

HUD Section 3 (Effective 2021), Obligation Summary for Contract Awardees

Harris County will monitor Subrecipients and contractors based on these requirements.

Applies to: HUD-funded project (\$200,000 or more) with construction, reconstruction, rehab, or demolition.

Service area: geographic area defined on a project by project basis.

For the sake of clarity, "Subrecipient" means any entity that receives HUD funds under contract from Harris County.

Basis for Section 3 Requirements (24 CFR 75)

Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3)

Section 3 Clause recommended in all Section 3-covered HUD contracts [24 CFR §75.27 Contract provisions].

Although HUD no longer dictates specific text, Harris County uses the Section 3 Clause document attached.

Responsibilities of Subrecipient to Harris County:

To the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations:

Develop a Section 3 Plan describing resource utilization and outreach to notify Section 3 residents and business concerns of training, employment, and contracting opportunities. Document actions taken to comply with Section 3. Documentation of your plan and actions must be available upon request.

Responsibilities for contractors, for covered projects:

1. "To the greatest extent feasible," recruit, train, and employ Section 3 workers and award contracts to Section 3 businesses, including recruiting Section 3 residents through local advertising, project site signage, liaisons with local Public Housing Authorities, community organizations, public or private institutions, or Local Workforce Development Boards (affiliated with Texas Workforce Commission).
2. Search HUD's Section 3 site and perform outreach for certified Section 3 businesses: <https://hudapps.hud.gov/OpportunityPortal/>.
3. Notify potential contractors of their Section 3 responsibilities [24 CFR §75.27].
4. Maintain data for Summary Report, including employment, labor hours (Section 3 compared to total), and training records.

Benchmarks for Section 3 Workers

- 25% of total labor hours for the project worked by:
 - Employee of a Section 3 Business
 - YouthBuild Participant or
 - Below 80% AMI (area median individual income)

Benchmarks for Targeted Section 3 Workers

- 5% of total labor hours for the project worked by:
 - Employee of a Section 3 Business
 - YouthBuild Participant or
 - Service Area Resident (§75.5)

5. Avoid entering into contracts with entities reportedly in violation of Section 3 regulations.

Report Submission

Contractor's Final Section 3 report precedes final disbursement from Harris County.

Business Name

Name of Authorized Officer

Signature

Date

These obligations and requirements substantively reflect 24 CFR 75, guidance from US Department of Housing and Urban Development (HUD).

Contract Clause, Effective July 1, 2021

HUD Section 3 Compliance

- 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 USC §1701u) ("**Section 3**"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted developments covered by Section 3 shall, to the greatest extent feasible, be directed to low- and very low-income persons, including persons who are recipients of HUD assistance for housing, with a preference for both targeted workers living in the service area or neighborhood of the Development and YouthBuild participants, as defined at 24 CFR Part 75 ("**Section 3 Regulations**").
- b. The Parties agree to comply with HUD's regulations in Section 3 Regulations, which implement Section 3. As evidenced by their execution of this Contract, the Parties certify that they are under no contractual or other impediments that would prevent them from complying with the Section 3 Regulations.
- c. The Award Recipient, Contractor, or Development Owner agrees to send to each labor organization or representative of workers with which the Award Recipient, Contractor, or Development Owner has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Award Recipient, Contractor, or Development Owner's commitments under this section of the Contract and will post copies of the notice in conspicuous places at the worksite where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference and shall set forth the following: (i) minimum number and job titles subject to hire, (ii) availability of apprenticeship and training positions, (iii) qualifications for each, (iv) name and location of the person(s) taking applications for each of the positions, and (v) the anticipated date the work shall begin.
- d. The Award Recipient, Contractor, or Development Owner agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in Section 3 Regulations and agrees to take appropriate action, as provided in an applicable provision of the subcontract in this Section 3 clause, upon a finding that the subcontractor violates the regulations in Section 3 Regulations. The Award Recipient, Contractor, or Development Owner will not subcontract with any subcontractor where the Award Recipient, Contractor, or Development Owner has notice or knowledge that the subcontractor has been found in violation of the regulations in Section 3 Regulations.
- e. The Award Recipient, Contractor, or Development Owner will certify that any vacant employment positions, including training positions, that are filled (i) after a contractor is selected but before the Contract is executed, and (ii) with persons other than those to whom the regulations of Section 3 Regulations require employment opportunities to be directed, were not filled to circumvent the Award Recipient, Contractor, or Development Owner's obligations under Section 3 Regulations.
- f. Noncompliance with HUD's regulations in Section 3 Regulations may result in sanctions, termination of this Contract for default, and debarment or suspension from future HUD-assisted contracts.