

SECTION 3

ECONOMIC OPPORTUNITIES

FOR LOW- AND VERY LOW-INCOME PERSONS



Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION



Purpose of Section 3

- To ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-income and very low-income persons



History

- Introduced to address social turmoil and economic distress
- Became a provision of the HUD Act of 1968 (12 U.S.C. 1701u-Sec.3)
- 1994 Interim Rule issued (24 CFR 135)



Section 3 Covered Assistance

Community Development Assistance

- Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement)
- Housing construction, and
- Other public construction

Section 3 Covered Assistance

□ Section 3 Covered Assistance includes:

- HOME funds
- Community Development Block Grant funds
- Section 8 funds
- Risk Share Program funds
- Loans Guaranteed under Section 108 of the Housing and Community Development Act of 1974



Recipient Thresholds

- ❑ **Housing and Community Development Assistance – Recipient Thresholds**
 - **Section 3 Requirements apply to the Recipients (Developer/Owners) of the Housing Assistance and Community Assistance where the Section 3 Assistance exceeds \$200,000.00**



Recipient Thresholds - continued

- ❑ **Contractor and Subcontractor Thresholds**
 - Section 3 requirements apply to Contractors and Subcontractors with contracts in excess of \$100,000.00



Covered Programs

- If your development includes HOME funds or a HUD Risk-Share loan, you are required to comply with Section 3.
- If your development receives Section 8 assistance, the public housing authority will oversee Section 3 compliance.
- There are other Section 3 covered programs that MHDC does not administer.



Applicability to Entire Project

- Section 3 requirements apply to the entire project regardless of the amount of Section 3 covered assistance provided for the construction or rehabilitation**



Employment Opportunities

- ❑ **Associated with building trades:**
 - **Construction labor**
 - **Management and administration support**
 - **Architectural, engineering and professional services.**

Section 3 Resident

- ❑ a person who resides in public housing;
- ❑ an individual who resides in the metropolitan area or non-metropolitan county in which the Section 3 Covered Assistance is expended, and who is a:
 - low-income person; or
 - Very low-income person



Section 3 Business Concern

- Is 51 percent or more owned by Section 3 residents
- Whose 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 first employment with the business concern were Section 3 residents



Section 3 Business Concern-continued

- That provides evidence of a commitment to by contract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in the paragraphs above



Section 3 Plan

□ Components

- Identification of the project area;
- Specific information about the current workforce and hiring needs;
- Specific plan for notifying Section 3 residents of Section 3 job opportunities;
- Specific plan for notifying Section 3 business concerns of Section 3 contracting opportunities;



Section 3 Plan - continued

- Recipient and Covered Contractor must establish certain employment, training and contracting opportunity goals for each Section 3 project
- Must establish employment, training and contracting opportunity goals with respect to its own internal operations



Section 3 Plan - continued

- Commitment to conduct aggressive outreach and notification to potential Section 3 residents and businesses of hiring and contracting opportunities using site signage, flyers, newspaper publications, etc.



Employment and Training

- ❑ Goals apply to the new hires of the recipient and covered contractor
 - New hires defined as full-time employees for permanent, temporary or seasonal employment opportunities



Preference for Hiring and Training

- Residents in the immediate area (if a rehab, residents of the building are first priority)
- Participants in HUD's Youthbuild program
- Other Section 3 residents



Numerical Goals

- **Employment**
 - 30% of new hires annually
- **Contracts**
 - 10% of the total \$\$ amount of all Section 3 covered contracts (contracts exceeding \$100,000) for building trades work
 - 3% of the total \$\$\$ amount of all other Section 3 covered contracts



Eligibility for Employment and Contracting

- A Section 3 resident must meet the qualifications of the position to be filled
- A Section 3 business concern must have the ability and capacity to perform successfully under the terms and conditions of the proposed contract.

Responsibilities

- **Submit Section 3 plan to MHDC**
- **Set and meet reasonable goals**
- **Notify residents and contractors of potential job and training opportunities**
- **Incorporate the Section 3 clause into all contracts**
- **Assist with compliance among all contractors**
- **Document, document, document all actions!**



Recordkeeping and Reports

- Again, document all actions taken
- Provide copies of all documentation to MHDC
- Provide copies of all bids, along with copies of all contracts in excess of \$100,000 to MHDC
- Report to MHDC monthly, using HUD Form 60002
- Final report after project is complete, using HUD Form 60002

Miscellaneous

- Become familiar with the Section 3 **r**egulations
- Read the MHDC Section 3 Guide
- Contact the MHDC Section 3 Administrator for technical assistance



Remember!

- If the goals set out in your Section 3 plan are not met, the burden of proving you made the best efforts to meet these goals falls on you.
- Failure to follow the Regulations, MHDC Guide, and your own Section 3 Plan will jeopardize future funding awards.



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