Understanding Section 3 of the Housing & Urban Development Act of 1968

§ 24 CFR 135- Economic Opportunities for Low-and Very Low-Income Persons

*1. What is Section 3?*

Section 3 is a provision of the Housing and Urban Development Act of 1968, which recognizes that HUD funds are

typically one of the largest sources of federal funding expended in communities through the form of grants, loans, entitlement allocations and other forms of financial assistance. Section 3 is intended to for work ensure that when employment or contracting opportunities are generated because a covered project or activity necessitates the employment of additional persons or the awarding of contracts, preference must be given to low- and very low-income persons or business concerns residing in the community where the project is located.

*2. What does the term "Section 3 resident" mean?*

A "section 3 resident" is:

a) A public housing resident; or

b) A low- or very low-income person residing in the Metropolitan area or Non-metropolitan County in which the

Section 3 covered assistance is expended.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ONE PRSN** | **TWO PRSN** | **THREE PRSN** | **FOUR PRSN** | **FIVE PRSN** | **SIX PRSN** | **SEVEN PRSN** | **EIGHT PRSN** | **NINE PRSN** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 80% |  |  |  |  |  |  |  |  |  |

**As of \_\_\_/ \_\_\_\_ /\_\_\_\_\_\_**

*3. What does the term Section 3 Business Concern mean?*

Section 3 business concerns are businesses that can provide evidence that they meet one of the following:

a) 51 percent or more owned by Section 3 residents; or

b) At Least 30 percent of its full time employees include persons that are currently Section 3 residents, or within

three years of the date of first employment with the business concern were Section 3 residents; or

c) Provides evidence, as required, 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 in the above two paragraphs.

*4. How does Section 3 differ from the Minority Business Enterprise/Women Business Enterprise programs?*

Section 3 is both race and gender neutral. The preferences provided under this regulation are based on income-level and location. The Section 3 regulations were designed to encourage recipients of *HVD* funding to direct new employment and contracting opportunities to low-income residents, and the businesses that employ these persons, within their community regardless of race and/or gender.

*5. Does preference to a Section 3 business mean that the business should be selected if it meets the technical requirements of the bid, regardless of bid price?*

No. As provided in 24 CFR 85.36(b) (8}, contract awards shall only be made to responsible contractors possessing the ability to perform under the terms and conditions of the proposed contract. The determination that a prospective

Contractor is responsible must include consideration of the firm’s compliance with technical and public policy requirements.

Preference to Section 3 business concerns means that a recipient’s or contractor's procurement procedures include methods to provide preference to Section 3 business concerns. Accordingly, if a Section 3 business concern is a responsible bidder, but their bid price is slightly higher than a non-Section 3 firm, the recipient agency can give preference to the Section 3 business in an effort to meet its numerical goals annually.

§ 24 CFR 135: Appendix to Part 135 II

This Section III provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the "contracting party") for implementing the section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).....

Procurement by sealed bids (Invitations for Bids): Preference in the award of section 3 covered contracts that are awarded under a sealed bid process may be provided as follows:

(i) Bids shall be solicited from all businesses (section 3 business concerns, and non-section 3 business concerns). An award

shall be made to the qualified section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid-

(A) Is within the maximum total contract price established in the contracting party's budget for the specific project for which bids are being taken, and

(B) Is not more than "X" higher than the total bid price of the lowest responsive bid from any responsible bidder. "X"

is determined as follows:

x=lesser of·

|  |  |
| --- | --- |
| When the lowest responsive bid is less than $100,000 | I 0% of that bid or $9 000 |
| When the lowest responsive bid is:  At least $100,000 but less than $200,000 | 9% of that bid, or $16,000 |
| At least $200,000, but less than $300,000 | 8% of that bid, or $21,000. |
| At least $300,000, but less than $400,000 | 7% of that bid, or $24,000. |
| At least $400 000, but less than $500,000 | 6% of that bid, or $25,000. |
| At least $500,000, but less than $1 million | 5% of that bid, or $40 000. |
| At least $1 million, but less than $2 million | 4% of that bid, or $60,000. |
| At least $2 million, but less than $4 million | 3% of that bid, or $80,000. |
| At least $4 million, but less than $7 million | 2% of that bid, or $105,000. |
| $7 million or more responsive bid, with no dollar limit | 1% of the lowest |

(ii) If no responsive bid by a section 3 business concern meets the requirements of paragraph (2) (i) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid........

*6. What are the responsibilities of contractors/subcontractors that receive Section 3 covered financial assistance?*

If the contractor/subcontractor has the need to hire new persons to complete the Section 3 covered contract or needs to subcontract portions of the work to another business, they are required to direct their newly created employment and/or subcontracting opportunities to Section 3 residents and business concerns. The same numerical goals apply to contractors and subcontractors (30°/o of new hires, 10% of construction contracts, and 3% of non-construction contracts). In addition, the contractor/subcontractor must notify the recipient agency about their efforts to comply with Section 3 and submit any required documentation.

7. *Are recipients and contractors required to provide Long- term employment opportunities, and not simply seasonal or temporary employment?*

Recipients and contractors are required, to the extent feasible, to direct all employment opportunities to Low- and very

Low-income persons- including seasonal and temporary employment opportunities.

*8. What if it appears that an entity is not complying with Section 3?*

Any Section 3 resident or Section 3 business (or authorized representative) seeking employment, training or contracting

opportunities generated by Section 3 covered assistance may file a complaint using form HUD 958.

*For more Information about Section 3, visit HUD's website, http://www.hud.gov/officeslflleolsection3/section3.cfm*

*Indiana Housing and Community Development Authority*

*Devyn Smith*

*Compliance Manager*

*317-232-7025*

[*devynsmith@ihcda.in.gov*](mailto:dina.batt5@indv.gov)

SECTION 3 RESIDENT CERTIFICATION FORM

To be completed by each Section 3 employee and/or business owner

Your cooperation in filling out this form is requested in order to whether your address and income qualifies as a Section 3 resident, employee or owner of a Section 3 business concern.

Employer:

Employee or Owner Printed Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Address of Household:.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

State of Indiana, City of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Metropolitan Statistical Area County of: Lake

Employee Hire date: or Business Start Date:

Public Housing Resident Y ( ) N ( ) Apartment Complex (if applicable).

Youth Build or Step Up participant Y ( ) N ( ) If yes,where? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Signature: Telephone:.

I understand that the information above may require verification with supported documentation.

I agree to provide all documents verifying this information, such as: W-4. current paycheck. unemployment statement, income tax

form or public housing lease.

I authorize my employer to release the information required to verify my status as a "Section 3 Resident". I certify that the above statements are true, complete, and correct to the best of my knowledge and belief.

Please be aware that there is a penalty for falsifying any information provided on these forms.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

\*Step 1: Circle the Number of Persons in your Household in the table below.

•step 2:Circle your *current* Household Income Range from all sources under the number you circled in Step1

\*(Incomes are at least but not more than the amount in the column directly under the household number circled)

\*Step 3:Circle the appropriate job category from the four choices below:

1: Business Owner/Professional 2: Technicians

Office/Clerical 4· Construction {If Construction Ispecify trade)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ONE PRSN** | **TWO PRSN** | **THREE PRSN** | **FOUR PRSN** | **FIVE PRSN** | **SIX PRSN** | **SEVEN PRSN** | **EIGHT PRSN** | **NINE PRSN** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 80% |  |  |  |  |  |  |  |  |  |

**As of \_\_\_\_/ \_\_\_\_/\_\_\_\_**

IF APPLICABLE PLEASE RETURN THIS FORM WITH HUD SECTION 3 BUSINESS CERTIFICATION FORM TO: Devyn Smith

Indiana Housing & Community Development Authority

30 S Meridian Street, Suite 1000

Indianapolis, IN 46204

devynsmith@ihcda.in.gov

Form 1 Section 3 Business Certification Form

Business Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Business Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

City: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ State: \_ Zip\_\_\_\_\_\_\_

Phone: \_ Fax: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

List of Business Trade or Services:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Federal ID or SS#:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Email: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

For Profit: ( ) Non-Profit : ( ) License# (if applicable) :\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

This business is 51% or more owned by \*Section 3 residents -complete Form 1 & 2 Attach Form 5 for each

Owner

This business's permanent, full-time employees include persons, at least 30 percent of whom are currently \*Section 3 residents, or were Section 3 eligible residents within three years of date of first

employment with the business; - Complete Form 1 & 4 Attach Form 5 for each employee

This business has provided evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded, to Section 3 businesses that meet the ownership or employment qualifications; - Complete & Attach Forms (1 & 3) Provide forms to each subcontractor)

This business does not qualify as a Section 3 business. - Please return Form 1

\* A Section 3 resident is defined to mean family (including single persons) that resides within the • Metropolitan Statistical Area (MSA) • (See Form 5), with income that does not exceed 80 percent of the median family income for the area, as determined by HUD, with adjustments for smaller and larger families. (Chart below)

I THE UNDERSIGNED, ON BEHALF OF THE COMPANY NAMED ABOVE AM AUTHORIZED, AND HEREBY CERTIFY THAT ALL OF THE INFROMATION IHAVE PROVIDED IS TRUE TO THE BEST OF MY KNOWLEDGE.

Print Name & Title:

Signature:

\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ONE PRSN** | **TWO PRSN** | **THREE PRSN** | **FOUR PRSN** | **FIVE PRSN** | **SIX PRSN** | **SEVEN PRSN** | **EIGHT PRSN** | **NINE PRSN** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 80% |  |  |  |  |  |  |  |  |  |

**As of** \_\_\_\_/\_\_\_\_\_\_/\_\_\_\_\_

PLEASE RETURN APPLICATION TO: Devyn Smith | Indiana Housing & Community Development Authority

30 S Meridian Street Suite 1000 Indianapolis, IN 462404 **|** (317) 317-232- 7025 | (fax) 317-232-7778 | devynsmith@ihcda.in.gov

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

FOR OFFICIAL USE ONLY: Date Application Received: \_\_\_\_\_\_\_\_\_ Initial Review By \_\_\_\_\_\_\_Date: \_\_\_\_\_\_\_\_\_\_\_

Final Review & Certification by:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_

Application for Certification as a HUD Section 3 Resident Owned Business

Concern

HUD Section 3 Resident Owned Business Concern Certification

Business Name

Identify all of the categories of services that your company provides:

Category Name or List of Services:

Business Concern Certification

To become certified as a Section 3 Business Concern -51% or more of the business owners are section 3 residents: List each business owner below and complete a "Section 3 Resident": Form 5 for each business owner who is a Section 3 resident. A copy of the resident's lease if they are a public housing resident. unemployment statement. or a copy of last year's income for verification of household income.

|  |  |  |
| --- | --- | --- |
| List each business owner | SS# | Section 3 Resident - Yes or No |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**IF APPLICABLE PLEASE RETURN THIS FORM WITH HUD SECTION 3 BUSINESS CERTIFICATION FORM TO:**

Devyn Smith

Indiana Housing & Community Development Authority

30 S Meridian Street, Suite 1000

Indianapolis, IN 46204 (317) 232-7025 or Fax to (317) 232-7778 Email: devynsmith@ihcda.in.gov

**LETTER OF INTENT TO SUB CONTRACT WITH HUD SECTION 3 BUSINESSES FOR PROVISION OF SERVICES AND/OR PRODUCTS ON HUD SECTION 3**

**PROJECTS**

This letter is subject to verification by Indiana Housing & Community Development Authority

Indiana Housing & Community Development Authority or designee in its bid evaluation and contract award process may use this Letter of Intent for HUD Section 3 Projects.

You should only sign this Letter of Intent if you intend to enter into a contract or contract negotiations with qualified

Section 3 Businesses should you receive a contract award.

Signing this Letter of Intent does not obligate the company to sign a contract with Section 3 Businesses for the provision of services.

The company is proposing to participate in HUD Section 3 Programs.

By signing below, the company acknowledges that it is willing to enter into contract negotiations with Section 3

Businesses for the provision of services and/or products to HUD Section 3 Projects or other projects designated by the

Indiana Housing & Community Development Authority as eligible HUD Section 3 projects.

The company intends to meet HUD Section 3 status by subcontracting twenty-five percent (25%) of the awarded contract to qualified Section 3 Businesses.

If the company is awarded a contract in the Service Area, you agree to negotiate in good faith with an appropriate

Section 3 Business in an effort to subcontract with said business.

I THE UNDERSIGNED, ON BEHALF OF THE COMPANY HEREBY CERTIFY THAT ALL OF THE INFROMATION I HAVE PROVIDED ABOVE IS TRUE TO THE BEST OF MY KNOWLEDGE.

Name of Company:

Address of Company: ------------------------------------------------------------ Telephone: ,Fax: ---------------------------

\*Printed Name: \*Title of Signer: ---------------------

\*Authorized Signature: Date: ---------------------------

*\*CORPORATE OFFICER OR PERSON AUTHORIZED TO SIGN BIDS AND CONTRACTS ON BEHALF* OF *THE COMPANY.*

IF APPLICABLE PLEASE RETURN THIS FORM WITH HUD SECTION 3 BUSINESS CERTIFICATION FORM TO:

Devyn Smith

Indiana Housing & Community Development Authority

30 S Meridian Street, Suite 1000

Indianapolis, IN 46204 (317) 232-7025 or Fax to (317) 232-7778 Email: devynsmith@ihcda.in.gov

Application for Certification as a HUD Section 3 Employee Business Concern

HUD Section 3 Employee Business

Business Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

To become certified as a Section 3 Business Concern because 30% or more of the full time employees are Section

3 residents, or were Section 3 Eligible Residents within 3 years of date of first employment with the business. List each full time employee below and complete a Section 3 Resident form 5 for each full time employee who is a Section 3 resident or were Section 3 Eligible Residents within 3 years of date of first employment with the business and be able to prove household income: by either Social Security or unemployment statement. income tax . W-4 & current pay stub. or a copy of the resident lease if residing in public housing.

|  |  |  |
| --- | --- | --- |
| List all permanent, full-time employees | Hire Date | Section 3 Resident  Within three years of the date of first employment?  Yes or No |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**IF APPLICABLE PLEASE RETURN THIS FORM WITH HUD SECTION 3 BUSINESS CERTIFICATION FORM TO:**

Devyn Smith

Indiana Housing & Community Development Authority

30 S Meridian Street, Suite 1000

Indianapolis, IN 46204 (317) 232-7025 or Fax to (317) 232-7778 Email: devynsmith@ihcda.in.gov