**EXHIBIT 8-7:**

**Sample Section 3 Plan**

**About this Tool —**

**Description:** This tool is designed to help grantees and their subrecipients, contractors, and subcontractors comply with the Section 3 requirements and achieve the Section 3 goals. It is intended to be a sample plan to guide grantees through implementation of the Section 3 requirements. While the final rule does not require recipients to have Section 3 plans or policies, HUD views having them as a best practice that will aid recipients in complying with Section 3 requirements and achieving Section 3 goals. This Section 3 Plan can serve as a guide for ensuring that the Section 3 requirements are properly implemented.

 **How to Adapt this Document:** This document is intended to be used as a reference tool to guide grantees through the Section 3 planning process for program implementation. It includes processes and procedures that grantees can adopt and utilize to achieve Section 3 compliance and to meet the Section 3 goals. Grantees are encouraged to adapt the suggestions to fit the resources within their individual communities and to meet the needs of their respective programs.

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Section 3
Plan

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| Version Number | Date Updated | Summary of Changes |  |
| 1.0 | [date] | Initial Draft |  |
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# Overview of Section 3 Requirements

## A. WHAT IS SECTION 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) that is regulated by the provisions of 24 CFR 75. Section 3 regulations ensure that employment and other 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, 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.

## B. PURPOSE OF THIS DOCUMENT

This plan outlines how \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (henceforth referred to as “grantee” in this document ) and its subrecipients, contractors, and subcontractors will comply with HUD’s Section 3 requirements in implementing the grantee’s CDBG / HUD-funded programs. Grantee will, to the greatest extent feasible, ensure that employment and other economic opportunities are directed to low- and very low-income persons (Section 3 workers and Targeted Section 3 workers) and to eligible businesses (Section 3 Businesses) and requires the same of its contractors.

Grantee may amend its Section 3 Policies and Procedures document as necessary to ensure continued compliance with HUD’s requirements and/or to reflect updated Section 3 guidance and outreach strategies.

## C. APPLICABILITY

For public housing financial assistance, all funding is covered, regardless of the amount of expenditure or size of a contract. This plan applies to development assistance, operating funds, capital funds, and all mixed-finance development.

For housing and community development financial assistance, this plan applies to housing rehabilitation, housing construction, and other public construction projects that exceed $200,000 or more of housing and community development financial assistance from one or more HUD programs. Applicability is determined at the project level.

For projects funded with Lead and Hazard Control and Healthy Homes Programs, this plan applies to projects that exceed $100,000.

This plan also applies to projects that include multiple funding sources. Multiple funding source projects include projects that include public housing financial assistance, housing and community development financial assistance for single or multiple recipients, and the Lead Hazard Control and Healthy Homes Program.

Section 3 requirements **do not** apply to: 1) Material Supply Contracts - § 75.3(b), 2) Indian and Tribal Preferences - § 75.3(c), and 3) Other HUD assistance and other Federal assistance not subject to Section 3 §75.3 (d). However, for financial assistance that is not subject to Section 3, recipients are encouraged to consider ways to support the purpose of Section 3.

# Section 3 Coordinator

The Grantee’s Section 3 Coordinator serves as the central point of contact for Section 3 compliance for the grantee, subrecipients, contractors and subcontractors supporting the program. The Grantee will designate an individual as the Section 3 Coordinator; and subrecipients, contractors, subcontractors and others will be encouraged to reach out to that individual with any questions or requests for guidance regarding Section 3 compliance.

The Section 3 Coordinator designated by the grantee will be:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [Section 3 Coordinator Name]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [Section 3 Coordinator Title]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [Section 3 Coordinator Email]

# Employment, Training, and Contracting Goals

## A. SAFE HARBOR COMPLIANCE

Grantee will be considered to have complied with the Section 3 requirements and met safe harbor, if they certify that they followed the required prioritization of effort and met or exceeded the Section 3 benchmarks, absent evidence of the contrary.

Prior to the beginning of work, contractors and subcontractors will be required to certify that they will follow the required prioritization of effort for Section 3 workers, Targeted Section 3 workers, and Section 3 business concerns as outlined below in [section C](#_C._CERTIFICATION_OF). After completion of the project, on the Section 3 Cumulative Report, contractors and subcontractors will be required to certify that they followed the prioritization of effort requirements.

If the contractor and subcontractor does not meet the safe harbor requirements, they must provide evidence that they have made qualitative efforts to assist low and very low-income persons with employment and training opportunities.

## B. SAFE HARBOR BENCHMARKS

Grantee has established employment and training goals that subrecipients, contractors, and subcontractors should meet in order to comply with Section 3 requirements outlined in 24 CFR Part 75.9 and 24 CFR Part 75.19. The safe harbor benchmark goals are as follows:

1. Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers;

Section 3 Labor Hours / Total Labor Hours = 25%

And

1. Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers, as defined at 24 CFR Part 75.21.

Targeted Section 3 Labor Hours / Total Labor Hours = 5%

HUD establishes and updates Section 3 benchmarks for Section 3 workers and/or Targeted Section 3 workers through a document published in the Federal Register, not less frequently than once every 3 years. Given that the Section 3 benchmarks are subject to change every three years or sooner, grantee will review and update this Section 3 Plan every \_\_\_\_\_\_\_\_ years/months, as needed.

It is the responsibility of contractors to implement efforts to achieve Section 3 compliance. Any contractor that does not meet the Section 3 benchmarks must demonstrate why meeting the benchmarks were not feasible. All contractors submitting bids or proposals to the grantee are required to certify that they will comply with the requirements of Section 3.

## C. CERTIFICATION OF PRIORITIZATION OF EFFORT FOR EMPLOYMENT, TRAINING, AND CONTRACTING

##### EMPLOYMENT AND TRAINING

Under the grantee’s Section 3 Program, contractors and subcontractors should make best efforts to provide employment and training opportunities to Section 3 workers within the metropolitan area (or nonmetropolitan parish) in which the project is located in the priority order listed below:

1. Section 3 workers residing within the service area or the neighborhood of the project, and
2. Participants in YouthBuild programs.

Contractors and subcontractors will be required to certify that they will and have made best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

##### CONTRACTING

Under the grantee’s Section 3 Program, contractors and subcontractors must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan parish) in which assistance is located in the following order of priority (*where feasible*):

* 1. Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project; and
	2. YouthBuild programs.

Contractors and subcontractors will be required to certify that they will and have made best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

# Section 3 Eligibility and Certifications

Individuals and businesses that meet Section 3 criteria may seek Section 3 preference from the grantee or its contractors/subcontractors for training, employment, or contracting opportunities generated by the grantee’s CDBG / HUD-funded programs. To qualify as a Section 3 Worker, Targeted Section 3 Worker or a Section 3 Business Concern, each must self-certify that they meet the applicable criteria.

Businesses who misrepresent themselves as Section 3 Business Concerns and report false information to the grantee may have their contracts terminated as default and be barred from ongoing and future considerations for contracting opportunities.

## A. SECTION 3 WORKER AND TARGETED SECTION 3 WORKER CERTIFICATION

A Section 3 Worker seeking certification shall submit self-certification documentation to the recipient contractor or subcontractor, that the person is a Section 3 Worker or Targeted Section 3 Worker as defined in 24 CFR Part 75. **For the purposes of Section 3 Worker eligibility, grantee will use individual income rather than family/household income to determine eligibility**. The income limits will be determined annually using the guidelines published by HUD at the following web address:

<https://www.huduser.org/portal/datasets/il.html>.

Persons seeking the **Section 3 Worker** preference shall demonstrate that he/she meets one or more of the following criteria currently or when hired within the past five years, as documented:

1. A low or very low-income resident (the worker’s income for the previous or annualized calendar year is below the income limit established by HUD); or
2. Employed by a Section 3 Business Concern; or
3. A YouthBuild Participant.

Persons seeking the **Targeted Section 3 Worker** preference shall demonstrate that it meets one or more of the following criteria:

1. Employed by a Section 3 business concern; or
2. Currently meets—or when hired met—at least one of the following categories as documented within the past five years:
	1. Living within the Service Area or the Neighborhood of the Project, as defined in 24 CFR Part 75.5; or
	2. A YouthBuild participant.

Section 3 Workers and Targeted Section 3 Workers who are seeking preference in training and employment shall certify or demonstrate to grantee, contractors, or subcontractors that they meet the definitions provided above. Section 3 Workers and Targeted Section 3 Workers may demonstrate eligibility by submitting the respective Certification Forms provided.

##### PROJECTS INVOLVING MULTIPLE SOURCES OF FUNDING

In cases where Section 3 Covered Activities include multiple sources of funds, including Public Housing Financial Assistance and housing and community development assistance, the Public Housing Agency (PHA) must follow the definition of Targeted Section 3 Worker and priorities as outlined in subpart B of Part 75. For housing and community development financial assistance, the grantee may follow either subpart B or subpart C of Part 75.

In cases in which Section 3 Covered Activities include multiple housing and development funding sources from single or multiple recipients, the grantee will follow subpart C of Part 75.

## B. SECTION 3 BUSINESS CONCERN CERTIFICATION

The grantee will encourage contractors and subcontractors to make best efforts to award contracts and subcontracts to Section 3 Business Concerns.

Businesses that believe they meet the Section 3 Business Concern requirements can self-register in the HUD Business registry located here: [http://www.hud.gov/Sec3Biz](http://portal.hud.gov/hudportal/HUD?src=/section3businessregistry). Businesses may seek Section 3 Business Concern preference by demonstrating that it meets one or more of the following criteria:

1. At least 51 percent of the business is owned and controlled by low- or very low-income persons; or
2. At least 51 percent of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing; or
3. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers.

Businesses that seek Section 3 preference shall certify, or demonstrate to grantee, contractors or subcontractors, that they meet the definitions provided in the above. Businesses may demonstrate eligibility by submitting the provided Section 3 Business Concern Certification Form.

Section 3 Business Concern Certification Forms must be submitted at the time of bid/proposal. If the grantee previously approved the business concern to be Section 3 certified, then the certification can be submitted along with the bid, as long as the form is submitted within the prescribed expiration date. The Section 3 Business Concern Certification Form will expire after \_\_\_\_\_\_ months. Establishing a \_\_\_\_\_-month certification of eligibility period allows the grantee the ability to assess contractor performance to ensure that the business is striving to meet the required goals.

# Assisting Contractors with Achieving Section 3 Goals

In an effort to assist contractors with meeting or exceeding the Section 3 goals, the grantee will carry out the following:

1. Share Section 3 Plan with contractors and subcontractors and explain policies and procedures
2. Encourage contractors wishing to submit a bid/offer/proposal to attend pre-bid meeting, at which Section 3 requirements and goals are covered
3. Review Section 3 benchmarks and prioritization of effort with contractors and subcontractors to ensure that the goals are understood. It is not intended for contractors and subcontractors to terminate existing employees, but to make every effort feasible to meet Section 3 benchmark goals by utilizing existing qualified workforce and by considering qualified eligible Section 3 Workers and Targeted Section 3 Workers (per the prioritization of effort outlined in Section #3) before any other person, when hiring additional employees is needed to complete proposed work to be performed with grantee’s CDBG / HUD-funded programs.
4. At the time of bid, require the contractor to present a list, of the number of total labor hours, Section 3 Worker labor hours, and Targeted Section 3 Worker labor hours expected to be generated from the initial contract and a list of projected number of available positions—to include job descriptions and wage rates.
5. Maintain a local Section 3 Worker / Targeted Section 3 Worker database and provide the contractor with a list of interested and qualified Section 3 Workers and Targeted Section 3 Workers and contact information.
6. Inform contractors about the HUD Section 3 Opportunity Portal:

 <https://hudapps.hud.gov/OpportunityPortal/>

1. Require contractors to notify the Section 3 Coordinator of their interests regarding employment of Section 3 Workers prior to hiring.
2. Encourage local businesses to register on the HUD Business Registry; and direct contractors to the HUD Section 3 Business Registry: <https://www.hud.gov/Section3BusinessRegistry>
3. Leverage the grantee’s communication outlets (social media, website, etc.) to effectively communicate employment and contracting opportunities that arise.
4. Require contractors to submit a list of core employees (including administrative, clerical, planning and other positions pertinent to the construction trades) at the time of contact award.

# Section 3 Outreach

## OUTREACH EFFORTS FOR EMPLOYMENT AND TRAINING

In order to educate and inform workers and contractors, grantee’s Section 3 Coordinator will be prepared to provide training and Technical Assistance (TA) on a regular basis per program guidelines. When training opportunities are available, contractors and subcontractors should, to the greatest extent feasible:

1. Notify the Section 3 Coordinator when training opportunities are available;
2. Provide information/handouts about Section 3 training opportunities to potential Section 3 Workers and Targeted Section 3 Workers; and
3. Conduct an annual training for Section 3 Workers and Section 3 Business Concerns

Contractors and subcontractors should employ several active strategies to notify Section 3 Workers and Targeted Section 3 Workers of Section 3 job opportunities, including:

1. Clearly indicating Section 3 eligibility on all job postings with the following statement: “*This job is a Section 3 eligible job opportunity. We encourage applications from individuals that are low income and/or live in Public Housing and/or receive a Section 8 voucher*”;
2. Including the Section 3 Worker and Targeted Section 3 Worker Self-Certification Form in all job postings;
3. Working with the Section 3 Coordinator to connect Section 3 Worker and Targeted Section 3 Workers in the grantee database with opportunities and/or utilize the Section 3 Opportunity Portal to find qualified candidates;
4. Establishing a current list of Section 3 eligible applicants;
5. Contacting local community organizations and provide them with job postings for Section 3 eligible applicants; and
6. Coordinating a programmatic ad campaign, which results in widespread job posting across diverse ad networks including:
	1. Advertising job opportunities via social media;
	2. Advertising job opportunities via flyer distributions, mass mailings, and posting ads in common areas of housing developments and all public housing management offices;
	3. Contacting resident councils, resident management corporations, and neighborhood community organizations to request their assistance in notifying residents of available training and employment opportunities

## OUTREACH EFFORTS FOR CONTRACTING

When contracting opportunities arise in connection with CDBG / HUD-funded programs, the grantee will employ the following strategies to notify Section 3 Business Concerns of Section 3 contracting opportunities, including but not limited to:

1. Adding Section 3 language to all RFPs, procurement documents, bid offerings and contracts.
2. Coordinating pre-bid meetings when necessary to inform Section 3 Business Concerns of upcoming contracting opportunities. The Section 3 Coordinator will participate in these meetings to explain and answer questions related to Section 3 policy.
3. Advertising contracting opportunities in local community papers and notices that provide general information about the work to be contracted and where to obtain additional information.
4. Providing written notice of contracting opportunities to all known Section 3 Business Concerns. The written notice will be provided in sufficient time to enable business concerns the opportunity to respond to bid invitations.
5. Coordinating with the prime contractor to publicize contracting opportunities for small businesses.
6. Coordinating with grantee’s Business/Economic Development Department and all other business assistance agencies and contractor associations to inform them of contracting opportunities and request their assistance in identifying Section 3 Business Concerns. Could also include local community development organizations, business development agencies (Chamber of Commerce), and minority contracting associations
7. Connecting Section 3 Business Concerns with resources to support business development to assist in obtaining contracting opportunities (e.g., bonding and insurance assistance, etc.). Contractors will also be encouraged to collaborate with the grantee as subcontract opportunities arise in an effort to notify any eligible Section 3 Business Concerns about the contracting opportunities.

# Section 3 Contracting Policy and Procedure

Grantee will incorporate Section 3 into its existing Procurement policies and procedures and consider adopting a Section 3 Contracting Policy/Procedure to be included in all procurements generated for use with HUD funding. If adopted, the policy/procedure should include requirements for making efforts to award contracts to Section 3 Business Concerns.

All contractors/businesses seeking Section 3 preference must—before submitting bids/proposals to the grantee—be required to complete certifications, as appropriate. Such certifications shall be adequately supported with appropriate documentation as referenced in the Section 3 Business Concern Certification Form.

# Section 3 Provisions / Contract Language

Grantee will include standard Section 3 language in all of its contracts and agreements with subrecipients, contractors, and subcontractors to ensure compliance with the regulations in 24 CFR Part 75. Grantee will take appropriate actions upon finding that a contractor is in violation of 24 CFR Part 75; and will not knowingly contract with any contractor that has been found to be in violation of the Section 3 regulations. On a periodic basis, the Section 3 Coordinator will audit the grantee’s contractors for compliance with the minimum Section 3 requirements outlined in this Section 3 Plan.

In addition, contractors and subrecipients are required to include language in all Section 3 Covered contracts and agreements to meet the requirements of 24 CFR Part 75.9 and 24 CFR Part 75.19. For businesses, noncompliance with HUD’s regulations in 24 CFR part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

# Reporting Requirements

For Section 3 Covered contracts, contractors are required to submit the Section 3 Performance and Summary Report to the grantee’s Section 3 Coordinator on a monthly basis; and the annual reporting requirement set forth in that form’s instructions.

## MONTHLY REPORTING

1. Contractors are required to submit monthly activity reports to grantee’s Section 3 Coordinator [Coordinator’s email address] by the [number] day of each month.

## ANNUAL REPORTING

1. Once a project is completed, contractors must submit a final Section 3 cumulative report for the program year.
2. Upon the completion of a project, grantee’s Section 3 Coordinator will conduct a final review of the project’s overall performance and compliance.
3. Grantee’s Section 3 Coordinator will submit the Section 3 data to HUD.

## REPORTING ON PROJECTS WITH MULTIPLE FUNDING SOURCES

1. For Section 3 Covered Activities that include public housing financial assistance and housing and community development financial assistance, the grantee(s) will report on the project as a whole and will identify the multiple associated recipients.
2. For Section 3 Covered Activities assisted with funding from multiple sources of housing and community development assistance that exceed the thresholds of $200,000 and $100,000 for Lead Hazard Control and Healthy Homes Programs (LHCHH), the grantee will follow subpart C of Part 75 and will report to the applicable HUD program office, as prescribed by HUD. *Note*: LHCHH assistance is not included in calculating whether the assistance exceeds the $200,000 threshold. HUD public housing financial assistance and HUD housing and community development financial assistance is not included in calculating whether the assistance exceeds the LHCHH $100,000 threshold.

# Internal Section 3 Complaint Procedure

In an effort to resolve complaints generated due to non-compliance through an internal process, the grantee encourages submittal of such complaints to its Section 3 Coordinator as follows:

1. Complaints of non-compliance should be filed in writing and must contain the name of the complainant and brief description of the alleged violation of 24 CFR Part 75.
2. Complaints must be filed within \_\_\_\_\_\_ (\_\_\_) calendar days after the complainant becomes aware of the alleged violation.
3. An investigation will be conducted if complaint is found to be valid. The grantee will conduct an informal, but thorough investigation affording all interested parties, if any, an opportunity to submit testimony and/or evidence pertinent to the complaint.
4. The grantee will provide written documentation detailing the findings of the investigation. The grantee will review the findings for accuracy and completeness before it is released to complainants. The findings will be made available no later than \_\_\_\_\_\_\_\_ (\_\_\_\_) days after the filing of complaint. If complainants wish to have their concerns considered outside of the grantee, a complaint may be filed with the HUD program office responsible for the Section 3 Covered Activity, or to the local HUD field office. These offices can be found through the HUD website, [www.hud.gov/](https://www.hud.gov/).

Complainants may be eligible to bring complaints under other federal laws. The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person’s race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information (medical history or predisposition to disease). For more information about complainant rights, please contact EEOC at: [www.EEOC.gov](http://www.EEOC.gov).

The Department of Labor Office of Federal Contract Compliance Programs (OFCCP) enforces, for the benefit of job seekers and wage earners, the contractual promise of affirmative action and equal employment opportunity required of those who do business with the Federal government. More information about the services they provide can be obtained at: <http://www.dol.gov/ofccp/>.

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[Grantee Representative Name]

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[Grantee Representative Title]

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[Grantee Representative Signature] [Date]

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