# SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968



## 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 **HUD-assisted** projects 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:

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

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?

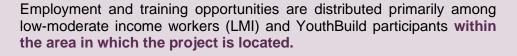
Following hurricanes Irma and Maria, the Government of Puerto Rico received Community Development Block Grant- Disaster Recovery (CDBG-DR) and Mitigation (CDBG-MIT) funds from HUD for the reconstruction and restoration of housing on the island. Thus, Recipients and Subrecipients of either CDBG-DR or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

#### **HOW** is the act implemented?



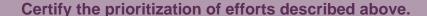
Recipients or Subrecipients of HUD grants must submit quarterly reports ensuring the following:







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.





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.