

## **Employment/Economic Opportunity Requirements (Section 3 Clause)**

### **Background and Applicability**

Section 3 of the Housing and Urban Development Act of 1968 and regulations at 24 CFR part 135, under certain conditions, require recipients of HUD funding to award contracts to businesses that contribute to the economic advancement of low or very low-income persons and for the businesses they own or that employ them “to the maximum extent feasible.” These requirements are often referred to as “Section 3.”

Work done under MURL may be subject to the requirements of Section 3. Section 3 requirements apply to:

- a) Eligible Organizations awarded federal assistance in excess of \$200,000 for a project involving housing construction or rehabilitation, including the reduction of lead-based paint hazards; and,
- b) Contractors and subcontractors with contracts and subcontracts for a specific project over \$100,000.

The term “project” includes all properties funded in whole or in part with funds received under any Minnesota Urban and Rural Grant Funding Agreement of more than \$200,000. This means that any contractor or subcontractor with a contract or subcontract for more than \$100,000 to work on one or more Eligible Properties is subject to the requirements of 24CFR part 135.

A tool for fostering local economic development and individual self-sufficiency, Section 3 requires that programs receiving HUD’s assistance give opportunities for job training and employment to lower income residents in connection with projects in their neighborhoods. To the extent possible, contracts should be let to local businesses.

### **Goals**

The following are goals for Section 3 assisted projects, which, if attained, will be considered evidence of compliance with Section 3 requirements.

- a) Ten percent of the new trainees and employees hired by the Eligible Organization, its contractors and subcontractors as a result of a project are Section 3 residents,
- b) Section 3 business concerns receive at least 10% of the total dollar amount of Section 3 covered contracts for building trades work involving maintenance, repairs, or rehabilitation,
- c) At least 3% of the total dollar amount of all other Section 3 covered contracts is awarded to Section 3 businesses.

Failure to meet these goals does not constitute noncompliance with Section 3, but the burden shifts to the recipients or contractors to show why they could not achieve the numerical goals.

Eligible Organizations with federal awards of more than \$200,000 must do the following:

- a. Make a good faith effort to use area residents in connection with the project; for example, hire area residents for positions that come available because of HUD assistance.
- b. Make a good faith effort to award contracts to local business concerns and maintain records of those actions. Efforts may include letters to community organizations and employment centers, solicitations for bids and copies of affirmative action plans.
- c. Incorporate into all Section 3 covered contracts the Section 3 clause.
- d. Complete the HOME Program Section 3 Employment and Training Report regarding its own hiring.
- e. Maintain records documenting the dollar amount of all contracts awarded on the project, the total dollar amount of contracts awarded to Section 3 businesses on the project, and the number of Section 3 businesses receiving contracts. This information must be provided for both construction and non-construction contracts. Collect and retain the HOME Program Section 3 Employment and Training Reports that are completed by contractors and subcontractors.
- f. By October 30, submit the information to MHFA. Compile the information.

Contractors/subcontractors with contracts for more than \$100,000 (for one or more properties) must do the **following**:

- a. Submit a Section 3 Compliance Plan that outlines the efforts to employ and train area residents.
- b. Maintain records for specific categories for reporting the following:
  - ✓ Number of full-time employees hired because of the project
  - ✓ Number of Section 3 residents hired full time
  - ✓ Total hours worked by all employees
  - ✓ Total hours worked by Section 3 employees and trainees
- c. Submit to the Eligible Organization at project completion the HOME Program Section 3 Employment and Training Report.

Advertisement of Eligible Properties for sale must always include the equal housing opportunity logo or statement. Any visual depictions of people should be representative of all people; that is, they should include minority and non-minority populations and persons having disabilities. Media may include newspapers, radio and TV, brochures, leaflets, or simply a sign in a window.