

CDBG Advisory Section 3 Compliance

Dear CDBG Grantees:

Section 3 of the Housing and Urban Development Act of 1968, as amended, provides that to the greatest extent feasible, preference for economic opportunities, such as job training and employment that arise through HUD-assisted projects, shall be directed toward Section 3 residents and to business concerns which provide economic opportunities to these residents. Section 3 reporting and performance requirements apply to the Unit of General Local Government (UGLG) if the CDBG award for rehabilitation, housing construction or public construction (including infrastructure and façade improvement) is more than \$200,000, and to all contractors and subcontractors receiving more than \$100,000 if the \$200,000 threshold is met.

A Section 3 covered contract is a contract or subcontract (including a professional services contract) awarded by the UGLGs or contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project. Section 3 covered contracts do not include contracts for the purchase of supplies and materials. However, if the materials contract includes installation, then the contract constitutes a Section 3 covered contract.

Attached please find a Section 3 packet which includes the following documents:

1. **Section 3 Overview**
 - This document summarizes Section 3.
2. **Section 3 Flow Chart**
 - This document is helpful in determining if your project is subject to Section 3 requirements.
3. **Section 3 Compliance Certification**
 - This certification must be completed by all UGLGs receiving a CDBG grant of \$200,000 or more.
4. **Section 3 Summary Report (Form 9-C/HUD 60002)**
 - This report is required to be completed by UGLGs receiving a CDBG award in excess of \$200,000 and has a contract (construction or professional) funded in whole or in part with CDBG funds.

Additional information is found in [Chapter 9 – Fair Housing and Equal Opportunity](#) of the CDBG Grant Administration Manual (GAM). Failure to comply with Section 3 reporting requirements will result in monitoring findings and may impact future CDBG funding opportunities.

The Section 3 Certification and Section 3 Summary Report (if applicable) is due to your CDBG Program Specialist, via the MEDC portal, by July 31.

March 2016



SECTION 3 OVERVIEW

To the maximum extent feasible, Units of General Local Government (UGLGs) must ensure that lower income residents that reside in their communities receive employment, training, and contracting opportunities.

To the greatest extent feasible, preference for economic opportunities, such as job training and employment that arise through HUD-assisted projects, shall be directed toward Section 3 residents* and to business concerns* which provide economic opportunities to these residents.

UGLG Compliance with Section 3:

The UGLGs are responsible for the following regarding their Section 3 compliance:

- Developing a Section 3 Policy Plan and Section 3 Plan for the UGLGs. Please see sample plans at Attachment 9-B (Sample Policy Plan) and Attachment 9-B.1 (Section 3 Plan).
- Including Section 3 provisions in the construction contract.
- Annually Submitting a Section 3 Summary Report (Form 9-C).

What Triggers the Requirements of Section 3?

Section 3 reporting and performance requirements apply to the UGLGs if the CDBG award amount is more than \$200,000, and to all contractors and subcontractors receiving more than \$100,000 if the \$200,000 threshold is met.

Section 3 covered contracts do not include contracts for the purchase of supplies and materials. However, if the materials contract includes installation, then the contract constitutes a Section 3 covered contract.

Section 3 is triggered when the normal completion of construction and rehabilitation projects creates the need for NEW employment, contracting or training opportunities. If the expenditure of covered funding does not result in new employment, contracting or training opportunities, the requirements have not been triggered.

Section 3 Benchmarks/Annual Summary Reporting (Form 9-C):

The Section 3 regulations establish numerical benchmarks that the UGLGs and covered contractors must achieve to the greatest extent feasible:

- A total of 30 percent of the aggregate number of new hires shall be Section 3 residents.
- At least 10 percent of the total dollar amount of all Section 3 covered construction contracts shall be awarded to Section 3 business concerns; and
- At least three percent of the total dollar amount of all covered non-construction contracts (i.e. professional services) shall be awarded to Section 3 business concerns.

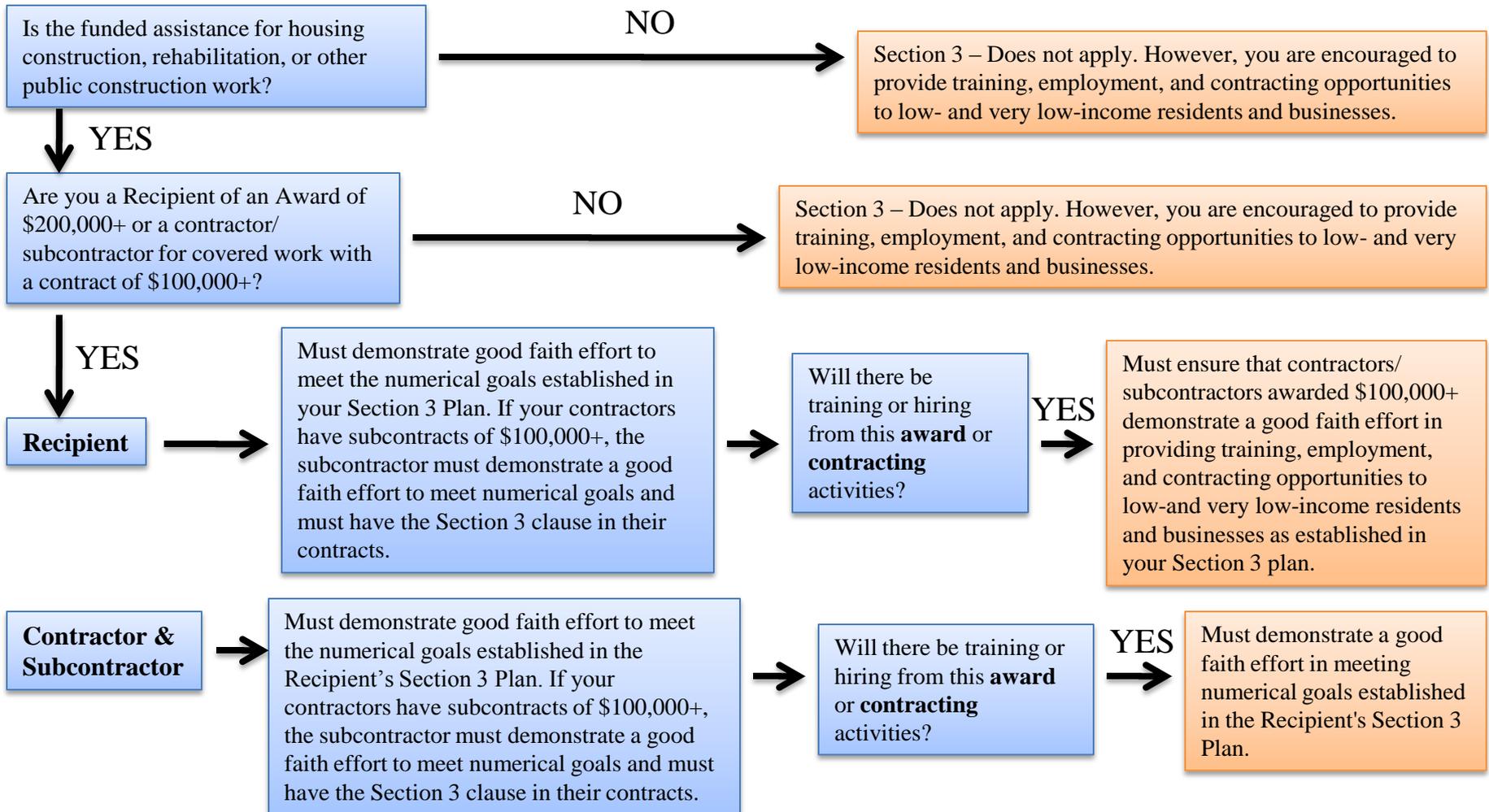
If the recipient (or its covered contractors, subcontractors and sub recipients) did not hire any new employees during the reporting period, and/or if no covered construction or non-construction contracts were awarded, the recipient must indicate this in Part III of Form 9-C and certify that this information is true and accurate by penalty of law.

Recipients that fail to meet the minimum numerical benchmarks above bear the burden of demonstrating why it was not possible to do so.

*as defined in the Grant Administration Manual (GAM), Chapter 9, Section 3

Section 3 Flow Chart

Use the following chart to determine if your project is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended.



Section 3 requirements apply to the entire project or activity funded with Section 3 covered assistance, regardless of whether the Section 3 activity is fully or partially funded with Section 3 covered assistance.

CDBG Section 3 Compliance Certification

Reporting period: **July 1,** _____ **to June 30,** _____

Grantee: _____

Grant Number: _____

Are you a grantee who has:

1. Received a CDBG grant award over \$200,000.00?

and
2. Entered into any grant related contract
 - a. totaling over \$100,000.00,
 - b. utilizing CDBG funds for a portion or the full amount of the contract and
 - c. is initiated within the above-stated reporting period?

YES

NO

If yes to all, you are required to fill out the Section 3 Summary Report – Form 9-C, (HUD 60002).

If no, sign, date, and return this form to your program specialist.

(Printed name and title of Chief Elected Official)

(Date)

(Signature of Chief Elected Official)