Section 3 Package for CDBG Contractors

What is Section 3?

Your contract is being funded by Community Development Block Grant (CDBG) funds that the City receives through the U.S. Department of Housing and Urban Development (HUD). These funds are subject to Section 3 of the Housing and Urban Development Act of 1968, which aims to foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The provision requires that recipients of HUD funds, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or moderate-income residents in connection with projects and activities in their neighborhoods.
The enabling regulations for Section 3 can be found in 24 CFR Part 135.

Section 3 applies to CDBG-funded contracts and subcontracts in excess of $100,000 that are for:

1) housing construction and/or rehabilitation (including reduction and abatement of lead-based paint hazards);
2) construction-related job training;
3) public construction projects; or
4) professional and/or clerical services associated with CDBG funded construction and rehabilitation, such as architectural, engineering, administrative, and payroll services, etc.

Your Basic Responsibilities as a Section 3 Contractor

As a recipient of a contract for construction/rehabilitation-related work in excess of $100,000, you must:

1. Document the number of new employment opportunities and the number of construction and public works training positions generated by the CDBG funded project and whether those positions are filled by Section 3 residents.

Who are Section 3 residents?

In New York City, Section 3 residents are public housing residents or persons who live in the five boroughs and who have a household income that falls below HUD's income limits. Low- or moderate-income is defined as 80% of the area median income (AMI) or below. For New York City, the current income limits are as follows:

Household Size	Income Range
Household Size of 1	Total income equal to or less than $50.750
Household Size of 2	Total income equal to or less than $58,000
Household Size of 3	Total income equal to or less than $65,250
Household Size of 4	Total income equal to or less than $72,500
Household Size of 5	Total income equal to or less than $78,300
Household Size of 6	Total income equal to or less than $84,100
Household Size of 7	Total income equal to or less than $89,900
Household Size of 8	Total income equal to or less than $95,700

To document the income of your employees, you should utilize the "Employee Self-Affirmation Form" found later in this package. It is not mandatory that employees complete these forms. However, you should explain to your staff the importance of the form and that this information helps the City and your company document compliance with federal regulations.

2. Document the number of all Section 3 and non-Section 3 employees already on staff.

What is a Section 3 employee?
A Section 3 employee is either:
- An employee who is currently a Section 3 resident; or
- An employee who was hired within the past three years, was a Section 3 resident upon hire, but whose household income/housing status no longer qualifies him/her as a Section 3 resident. Employers may claim credit for these positions for three years after this individual's date of hire.

3. If you have a collective bargaining agreement with any labor organization or other group of workers, send them a notice advising them of your Section 3 requirements. The notice shall set forth the minimum number and job titles subject to hire, availability of apprenticeship and training positions, and the qualifications for each; the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin. You must also post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice.

4. Provide adequate notification to Section 3 residents about possible employment and training opportunities that result from the federally funded project. Methods of notifying residents include utilizing local media outlets, prominently displaying signs at the project sites, and/or notifying local community organizations.

5. Submit annual reports that summarize the number of Section 3 new hires, employees, and trainees for each year that your contract is open. A completed "Summary Report Form for Contractors and Subcontractors" (attached) should be returned to the City agency administering your contract by January 31st and must cover the preceding calendar year.

6. Maintain the Section 3 employment documentation in your files for a minimum of five years.

Further Responsibilities

Any subcontract in excess of $100,000 that you award as part of this project is also subject to the Section 3 requirements. Accordingly, you must also:

1. Report to the agency administering your contract the number, dollar value, and types of subcontracts awarded.

2. Report whether each subcontractor is a Section 3 Business Concern.

What is a Section 3 Business Concern?
A Section 3 Business Concern is a business that:
- Is 51% or more owned by Section 3 residents;
- Employs Section 3 residents for at least 30 percent of its full-time, permanent staff; or
- Provides evidence of a commitment to subcontract to Section 3 business concerns, 25% or more of the dollar amount of the awarded contract.

3. *To the greatest extent feasible,* pursue contracting opportunities with Section 3 business concerns, in the following order of priority:
   - **If work is being performed at a NYCHA site –**
     a. business concerns that are 51% or more owned by residents of the housing development at which the work is performed, or whose full-time, permanent workforce includes 30% of these persons as employees; or

b. business concerns that are 51% or more owned by residents of NYCHA's public housing development(s) other than the housing development where the work is to be performed; or whose full-time permanent workforce includes 30% of these persons as employees.

- **If work is NOT being performed at a NYCHA site,** prioritize awarding subcontracts to Section 3 Business Concerns.

Your compliance with these requirements is essential to the City meeting its federally-mandated Section 3 goals, which are, on a calendar year basis:

- 30% of all new hires on applicable projects will be Section 3 residents; *and*
- 10% of the total dollar amount of all contracts' building trades work will be with Section 3 Business Concerns; *and*
- 3% of the total dollar amount of all other applicable contracts per calendar year will be with Section 3 Business Concerns.

Your Section 3 information will be aggregated and reported to HUD on a citywide basis. HUD reviews the City's annual reports, investigates complaints, and reserves the right to monitor the performance of the City's contractors. In the event of a monitoring, HUD will examine employment and contract records for evidence of actions taken to train and employ Section 3 residents and to award contracts to Section 3 businesses. Specifically, HUD will review:

- Whether all contracts awarded by the HUD grantee contain the required Section 3 clause in all applicable contracts (exact language can be found in the "Section 3 Definitions" section);
- The number of Section 3 training opportunities coordinated by the HUD grantee;
- Whether 30% of all new hires by contractors were "Section 3 residents"; and
- Whether at least 10% of the total dollar amount of all contracts' building trades work and three percent (3%) of the total dollar amount of all other applicable contracts were awarded consistent with the requirements of being a "Section 3 Business."

Section 3 Complaint Policy

If you have a complaint about the City's Section 3 process, you can direct it to the agency overseeing your contract. However, complaints may also be directed to HUD's New York Office:

U.S. Dept. of Housing and Urban Development
Jacob K. Javits Federal Office Building
26 Federal Plaza, Room 3532 • New York, NY 10278-0068
(212) 542-7519 • TTY (212) 264-0927

A written complaint should contain the name and address of the person filing the complaint; name and address of subject of complaint (HUD recipient, contractor or subcontractor); a description of acts or omissions in alleged violation of Section 3; and a description of the corrective action sought. Complaints must be filed no later than 180 days from the date of the action or omission upon which the complaint is based.

Appendix - Section 3 Definitions

Business Concern: a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Contractor: any entity which contracts to perform work generated by the expenditure of Section 3 c overed assistance, or for work in connection with a Section 3 covered project.

Employment Opportunities Generated by Section 3 Covered Assistance: employment opportunities generated by the expenditure of Section 3 covered assistance (i.e., operating assistance, development assistance and modernization assistance, (as described in Section 135.3 (a) (1)). With respect to Section 3 covered housing and community development assistance, this term means all employment opportunities arising in connection with Section 3 covered projects (as described in Section 135.3(a)(2)), including management and administrative jobs. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Low- or moderate-income person: a member of a household whose total annual income does not exceed 80% of the median income for the area. Single persons are considered a household of one.

New Hires: full-time employees for permanent, temporary or seasonal employment opportunities.

Section 3: Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 Business Concern: a business concern

1) That is 51 percent or more owned by Section 3 residents; or

2) 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; or

3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontractors to be awarded to business concerns that meet the qualifications set forth in paragraphs 1 or 2 above.

Section 3 Clause: The program's Appendix B document (which contains pertinent federal requirements and must be attached to all federally funded contracts) includes the following clause (referred to as the Section 3 Clause). Please note that, by signing a federally funded contract with the agency, you are agreeing to comply with the Section 3 requirements contained therein.

A. 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 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.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR Part 135, 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 Part 135 regulations.

C. The contractor agrees to send to each labor organization or representative or workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference,

shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR Part 135.

F. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Section 3 Covered Assistance: the use of $100,000 or more of federal funds for construction, public works, and job training (related to construction and/or public works).

Section 3 Covered Contracts: a contract or subcontract in excess of $100,000 (including a professional consulting contract) awarded by a recipient or contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project.

Section 3 Covered Projects: a project that is receiving federal funds in excess of $100,000.

Section 3 Employee: A Section 3 employee is either:

- An employee who is currently a Section 3 resident; or
- An employee who was hired within the past three years, was a Section 3 resident upon hire, but whose household income/housing status no longer qualifies him/her as a Section 3 resident. Employers may claim credit for these positions for three years after this individual's date of hire.

Section 3 Resident: a public housing resident or an individual who resides in the five boroughs and who is considered to be a low- or moderate-income person.

Subcontractor: any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of Section 3 covered assistance, or arising in connection with a Section 3 covered project.

THIS PAGE INTENTIONALLY LEFT BLANK

Employee Self-Affirmation Form
for Contractors and Subcontractors Subject to Section 3

This position is federally funded by monies which New York City receives each year through the U.S. Department of Housing and Urban Development (HUD). To comply with Section 3 of the Housing and Urban Development Act of 1968, HUD requires federally-funded projects to collect residency and income information for persons involved with construction-related contracts of $100,000 or more. **Your response is voluntary, confidential, and has no effect on your employment.** However, the information on the form will help the City maintain the federal funds that support your position.

1. Do you wish to provide information to the City?: ☐ **YES*** ☐ **NO**
   ** If you answer YES, please fill out the form below.*

2. Are you a resident of the five boroughs?: ☐ **YES** ☐ **NO****
   ***** If you answer NO, you do not have to complete the remainder of this form.***

3. If YES, are you a resident of NYCHA public housing facilities?: ☐ **YES** ☐ **NO**

4. Please review the chart below. Find the number of persons in your household and then **check the box** that contains the income range you believe your **household** earns on an annual basis. Income is defined as the total annual income of all family and non-family members 18+ years old living within the household. All sources of income must be counted from all persons in the household.

Please check your Income Range based on your household size (for example if there are 5 people in your household, go to HH of 5; if there are 8 or more in your household go to HH of 8):

HH of 1:	☐ $0 - $50,750	☐ $50,751+
HH of 2:	☐ $0 - $58,000	☐ $58,001+
HH of 3:	☐ $0 - $65,250	☐ $65,251+
HH of 4:	☐ $0 - $72,500	☐ $72,501+
HH of 5:	☐ $0 - $78,300	☐ $78,301+
HH of 6:	☐ $0 - $84,100	☐ $84,101+
HH of 7:	☐ $0 - $89,900	☐ $89,901+
HH of 8:	☐ $0 - $95,700	☐ $95,701+

5. Please check the box that most accurately describes your job classification.

☐ Professional	☐ Technician
☐ Office and Clerical	☐ Official / Manager
☐ Sales	☐ Craft Worker (skilled)
☐ Operative (semiskilled)	☐ Laborer (unskilled)
☐ Service Worker	☐ Other: _____

I affirm that the above statements are true, complete, and correct to the best of my knowledge and belief.

Signature _____ Date _____

Print Name _____ Date Hired _____

EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS.

THIS PAGE INTENTIONALLY LEFT BLANK

Section 3 Summary Report Form for Contractors and Subcontractors

Your contract is funded either in whole or in part by federal monies, which is provided to the City through the U.S. Department of Housing and Urban Development (HUD). HUD requires the City to collect work staff information on every contractor, subcontractor, etc. that receives a federally-funded, construction-related contract in excess of $100,000, to ensure the City's compliance with Section 3 of the U.S. Housing & Urban Development Act of 1968. Section 3 requires recipients of HUD financial assistance to provide training, employment and contracting opportunities to Section 3 residents and businesses to the greatest extent feasible, consistent with existing federal, state, and local laws and regulations.

These forms must be c ompleted by all firms working on a Section 3-covered project whose contract amount exceeds $100,000, even if the firm is not a "Section 3 Business."

You must complete these forms for each year that your contract is open. **The forms must be submitted to your funding agency by January 31st and cover the preceding calendar year.** If you subcontracted with another firm in excess of $100,000 as part of this project, please forward the subcontractor a separate copy of this form and have them complete Parts II-V.

PART I: CONTRACTOR INFORMATION
Complete this section if you are the prime contractor on a federally-funded project.

City Agency Overseeing Contract: NYC Department of Housing Preservation & Development

Project Name: _____

Project Site: _____

Name of Firm: _____

Street Address: _____

City: _____ State: NY Zip Code: _____

Report Period: _____

Contract Amount: _____

Date Submitted: _____

PART II: SUBCONTRACTOR INFORMATION
Complete this section if you are a subcontractor on a federally-funded project.

Name of Firm: _____

Street Address: _____

City: _____ State: NY Zip Code: _____

Firm Overseeing Subcontract: _____

Subcontract Amount: _____

Date Submitted: _____

Section 3 Summary Report Form for Contractors and Subcontractors

Part III: Employment and Training Opportunities

1. Did your firm hire or train any new individuals in connection with any federally funded construction projects within the past calendar year?

☐ YES ☐ NO

2. Please complete the chart below.

Job Category	TOTAL Number of New Hires[1]	Number of New Hires That Are Section 3 Residents[2]	TOTAL Number of Employees and Trainees[3]	Number of Section 3 Employees and Trainees[4]
Professionals				
Technicians				
Office and Clerical				
Officials and Managers				
Sales				
Craft Workers (skilled)				
Operatives (semiskilled)				
Laborers (unskilled)				
Service Workers				
Other (List below)				
Total	0	0	0	0

[1] Enter the number of new hires for each category of worker in connection with this award. **New Hire** refers to a person who was hired in connection with the Section 3-covered project and was hired during the period covered by this report.

[2] Enter the number of Section 3 new hires for each category of workers identified in Column A in connection with this award. **Section 3 new hire** refers to a person from a low- and moderate-income household who was hired in connection with the Section 3-covered project and was hired during the period covered by this report.

[3] Enter the total number of all federally funded employees and trainees on the staff that work in connection with this award.

[4] Enter the number of all Section 3 Residents (including new hires) on the staff that work in connection with this award.

3. Did your firm hire any subcontractors in connection with this award?

☐ YES ☐ NO

4. If yes, was the value of any of these subcontracts in excess of $100,000?

☐ YES* ☐ NO

*If you answered yes, please forward each subcontractor a separate copy of this form and have them complete Parts II-V.

Section 3 Summary Report Form for Contractors and Subcontractors

Part IV: Summary of Efforts

1. Did your firm recruit low- or moderate-income residents through local advertising media; signs prominently displayed at the project sites; contacts with community organizations, and/or private or public agencies operating within the five boroughs?

☐ **YES** ☐ **NO**

2 Did your firm participate in a program that promotes the training or employment of Section 3 residents?

☐ **YES** ☐ **NO**

3. Did your firm participate in a HUD program or other program that promotes the awards of contracts to business concerns which meet the definition of Section 3 business concerns?

☐ **YES** ☐ **NO**

4. If you answered "Yes" to any of the previous questions, please describe your efforts in the space below.

Part V: Signature

I affirm that the statements contained in this report are true, complete, and correct to the best of my knowledge and belief.

_____
Signature of Authorized Representative of Contractor / Subcontractor

_____
Print Name:

_____
Title

_____
Date

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION 3
BUSINESS CERTIFICATION PACKET

Your contract is funded either in whole or in part by federal funds provided through the United States Department of Housing and Urban Development (HUD). HUD requires the City to collect work staff information on every developer, contractor, subcontractor, etc. that receives a federally-funded, construction-related contract in excess of $100,000, to ensure the City's compliance with Section 3 of the U.S. Housing & Urban Development Act of 1968. Section 3 requires recipients of HUD financial assistance to provide training, employment and contracting opportunities to Section 3 residents and businesses to the greatest extent feasible, consistent with existing federal, state, and local laws and regulations.

You can utilize this form to pre-certify that you are a Section 3 business concern during the RFP process or after being awarded a federally-funded contract.

Company: _____

Street Address: _____

City: _____ State: NY Zip Code: _____

City Agency Overseeing Contract: NYC Department of Housing Preservation & Development

Please answer the following questions:

1. Is your company currently certified as a Section 3 business by the New York City Housing Authority (NYCHA)?

   ☐ YES ☐ NO

2. Is your business owned (51% or more) by residents of New York City Housing Authority (NYCHA)?

   ☐ YES ☐ NO

3. Is your business owned (51% or more) by individuals whose household incomes are BELOW 80% of Area Median Income (AMI)? *See chart below.*

   ☐ YES ☐ NO

# of People in Household	Gross Income Is No Greater Than 80% AMI
1	$50,750
2	$58,000
3	$65,250
4	$72,500
5	$78,300
6	$84,100
7	$89,900
8	$95,700

4. Do 30% (or more) of your full time, permanent employees have household incomes that are BELOW 80% of Area Median Income (AMI)? *See chart above.*

   ☐ YES ☐ NO

SECTION 3
BUSINESS CERTIFICATION PACKET

5. Are 30% (or more) of your full-time, permanent employees residents of New York City Housing Authority (NYCHA)?

☐ YES ☐ NO

6. Will you sub-contract more than 25% of this contract with any business that has any of the characteristics noted in the Questions 1, 2, 3, 4 or 5?

☐ YES ☐ NO

If you plan to subcontract for any of the work on this project, please complete the chart below for each subcontracting firm and return the form to the funding City agency.

Subcontractor Name	**Address**	**Type of Contract** *(i.e. specified building trade, professional services, etc.)*	**Amount of Subcontract**	**Is this business a Section 3 business?***
			$	☐ YES
			$	☐ YES
			$	☐ YES
			$	☐ YES
			$	☐ YES
			$	☐ YES
			$	☐ YES
			$	☐ YES
			$	☐ YES

**If YES, a Section 3 Business Questionnaire should be completed by the business and must be attached.*

I certify that the above statements are true, complete, and correct to the best of my knowledge and belief.

Signature: _____

Print Name: _____

Title: _____

Date: _____

COPY THIS FORM AS NEEDED