

# CITY OF HOUSTON



## HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

### Section 3 – Contractors Orientation Guide Sub-grantees and private entities

1968 Housing and Urban Development Act

***“ensure that employment and 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-and very low income persons.*”**



## HUD ECONOMIC STIMULUS FUNDING AND THE CREATION OF JOBS, TRAINING, AND CONTRACTING OPPORTUNITIES

### Guidance on ARRA and Section 3

#### The American Reinvestment and Recovery Act of 2009

On February 17, 2009, President Barak Obama signed the American Recovery and Reinvestment Act (ARRA). The purpose of ARRA is to:

1. **Preserve and create jobs and promote economic recovery;**
2. **Assist those most impacted by the recession;**
3. Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
4. Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
5. Stabilize State and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

General Principles Concerning Use of Funds—The President and heads of Federal departments and agencies shall manage and expend the funds made available in the Act so as to achieve the purposes specified in [above], including committing expenditures and activities as quickly as possible.<sup>1</sup>

#### Economic Opportunities for Low- and Very Low-Income Persons (Section 3)

HUD received \$13.6 billion in ARRA funding, approximately **\$7.8 billion or 57 percent** of which is subject to the statutory and regulatory requirements of Section 3 of the Housing and Urban Development Act of 1968. The majority of Section 3 covered ARRA funding was provided under the following program areas:

- |   |                                 |
|---|---------------------------------|
| • PIH Public Housing Capital Funds          | \$4 Billion                     |
| • Neighborhood Stabilization Program        | \$2 Billion                     |
| • Community Development Block Grants        | \$1 Billion                     |
| • Native American Housing Block Grants      | \$510 Million                   |
| • Assisted Housing Energy & Green Retrofits | \$ 250 Million                  |
| • Lead Hazard Control                       | \$ 78 Million (LHC Grants Only) |

\*\*\*The requirements of Section 3 are encouraged but not required for other HUD funding provided under ARRA.

### Section 3 Purpose/Intent

Section 3 recognizes that the **normal expenditure** of certain HUD funds typically results in new jobs, contracts, and other economic opportunities; and when these opportunities are created, low- and very low-income persons residing in the community in which the funds are spent **(regardless of race and gender)**, and the businesses that substantially employ them, should receive priority consideration.

Section 3 is one of HUD's tools for ensuring that the expenditure of federal funds in economically distressed communities has a multiplier effect by targeting local low- and very low-income persons and qualified businesses for jobs, training, and contracting opportunities.

### Section 3 Applicability

Since ARRA funding is specifically intended to create jobs and other economic opportunities for those most impacted by the recession, compliance with the requirements of Section 3 is **critical**.

ARRA does not increase or reduce each recipient's Section 3 responsibilities. In fact, the requirements of Section 3 apply *in the same manner as they do for other types of covered HUD financial assistance*. Specifically, grantees and other direct recipients of Section 3 covered ARRA funding are required to comply with the statutory and regulatory requirements of Section 3. Please refer to subparts B and E of 24 CFR Part 135 for specific guidance.

### Recipient Responsibilities Pursuant to Section 3

Each recipient of Section 3 covered financial assistance (and their contractors or subcontractors) are required to comply with the requirements of Section 3 for **new** employment, training, or contracting opportunities that are created during the expenditure of covered funding. This responsibility includes:

1. Implementing procedures to notify Section 3 residents<sup>ii</sup> and business concerns<sup>iii</sup> about training and employment opportunities generated by Section 3 covered assistance;
2. Implementing procedures to notify Section 3 business concerns about the availability of contracting opportunities generated by Section 3 covered assistance;
3. Notifying potential contractors completing work on Section 3 covered projects of their responsibilities;
4. Incorporating the Section 3 Clause into all covered solicitations and contracts [See 24 CFR Part 135.38];
5. Facilitating the training and employment of Section 3 residents and the awarding of contracts to Section 3 business concerns;
6. Assisting and actively cooperating with the Department in obtaining the compliance of contractors and subcontractors;
7. Refraining from entering into contracts with contractors that are in violation with the Section 3 regulations;
8. Documenting actions taken to comply with Section 3; and
9. Submitting Section 3 Annual Summary Reports (form HUD-60002) in accordance with 24 CFR Part 135.90.

## Section 3 Compliance and ARRA

As with all other covered programs, the Department makes determinations regarding Section 3 compliance based upon the following:

1. Meeting the minimum numerical goals set forth at 24 CFR Part 135.30
  - a. 30 percent of the aggregate number of **new hires** shall be Section 3 residents;
  - b. 10 percent of all covered construction contracts shall be awarded to Section 3 business concerns; and
  - c. 3 percent of all covered non-construction contracts shall be awarded to Section 3 business concerns
2. Recipients that fail to meet the numerical goals above bear the burden of demonstrating why it was not possible. Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will allow the Department to make a determination regarding compliance.

The City's Housing and Community Development Department, as a recipient, HUD ARRA funding will be required to submit Section 3 summary data to the Office of Fair Housing and Equal Opportunity using form HUD-60002. This form can be submitted online at: [www.hud.gov/section3](http://www.hud.gov/section3).

## Section 3 Guidance and Technical Assistance

The Economic Opportunity Division in HUD Headquarters is committed to providing recipients of covered funding guidance and technical assistance to ensure compliance with the statutory and regulatory requirements of Section 3. For additional information, please refer to the following:

- [www.hud.gov/section3](http://www.hud.gov/section3)
- Section 3 Statute—12 U.S.C. 1701u
- Section 3 regulations—24 CFR Part 135
- U.S. Department of Housing and Urban Development  
Economic Opportunity Division  
451 Seventh Street, SW Room 5235  
Washington, DC 20410  
202-708-3633 (this is not a toll free number)  
[section3@hud.gov](mailto:section3@hud.gov)

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### Notes:

<sup>i</sup> Source: H.R.-1. The American Recovery and Reinvestment Act of 2009

<sup>ii</sup> Section 3 residents are defined as: 1) residents of public housing; or 2) individuals that reside in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and meet the definition of a low- or very low-income person as defined by HUD).

<sup>iii</sup> Section 3 business concerns are defined as one of the following: 1) businesses that are 51 percent or more owned by Section 3 residents; 2) businesses whose permanent, full-time employees include persons, at least 30 percent of whom are current Section 3 residents or were Section 3 residents within 3 years of the date of first employment with the business concern; or 3) businesses that provide evidence of a commitment to subcontract 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 two previous categories.

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## Section 3 - Fact Sheet

### What Is Section 3?

Section 3 of the Housing and Urban Development Act of 1968, (12U.S.C.1701u)(Section 3) and implementing regulations at 24 C.F.R.135 states the purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) is to ensure that employment and other economic opportunities generated by certain Housing and Urban Development (HUD) financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low-and very low-income persons. The City of Houston (City) fully embraces this definition of Section 3 and has set forth policies and procedures to "ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible be directed to low and very low income persons, and to business concerns which provide economic opportunities to low and very low income persons.

### Policies Regarding Section 3

The purpose of Section 3 regulations is that new employment opportunities be extended to low and very low income residents of the area where the project is being implemented. In essence, Section 3 eligible residents are to be extended preference in new hiring situations, which result from the infusion of HUD sourced funds. These policies also require that designated Section 3 businesses concerns are to be extended preference in contracting, sub-contracting, purchasing and servicing activities. **The program requires approval of the Section 3 Utilization Plan within 10 days after the intent to reward is executed.**

HCDD has the responsibility for implementation and monitoring of the City's Section 3 policies. The Section 3 Program, excluding Single-family Division is managed by Real Estate Compliance Division. The contact information follows:

**Karen Franklin, Coordinator  
Section 3 Program  
601 Sawyer Street, Suite 400  
Houston, Texas 77007  
Phone: (713) 868-8300 or 868-8471  
Fax: (713) 868-8343**

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## Section 3 Procedures for All Bidders

As part of the application or bidding process, Section 3 Utilization Plans are to be developed and submitted to the HCDD to demonstrate commitment to Section 3 utilization. This preliminary plan will be used to help evaluate the quality of submitted bids during the selection process. The successful bidder will then have an opportunity to finalize the Section 3 Plan. The plan that is approved by HCDD will become part of the set of contractual contract (agreements) with the City.

Staff will review Section 3 Utilization Plans for these items:

### Key Elements of a Section 3 Utilization Plan:

Section 3 Utilization Plans, must be, at a minimum, reflective of the City's Section 3 Goals, indicated below. The City's current Section 3 Goals are:

- a. **Employment:** Thirty percent (30%) of the aggregate number of new hires during a one year period of the project. (Example: A construction contractor hires 10 new workers. Three of the new workers should be Section 3 eligible persons.)
- b. **Contracting:** At least 10 percent (10%) of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, construction, and other public construction with federal funds; and at least three percent (3%) of the total dollar amount of all other covered Section 3 contracts shall be awarded to eligible Section 3 business concerns.

**Section 3 utilization goals for the Consolidated Plan must be clearly stated.** This cannot be over emphasized.

The Section 3 Utilization Plan needs to designate someone within the project organization as the Section 3 coordinator. This person is the assigned appointee for the recipient organization responsible for making sure the project adheres to the HCDD Section 3 reporting requirements and the project's Section 3 Utilization Plan, as set forth in the City's - HCDD contract.

### Outreach Requirements

**All bid announcements and complete specifications for Section 3 Applicable projects and funded activities included in the Consolidated Plan or issued by HCDD on HUD funded projects must be sent ten calendar days after the Notice To intend To Award is issued.**

Karen Franklin, Coordinator  
Department of Housing and Community Development  
Section 3 Coordinator  
601 Sawyer Road, Suite 400  
Houston, TX 77007

Recipients must document that outreach notices have been placed in print media outlets, including the Houston Chronicle and any other appropriate media outlets.

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### Submit Complete Section 3 Utilization Plans on all sub-contracts \$100,000 or more

Sub-contractors, with contracts of \$100,000 or more, are required to submit complete Section 3 Utilization Plans to the Contractor, who in turn will submit the entire package to HCDD, Attn: Section 3 Coordinator, prior to the start of work.

### Signage

Section 3 signage is required for all construction and rehabilitation projects. The sign must be large enough to be visible from the street. The sign must: (a) identify the name of the housing development; (b) state "This is a HUD Section 3 Project," and (c) provide contractor's contact information, including name and a telephone number.

### Record Maintenance and Documentation

Contractors/Vendors are required to maintain comprehensive documentation of their Section 3 outreach efforts and implementation activities. There should be clearly maintained Section 3 documentation files available to be produced to and reviewed by City and/or HUD officials.

### Monthly Reports

HCDD requires monthly reports due on the tenth (10) day of each month. These reports shall be submitted to the HCDD, Section 3 Coordinator, 601 Sawyer Road, Suite 400, Houston, TX 77007.

The July 10th reports shall also include a final Section 3 project report for the entire Consolidated Plan Program Year (July 1—June 30). This will be a cumulative report of Section 3 activities for the program year.

### Compliance Monitoring and Reviews

HCDD staff will conduct regular compliance reviews, which consist of comprehensive analysis and evaluation of the recipient's or contractor's compliance with Section 3. Since the source of these funds is HUD, federal officials maintain the right and responsibility to conduct Section 3 compliance reviews, which may involve any and all Section 3 projects in the City's Consolidated Plan. Where noncompliance is found, the City will notify the recipient or contractor of the deficiency and make recommendations for corrective actions. A finding of noncompliance by the City or HUD may result in sanctions based on the program from which the Section 3 covered assistance was funded.

### City Resources to help with Section 3 Utilization Plan Implementation

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### **Section 3 Resident Certifications**

A list of Section 3 Certified Residents & Business Concerns with indication of skills and experiences will be developed by Department's Section 3 Coordinator.

Persons meeting the HUD guidelines of being low-income or very low-income, who have documentation that they reside in Section 3 Plan area (Houston), may also be referred to the HCDD offices for certification as Section 3-eligible.

Business concerns may be referred to the Department's Section 3 coordinator for certification if they meet **one (1)** of the following HUD guidelines:

- 51% owned by a certified Section 3 eligible resident;
- 30% or more of the business' permanent full time employees are certified Section 3 residents; or
- 25% or more of all monies spent on the project is awarded to certified Section 3 Businesses

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## Section 3 Procedures for All Developers Seeking Funds

The City of Houston fully embraces the spirit and intent of its Section 3 obligations. Extra efforts are set forth, to any developer or contractor who intends to seek HUD-sourced funds from the City to clearly understand that Section 3 obligations and standards accompany any commitment of City funding where Section 3 thresholds are met. It is important to advise all Developers that the infusion of any HUD sourced dollars from the City into a project at ***any point in the project*** and at any level exceeding the federal threshold triggers the full applicability of the City Section 3 Policies on to the entire project.

### What Must Developers/Contractors Required Do to meet Section 3 Obligations?

1. Complete a Section 3 Utilization Plan and submit it to the City for approval.  
The City will make available to Developers/Contractors the Section 3 Utilization Plan format. The Section 3 Utilization Plan must include specific information regarding the following:
  - Identification of the project area
  - Specific information about the current workforce
  - Specific plan for hiring Section 3 eligible residents
  - Specific plan for engaging Section 3 certified business concerns
  - Firm commitment to include as part of all bids the Section 3 Utilization Plan (once approved by the City), which identifies activities as compliant with Section 3 and includes the City's Section 3 Clause in all sub-contracts
  - Firm commitment to conduct aggressive outreach and notification to potential Section 3 residents and businesses of hiring opportunities using site signage, flyers, etc.
  - Firm commitment to provide identified area employment agencies of jobs available from the established job pool of Section 3 area residents.
2. Modification of the proposed Section 3 Utilization Plan. HCDD will review Section 3 Utilization Plans and provide review findings within 7 to 10 work days. Review comments will be made available to both the developer and contractor.
3. Sign an Acknowledgement of Receipt of Information Regarding Section 3 Requirements and obligations which accompany City (HUD-sourced) funding.

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## Certification Procedures for a Section 3 Business Concern

1. Businesses applying for Section 3 business concerns certification can obtain an application from the HCDD office or via the Department website at [www.houstonhousing.org](http://www.houstonhousing.org). Each applicant must attach the following documentation to their application:
  - A completed “*Statement of Qualifications*”.
  - A documented satisfactory record of past work.
  - The applicant must have the necessary City Occupational License and submit a copy to the Section 3 Staff.
  - A copy of the previous year’s Federal Income Tax Filings. (This should be provided only by businesses to be determined eligible by owner income and residency.)
  - Income Eligibility Documentation on Ownership/Employees (if a business is qualifying via Section 3 residents).
  - A copy of the following insurance certificates. (All applicants must have at least the following insurance coverage for Section 3 contract work:
    - i. “Manufacture’s and Contractor’s Public Liability Insurance” with minimum limits of \$250,000/\$500,000.
    - ii. Property Damage Insurance in an amount not less than \$100,000.
    - iii. Worker’s Compensation Insurance as required by State law governing Worker’s Compensation.
2. Once the preliminary intake process is complete, the Section 3 staff will review the documents for compliance.
3. Upon completion of the review, if the applicant has turned in all supporting documentation and has met the required criteria they will be recommended for certification by the Section 3 Coordinator. Once approved a formal letter is mailed out to announce their acceptance as a Section 3 certified Business Concerns.
4. If the application is incomplete, the application will be held in pending status until all appropriate documentation has been secured.
5. Once an entity is certified as a Section 3 Business Concerns, they are added to the official City of Houston Section 3 registry. **All Section 3 certified businesses must apply for re-certification every three (3) years.**

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## Certification Procedures for Section 3 Residents

### Orientation

- Individual walks in or is referred to the HCDD Section 3 office located at 601 Sawyer Suite 400, Houston TX 77007.
- Individuals can obtain a copy of the Section 3 Resident application from the General Contractor on the work site. All Contractors must have residency complete application and submit to HCDD. Additionally, electronic copies will be available at the department's website.
- Individual states that they are interested in Section 3 employment.
- Individuals are provided a Section 3 application form and orientation on eligibility requirements.

### Eligibility

- Individual supplies all required documentation and completes the Section 3 resident application.
- Grievance Procedure.
- ID (driver's license and social security card) or valid Texas ID.
- Income eligibility documentation of household (must be at or below 80% AMI Section 8 Income Guidelines). (See attached limit income limits chart.)
- Proof of address.

### Qualifications

- Previous Work Experience
- Listed Trade Skills

### As a Section 3 Resident

- Once an individual is deemed job ready, and has completed all eligibility requirements, they will be issued a letter stating that they are Section 3 certified resident.
- A list of all the Section 3 certified residents will be forwarded to Developers and subcontractors on active Section 3 projects.
- Residents will also be provided with a list of Developers and active projects along with their contact information.
- Residents will also be given information on upcoming job fairs, information sessions, and access to job training and postings.
- Re-certification is required after 3 years.

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### **Section 3 Outreach Potential Umbrella Agencies**

The City will send announcements for Section 3 applicable projects two calendar weeks prior to any closing date to the following listing community-based business organizations. Section 3 staff will continue to update this listing.

African American Chamber of Commerce of Greater Houston  
(Formerly the Acres Home Citizens Chamber of Commerce)  
6112 Wheatley  
Houston, TX 77091

Phone: (713) 692-7003

Fax: (713) 691-7131

Web: <http://www.acreshomechamber.com>

(Note: web site obtained from another source and is no longer current)

Alliance of Minority Contractors of Houston  
PO Box 920859  
Houston, TX 77292-0859

Phone: (713) 802-4154

E-Mail: [info@amc-houston.org](mailto:info@amc-houston.org)

Web: [www.amc-houston.org](http://www.amc-houston.org)

Asian Chamber of Commerce  
6833 West Sam Houston Pkwy, Suite 206  
Houston, TX 77072

Phone: (713) 782-7222

Fax: (713) 782-8676

E-Mail: [rogenecalvert@asianchamber-hou.org](mailto:rogenecalvert@asianchamber-hou.org)

Web: <http://www.asianchamber-hou.org/>

Association of Business Contractors, Houston  
3910 Kirby Drive, Suite 131  
Houston, TX 77098

Phone: (713) 523-6222

Fax: (713) 874-0747

E-Mail: [a.burk@abchouston.org](mailto:a.burk@abchouston.org) (Membership Coordinator)

Web: <http://www.abchouston.org/>

Hispanic Chamber of Commerce  
1801 Main Street, Suite 1075  
Houston, TX 77002

Phone: (713) 644-7070

Fax: (713) 644-7377

Web: <http://www.houstonhispanicchamber.com/>

For questions about membership, email: [jmancilla@houstonhispanicchamber.com](mailto:jmancilla@houstonhispanicchamber.com)

For questions about events, email: [mmadrid@houstonhispanicchamber.com](mailto:mmadrid@houstonhispanicchamber.com)

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Houston Citizens Chamber of Commerce

2808 Wheeler Street

Houston, TX 77004-5351

Phone: (713) 522-9745

Fax: (713) 522-5965

Web: <http://www.hccoc.org>

For questions about membership, email [info@hccoc.org](mailto:info@hccoc.org)

For questions about events, email: [info@hccoc.org](mailto:info@hccoc.org)

National Association of Minority Contractors (NAMC Greater Houston)

3825 Dacoma Street

Houston, TX 77092

Phone: (713) 843-3791

Fax: (713) 843-3701

E-Mail: [egoodie@namc-houston.org](mailto:egoodie@namc-houston.org)

Web: <http://namc-houston.org/>

Tri-County Black Chamber of Commerce

P.O. Box 88376

Houston, TX 77288

Phone: (832) 875-3977

Fax: (713) 839-7329

E-Mail: [Info@tcbcc.net](mailto:Info@tcbcc.net)

Web: <http://tricountyblackchamber.org/>

National Association of Women in Construction, Houston Branch (#0003)

327 South Adams Street

Fort Worth, TX 76104-1002

Phone: (800) 552-3506 or (817) 877-5551

E-Mail: [membership@nawic.org](mailto:membership@nawic.org)

Web: <http://www.nawic-houston.com/>

SER – Jobs for Progress, Inc.

201 Broadway Street

Houston, TX 77012

Phone: (713) 773-6000 or 1 (866) 285-4003

E-Mail: [info@serhouston.org](mailto:info@serhouston.org).

Web: <http://www.serhouston.org/>

Women's Chamber of Commerce of Texas

P.O. Box 26051

Austin, TX 78755-0051

Phone: (713) 869-1144, Ext. 12

E-Mail: [houston@womenschambertexas.com](mailto:houston@womenschambertexas.com)

Web: <http://www.womenschambertexas.com>

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**SECTION 3 PLAN FORMAT FOR CONTRACTS  
AND SUBCONTRACTS OF \$100,000 AND OVER**

**POLICY**

The purpose of this format is to set forth procedures to assure compliance with Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u. Section requires that to the greatest extent feasible opportunities for training and employment be given lower income residents of the project area and contracts for work in connection with the project be awarded to business concerns that are located in or owned in substantial part by persons residing in the project.

**INSTRUCTIONS**

Contractor and Subcontractor shall fill out, sign and return to the City of Houston, Housing & Community Development Department, the following applicable forms at the times identified. All forms must be signed by a duly authorized member of the firm. If you have other pertinent information in addition to that requested on the forms, please include it as an attachment. Listed below are the forms which the Contractor must submit:

Section 3 Definitions	1	Initial Inquiry - Contractor
Section 3 Application	4	Initial Inquiry - HCDD
Section 3 Resident Certification	5	Upon Employment
Section 3 Business Certification	6	10 days after Notice of Intent to Award
Contractor Section 3 Compliance Certification	8	10 days after Notice of Intent to Award
First Source Hiring Agreement	9	10 days after Notice of Intent to Award
Contractor Workforce Analysis Form 1	11	10 days after Notice of Intent to Award
Subcontractor Workforce Analysis Form 2	12	10 days after Notice of Intent to Award
Section 3 Business Utilization Form 3	13	10 days after Notice of Intent to Award
Contractor Section 3 Compliance Form 4a	14	Monthly, after Start of Work
Subcontractor Section 3 Compliance Form 4b	15	Monthly, after Start of Work
Contractors Income Verification Form 5	16	To be Maintained in Contractors Records
HUD Income Limits	17	Section 3 Resident Certification
Low-Moderate Income Area Map	18	Section 3 Program Areas