

## Section 3 Plan

**Purpose:** Section 3 of the Housing and Urban Development (HUD) Act of 1968 (12 U.S.C. 1701u) ensures that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, be directed to low- and very low-income persons and to business concerns which provide economic opportunities to low- and very low-income persons.

**Instructions:** Bidders must complete and submit this form to the Bureau of Purchasing with their post-bid document submission. RFP/RFQ respondents must submit this form as part of their proposal or qualifications submission. Subcontractors that receive (or are expected to receive) a contract over \$100,000 must also complete this form. The successful bidder or respondent must submit all required documentation, including subcontractors' Section 3 Plans, prior to contract award.

### **Basic Information**

Project \_\_\_\_\_ Solicitation # \_\_\_\_\_  
Business Name \_\_\_\_\_ Section 3 Business:    Yes        No  
Contact Person \_\_\_\_\_ Title \_\_\_\_\_  
Phone # \_\_\_\_\_ Email \_\_\_\_\_  
Type of Business:    Construction    Non-construction    Type of Contract:    Prime        Subcontract

### **Section 3 Goals for Hiring and Subcontracting**

The contractor sets the following minimum numerical goals to ensure that economic opportunities are directed to Section 3 residents and business concerns. To the greatest extent feasible:

- Hiring                      (1) At least thirty percent (30%) of the aggregate number of new hires needed to complete the project shall be Section 3 residents.
- Subcontracting            (2) At least ten percent (10%) of the total dollar amount of all Section 3 covered construction subcontracts shall be awarded to eligible Section 3 business concerns.
- (3) At least three percent (3%) of the total dollar amount of all Section 3 covered non-construction subcontracts shall be awarded to eligible Section 3 business concerns.

### **Definitions**

- **Section 3 resident:** A public housing resident; or a low- (<80% Area Median Income) or very low- (<50% AMI) income person residing in the metropolitan area or non-metropolitan county in which the section 3 covered assistance is expended.
- **Section 3 business concern:** A business —
  - (1) that is 51% or more owned by Section 3 residents; or
  - (2) whose roster of permanent, full-time staff is at least 30% composed of employees who are current Section 3 residents, or were Section 3 residents within three years of the date of first employment with the business; or
  - (3) that provides evidence of a commitment to subcontract in excess of 25% of the dollar award of all subcontracts to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of "Section 3 business concern."
- **New hire:** A full-time employee for a newly generated permanent, temporary, or seasonal employment opportunity.

Please see Appendix A (p. 6) for the current income limits for Section 3 eligibility, or find the HUD Income Limits Documentation System online at [www.huduser.gov](http://www.huduser.gov).

### **Contractor's Responsibilities**

The prime contractor must ensure compliance with Section 3 by its company and all subcontractors that receive a contract in excess of \$100,000.

- (1) The prime contractor assumes responsibility for the review and submission of its own and all applicable subcontractors' Section 3 plans.
- (2) Completed plans shall include the following:
  - a. Basic Information and Assurance of Compliance (pp. 1–2)
  - b. *Worksheet 1: Strategy and Good Faith Efforts* (p. 3)
  - c. *Worksheet 2: Labor Utilization and Hiring Plan* (p. 4)
  - d. *Worksheet 3: Subcontracting Plan* (p. 5)
- (3) If the contractor is unable to satisfy the minimum numerical goals detailed above, the contractor must provide an explanation and submit documented evidence of good faith efforts.

### **Evidence of Good Faith Efforts**

Contractors subject to the requirements of Section 3 are obligated to make good faith efforts to provide training, employment, and contracting opportunities to Section 3 residents and business concerns.

- (1) The contractor shall attempt to recruit local, low-income residents for job opportunities.
- (2) The contractor shall notify and give preference to Section 3 residents for training opportunities arising from the project, such as internships or apprenticeships.
- (3) The contractor shall attempt to solicit, facilitate, and select qualified Section 3 business concerns for subcontracting opportunities.
- (4) Some examples of outreach efforts for hiring and subcontracting include:
  - a. advertising in local media (radio, magazines, trade publications, etc.)
  - b. displaying signs prominently at the project site
  - c. consulting federal, state, and local databases to identify potential Section 3 businesses
  - d. providing notices of employment and subcontracting opportunities to community organizations, public or private agencies, and Section 3 businesses operating within the Section 3 project area

Documented evidence of the contractor's good faith efforts (e.g. copies of advertisements, pictures of flyers or posters, letter or email correspondence with Section 3 businesses, etc.) will be monitored throughout the project. Please see Appendix B (pp. 7–8) for more examples of outreach efforts.

### **Section 3 Clause**

The Section 3 clause, found at 24 CFR 135.38 (see Appendix C, p. 9) must be included in all solicitations and contracts over \$100,000 for both construction and non-construction work on this project.

### **Assurance of Compliance**

The business entity identified above hereby commits to comply with Section 3 of the Housing and Urban Development Act of 1968 (24 CFR Part 135). If awarded a contract that at any time exceeds the threshold of \$100,000, the business entity agrees to adhere to all such requirements, including meeting the numerical goals for hiring and subcontracting set forth by the regulations, providing evidence of good faith efforts, maintaining records of Section 3 activity, submitting reports of such activity to the contract administrator periodically or upon request, and submitting any additional documentation as necessary to maintain compliance, including updates or revisions to this Section 3 Plan.

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_



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## **Strategy and Good Faith Efforts**

Please answer the questions and describe your strategy to provide economic opportunities to Section 3 residents and business concerns. Provide details of specific efforts you have made or plan to make (see Appendix B on pp. 7–8 for examples), and attach documented evidence of your efforts as applicable. Name any resources or businesses identified as potential sources of Section 3 hiring or contracting. If additional space is needed, you may submit your response on company letterhead.

**Question 1:** How will you recruit, solicit, encourage, facilitate, and select participants of public housing programs or other low-income persons for employment or training opportunities? What job positions might be filled by Section 3 residents?

**Question 2:** How will you structure your project activities to create opportunities for Section 3 business participation? What scopes of work might be performed by Section 3 business concerns?

**Question 3:** How will you recruit, solicit, encourage, facilitate, and select local businesses that employ or are owned by Section 3 residents for construction and non-construction contracting opportunities?

## Labor Utilization and Hiring Plan

Enter the total number of employee positions required to complete this contract, including positions that will be provided by your company as well as any subcontractors. Estimate the number of positions per job classification that will require new hires, and then indicate the number of those positions intended to be filled by Section 3 residents.

<b>Job classification (e.g. Office/Clerical, Manager, Engineer, Technician, Supervisor/Foreman, Electrician, Plumber, Laborer, Trainee, Security, etc.)</b>	<b>Total estimated number of positions needed for this contract</b>	<b>Estimated number of positions to be filled by <u>new hires</u></b>	<b>Estimated number of positions to be filled by <u>Section 3 new hires</u></b>
<b>TOTAL</b>			

## Subcontracting Plan

List all subcontracts required for the completion of this project. Specify the scope of work and indicate whether that work has been identified as a potential contracting opportunity for a Section 3 business concern. Name any subcontractors that have already been selected, and indicate whether they are Section 3 business concerns. Finally, provide the estimated total dollar value of each subcontract.

Do you plan to utilize subcontractors for this project?

Yes, see below.

No, we do not anticipate having subcontractors.

Scope of work (trade or service description)	Has this work been identified as a Section 3 opportunity? Yes / No	Business name (if already selected)	Is this a Section 3 business concern? Yes / No	Estimated contract value
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$
				\$

## Appendix A

### FY 2019 Income Limits Summary

The table below shows the income limits set by the Department of Housing and Urban Development (HUD) that determine eligibility for certain programs, including preference for some federally-funded economic opportunities as a Section 3 resident. HUD develops income limits based on Median Family Income estimates and Fair Market Rent (FMR) area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county.

Persons in Family	1	2	3	4	5	6	7	8
Low (80%) Income	\$37,750	\$43,150	\$48,550	\$53,900	\$58,250	\$62,550	\$66,850	\$71,150
Very Low (50%) Income	\$23,600	\$27,000	\$30,350	\$33,700	\$36,400	\$39,100	\$41,800	\$44,500
Extremely Low Income	\$14,150	\$16,190	\$21,330	\$25,750	\$30,170	\$34,590	\$39,010	\$43,430

The New Orleans-Metairie, LA HUD Metro FMR Area contains the following areas: Jefferson Parish, LA; Orleans Parish, LA; Plaquemines Parish, LA; St. Bernard Parish, LA; St. Charles Parish, LA; St. John the Baptist Parish, LA; and St. Tammany Parish, LA.

For more information, please see the HUD Income Limits Documentation System online at [www.huduser.gov](http://www.huduser.gov).

## Appendix B

### ***I. Examples of Efforts to Offer Training and Employment Opportunities to Section 3 Residents***

- (1) Entering into “first source” hiring agreements with organizations representing Section 3 residents.
- (2) Sponsoring a HUD-certified “Step-Up” employment and training program for section 3 residents.
- (3) Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other section 3 residents in the building trades.
- (4) Advertising the training and employment positions by distributing flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) to every occupied dwelling unit in the housing development or developments where category 1 or category 2 persons (as these terms are defined in §135.34) reside.
- (5) Advertising the training and employment positions by posting flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) in the common areas or other prominent areas of the housing development or developments. For HAs, post such advertising in the housing development or developments where category 1 or category 2 persons reside; for all other recipients, post such advertising in the housing development or developments and transitional housing in the neighborhood or service area of the section 3 covered project.
- (6) Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing development or developments where category 1 or category 2 persons reside, and community organizations in HUD-assisted neighborhoods, to request the assistance of these organizations in notifying residents of the training and employment positions to be filled.
- (7) Sponsoring (scheduling, advertising, financing or providing in-kind services) a job informational meeting to be conducted by an HA or contractor representative or representatives at a location in the housing development or developments where category 1 or category 2 persons reside or in the neighborhood or service area of the section 3 covered project.
- (8) Arranging assistance in conducting job interviews and completing job applications for residents of the housing development or developments where category 1 or category 2 persons reside and in the neighborhood or service area in which a section 3 project is located.
- (9) Arranging for a location in the housing development or developments where category 1 persons reside, or

the neighborhood or service area of the project, where job applications may be delivered to and collected by a recipient or contractor representative or representatives.

- (10) Conducting job interviews at the housing development or developments where category 1 or category 2 persons reside, or at a location within the neighborhood or service area of the section 3 covered project.
- (11) Contacting agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for the HA's or contractor's training and employment positions.
- (12) Consulting with State and local agencies administering training programs funded through JTPA or JOBS, probation and parole agencies, unemployment compensation programs, community organizations and other officials or organizations to assist with recruiting Section 3 residents for the HA's or contractor's training and employment positions.
- (13) Advertising the jobs to be filled through the local media, such as community television networks, newspapers of general circulation, and radio advertising.
- (14) Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably one of the section 3 business concerns identified in part 135), that will undertake, on behalf of the HA, other recipient or contractor, the efforts to match eligible and qualified section 3 residents with the training and employment positions that the HA or contractor intends to fill.
- (15) For an HA, employing section 3 residents directly on either a permanent or a temporary basis to perform work generated by section 3 assistance. (This type of employment is referred to as “force account labor” in HUD's Indian housing regulations. See 24 CFR 905.102, and §905.201(a)(6).)
- (16) Where there are more qualified section 3 residents than there are positions to be filled, maintaining a file of eligible qualified section 3 residents for future employment positions.
- (17) Undertaking job counseling, education and related programs in association with local educational institutions.
- (18) Undertaking such continued job training efforts as may be necessary to ensure the continued employment of section 3 residents previously hired for employment opportunities.

(19) After selection of bidders but prior to execution of contracts, incorporating into the contract a negotiated provision for a specific number of public housing or other section 3 residents to be trained or employed on the section 3 covered assistance.

(20) Coordinating plans and implementation of economic development (e.g., job training and preparation, business development assistance for residents) with the planning for housing and community development.

## ***II. Examples of Efforts to Award Contracts to Section 3 Business Concerns***

(1) Utilizing procurement procedures for section 3 business concerns similar to those provided in 24 CFR part 905 for business concerns owned by Native Americans (see section III of this Appendix).

(2) In determining the responsibility of potential contractors, consider their record of section 3 compliance as evidenced by past actions and their current plans for the pending contract.

(3) Contacting business assistance agencies, minority contractors associations and community organizations to inform them of contracting opportunities and requesting their assistance in identifying section 3 businesses which may solicit bids or proposals for contracts for work in connection with section 3 covered assistance.

(4) Advertising contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the common areas or other prominent areas of the housing development or developments owned and managed by the HA.

(5) For HAs, contacting resident councils, resident management corporations, or other resident organizations, where they exist, and requesting their assistance in identifying category 1 and category 2 business concerns.

(6) Providing written notice to all known section 3 business concerns of the contracting opportunities. This notice should be in sufficient time to allow the section 3 business concerns to respond to the bid invitations or request for proposals.

(7) Following up with section 3 business concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information on the contracting opportunities.

(8) Coordinating pre-bid meetings at which section 3 business concerns could be informed of upcoming contracting and subcontracting opportunities.

(9) Carrying out workshops on contracting procedures and specific contract opportunities in a timely manner so that section 3 business concerns can take

advantage of upcoming contracting opportunities, with such information being made available in languages other than English where appropriate.

(10) Advising section 3 business concerns as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance.

(11) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of section 3 business concerns.

(12) Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by section 3 business concerns.

(13) Contacting agencies administering HUD Youthbuild programs, and notifying these agencies of the contracting opportunities.

(14) Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(15) Developing a list of eligible section 3 business concerns.

(16) For HAs, participating in the "Contracting with Resident-Owned Businesses" program provided under 24 CFR part 963.

(17) Establishing or sponsoring programs designed to assist residents of public or Indian housing in the creation and development of resident-owned businesses.

(18) Establishing numerical goals (number of awards and dollar amount of contracts) for award of contracts to section 3 business concerns.

(19) Supporting businesses which provide economic opportunities to low income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce and comparable agencies at the State and local levels.

(20) Encouraging financial institutions, in carrying out their responsibilities under the Community Reinvestment Act, to provide no or low interest loans for providing working capital and other financial business needs.

(21) Actively supporting joint ventures with section 3 business concerns.

(22) Actively supporting the development or maintenance of business incubators which assist Section 3 business concerns.



## Appendix C

### **24 CFR § 135.38 Section 3 clause**

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).