certifications.
13. The recipient must secure and retain documentation that any Section 3 business concerns that it will “count” in its Section 3 contracting and subcontracting goals meet the federal definition of a Section 3 business concern. The recipient should ask the head of the business to complete Exhibit 2-F to self-certify its eligibility. The recipient should review these forms to provide for completeness and accuracy.
14. The recipient must document all efforts to attain the annual numerical goals (30% of new hires, 10% of construction contracts, and 3% of non-construction contracts).
15. To the extent a recipient fails to meet the Section 3 numerical goals, it must demonstrate/document that it has taken all feasible steps to comply. DHCD and HUD expect that the recipient undertake more than the minimally required steps outlined here. In addition to the optional outreach efforts listed above, the recipient might consider undertaking the following:
 - Designating a Section 3 Coordinator for the project to solicit qualified employees and contractors.
 - Maintaining a directory of Section 3 businesses in the jurisdiction for future use.
 - Working with economic development agencies in the jurisdiction to train and/or recruit qualified persons and entities to these public sector opportunities.
16. Submit annual report to DCHD on form HUD 60002. A sample of this form is provided as Exhibit 3.
17. Recipients must facilitate Section 3 compliance by developers, contractors, and subcontractors by providing information and guidance as needed. The DHCD Section 3 coordinator is available to assist all recipients in meeting the Section 3 goals.

EXHIBITS TO SECTION 3 PROCEDURES

Exhibit 1: Section 3 Clause (insert in all contracts subject to Section 3)

Exhibit 2: Section 3 Program Documentation / Forms

- Exhibit 2-A – Section 3 Business and Employment Plan
- Exhibit 2-B – Section 3 Business and Employment Notice
- Exhibit 2-C - Section 3 Contractor / Subcontractor Plan of Action
- Exhibit 2-D - Section 3 Proposed Subcontracts Breakdown
- Exhibit 2-E - Section 3 Estimated Project Workforce Breakdown
- Exhibit 2-F - Section 3 Business Certification
- Exhibit 2-G - Section 3 New Employee Tracking Form
- Exhibit 2-H - Section 3 Resident Qualification Form

Exhibit 3: Section 3 Summary Report Form

Exhibit 1

Section 3 Clause

For all contracts where the Section 3 requirements are applicable, the following language shall be included in the contract verbatim, in accordance with 24 CFR 135.38:

- A. 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.
- B. 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.
- C. 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.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 35, 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.
- E. 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 requires employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR parts 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. 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).

Exhibit 2-A

**HOME Program Section 3
Business and Employment Plan**

Directions: This Plan is to be completed and adopted by the Administering Entity¹ and submitted to DHCD.

1. *(Administering Entity)* designates its Section 3 Business and Employment Project Area as _____ *(County in which project is located)*.
2. *(Administering Entity)*, its contractors, and designated third parties, in utilizing HOME funds, will contract with businesses and employ low-income Section 3 residents of the project area to carry out all activities, to the greatest extent feasible.
3. In awarding contracts for construction, non-construction, materials, and supplies
 - a. *(Administering Entity)*, its contractors, and designated third parties will take the following steps to provide contracts to Section 3 businesses which are located in or owned in substantial part by persons residing in the County:
 - b. *(Administering Entity)* shall identify the contracts expected to be required to conduct the HOME funded activities.
 - c. *(Administering Entity)* shall identify the business concerns within the County which are likely to provide construction contracts, non-construction contracts, materials, and services which will be utilized in the activities funded through HOME funds by actively soliciting them through various and appropriate sources including:

(Local Newspaper of General Circulation)

 - d. The identified contractors and suppliers shall be included on bid lists used to obtain bids, quotes, or proposals for work or procurement contracts which utilize HOME funds.
 - e. To the greatest extent feasible, the identified and qualified business and any other project area business concerns shall be utilized in activities which are funded with HOME funds.

¹ The “administering entity” is the agency that administers a HOME-funded activity on behalf of DHCD. Typically, this is either a state recipient (unit of general local government) or a nonprofit subrecipient that provides HOME funds to contractors and developers to carry out a rehabilitation or new construction activity.

Exhibit 2-B

SECTION 3

Business and Employment Notice

Directions: The administering entity must publish this notice as a display advertisement in the county paper's non-legal section.

(Administering Entity) is preparing to carry out *(Name of Project)* through the use of Federal HOME funds. In the implementation of this project the following job types may be available:

(List Job Classifications to be used during project)

In carrying out this project *(Administrative Entity)*, its contractors and subcontractors will, to the greatest extent feasible, utilize qualified low-income persons who permanently reside within *(the County)* for employment and training positions.

All job openings will be listed with the local office of the Virginia Employment Commission (VEC). Persons qualified for the jobs listed should register at the following location:

(Name and Address of local VEC Office or other location if appropriate)

Additionally, the following contracts and procurements will/may be made:

(List construction, non-construction, and service contracts to be procured during the project)

(List construction subcontracts, major, specific equipment and general types of materials to be used during the project)

(Administrative Entity) will, to the greatest extent feasible, use businesses located in and owned or significantly represented by low-income persons residing in *(the County)*.

Any person residing in, or firm located in, the above named localities may request to participate in procurement opportunities associated with this project by contacting the following person within ten (10) days of this notice:

Name and contact information of Designated Official (address, phone, fax)
Virginia Relay: 711

Written requests should include the name, address, product or service, and phone number.

All above-referenced procurements will be made on a competitive basis. The names of businesses who respond to this notice will be included on procurement lists for this project. Names of job seekers will be given to contractors.

subcontracts for less than \$100,000 are exempt from the preparation of a Section 3 Plan of Action.

- E. To formally contact subcontractors and other appropriate groups to secure their cooperation for the program.
- F. To ensure that all appropriate project area business concerns are notified of the pending subcontracting opportunities.
- G. To maintain records, including copies of correspondence, memoranda etc., which document that all of the above affirmative action steps have been taken.
- H. To appoint or recruit an executive official of the company or agency as Equal Opportunity Officer to coordinate the implementation of this Section 3 Plan.
- I. To list on Table A (Exhibit 2-D) information related to subcontracts to be awarded.
- J. To list on Table B (Exhibit 2-E) all projected workforce needs for all phases of this project by occupation, trade, skill level, and number of positions.

As officers and representative of _____ (*Contractor/Subcontractor*), we the undersigned have read and fully agree to this Section 3 Plan of Action, and become a party to the full implementation of this program.

Signature

Title

Date

Signature

Title

Date

Exhibit 2-D

**Section 3
Proposed Subcontracts Breakdown**

Directions: The contractor completes this form to indicate its expected subcontracting opportunities.

TABLE A

For the period covering _____ 20__ through _____ 20__

(Duration of the HOME-Assisted Contract)

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
TYPE OF CONTRACT (BUSINESS OR PROFESSION)	TOTAL NUMBER OF CONTRACTS	TOTAL APPROXIMATE DOLLAR AMOUNT	ESTIMATED NUMBER OF CONTRACTS TO SECTION 3 BUSINESSES*	ESTIMATED DOLLAR AMOUNT TO SECTION 3 BUSINESSES*

*Section 3 businesses are defined in the DHCD "Section 3 Procedures for Recipients of HOME Program Funds."

Company

Project Name

Project Number

EEO Officer (Signature)

Date

Exhibit 2-E

**Section 3
Estimated Project Workforce Breakdown**

Directions: *The contractor completes this form to indicate its expected new hires.*

TABLE B

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
JOB CATEGORY	TOTAL ESTIMATED POSITIONS	NO. POSITIONS CURRENTLY OCCUPIED BY PERMANENT EMPLOYEES	NO. POSITIONS NOT CURRENTLY FILLED	NO. POSITIONS TO BE FILLED WITH SECTION 3 RESIDENTS*
OFFICERS/SUPERVISORS				
PROFESSIONALS				
TECHNICIANS				
HOUSING SALES/RENTAL/MGMT.				
OFFICE CLERICAL				
SERVICE WORKERS				
OTHERS				

TRADE:

JOURNEYMEN				
APPRENTICES				
MAXIMUM NO. TRAINEES				
OTHERS				

TRADE:

JOURNEYMEN				
APPRENTICES				
MAXIMUM NO. TRAINEES				
OTHERS				

*Section 3 residents are low-income project area residents of (City/County) whose family income does not exceed 80% of the median income.

Company

Exhibit 2-F

**Section 3
Business Certification**

(County, Address, Phone)

Directions: This form is completed by each business concerns that seeks notification of Section 3 contracting opportunities (services and construction) in order to certify its Section 3 eligibility.

Name of Business _____

Address of Business _____

Phone # _____ Email Address _____

DUNS Number _____ EIN # _____ or SS # (s) _____

Type of Business: Corporation Partnership
 Sole Proprietorship Joint Venture

County Business License Registration # _____

Does the business meet one of the following preferences (these are not requirements):

- Category 1: Section 3 business concerns that provide economic opportunities for Section 3 residents in the neighborhood in which the HOME-funded project is located.
- Category 2: Applicants selected to carry out HUD Youthbuild programs.
- Category 3: Other Section 3 business concerns.

A **Section 3 Resident** is defined as any individual who resides within the County in which the federal assistance is expended and whose family income does not exceed 80% of the median income of the County adjusted for family size.

A **Section 3 Business** means a business that meets one or more of the following criteria:

- (1) The business is 51% or more owned by Section 3 residents;
- (2) The business has 30% or more permanent full-time employees that are certified Section 3 residents; or
- (3) The business provides written evidence of a commitment to subcontract in excess of 25% of the dollar award of all subcontracts with a Section 3 Business.

To become CERTIFIED as a Section 3 Business please check all boxes that apply and provide written evidence of the same:

- Business owner(s) live in _____ County.
- Business is 51% or more owned by Section 3 residents.
- Business has 30% or more permanent full-time employees that _____ are certified Section 3 residents.
- Business will subcontract in excess of 25% of the dollar award of all subcontracts with a Section 3 Business(es).

Printed Name of Authorized
Official of Company

(Corporate Seal)

Signature of Authorized
Official of Company

Date _____

Exhibit 2-G

**Section 3
New Employee Tracking Form**

Directions: *The employer (recipient, contractor, subcontractor) must complete this form for each new employee hired to work on the project. It is submitted along with the first payroll on which the name of the newly hired employee appears and the "Section 3 Resident Qualification Form" (Exhibit 2-H) to the HOME Grants Manager for the Administering Entity.*

- 1. Name of Grant Recipient _____
- 2. HOME Contract Number _____
- 3. Name of Employer _____
- 4. Name of New Employee _____
- 5. Street Address / P.O. Box # _____
- 6. City and Zip Code _____
- 7. Date of Hire _____

8. List methods used to recruit local persons of low- and very low-income, such as display advertisement in a local newspaper, public bulletin board, U.S. employment service (such as a local VEC office), sign or notice at the project site, other.

9. Does the employee live within the corporate limits (boundaries) of the Section 3 area identified by *the administering entity*? Yes No
If yes, check applicable Section 3 preferences, if any (not required). The preferences are described in "Section 3 Procedures for Recipients of HOME Program Funds?"

- Category 1 Category 2 Category 3 Category 4

Signature of Employer or Employer Representative

Date

For the HOME Grants Manager:

10. Is applicant a resident of the Section 3 project area defined by the administering entity (the answer to 9 is "Yes")? Yes No

11. Is household income provided on the "Section 3 Resident Qualification Form" below the qualifying income (Column 2) for the household size? Yes No

If yes to Questions 10 and 11, employee is Section 3 resident. Yes No

Signature of HOME Grant Manager

Date

Exhibit 2-H

**Section 3
Resident Qualification Form**

(Directions: The employer completes column2 with current HUD income limits before asking an applicant to fill this out to certify its income. The income limits are updated by HUD annually and are available from DHCD.)

To the applicant: Circle the household size that reflects the total number of persons that currently reside in your household. Indicate whether your household's annual gross household income is above or below the income level in Column 2 for your household size. Your signature below serves certifies that the income you provide is true and accurate to the best of your knowledge. Feel free to ask for assistance if these instructions are not clear.

Please provide a copy of picture identification card and proof of residency.

Name of Head of Household

Street Address / Town / State / Zip Code

1. Number of Persons Living in Household	2. Gross HHD Income Level for the Applicable County	3. Income ABOVE	4. Income BELOW
1	\$		
2	\$		
3	\$		
4	\$		
5	\$		
6	\$		
7	\$		
8	\$		

WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Householder Signature

Date _____

Print Name

Witness Signature

Date _____

Print Name

Exhibit 3

Annual Activity and Beneficiary and Section 3 Summary Report

Explanation of Form

ANNUAL ACTIVITY AND BENFICARY REPORT

If the project is under the slum and blights national objective, only a narrative is required; no benefit/minority data needs to be reported. Otherwise, the Grantee is to report the benefits and accomplishments achieved during the past fiscal year—July 1 through June

30. If for some reason the Grantee doesn't know these figures, they should report all benefits and accomplishments to date.

The Total Persons number for Applicants comes from the applications submitted by households or persons who applied both prior to and after the HOME Agreement was executed.

The Total Persons number for Proposed Beneficiaries comes from your grant applicant or any contract amendment that changed the number of planned beneficiaries.

The Actual Beneficiaries and Hispanic or Latino numbers come from the past fiscal year (July 1 – June 30).

All activities require a narrative, reporting out according to the HOME Agreement's products. For example, the narrative for acquisition and demolition activities might read "Completed 3 of 6 acquisitions and 2 of 6 demolitions during the reporting period" or "Plans and specifications submitted to DHCD for review."

Each row e.g.; "applicants" or "proposed beneficiaries" needs to be filled out for activities in which households received a direct benefit; e.g., housing rehab, relocation, or homebuyer assistance.

Infrastructure hook-ups are considered an indirect benefit and the Grantee only needs to report on LMI and non-LMI status.

SECTION 3 SUMMARY REPORT

All Grantees who received HOME Agreements of \$200,000 or more MUST complete this portion of the Annual Report.

On page one, fill out the report as follows:

- Report only the number of new hires from the previous state fiscal year (July 1 – June 30) for this project
- Box 1; fill in the Grantee's name and address
- Box 2; fill in the CIG contract number
- Box 3, fill in the HOME Grant Agreement award amount
- Fill in boxes 4-7 as appropriate.
- Box 8, date report submitted.
- Box 9, program code, will be 8-HOME State Administered. This will include any IPR set-aside or non-HOME contract amounts.
- Box 10; fill in the project's name as written on the first page of the HOME Agreement.
- The data for Part I come from the Registers of Assigned Employees.

On page two, fill out Part II of the report as follows:

- Report *only* those contracts awarded during the previous state fiscal year (July 1 – June 30) for this project.
- Construction contracts are those reported on the Register of Contractors, Subcontractors, and Suppliers.
- The Local (Section 3) County construction hiring goal is 10%. Non-construction contracts include grant administration, housing program administration, rehab specialist, architect, engineer services, appraisers, legal, etc.
- The Local (Section 3) County non-construction hiring goal is 3%.

In Part III of the report, describe the Grantee's actions to implement its Local (Section 3) Businesses and Workers Plan. This could include:

- Attempted to encourage project contractors to hire LMI project area workers; and
- Attempted to encourage prime contractors to use businesses located in and owned by Local (Section 3) County residents as subcontractors and suppliers.

RETURN THE REPORT TO DHCD, NOT HUD. If the report is not returned by the date identified in the cover letter, all of your drawdown reports will be held until it is.