SECTION 3 REQUIREMENTS
FOR RECIPIENTS OF
FEDERAL FUNDING
Revised 5/19/2016

Section 3 of the Housing and Urban Development Act of 1968 (Section 3), as amended by Section 915 of the Housing and Community Development Act of 1992, requires that economic opportunities generated by HUD financial assistance for housing and community development programs be targeted toward low- and very low-income persons. In effect, this means:

- Whenever HUD assistance generates opportunities for employment or contracting, Public and Indian Housing Authorities, state and local grantees, and other recipients of HUD housing assistance funds must, to the greatest extent feasible, provide these opportunities to low- and very low-income persons and to businesses owned by or employing low- and very low-income persons.

- The Section 3 requirements apply to job training, employment, contracting and subcontracting, and other economic opportunities arising from assistance provided for construction, reconstruction, conversion or rehabilitation (including lead-based paint hazard reduction and abatement) of housing, other buildings or improvements assisted by housing or community development funds, including HOME.

- Recipients of federal funding have minimum project cost limits under which Section 3 requirements do not apply. Section 3 applies to:
  - Projects for which HUD’s share of project costs exceeds $200,000.
  - Contracts and subcontracts awarded on projects for which HUD’s share of project cost exceeds $200,000, and the contract or subcontract exceeds $100,000.
    - Recipients whose projects do not fall under Section 3 are nonetheless encouraged to comply with the Section 3 preference requirements.

- Recipients and their contractors and subcontractors must show preferences for giving training and employment opportunities to low-income persons to the greatest extent feasible. They should show priority considerations for hiring low-income persons as follows:
  - Low-income persons residing in the service area or neighborhood in which the project is located.
  - Participants in HUD Youthbuild programs.
For community development programs where the project received McKinney Act assistance, homeless persons residing in the service area or neighborhood shall receive the highest priority. Again, the person hired should be qualified to perform the work required.

- Recipients and their contractors and subcontractors must give preference to Section 3 businesses. They should show the following preference order for awarding contracts for assistance:
  - Section 3 businesses that operate in the project area.
  - Entities that carry out Youthbuild programs.

The business must be able to demonstrate that it can successfully meet the terms and conditions of the proposed contract. In addition, these requirements do not restrict competition to only businesses meeting one of the priorities, nor do they authorize set-asides.

- Recipients, contractors and subcontractors should make good faith efforts to hire low-income people and/or award contracts and subcontracts according to the priority considerations and preference in a manner similar to the best efforts described above.
- HUD maintains a website that includes a list of registered Section 3 businesses at: [https://portalapps.hud.gov/Sec3BusReg/BRegistry/SearchBusiness](https://portalapps.hud.gov/Sec3BusReg/BRegistry/SearchBusiness)

**Compliance and Recordkeeping**

Recipients must take the following actions:

- Amend their employment and procurement policies to comply with Section 3.
- Document their best efforts to comply with Section 3 and their success at hiring low-income persons.
- Monitor their compliance and the compliance of their contractors and subcontractor.
- Provide annual reports to the KHC on progress.

Recipients must maintain the following records:

- The good faith efforts to make low-income persons aware of the positions, and to encourage and facilitate their application.
- The number and dollar value of all contracts awarded to businesses and, in particular, Section 3 businesses during the fiscal year.
- A description of the best efforts made to award contracts to Section 3 businesses.
- The mechanisms by which they ensured that contractors and subcontractors complied with
Section 3 preferences for training, employment and contract awarding.

**Reporting**

Recipients must submit reports on the prescribed form available on KHC’s website, [www.kyhousing.org](http://www.kyhousing.org), under Development, Multifamily, Construction Completion/Placed-in-Service.

Reports are due:

- Annually on or before August 15 for activities during the prior fiscal year (July 1 of the prior year to June 30 of the current year). For example, the report for July 1, 2015 to June 30, 2016 is due on or before August 15, 2016; and
- At project completion and close-out for the period beginning at the end of the prior reporting period through project close-out.
- Reports can be submitted via email to khcsec3@kyhousing.org. Please include the project name and number in the subject line of the email.

Failure to submit Section 3 reports as required will have a negative effect on subrecipients’ capacity scores for future funding opportunities, may result in the inability to draw funds on open projects, and will be considered a noncompliance matter.