



# Housing and Urban Development Act of 1968

## Section 3

### FACT SHEET

Section 3<sup>1</sup> of the Housing and Urban Development Act of 1968 requires that recipients of the U.S. Department of Housing and Urban Development (HUD) funds (and their contractors and subcontractors), to the greatest extent feasible, provide job and other economic opportunities to low and very-low income persons (Section 3 residents) and Section 3 Business Concerns.

Section 3 applies to grantees of HUD public housing and community development programs. States, local governments, public housing authorities, nonprofit organizations, and their contractors and subcontractors who receive funds under the programs must follow Section 3.

The Section 3 program helps in creating employment opportunities for Section 3 residents and provides contracting opportunities for businesses that are owned by low-income people or that provide employment to low-income people.

#### **Who are Section 3 residents?**

Section 3 residents are:

- Public housing residents
- Low and very-low income persons who live in the District where HUD-assisted project for housing or community development is located.

#### **What is a Section 3 business concern?**

A business:

- That is at least 51 percent or more owned by Section 3 residents,
- Whose permanent, full-time employees include persons, at least 30 % of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents, or
- That provides evidence of a commitment to subcontract in excess of 25 % of the dollar award of all subcontracts to be awarded to a Section 3 business concern.

#### **Eligible Activities:**

Housing and community development programs, Section 3 applies to: (1) housing

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<sup>1</sup> Section 3 of the Housing and Urban Development Act of 1968 (24 CFR Part 135) (12 U.S.C. 1701u)



rehabilitation (including lead-based paint hazard reduction), (2) housing construction, and (3) other public construction projects.

**What economic opportunities are available under Section 3?**

Types of Opportunities:

- Job training
- Employment
- Contracts

Examples include:

Administrative/ Management	Services	Construction
accounting payroll research bookkeeping purchasing word processing	appliance repair florists marketing carpet installation janitorial photography catering landscaping printing computer/information manufacturing transportation	architecture bricklaying carpentry cement/masonry demolition drywall electrical elevator construction engineering fencing heating iron works machine operation painting plastering plumbing surveying tile setting

**Who will award the economic opportunities?**

Recipients of HUD financial assistance and their contractors and subcontractors are required to provide economic opportunities, to the greatest extent possible, consistent with existing Federal, State, and local laws and regulations.

**Who receives priority under Section 3?**

For training and employment:

- Persons in public and assisted housing
- Persons in the area where the HUD financial assistance is expended
- Participants in HUD Youthbuild programs
- Homeless persons



For contracting:

Businesses that meet the definition of a **Section 3 business concern** in 24 C.F.R. § 135.5. For Developers, contractors and subcontractors seeking contracting preferences as a Section 3 business concerns, DHCD will certify these businesses as Section 3 business concerns. Documentation is required to be certified as a Section 3 Business Concern.

### **How can businesses find Section 3 residents to work for them?**

Businesses can recruit in the neighborhood and public housing developments to inform residents about available training and job opportunities. Distributing flyers, posting signs, placing ads, and contacting resident organizations and local community development and employment agencies to locate potential workers are effective ways of acquiring jobs.

### **Long-term employment, seasonal or temporary employment?**

Recipients are required, to the greatest extent feasible, to provide all types of employment opportunities to low and very low-income persons, including seasonal and temporary employment, as well as long-term jobs.

Employment goals are based on "new hires", which are defined as full-time employees for permanent, temporary or seasonal employment opportunities.

Recipients and contractors are encouraged to provide long-term employment. At least 30 percent of the permanent, full-time employees hired should be Section 3 residents. After a Section 3 employee has been employed for 3 years, the employee may no longer be counted as a Section 3 employee to meet the 30 percent requirement. This requires recipients to continue hiring Section 3 residents when employment opportunities are available.

### **Compliance Certification:**

All DHCD funding grantees must:

- (1) Certify that they will comply with applicable Section 3 requirements.
- (2) Provide a Section 3 plan and its accompanying documentation.

### **DHCD Compliance requirements**

DHCD is mandated to report to HUD on an annual basis regarding its Section 3 program. DHCD will monitor Section 3 plan performance of contractors/ subcontractors and investigate complaints. DHCD will examine employment and contract records for evidence of actions taken to employ Section 3 residents and to award contracts to Section 3 businesses.