

SECTION 3 CONTRACT REQUIREMENTS [24 CFR 75]

(24 CFR 75 is applicable to HUD-funded projects awarded ON or AFTER to November 30, 2020)

Insertion in all contracts and sub-contracts funded with Community Development Block Grant (CDBG) dollars**:

- Section 3 of the Housing and Urban Development Act of 1968:** The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by the U.S. Department of Housing and Urban Development (HUD) assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- Contractor Certification of Compliance:** The parties to this contract agree to comply with HUD's regulations in [24 CFR 75](#), which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the [24 CFR 75](#) regulations.
- Contract Language Requirement:** The contractor agrees to include this *Section 3 Contract Requirements* clause in every sub-contract subject to compliance with regulations in [24 CFR 75](#), and agrees to take appropriate action, as provided in an applicable provision of the sub-contractor in this *Section 3 Contract Requirements* clause, upon a finding that the sub-contractor is in violation of the regulations in [24 CFR 75](#). The contractor will not sub-contract with any sub-contractor where the contractor has notice or knowledge that the sub-contractor has been found in violation of the regulations in [24 CFR 75](#).
- Contracting Requirements:** To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, the CDBG Grantee *and* contractors and sub-contractors for the CDBG project shall ensure contracts and sub-contracts for work awarded in connection with the project are awarded to business concerns that provide economic opportunities to Section 3 Workers; and where feasible in the following order of priority: (1) Section 3 Business concerns that provide economic opportunities to Section 3 Workers residing within the metropolitan area (or nonmetropolitan county) in which the HUD funded assistance is provided/in which the HUD funded/CDBG project is occurring; and (2) YouthBuild programs.
- Employment and Training Requirements:** To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, the CDBG Grantee *and* contractors and sub-contractors for the CDBG project shall ensure employment and training opportunities generated in connection with the project are filled by Section 3 Workers; and where feasible, in the following order of priority: (1) low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the CDBG assistance is expended (i.e., in which the CDBG project is occurring); and (2) participants in YouthBuild programs.
- Section 3 Definitions [24 CFR 75]:** Definitions for Section 3 terms per [24 CFR 75](#) are as follows:
Section 3 Worker: An employee who currently fits (if hired more than five (5) years before starting work on the CDBG project), or fit at the time of hire (if hired within five (5) years of starting work on the CDBG project), at least one (1) of the following categories: (1) is employed by a Section 3 Business concern; or (2) is a low- or very low-income resident (i.e., a local person living within the Section 3 service area as defined in 24 CFR 75.5, with an *individual* annualized income at the time of hire (if hired within five (5) years of starting work on the CDBG project), or currently as of date of starting work on the project (if hired more than five (5) years before starting work on the CDBG project) that was/is at or below the low-income (80%) threshold established by HUD for a Family of 1 for the county in which the person lives) [Note: The HUD income threshold must be from the [HUD Income Limits for the CDBG program](#) that are in effect at the time of hire (if hired within five (5) years of starting work on the CDBG project), or currently in effect as of the date the worker started work on the CDBG project (if hired more than five (5) years prior to starting work on the CDBG project). The HUD Income Limits are updated annually, typically in March or April.]; or (3) is a YouthBuild participant.
Targeted Section 3 Worker: An employee who is employed by a Section 3 Business concern; or who currently fits (or when hired fit) at least one (1) of the following categories as documented within the past five (5) years: (1) lives/lived within the Section 3 service area or the neighborhood of the CDBG project as defined in 24 CFR 75.5; or (2) is a YouthBuild participant.
Section 3 Business concern: A business that fits at least one (1) of the following categories: (1) 51% or more owned by low- or very low-income persons; or (2) 75% or more of the labor hours are performed by low- or very low-income persons; or (3) 51% or more owned by current residents of public housing or Section 8-assisted housing.
Section 3 Service Area: An area within one (1) mile of the CDBG project's location (i.e., street address); or an area within a circle centered around the CDBG project site that encompasses 5,000 people [if less than 5,000 people live within a one (1) mile radius of the CDBG project site].

Reporting Labor Hours: CDBG Grantee *and* contractors and sub-contractors for the CDBG project shall report all worker (see exception on next page)* labor hours on the project as follows: (1) the total number of labor hours worked; (2) the total number of labor hours worked by Section 3 Workers; and (3) the total number of labor hours worked by Targeted Section 3 Workers. The labor hours reported shall include the total number of labor hours worked on the financially assisted project by workers employed by the CDBG Grantee, *and* employed by their contractors and sub-contractors, during the reporting period specified by HUD and the State CDBG Program. The labor hours reported may be based on the employer's good faith assessment of the labor hours of a full-time or part-time employee informed by the employer's existing salary or time and attendance based payroll systems, unless the project or activity is otherwise subject to requirements specifying time and attendance reporting. [Note: Construction contractors required to maintain certified payroll records to meet federal labor standards requirements shall report actual work hours as reported on the certified payroll records.]

**Exception for positions that require an advanced degree or professional certification: Reporting of hours for positions requiring an advanced degree or professional certification is not required, but the hours may be reported to demonstrate Section 3 "best efforts". The CDBG Grantee, contractors and sub-contractors may report the labor hours by Section 3 Workers and Targeted Section 3 Workers without including labor hours from employees in positions requiring an advanced degree or professional certification in the total number of labor hours worked, but if the contract covers both work requiring an advanced degree or professional certification and other work, the labor hours for the other work under the contract that are not from employees in positions requiring an advanced degree or professional certification must still be reported.*

7. **Section 3 Benchmarks:** The HUD Section 3 Final Rule (24 CFR 75) establishes “**safe harbor**” benchmarks that are quantitative benchmarks and prioritized qualitative efforts that funding recipients must complete to assist low- and very low-income persons with employment and training opportunities: (1) 25% or more of all labor hours worked must be worked by Section 3 Workers; and (2) 5% or more of all labor hours worked must be worked by Targeted Section 3 Workers. If the “safe harbor” benchmarks are not met over the course of the project, then the CDBG Grantee *and* contractors and sub-contractors for the CDBG project shall provide evidence of completing qualitative efforts to assist low- and very low-income persons with employment and training opportunities. Supporting documentation of these completed efforts must also be maintained in the CDBG Grantee’s and contractors’ CDBG project files, to be made available upon request for monitoring purposes.
8. **Demonstrating Best Efforts:** When the Section 3 benchmarks are not met, the CDBG Grantee *and* contractors and sub-contractors for the CDBG project shall demonstrate and report qualitative efforts made in an attempt to meet the benchmarks, which may include but are not limited to the following:
 - (1) Engage in outreach efforts to generate job applicants who are Targeted Section 3 Workers.
 - (2) Provide training or apprenticeship opportunities.
 - (3) Provide technical assistance to help Section 3 Workers compete for jobs (e.g., resume assistance, coaching).
 - (4) Provide or connect Section 3 Workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
 - (5) Hold one or more job fairs.
 - (6) Provide or refer Section 3 Workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care).
 - (7) Provide assistance to Section 3 Workers to apply for/or attend community college, a four-year educational institution, or vocational/technical training.
 - (8) Assist Section 3 Workers to obtain financial literacy training and/or coaching.
 - (9) Engage in outreach efforts to identify and secure bids from Section 3 Business concerns.
 - (10) Provide technical assistance to help Section 3 Business concerns understand and bid on contracts.
 - (11) Divide contracts into smaller jobs to facilitate participation by Section 3 Business concerns.
 - (12) Provide bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Business concerns.
 - (13) Promote use of business registries designed to create opportunities for disadvantaged and small businesses.
 - (14) Conduct outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.
9. **Recordkeeping & Reporting:** The CDBG Grantee *and* contractors and sub-contractors for the CDBG project shall maintain all records demonstrating compliance with [24 CFR 75](#), including contracting information and documents, worker income certifications (for Section 3 Worker status determinations), and worker labor hours on CDBG project; *and* provide data and reporting documents as requested and required by the State CDBG Program and/or HUD. Grantee and contractor records may be monitored for compliance by the State CDBG Program and/or HUD.
10. **Non-Compliance:** Non-compliance with HUD’s regulations in [24 CFR 75](#) may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
11. **Indian Housing Assistance Project Specifications:** With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible: (i) preference and opportunities for training and employment shall be given to Indians; and (ii) preference in the award of contracts and sub-contracts shall be given to Indian organizations and Indian-Owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

**** This language is required to be included in contracts and sub-contracts for the HUD funded project that are funded in whole or in part with the federal dollars. It is strongly recommended to be included in ALL contracts and sub-contracts for the HUD funded project, regardless of the funding source, to help avoid issues with compliance and reporting later in the project cycle if the funding source changes.**