

SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

OFFICE OF
MANAGEMENT
AND BUDGET



Brief introduction of the act.

Section 3 of the Housing and Urban Development (HUD) Act of 1968 is a provision designed to ensure that employment, training, and contracting opportunities generated by certain HUD financial assistance be directed to primarily benefit **low- and very low-income persons** (Low- and Moderate-Income Persons or “LMI”), particularly those who are recipients of government assistance for housing.

Section 3 aims to ensure that job opportunities created by HUD-assisted projects are accessible to low- and very-low-income individuals and to enable contract awards to businesses that substantially employ low- and very-low-income persons. The reason being is to achieve a twofold benefit out of HUD financial assistance: **Development of public housing or community projects while capitalizing the funds for job creation to LMI individuals.** Thus, the primary beneficiaries of Section 3 are public housing residents and other low- and very low-income individuals in the area where the HUD-funded project is taking place.

WHO is the act applicable to?

This Act applies to any of the following managing HUD funds:

- Grantee
- Recipient
- Subrecipient

Some of the requirements to comply with Section 3 regulations include reporting and record-keeping, to demonstrate their efforts in providing economic opportunities to low-income individuals.

WHEN is the act applicable?

Section 3 applies whenever a **Recipient or Subrecipient of HUD funds is procuring, or considering acquiring, construction development services.** For example, in procurement processes HUD Recipients/Subrecipients must assure to include in their Request for Proposals Section 3 compliance requirements.



Section 3 requires that HUD funds Grantees, Recipients and Subrecipients:

1

Provide job training, employment, and contracting opportunities for low- or very low-income residents in connection with projects and activities in their neighborhoods.

2

Give preference in awarding contracts to businesses that provide economic opportunities to low- and very low-income people.

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How is the bill relevant for Governmental entities in Puerto Rico receiving federal funding?

Following hurricanes Irma and Maria, the Government of Puerto Rico received Community Development Block Grant- Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT) funds from HUD for the reconstruction and restoration of housing on the island. Thus, Recipients and Subrecipients of either CDBG-DR or CDBG-MIT funds must fulfill Section 3 requirements.

HOW is the act implemented?



Recipients or Subrecipients of HUD grants must submit quarterly reports ensuring the following:



Employment and training opportunities are distributed primarily among low-moderate income workers (LMI) and YouthBuild participants **within the area in which the project is located.**



Contracts for work in connection with housing or public construction are directed towards businesses that provide economic opportunities to LMI workers and YouthBuild participants **residing within the area in which the project is located.**

Certify the prioritization of efforts described above.



Meet applicable Section 3 benchmark percentages of LMI jobs:

- Section 3 requires that at least **25%** of the total number of labor hours worked by all workers employed with HUD funds be performed by Section 3 workers.
- Of the total labor hours worked by all workers, at least **5%** should be performed by "Targeted Section 3 workers." Targeted Section 3 workers include a) residents of public housing and Section 8-assisted housing, b) workers employed by Section 3 businesses, c) YouthBuild participants.

At a national level, Section 3 is overseen by the Secretary of Housing and Urban Development through regulations and administrative orders that federal agencies and Recipients of federal funds must fulfill. Congress, on its behalf, conducts a yearly review of implementation efforts by the Secretary to determine if enforcement has been appropriate.