

Transforming Communities

***Strategies to Create Jobs and Restore
Opportunity***

HUD Section 3

June 2, 2011

***SECTION
NON***

Section 3 History

- **Civil Unrest 1960's**
- **Kerner Commission Report**
- **Los Angeles Riots**
- **Hurricane Katrina**
- **Current Economic Crisis**
- **Economic Stimulus Act**

A Changing Discussion

- **Renewed emphasis on enforcement of Section 3.**
- **Previous discussions largely involved “how to *avoid* the intent of the law.**
- **New discussion “how to implement creatively the spirit of the law to get *results*.”**

What is Section 3?

- **Section 3 of the Housing and Urban Development Act of 1968**
- **Implementing regulations at:
24 CFR Part 135**
- **Statute: 12 U.S.C. 1701u**
- **Purpose/Intent**

Section 3

To ensure that economic opportunities generated by certain HUD funded projects shall, **to the greatest extent feasible**, and consistent with existing Federal and State laws, be directed to low- and very low-income persons (particularly those receiving assistance for housing), and to the businesses that provide economic opportunities to these persons.

To the Greatest Extent Feasible

**...what does this
mean???**

NOTICE

Simply Stated....

- **HUD funds are one of the largest sources of federal dollars**
- **Typically result in new contracts, employment or training opportunities**
- **If economic opportunities are created...Section 3 residents and businesses receive preference**

Failure to Comply with Section 3

HUD holds direct recipients of covered funding accountable for their own compliance, and the compliance of their subrecipients and contractors

Penalties for Noncompliance

**Sanctions for noncompliance
include:**

- **Debarment**
- **Suspension**
- **Limited Denial of Participation in HUD Programs**

Applicability

- **Public and Indian Housing**
 - **Development**
 - **Operation**
 - **Modernization**

- **Housing and Community Development**
 - **Housing rehabilitation**
 - **Housing construction**
 - **Other public construction**

Covered Recipient Agencies

- **PHAs**
- **Entitlement Communities**
- **HOME Participating Jurisdictions**
- **State, County, or Local Units of Government**
- **Non-Profit Organizations**
- **Developers**
- **Property Managers**
- **CHDOs**
- **Private Agency or Institution**

Covered Funding Examples

- **HOME**
- **CDBG**
- **Economic Stimulus Funds**
- **HOPE VI Funding**
- **PHA Operating Funds**
- **PHA Development Funds**
- **PHA Modernization/Rehab Funds**

Funding Thresholds

- The requirements for Section 3 apply to recipients of HUD CPD funding exceeding **\$200,000**.
- Contractors or subcontractors that receive contracts in excess of **\$100,000** are required to comply with Section 3 in the same manner as the recipients.

Funding Thresholds

- There are **no thresholds** for Public Housing Funds. Section 3 applies to **all activities regardless of the dollar amount**
- The requirements also apply to **all contractors regardless of the dollar amount of the contract**

Applicability to Entire Project

Section 3 requirements apply to the **entire** project or activity regardless if the project is fully or partially funded with covered financial assistance.

What Section 3 is NOT...

- **A Racial Quota Program**
- **An Entitlement for Eligible Individuals and Businesses**
- **Only applicable to Direct Recipients**
- **Optional—It's the law!**

Section 3 Economic Opportunities

Section 3 regulations do not require hiring/contracting unless it is necessary to complete the project.

**** Only triggered when covered projects require “new” hires or contracting opportunities**

Section 3 Economic Opportunities

- **Not limited to low-wage construction jobs**
- **Prospective Section 3 eligible employees or businesses must demonstrate that they are qualified**

Section 3 Residents

- **Residents of Public Housing; or**
- **Low- and very low-income persons residing in the metropolitan statistical area (MSA) or non-metropolitan county**

Section 3 & Minorities

- Section 3 of the HUD Act is **race-neutral**.
- The preferences provided by this federal act are based on **income** and **location**.

SECTION
ON

Section 3 Business Concerns

- 1.Owned (51%) by Section 3 residents;**
- 1.Substantially employs Section 3 residents (30% or more); or**
- 1.Can provide evidence of commitment to subcontract 25% of work to another Section 3 Business**

Recipient Responsibilities

24 CFR Part 135.32