Harris County is a recipient of HUD grants, including HOME funds, Community Development Block Grant (CDBG) funds, and Community Development Block Grant – Disaster Recovery (CDBG-DR) funds, which require compliance with Section 3 of the U.S. Department of Housing and Urban Development Act.

This Section 3 Policy has been prepared by Harris County in accordance with 24 C.F.R. Part 135 (Economic Opportunities For Low- and Very Low-Income Persons). The purpose of Section 3 of the Housing and Urban Development Act of 1968 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and Local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low and very low-income persons.¹

¹ 24 C.F.R. 135.1(a)
low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

**Statute:** Section 3 of the HUD Act of 1968, as amended

**Regulation:** 24 C.F.R. Part 135, "Economic Opportunities for Low- and Very Low-Income Persons"

Harris County utilizes Section 3 to further its commitment to helping the Section 3 residents of its communities move towards self-sufficiency. It is the policy of Harris County to require its contractors to provide equal employment opportunity to all employees and applicants for employment without regard to race, color, religion, sex, national origin, veteran’s or marital status, disability, familial status, age, sexual orientation, gender identity, or any other characteristic protected from discrimination by applicable federal, state, or local law and to take affirmative action to ensure that both job applicants and existing employees are given fair and equal treatment.

Harris County has incorporated Section 3 in its existing Federal Procurement Policy. Harris County implements its Section 3 Policy through its hiring practices and the awarding of contracts to subrecipients, developers, contractors, and subcontractors. This policy is governed by the 24 C.F.R. Part 135 – Section 3 Regulation and any future changes thereto.

**HARRIS COUNTY SECTION 3 PROCEDURES MANUAL**

The County shall establish a set of Section 3 procedures in the “Harris County Section 3 Procedures Manual” (Manual) implementing this Policy. These procedures shall reflect applicable State and local law and conform to applicable Federal standards as described in 24 C.F.R. 135, as amended. The purpose of the Section 3 Procedures Manual shall be to establish the standards and procedures to be followed to ensure that the objectives of Section 3 are met. The Manual and any attachments thereto constitute the method of implementation of this Policy.

**OTHER LAWS GOVERNING TRAINING, EMPLOYMENT, AND CONTRACTING**

Harris County shall comply with all other laws and requirements that are applicable or may be applicable to the economic opportunities generated from the expenditure of Section 3 covered assistance include, but are not necessarily limited to those listed below:

- Procurement Standards for States and Local Governments (2 C.F.R. 200)
- Flexible Subsidy Program
- Procurement Standards for Other Recipients (OMB Circular No. A–110)
- Approved apprenticeship and trainee programs
- Compliance with Executive Order 11246

**APPLICABILITY**

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2 24 C.F.R. 135.1(b)
3 24 C.F.R. 135.11(a)
4 24 C.F.R. 135.11(a)(2)
5 24 C.F.R. 135.11(b)
6 24 C.F.R. 135.11(c)
7 24 C.F.R. 135.11(d)
8 24 C.F.R. 135.11(e)
This Section 3 Policy applies to training, employment, contracting, and other economic opportunities arising in connection with the expenditure, by Harris County or its subrecipients or developers, of HUD housing and community development assistance that is used for the following projects:

- Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair, and replacement);  
- Housing construction;  
- Demolition;  
- Other public construction.

Section 3 hiring, training, and contracting requirements apply to the entire project or activity funded with Section 3 assistance, regardless of whether the Section 3 activity is fully or partially funded with Section 3 covered assistance.

**THRESHOLDS**

Harris County shall comply with the requirements of 24 C.F.R. 135, which apply to grantees and recipients of covered Section 3 Housing and Community Development assistance for which the amount of the assistance exceeds $200,000. “Recipient” refers to any entity that receives Section 3 covered financial assistance directly from HUD or from another recipient and includes, but is not limited to, any of the following:

- Units of Local Government; Native American Tribes; or other Public Bodies
- Public or Private Nonprofit Organizations
- Private Agencies or Institutions
- Mortgagors
- Developers
- Limited Dividend Sponsors
- Builders
- Property Owners
- Community Housing Development Organizations
- Successors, assignees, or transferees of any such entity listed above

“Recipients” do NOT include any ultimate beneficiary under the HUD program that Section 3 applies (i.e., residents or laborers); and does NOT refer to contractors.

Section 3 shall apply to contractors and subcontractors performing work on Section 3 covered project(s) funded by housing and community development assistance for which the grantee or recipient’s award exceeds $200,000, and any single contract or subcontract exceeds $100,000. However, if a grantee or recipient receives Section 3 covered

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9 24 C.F.R. 135.3(a)(2)  
10 24 C.F.R. 135.3(a)(2)(i)  
11 24 C.F.R. 135.3(a)(2)(ii)  
12 “Section 3 Overview for Recipients of HUD Housing and Community Development Funding – Applicability of Section 3 to Housing and Community Development Assistance” https://www.hud.gov/sites/documents/12SEC3OVERVIEWHCD.PDF  
13 24 C.F.R. 135.3(a)(2)(iii)  
14 24 C.F.R. 135.3(b)  
15 24 C.F.R. 135.3(a)(3)(ii)(A)  
16 24 C.F.R. 135.3(a)(3)(ii)(B)
housing or community development assistance in excess of $200,000, but no contract exceeds $100,000, the Section 3 requirements only apply to the grantee or recipient.\textsuperscript{17} If the expenditure of covered funding does not result in new employment, contracting, or training opportunities, the requirements have not been triggered.\textsuperscript{18}

Section 3 requirements do not apply to any agreement or contract for the purchase of supplies and materials only (unless the purchase also involves installation). Section 3 requirements also do not apply to projects that do not involve rehabilitation and new construction, such as direct homebuyer assistance for the purchase of standard housing (e.g. down payment assistance), or tenant-based rental assistance programs.

Harris County, subrecipients, developers, contractors, and subcontractors that receive HUD assistance, or other Federal assistance, are encouraged to provide, to the greatest extent feasible, training, employment, and contracting opportunities generated by the expenditure of this assistance to low- and very low-income persons, and business concerns owned by low- and very low income persons, or which employ low and very low-income persons.\textsuperscript{19}

\textbf{SECTION 3 HIRING GOALS & PRIORITIES}

The minimum employment goals for Section 3 requires a commitment to employ Section 3 residents for 30 percent (30\%) of the aggregate number of new hires for each year over the duration of the project. Section 3 hiring requirements are triggered by the need for new hires in the completion of a Section 3 Covered Project.

When hiring opportunities are available and all requirements are met and remain equal, Harris County and its recipients, developers, contractors, and subcontractors shall direct their efforts to provide, to the greatest extent feasible, employment opportunities to Section 3 residents.\textsuperscript{20} The order of providing preference for Section 3 residents in training and employment opportunities is provided below:

\textbf{Category 1 Residents:} Section 3 residents residing in the service area or neighborhood in which the Section 3 covered project is located;\textsuperscript{21}

\textbf{Category 2 Residents:} Participants in HUD Youthbuild programs;\textsuperscript{22}

\textbf{Category 3 Residents:} Homeless or formerly homeless persons as defined by HUD (see definitions below for HUD homelessness definition);\textsuperscript{23} and

\textbf{Category 4 Residents:} Other low- and very low-income residents.\textsuperscript{24}

The employment policy of Harris County is to hire the best-qualified applicants and extend equal employment opportunity practices to all qualified individuals. Harris County will not discriminate on the basis of race, color, religion, sex, national origin, veteran status, disability, familial status, age, sexual orientation, or gender identity or any other characteristic protected from discrimination by applicable federal, state, or local law.

If Harris County intends to hire additional staff person(s) to perform work related to housing construction, rehabilitation, or other public construction projects funded with HUD monies, then the position(s) is covered by Section 3. Section 3 shall be considered as part of the hiring process to ensure compliance with Section 3 requirements. Efforts to provide employment opportunities to Section 3 residents shall be awarded based on the order of preference and categories illustrated above.

\textsuperscript{17} 24 C.F.R. 135.3(a)(3)(ii)(C)  
\textsuperscript{18} 24 C.F.R. 135.5  
\textsuperscript{19} 24 C.F.R. 135.3(d)  
\textsuperscript{20} 24 C.F.R. 135.34(a)  
\textsuperscript{21} 24 C.F.R. 135.34(a)(2)(i)  
\textsuperscript{22} 24 C.F.R. 135.34(a)(2)(ii)  
\textsuperscript{23} 24 C.F.R. 135.34(a)(2)(iii)  
\textsuperscript{24} 24 C.F.R. 135.34(a)(2)(iv)
Harris County shall make every attempt to remove barriers toward opportunities for employment for Section 3 Residents. Harris County shall proactively facilitate compliance with Section 3, when feasible, in the case of every hiring and recruitment effort for a covered Section 3 project.

**SECTION 3 CONTRACTING GOALS & PRIORITIES**

The minimum contracting goals require that at least 10% of Section 3 covered construction-related contracts and at least 3% of non-construction related contracts are awarded to Section 3 Businesses.

When Section 3 opportunities are generated, Harris County and its recipients and contractors shall make the effort to award contracts, to the greatest extent feasible, to Section 3 Business Concerns as follows:

**Building Trades Contracts (construction):** At least ten percent (10%) of the total dollar amount of all Section 3 covered contracts (see definition for “covered contracts” in Definitions) over $100,000 for building trades work arising in connection with HUD-funded rehabilitation and new construction projects.

**Other Contracts (non-construction):** At least three percent (3%) of the total dollar amount of all other Section 3 covered contracts – that is, contracts for any work other than building trade work. This might include, for example, landscaping or professional services contracts such as architectural, engineering, environmental, or legal services related to building rehabilitation or new construction projects.

When new contracting opportunities are available and all requirements are met and remain equal, Harris County, its subrecipients, developers, contractors, and subcontractors shall direct their efforts to award Section 3 covered contracts, to the greatest extent feasible, to Section 3 Business Concerns. The order of providing preference for Section 3 Business Concerns in contracting opportunities is provided below:

- **Category 1 Businesses:** Section 3 business concerns that provide economic opportunities for Section 3 residents in the service area(s) or neighborhood(s) in which the Section 3 covered project is located;

- **Category 2 Businesses:** Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs;

- **Category 3 Businesses:** Other Section 3 Business Concerns.

All Section 3 covered contracts, even those not procured per 2 C.F.R. 200, are still subject to Section 3 compliance. Pursuant to the Harris County Section 3 Procedures Manual, Harris County shall perform outreach to Section 3 Business Concerns, providing the firms with notice of Section 3 subcontracting opportunities. In accordance with 24 C.F.R. Appendix to Part 135, Harris County may, when feasible, opt to provide consideration to a contractor’s Section 3 status prior to contract award.

Section 3 shall be considered as part of the procurement and contracting process to ensure compliance with Section 3 requirements. Harris County shall ensure that Section 3 requirements are conveyed in all applicable contract opportunities, which shall include incorporating the full HUD-mandated Section 3 clause directly into all solicitations and contracts.

Harris County shall also require that subrecipients, developers, contractors, and subcontractors include the Section 3 clause in all covered contracts.

**OTHER ECONOMIC OPPORTUNITIES**

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25 24 C.F.R. 135.36(a)
26 24 C.F.R. 135.36(a)(2)(i)
27 24 C.F.R. 135.36(a)(2)(ii)
28 24 C.F.R. 135.36(a)(2)(iii)
29 24 C.F.R. 135.38
Other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with Section 3 covered assistance.  

If a subrecipient, developer, contractor, or subcontractor is unable to meet the Section 3 hiring or contracting goals, Harris County may accept proposals of “Other Economic Opportunities” as a means for demonstrating compliance with Section 3 requirements “to the greatest extent feasible.” Other economic opportunities may include training and employing Section 3 residents which may involve use of “upward mobility,” “bridge,” and trainee positions to fill vacancies; or hiring Section 3 residents in part-time positions.

Harris County may allow a subrecipient, developer, contractor, or subcontractor to provide economic opportunities to establish, stabilize or expand Section 3 Business Concerns, including micro-enterprises. Such opportunities include, but are not limited to, the formation of Section 3 joint ventures, financial support for affiliating with franchise development, use of labor only contracts for building trades, and purchase of supplies and materials from housing authority resident-owned businesses. A recipient or contractor may employ these methods directly or may provide incentives to non-Section 3 businesses to utilize such methods to provide other economic opportunities to low-income persons, subject to approval by Harris County.

**SECTION 3 RESIDENT ELIGIBILITY**

Section 3 Residents seeking the preference in training and employment shall self-certify and submit, upon request, evidence to Harris County, subrecipient, developer, contractor, or subcontractor, that the person is a Section 3 resident, as defined in 24 C.F.R. 135.5. An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.

A Section 3 resident seeking preference in employment must fulfill the requirements and qualifications of the sought position. If asked, they also must provide evidence of their Section 3 status by one of the methods outlined below.

- Proof of residency in a public housing development;
- Evidence of participation in a HUD Youthbuild program operated in Harris County where the Section 3 covered assistance is spent;
- Evidence of eligibility or participation in a federally-assisted program for low- and very-low- income persons;
- Evidence that the individual resides in the Section 3 area and is a low or very-low income person, as defined in Section 3(b)(2) of the U.S. Housing Act of 1937.

**SECTION 3 BUSINESS CONCERN ELIGIBILITY**

Section 3 Business Concerns seeking the priority in contracting opportunities shall certify or submit evidence to Harris County or its subrecipients, developers, contractors, or subcontractors, that the firm is a Section 3 Business Concern, as defined in 24 C.F.R. 135.5. Firms claiming Section 3 Business Concern status must also be able to provide sufficient evidence of eligibility, upon request. A Section 3 Business Concern is a firm:

1. That is 51 percent or more owned by Section 3 residents; or

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30 24 C.F.R. 135.40(a)
31 24 C.F.R. 135.40(b)
32 24 C.F.R. 135.40(c)(1)
33 24 C.F.R. 135.34(b)
34 24 C.F.R. 135.34(c)
35 24 C.F.R. 135.36(b)
2. Whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or

3. That provides evidence 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 set forth in paragraphs (1) or (2) in this definition of “Section 3 business concern.”

A Section 3 Business Concern must submit evidence to demonstrate that it is a responsible firm and has the ability to perform successfully under the terms and conditions of a proposed contract.36

**HARRIS COUNTY RESPONSIBILITIES**

Harris County shall comply with Section 3 in its own operations and ensure compliance in the operations of its subrecipients, developers, contractors, and subcontractors.37 All subrecipients and developers, when applicable, shall be required to comply with the recipient responsibilities identified in 24 C.F.R. 135.32.

**COMPLIANCE MONITORING**

Harris County shall comply with 24 C.F.R. 135.74(b) when conducting Section 3 “Compliance Reviews”. A Section 3 Compliance Review shall consist of an evaluation of compliance with the requirements and obligations imposed by the regulations of 24 C.F.R. 135, including an examination of the extent to which Section 3 Residents have been hired and Section 3 Business Concerns have been awarded contracts as a result of the methods undertaken by the subrecipient, developer, contractor, or subcontractor to achieve the employment, contracting, and other economic objectives of Section 3.

**DETERMINATION OF COMPLIANCE**

Harris County shall demonstrate its compliance with Section 3 by meeting the employment and contracting numeric goals set forth in 24 C.F.R. 135. Harris County shall also provide information, assistance, monitoring, and oversight to enforce Section 3 compliance of its subrecipients, developers, contractors, and subcontractors when applicable. Absent evidence to the contrary, Harris County shall consider itself compliant should it meet the minimum numeric goals set forth in 24 C.F.R. 135.30.38

Subrecipients, developers, contractors, and subcontractors may demonstrate compliance with Section 3 by meeting the employment and contracting numeric goals set forth in 24 C.F.R. 135. Subrecipients, developers, contractors, and subcontractors who do not meet their commitment shall have the burden of demonstrating, through the submission of supporting documentation, evidence of good faith efforts made and why it was not feasible to meet the numeric goals.

**SECTION 3 NON-COMPLIANCE**

Harris County shall comply with 24 C.F.R. 135.74(c) regarding Section 3 review and findings of non-compliance. Harris County shall consider documentation evidencing impediments encountered despite actions taken to comply.39 Such evidence shall also be subject to examination by Harris County and Harris County’s Commissioners Court prior to the award of any future contracts. The procedures to be followed by Harris County when addressing non-compliance shall be further defined in the Harris County Section 3 Procedures Manual.

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36 24 C.F.R. 135.36(c)
37 24 C.F.R. 135.32
38 24 C.F.R. 135.30(d)(1)
39 24 C.F.R. 135.30(d)(2)
Noncompliance with HUD's regulations in 24 C.F.R. Part 135 may result in sanctions, termination of contract(s) for default, and debarment or suspension from future HUD assisted contracts.\footnote{24 C.F.R. 135.38(f)} A continuing failure or refusal by a subrecipient, developer, contractor, or subcontractor to comply with the requirements of Section 3 may result in the application of sanctions specified in the agreement or contract through which HUD assistance is provided, or the application of sanctions specified in the regulations governing the HUD program under which HUD financial assistance is provided.\footnote{24 C.F.R. 135.74(d)}

Harris County shall conduct Section 3 compliance reviews before the award of contracts, or when the County has reasonable grounds to believe that the subrecipient, developer, contractor, or subcontractor will be unable or unwilling to comply with the regulations of Section 3.\footnote{24 C.F.R. 135.74(e)} Harris County may consider complaints alleging noncompliance with Section 3, as provided in 24 C.F.R. 135.76, during any compliance review conducted to determine the recipient’s conformance with Section 3.\footnote{24 C.F.R. 135.74(f)} Harris County shall refrain from entering into a contract with any contractor after notification to Harris County, by HUD, that the contractor has been found in violation of the regulations of Section 3. The provisions of 24 C.F.R. Part 24 apply to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension, or otherwise ineligible status.\footnote{24 C.F.R. 135.72(b)}

**REPORTING REQUIREMENTS**

Pursuant to 24 C.F.R. 135.90, Harris County shall submit to HUD an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of Section 3. Where the program providing the Section 3 covered assistance requires submission of an annual performance report, Harris County shall submit the Section 3 report with that annual performance report.

**RECORDKEEPING REQUIREMENTS**

Harris County shall ensure HUD has access to all records, reports, and other documents or items of Harris County that are maintained to demonstrate compliance with the requirements of Section 3, or that are maintained in accordance with the regulations governing the specific HUD program under which Section 3 covered assistance is provided or otherwise.\footnote{24 C.F.R. 135.72(b)} Harris County and its subrecipients, developers, contractors, and subcontractors are responsible for ensuring proper recordkeeping requirements are followed.

**COMPLAINTS**

Harris County shall comply with the complaint process defined under 24 C.F.R. 135.76, which allows any Section 3 Resident or Section 3 Business Concern that feels that the Section 3 regulations were not complied with to file a complaint directly to the Assistant Secretary for Fair Housing and Equal Opportunity using HUD Form 958, found at: https://www.hud.gov/sites/documents/958.PDF.

Complaints regarding Section 3 should be filed with the Harris County Community Services Department at:

\begin{flushleft}
Attn: Linda Hudson  
Grievance/Complaint Officer  
Harris County Community Services Department
\end{flushleft}

\footnote{24 C.F.R. 135.38(f)}  
\footnote{24 C.F.R. 135.74(d)}  
\footnote{24 C.F.R. 135.74(e)}  
\footnote{24 C.F.R. 135.74(f)}  
\footnote{24 C.F.R. 135.72(b)}  
\footnote{24 C.F.R. 135.92}
If the Section 3 Complaint cannot be resolved by Harris County Community Services Department, complaints may be mailed directly to HUD at:

Assistant Secretary for Fair Housing and Equal Opportunity
United States Department of Housing and Urban Development
451 Seventh Street, SW
Washington, DC 20410

The complaint must be received not later than 180 days from the date of the action or omission upon which the complaint is based, unless the time for filing is extended by the Assistant Secretary for good cause shown.

Filing a complaint does not terminate a contractor’s Section 3 requirements. Contractors remain accountable for fulfilling the Section 3 requirements.

OTHER FUNDING SOURCE-SPECIFIC REQUIREMENTS

When Section 3 covered funding is provided to Harris County through a pass-through entity, Harris County shall comply with any additional requirements of the pass-through entity, as applicable. This shall include compliance with Texas General Land Office (GLO) requirements imposed on subrecipients pursuant to the grant agreement between Harris County and the GLO for CDBG-DR funding.

DEFINITIONS

Please refer to the 24 C.F.R. 135.5 for a full list of prevailing definitions found in the regulation.

Business Concern: A business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Contractor: Any entity which contracts to perform work generated by the expenditure of Section 3 covered assistance, or for work in connection with a Section 3 covered project. This includes contractors and any tier subcontractors for contracts exceeding $100,000.

Employment Opportunities: All employment opportunities generated by the expenditure of Section 3 covered projects (as described in 24 C.F.R. 135.3 (a)(2)), including management and administrative jobs connected with the Section 3 covered project. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.⁴⁶

Homeless: HUD’s definition can be found at 24 C.F.R. Part 91, 582 and 583, which establishes four categories of homelessness:

(1) Individuals and families who lack a fixed, regular, and adequate nighttime residence and includes a subset for an individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or a place not meant for human habitation immediately before entering that institution;

(2) Individuals and families who will imminently lose their primary nighttime residence;

(3) Unaccompanied youth and families with children and youth who are defined as homeless under other federal statutes who do not otherwise qualify as homeless under this definition; or

⁴⁶ 24 C.F.R. 135.5
(4) Individuals and families who are fleeing, or are attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member.

**Housing Development:** Low-income housing owned, developed, or operated by public housing agencies in accordance with HUD’s public housing program regulations codified in 24 C.F.R. Chapter IX.

**HUD Youthbuild Programs:** Programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

**Low-income person:** Families (including single persons) whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary of the U.S. Department of Housing and Urban Development (“Secretary”), with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary’s findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families.

**New Hires:** New Hire refers to a person who is not on the contractor’s or recipient’s payroll for employment at the time of selection for the Section 3 covered award or at the time of receipt of Section 3 covered assistance. A New Hire is a full-time employee for a new permanent, temporary, or seasonal position that is created during the expenditure of Section 3 covered financial assistance.

**Recipient:** Any entity which receives Section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State unit of local government, public housing authority, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.

**Section 3:** Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

**Section 3 Business Concern:** A business concern,

1. That is 51 percent or more owned by Section 3 resident; or
2. Whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or
3. That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontractors to be awarded to business concerns that meet the qualifications set forth in paragraphs 1 or 2 above.

**Section 3 Clause:** The contract provisions set forth in 24 C.F.R. 135.38. The Section 3 Clause is mandatory for all construction contracts. Grantees, subrecipients, contractors, subcontractors, owners, and developers must make sure it is included in all contracts.

**Section 3 Covered Activity:** Any activity which is funded by Section 3 covered assistance.47

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47 24 C.F.R. 135.5
**Section 3 Covered Assistance:** Assistance provided under any HUD housing or community development program that is expended for work arising in connection with: (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement); (ii) Housing construction; or (iii) Other public construction project (which includes other buildings or improvements, regardless of ownership).  

**Section 3 Covered Contract:** A contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work arising in connection with the construction or rehabilitation of a HUD-assisted project, regardless of how the grant funds are actually spent. Section 3 covered contracts also do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a Section 3 covered contract.

**Section 3 Covered Project:** The construction, reconstruction, conversion, or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with HUD-funding.

**Section 3 Joint Venture:** An association of business concerns, one of which qualifies as a Section 3 Business Concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the Section 3 business concern:

- Is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and
- Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

**Section 3 Resident:** A public housing resident; or an individual who resides in the nonmetropolitan county in which the Section 3 covered assistance is expended, and who is: A low-income person, as this term is defined in Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)), or very low-income person, as this term is defined in Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)).

**Service Area:** The Service Area (or “Program Area”) is defined by HUD as the geographical area in which the persons benefiting from the Section 3 covered project reside, or the area of greatest need identified in a grantee’s Action Plan. The Service Area shall not extend beyond the unit of local government in which the Section 3 covered financial assistance is expended.

**Subcontractor:** Any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor’s obligation for the performance of work generated by the expenditure of Section 3 covered assistance, or arising in connection with a Section 3 covered project.

**Very low-income person:** Families (including single persons) whose income do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary’s findings that such variations are necessary because of unusually high or low family incomes.

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48 24 C.F.R. 135.5  
49 24 C.F.R. 135.40(c)(2)