

**City of Laredo  
Community Development Department**

**SECTION 3  
PROGRAM POLICY**



The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) 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.

The City's Department of Community Development reserves the right to amend this policy as necessary, in order to adhere with Section 3 regulations and ensure the Section 3 needs are best met. Any changes will automatically be incorporated into this policy.

## TABLE OF CONTENTS

SECTION I. SECTION 3 PURPOSE	2
SECTION II. SECTION 3 THRESHOLDS	2-4
SECTION III. SECTION 3 GOALS	4-5
SECTION IV. INTENDED BENEFICIARIES	5
SECTION V. PRIORITY ORDER FOR PREFERENCE IN HIRING SECTION 3 RESIDENTS	5-6
SECTION VI. PRIORITIZATION OF SECTION 3 BUSINESS CONCERN	6
SECTION VII. GREATEST EXTENT FEASIBLE REQUIREMENT	7
SECTION VIII. CITY OF LAREDO ACCOUNTING PROCEDURE MANUAL - PURCHASING POLICIES AND PROCEDURES	7
SECTION IX. AWARD OF CONTRACTS SUBJECT TO SECTION 3	8-10
SECTION X. SECTION 3 BUSINESS SELF-CERTIFICATION	10-11
SECTION XI. SECTION 3 FORMS AND DOCUMENTATION	11
SECTION XII. COMPLIANCE WITH DAVIS-BACON ACT	11-12
SECTION XIII. SECTION 3 OBLIGATIONS AND RESPONSIBILITIES	12
SECTION XIV. RECORD KEEPING	13
SECTION XV. NOTIFICATION AND OUTREACH	13
SECTION XVI. TRAINING AND EMPLOYMENT OPPORTUNITIES	13-14
SECTION XVII. COMPLAINT INVESTIGATIONS	14-15
SECTION XVIII. REPORTING	15
EXHIBIT I - DEFINITIONS	16-19
EXHIBIT II - SECTION 3 CLAUSE	20-22
EXHIBIT III - SECTION 3 FORMS	23-33

## **SECTION I. SECTION 3 PURPOSE**

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) 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.

The City of Laredo, Department of Community Development (CD) fully embraces the purpose of the Section 3 of the Housing and Urban Development Act of 1968 and has set forth policies and procedures to ensure compliance with this Act. The CD Department developed this document to identify the applicability of the provisions of 24 CFR Part 135, and actions that will be implemented to ensure compliance with the requirements of Section 3. The purpose of this part is to establish the standards and procedures to be followed to ensure that the objectives of section 3 are met. This document is not meant to be a comprehensive narrative of the Section 3 Act; rather it focuses on the requirements imposed on the City, contractors and subcontractors receiving or being awarded HUD funding. The City of Laredo, CD Department will ensure compliance by all contractors and subcontractors, its responsibilities, and obligations under the Section 3 Act.

## **SECTION II. SECTION 3 THRESHOLDS**

Section 3 applies to the following HUD assistance (section 3 covered assistance):

(1) Public and Indian housing assistance.

Section 3 applies to training, employment, contracting and other economic opportunities arising from the expenditure of the following public and Indian housing assistance:

- (i) Development assistance provided pursuant to section 5 of the U.S. Housing Act of 1937 (1937 Act);
- (ii) Operating assistance provided pursuant to section 9 of the 1937 Act; and
- (iii) Modernization assistance provided pursuant to section 14 of the 1937 Act;

(2) Housing and community development assistance.

Section 3 applies to training, employment, contracting and other economic opportunities arising in connection with the expenditure of housing assistance (including section 8 assistance, and including other housing assistance not administered by the Assistant Secretary of Housing) and community development assistance that is used for the following projects;

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

Section 3 covers federal funding which includes Housing and Urban Development (HUD) , Community Planning & Development (CPD), Community Development Block Grant (CDBG), Home Investments & Partnership Program (HOME), and Emergency Solutions Grant (ESG) which includes housing rehabilitation, demolition, housing construction, other public construction projects and non-construction projects such as professional services which include design and engineering.

There are no thresholds for public and Indian housing programs. That means that all funding is covered, regardless of the amount of expenditure or size of contract. For all other HUD programs, referred to as housing and community development assistance, there is a **\$200,000** threshold that applies to the recipient of funding. Translation: once the recipient agency receives more than \$200,000 in housing and community development assistance during a 12-month reporting period, Section 3 applies. For example, once an entitlement community receives more than \$200,000 in funding from CDBG + HOME + ESG + HOPWA, Section 3 applies to all construction related activities undertaken, regardless of project size.

Section 3 applies to contractors that receive more than **\$100,000**. In such case, the responsibility to reach the employment and contracting goals are shared between the contractor and the recipient. If no contractor receives more than \$100,000, the responsibility remains with the recipient agency.

Section 3 applies to projects fully or partially funded with HUD assistance, local or private funding for mixed finance projects or projects leveraged with state. Section 3 applies to the entire project. This provision includes HUD funding used in conjunction with Low Income Housing

Tax Credits (LIHTC). This provision greatly expands the opportunities for the intended beneficiaries that may be generated by these projects.

### **SECTION III. SECTION 3 GOALS**

The goals listed below are for hiring Section 3 residents and contracting with Section 3 businesses. The numerical goals established in this section represent minimum numerical targets and are used to determine compliance with the greatest extent feasible clause stipulated under Section 3 regulations and apply to the City of Laredo as the direct recipient, sub-grantees, developers, contractors, and subcontractors (as applicable). The goals are referenced in 24 CFR 135.30:

**30% of New Hires**

**10% of Construction Contracts**

**3% of Non-Construction Contracts**

The new hire requirement applies to anyone brought into the project or to perform work that was not previously on the payroll. If the covered contractor does not require additional workers, there is no opportunity to apply Section 3 employment preferences. Some contractors may claim they do not require additional workers without properly accounting for persons who are not currently on the payroll. It is critical to monitor contractor payrolls for new hires.

Construction contracts include activities associated with the building trades such as plumbing, electrical, masonry, carpentry, etc. Non-Construction contracts include professional services associated with construction such as architecture or engineering, as well as maintenance and operations. Painting that coincides with new construction or rehabilitation would be categorized as a construction contract. Painting associated with routine maintenance would be categorized as a non-construction contract.

In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the section 3 preference requirements. A recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in

§135.40, which were provided in its efforts to comply with section 3 and the requirements of this part.

## **SECTION IV. INTENDED BENEFICIARIES**

Employment and training opportunities should be targeted to Section 3 Residents, defined as:

- 1) Public housing residents
- 2) Local low and very low-income persons in the metropolitan area or Non-metropolitan County where the work is being performed.

Contracting opportunities should be awarded to Section 3 business:

- 1) Business that is 51 % or more owned by Section 3 resident; or
- 2) Whose permanent, full-time employees include persons, at least 30 % 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 % of the dollar award of all subcontracts to be awarded to businesses that meet the qualifications set forth in items 1 or 2 above.

## **SECTION V. PRIORITY ORDER FOR PREFERENCE IN HIRING**

### **SECTION 3 RESIDENTS**

The following hiring priority ranking will be used for Housing and Community Development Programs:

- 1) Homeless persons residing in the service area or neighborhood in which the Section 3 covered project is located (Highest priority only if the Section 3 project is assisted under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et. seq.))
- 2) Section 3 residents residing in the service area or neighborhood in which the Section 3 covered project is located.
- 3) Participants in HUD Youthbuild programs (if available)
- 4) Recipients of housing assistance (vouchers)

A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient, contractor or subcontractor, if requested, that the person is a section 3 resident, as defined in §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.) Additionally, **nothing in this part shall be construed to require the employment of a section 3 resident who does not meet the qualifications of the position to be filled.**

## **SECTION VI. PRIORITIZATION OF SECTION 3 BUSINESS CONCERNS**

Recipients, contractors and subcontractors shall direct their efforts to award section 3 covered contracts, to the greatest extent feasible, to section 3 business concerns in the following order of priority:

1. Section 3 business concerns that provide economic opportunities for section 3 residents in the service area or neighborhood in which the section 3 covered project is located; and
2. Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs;
3. Other section 3 business concerns.

A business concern seeking to qualify for a section 3 contracting preference shall certify or submit evidence, if requested, that the business concern is a section 3 business concern as defined in §135.5. Additionally, a section 3 business concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36(b)(8)).) This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

## **SECTION VII. GREATEST EXTENT FEASIBLE REQUIREMENT**

Recipients and covered contractors may demonstrate compliance with the “greatest extent feasible” requirement of section 3 by meeting the numerical goals set forth in section IV of this policy, for providing training, employment, and contracting opportunities to Section 3 residents and section 3 business concerns.

For recipients that do not engage in training, or hiring, but award contracts to contractors that will engage in training, hiring, and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to section 3 residents and section 3 business concerns. Regarding training and employment, the numerical goals for new hires reflect the aggregate hires. Efforts to employ section 3 residents, to the greatest extent feasible, should be made at all job levels.

The City of Laredo, to the greatest extent feasible, will attempt to meet the hiring and contracting goals for Section 3, and will ensure compliance with the Section 3 contractual and procurement requirements. When the City of Laredo awards HUD funding in excess of \$100,000 to any recipient, developer, or contractor to carry out Section 3 covered work, it must, to the greatest extent feasible, direct training, contracting, and/or employment opportunities to certified Section 3 businesses and/or individuals.

## **SECTION VIII. CITY OF LAREDO ACCOUNTING PROCEDURE MANUAL – PURCHASING POLICIES AND PROCEDURES**

The objective of this manual is to establish a comprehensive purchasing policy in accordance with applicable state statutes and local laws and to establish procedures relating to the purchasing process. As per the City of Laredo Accounting Procedure Manual – Purchasing Policies and Procedures, “The City shall comply with the requirements of applicable State of Texas statutes, City ordinances and directives, and City of Laredo Purchasing Policies and directives. Construction contracts shall be awarded in accordance with provisions of the State of Texas Local Government Code - Section 252 and Section 271 and any other applicable section.”

Nothing in Part 135 prescribes specific methods of procurement. However, neither section 3 nor the requirements of this part 135 supersede the general requirement of 24 CFR 85.36(c) that all procurement transactions be conducted in a competitive manner.



## SECTION IX. AWARD OF CONTRACTS SUBJECT TO SECTION 3

The City of Laredo will award contracts as stipulated in the Section 3 Federal Regulation 24 CFR Part 135 as follows:

(1) **Small Purchase Procedures.** For section 3 covered contracts aggregating no more than \$25,000, the methods set forth in this paragraph (1) or the more formal procedures set forth in paragraphs (2) and (3) of this Section III may be utilized.

(i) Solicitation.

(A) Quotations may be solicited by telephone, letter or other informal procedure provided that the manner of solicitation provides for participation by a reasonable number of competitive sources. At the time of solicitation, the parties must be informed of:

- The section 3 covered contract to be awarded with sufficient specificity;
- The time within which quotations must be submitted; and
- The information that must be submitted with each quotation.

(B) If the method described in paragraph (i)(A) is utilized, there must be an attempt to obtain quotations from a minimum of three qualified sources in order to promote competition. Fewer than three quotations are acceptable when the contracting party has attempted, but has been unable, to obtain a sufficient number of competitive quotations. In unusual circumstances, the contracting party may accept the sole quotation received in response to a solicitation provided the price is reasonable. In all cases, the contracting party shall document the circumstances when it has been unable to obtain at least three quotations.

(ii) Award.

(A) Where the section 3 covered contract is to be awarded **based upon the lowest price**, the contract shall be awarded to the qualified section 3 business concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified section 3 business concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.

(B) Where the section 3 covered contract is to be awarded based on factors other than price, a **request for quotations** shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall provide for **15 percent (15%)** of the total number of available rating points to be set aside for the provision of preference for section 3 business concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system.

**(2) Procurement by sealed bids (Invitations for Bids).** Preference in the award of section 3 covered contracts that are awarded under a sealed bid (IFB) 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:

<b>When the lowest responsive bid is:</b>	<b>"X" = lesser of:</b>
Less than \$100,000.	10% of that bid or \$9,000
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	1 ½% of the lowest responsive bid, with no dollar limit.

- (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.

**(3) Procurement under the competitive proposals method of procurement (Request for Proposals (RFP)).**

- (i) For contracts and subcontracts awarded under the competitive proposals method of procurement (24 CFR 85.36(d)(3)), a Request for Proposals (RFP) shall identify all evaluation factors (and their relative importance) to be used to rate proposals.
- (ii) One of the evaluation factors shall address both the preference for section 3 business concerns and the acceptability of the strategy for meeting the greatest extent feasible requirement (section 3 strategy), as disclosed in proposals submitted by all business concerns (section 3 and non-section 3 business concerns). This factor shall provide for a range of **15 percent (15%)** of the total number of available points to be set aside for the evaluation of these two components.
- (iii) The component of this evaluation factor designed to address the preference for section 3 business concerns must establish a preference for these business concerns in the order of priority ranking as described in 24 CFR 135.36.
- (iv) With respect to the second component (the acceptability of the section 3 strategy), the RFP shall require the disclosure of the contractor's section 3 strategy to comply with the section 3 training and employment preference, or contracting preference, or both, if applicable. A determination of the contractor's responsibility will include the submission of an acceptable section 3 strategy. The contract award shall be made to the responsible firm (either section 3 or non-section 3 business concern) whose proposal is determined most advantageous, considering price and all other factors specified in the RFP.

## **SECTION X. SECTION 3 BUSINESS SELF-CERTIFICATION**

All businesses seeking Section 3 preference must register for Section 3 Self Certification at: <https://portalapps.hud.gov/Sec3BusReg/BRegistry/RegisterBusiness> **prior** to submitting a

bid. Any business concern that registers or submits self-certification for preference after the awarding of bid cannot have the Section 3 preference retroactively applied to the procurement process. The certification is valid for a period of three (3) years.

## **SECTION XI. SECTION 3 FORMS AND DOCUMENTATION**

The following forms, as applicable, must be filled out by the developer and/or contractor to document compliance with the Section 3 requirements:

- Certification to Comply with Section 3 Policy and Regulations
- Section 3 Business Certification
- Section 3 Resident Preference Claim Form
- Section 3 Subcontractors
- Certification for Section 3 New Hires
- Section 3 Compliance Report (to be filled out at the time of the completion of the project)

The City of Laredo collects and reviews all Section 3 forms for completeness and compliance.

## **SECTION XII. COMPLIANCE WITH DAVIS-BACON ACT**

The Davis-Bacon Act applies to each federal government or District of Columbia contract in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Many federal laws that authorize federal assistance for construction through grants, loans, loan guarantees, and insurance are Davis-Bacon “related Acts.” The “related Acts” include provisions that require Davis-Bacon labor standards apply to most federally assisted construction. Examples of “related Acts” include the Federal-Aid Highway Acts, the Housing and Community Development Act of 1974, and the Federal Water Pollution Control Act. Contractors and subcontractors must pay laborers and mechanics employed directly upon the site of the work at least the locally prevailing wages (including fringe benefits), listed in the Davis-Bacon wage determination in the contract, for the work performed. Davis-Bacon labor standards clauses must be included in covered contracts. The Davis-Bacon “prevailing wage” is the combination of the basic hourly rate and any fringe

benefits listed in a Davis-Bacon wage determination. Prevailing wages, including fringe benefits, must be paid on all hours worked on the site of the work.

Upon award of the contract, the recipient will ensure all employees (Section 3 and non-Section 3) are being paid at or above prevailing wages in compliance with the Davis Bacon Act. If a project site visit or payroll audit demonstrates missing or inaccurate payroll data or employees are not paid at the appropriate wage, payments from the awarded grant may be withheld until the issue is addressed. Noncompliance with Davis Bacon requirements on Section 3 covered projects may result in sanctions, penalties, delays and/or cancellation of the contract.

### **SECTION XIII. SECTION 3 OBLIGATIONS AND RESPONSIBILITIES**

The City of Laredo as a direct recipient of HUD funding in excess of \$200,000.00, is subject to Section 3 requirements. Subgrantees, developers, and contractors will assume the responsibilities of compliance with HUD Section 3 requirements, where they carry out a Section 3 covered project.

A recipient bidding on a Section 3 covered project must complete, if applicable, the Section 3 forms found in Exhibit III of this policy. Applicable forms must be submitted with the bid packets. Contractors are responsible for ensuring that the subcontractors also comply with Section 3 regulations and fill out applicable forms. City of Laredo subgrantees, developers and contractors must incorporate the Section 3 clause verbatim found in Exhibit II and applicable Section 3 documents into all contract solicitations for Section 3 covered projects. The Section 3 clause specifies the requirements for developers/contractors hired for covered projects.

Contractors/developers that fail to meet the numerical goals bear the burden of demonstrating why it was not possible. Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will allow the Community Development Department to make a determination regarding compliance.

The City commits to assist and actively cooperate with the Assistant Secretary in obtaining the compliance of contractors and subcontractors with the requirements of this part, and refraining from entering into any contract with any contractor where the recipient has notice or knowledge that the contractor has been found in violation of the regulations in 24 CFR part 135.

## **SECTION XIV. RECORD KEEPING**

HUD shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the requirements of this part, or that are maintained in accordance with the regulations governing the specific HUD program under which section 3 covered assistance is provided or otherwise made available to the recipient or contractor.

Each entity (recipient, subrecipient, contractor, subcontractor, etc.) undertaking a portion of the work associated with a Section 3 covered contract is required to maintain *all* Section 3 related documents and records in their files for a period of not less than five (5) years from the date the work was completed and make all Section 3 related documents and records available for inspection and duplication by the City of Laredo and/or federal agency.

## **SECTION XV. NOTIFICATION AND OUTREACH**

Notifying Section 3 Residents and businesses about training/employment and contracting opportunities is implemented by one or more of the following actions:

- Advertise training opportunities by distributing flyers via mass mailings and posting in common areas of public housing developments
- Post available jobs with the Texas Workforce Commission
- Contact area resident councils, resident management corporations, and neighborhood community organizations to request their assistance in notifying residents of available training and employment opportunities to advertise employment opportunities by posting job vacancies in common areas of all public housing developments.

## **SECTION XVI. TRAINING AND EMPLOYMENT OPPORTUNITIES**

Developers, sub-grantees and/or contractors shall provide training and employment opportunities to Section 3 program participants by implementing one or more of the following actions:

- Advertise training opportunities by distributing flyers via mass mailings and posting in common areas of public housing developments

- Contact Laredo Housing resident councils, private resident management corporations, and neighborhood community organizations to request their assistance in notifying residents of training and employment opportunities
- Advertise employment opportunities by posting job vacancies in common areas of all public housing developments as well as contacting resident councils, resident management corporations, and neighborhood community organizations
- Create a database of certified Section 3 residents and business concerns that can be used by contractors as a resource for selecting and hiring or contracting with Section 3 residents and/or business concerns.

## **SECTION XVII. COMPLAINT INVESTIGATIONS**

Section 3 residents, Section 3 businesses, or their designated or authorized representatives, may file a formal complaint by filling out HUD Form 958, to allege noncompliance with the requirements of Section 3. Complaints must be filed with the Assistant Secretary for Fair Housing and Equal Opportunity (FHEO), Department of Housing and Urban Development, Washington, DC, 20410.

All recipients shall cooperate fully and promptly with the Assistant Secretary in section 3 compliance reviews, in investigations of allegations of noncompliance made under §135.76, and with the distribution and collection of data and information that the Assistant Secretary may require in connection with achieving the economic objectives of section 3.

The recipient shall refrain from entering into a contract with any contractor after notification to the recipient by HUD that the contractor has been found in violation of the regulations in this part.

A 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.

Each complaint must be in writing, signed by the complainant, and include:

- (i) The complainant's name and address;
- (ii) The name and address of the respondent;

- (iii) A description of the acts or omissions by the respondent that is sufficient to inform the Assistant Secretary of the nature and date of the alleged noncompliance.
- (iv) A complainant may provide information to be contained in a complaint by telephone to HUD or any HUD Field Office, and HUD will reduce the information provided by telephone to writing on the prescribed complaint form and send the form to the complainant for signature.

See 24 CFR 135.76 for additional information on filing and processing complaints. HUD Form 958 can be found at: <https://www.hud.gov/sites/documents/958.PDF>

## **SECTION XVIII. REPORTING**

The City of Laredo is responsible for submitting an annual Section 3 report to the U.S. Department of Housing and Urban Development (HUD) for the purpose of determining the effectiveness of the program. The submission of Section 3 reports should coincide with program funding performance reports. For Community Planning and Development formula grantees, the Section 3 report should be submitted at the same time as the Consolidated Annual Performance and Evaluation Report (CAPER) – 90 days after the end of the program year.



# **Exhibit I**

## Definitions

## DEFINITIONS

**Applicant** – Any entity which makes an application for Section 3 covered assistance, and includes, but is not limited to, any State, unit of local government, public housing agency 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.

**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. Employment Opportunities Generated by Section 3 Covered Assistance – all employment opportunities generated by the expenditure of Section 3 covered public assistance (i.e., operating assistance, development assistance and modernization assistance, (as described in Section 135.3 (a) (1)). With respect to Section 3 covered housing and community development assistance, this term means all employment opportunities arising in connection with Section 3 covered projects (as described in Section 135.3 (a) (2)), including management and administrative jobs. 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.

**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 CFR Chapter IX.

**HUD Youth Build 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.

**Section 3 resident means:**

- (1) A public housing resident; or
- (2) An individual who resides in the metropolitan area or Non-metropolitan County in which the section 3 covered assistance is expended, and who is:
  - I. 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)). Section 3(b)(2) of the 1937 Act defines this term to mean families (including single persons) whose incomes do not exceed 80% 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 80% 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; or

II. A 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)). Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)) defines this term to mean families (including single persons) whose incomes do not exceed 50% of the median family income for the area, as determined by the Secretary with adjustments made for smaller or larger families, except that the Secretary may establish income ceilings higher or lower than 50% 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.

(3) A person seeking the training and employment preference provided by section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

**New Hires** – Full-time employees for permanent, temporary or seasonal employment opportunities. “Re-hires” are considered “new hires” and must meet the Section 3 Resident definition in order to be counted as a Section 3 new hire.

**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, realtor, 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 Business Concern**

- 1) Business that is 51 % or more owned by Section 3 resident; or
- 2) Whose permanent, full-time employees include persons, at least 30 % 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 % of the dollar award of all subcontracts to be awarded to businesses that meet the qualifications set forth in items 1 or 2 above.

### **Section 3 Covered Assistance**

- 1) Public housing development assistance pursuant to Section 5 of the 1937 Act;
- 2) Public housing operating assistance pursuant to Section 9 of the 1937 Act;
- 3) Public housing modernization assistance pursuant to Section 14 of the 1937 Act;
- 4) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with housing rehabilitation, construction, or other public construction project (which includes other buildings or improvements, regardless of ownership).

**Section 3 Contract Clause** – The contract provisions set forth in Section 135.38

**Section 3 Covered Contracts** – A contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project. 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 housing or community development assistance.

**Section 3 Resident** – A public housing resident or an individual who resides in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and who is considered to be a low to very low-income person.

**Service area** - The geographical area in which the persons benefiting from the section 3-covered project reside.

**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.

**Exhibit II**  
Section 3 Clause

### SECTION 3 CLAUSE

All Section 3 covered contracts shall include the following clause (Part 135.38):

**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 or 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.

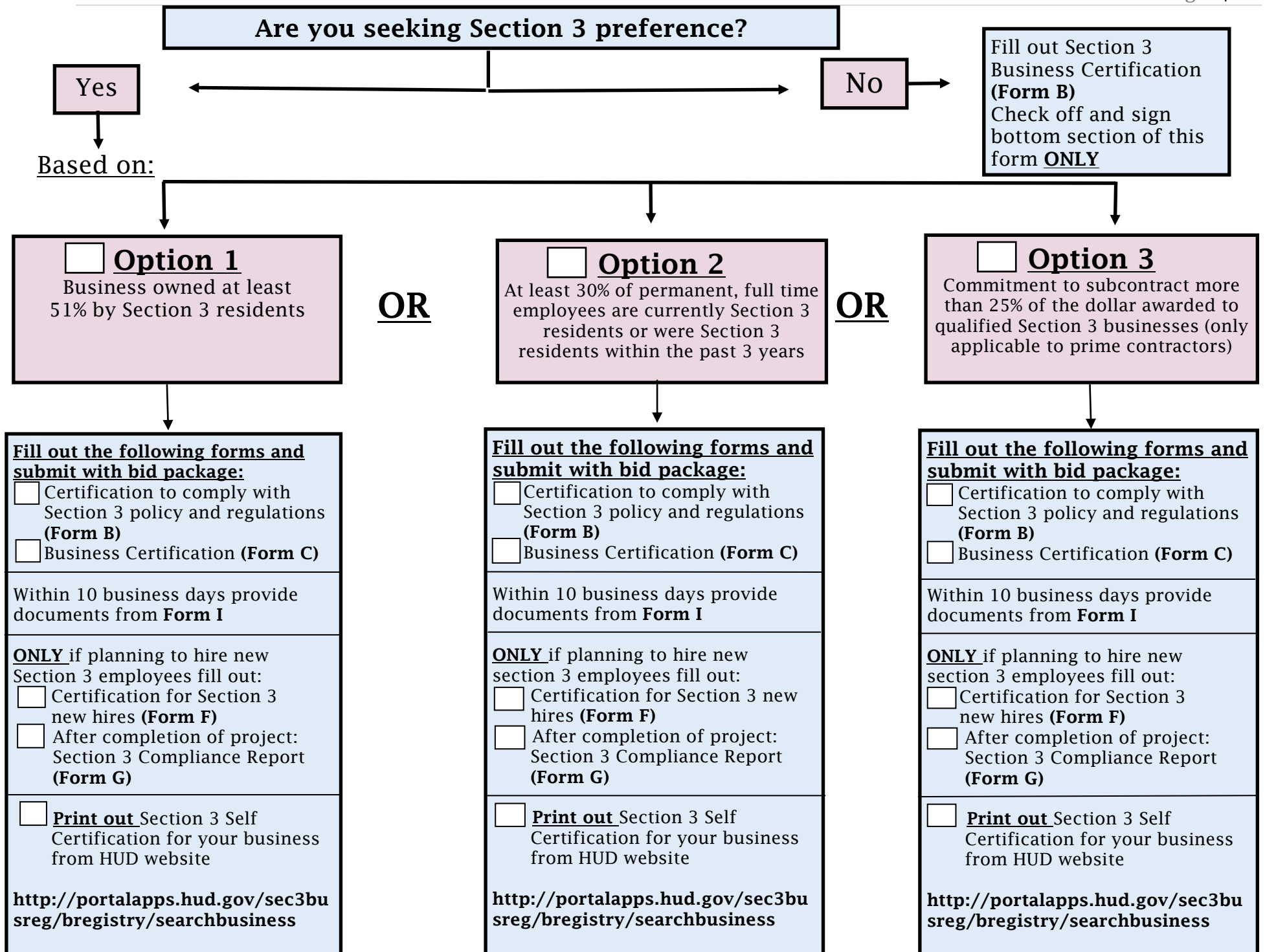
**F.** Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

**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).

**END OF CLAUSE**

**Exhibit III**  
Section 3 Forms





Are you seeking Section 3 preference?

Yes

No

Fill out Section 3 Business Certification (Form B)  
Check off and sign bottom section of this form ONLY

Based on:

**Option 1**

Business owned at least 51% by Section 3 residents

OR

**Option 2**

At least 30% of permanent, full time employees are currently Section 3 residents or were Section 3 residents within the past 3 years

OR

**Option 3**

Commitment to subcontract more than 25% of the dollar awarded to qualified Section 3 businesses (only applicable to prime contractors)

**Fill out the following forms and submit with bid package:**

- Certification to comply with Section 3 policy and regulations (Form B)
- Business Certification (Form C)

Within 10 business days provide documents from **Form I**

**ONLY** if planning to hire new Section 3 employees fill out:

- Certification for Section 3 new hires (Form F)
- After completion of project: Section 3 Compliance Report (Form G)

**Print out** Section 3 Self Certification for your business from HUD website

<http://portalapps.hud.gov/sec3busreg/bregistry/searchbusiness>

**Fill out the following forms and submit with bid package:**

- Certification to comply with Section 3 policy and regulations (Form B)
- Business Certification (Form C)

Within 10 business days provide documents from **Form I**

**ONLY** if planning to hire new section 3 employees fill out:

- Certification for Section 3 new hires (Form F)
- After completion of project: Section 3 Compliance Report (Form G)

**Print out** Section 3 Self Certification for your business from HUD website

<http://portalapps.hud.gov/sec3busreg/bregistry/searchbusiness>

**Fill out the following forms and submit with bid package:**

- Certification to comply with Section 3 policy and regulations (Form B)
- Business Certification (Form C)

Within 10 business days provide documents from **Form I**

**ONLY** if planning to hire new section 3 employees fill out:

- Certification for Section 3 new hires (Form F)
- After completion of project: Section 3 Compliance Report (Form G)

**Print out** Section 3 Self Certification for your business from HUD website

<http://portalapps.hud.gov/sec3busreg/bregistry/searchbusiness>

**City of Laredo**  
**CERTIFICATION TO COMPLY WITH SECTION 3 POLICY AND REGULATIONS**

I certify that I have read and understood the Section 3 Program Policy and I am committed to comply with the Section 3 regulations. It is the desire of the City of Laredo, Community Development Department to work together with the Contractor to ensure compliance with Section 3 goals, to the greatest extent feasible. I commit to include the Section 3 clause in all covered contract solicitations awarded with HUD funds over \$100,000.

I am committed to taking measures to make Section 3 business concerns and residents aware of contracting and hiring opportunities in connection with this Section 3 covered contract or in connection with the receipt of Section 3 covered assistance, if applicable. I am committed to meeting to the greatest extent feasible the Section 3 hiring and contracting goals, if applicable. I understand that the information submitted is subject to audit at any time, during the awarding of the contract, the duration of the contract and after the completion of the contract, by the City of Laredo and/or the U.S. Department of Housing and Urban Development (HUD).

If applicable, in the event that I am not able to hire/train Section 3 residents and/or contract with Section 3 business concerns, I understand that I will be required to document why I was unable to meet the numerical goals.

My signature/printed name below signify that I authorize the City of Laredo and U.S. Department of Housing and Urban Development (HUD) officials to verify all the information I provide regarding Section 3.

By checking this box, I affirm that the information contained on this form, to the best of my knowledge and belief is true, correct, and complete.

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

Address of Business: \_\_\_\_\_

Name of Project: \_\_\_\_\_

Name/Title: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Date: \_\_\_\_\_

City of Laredo
SECTION 3 BUSINESS CERTIFICATION

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

Address of Business: \_\_\_\_\_

Name of Project: \_\_\_\_\_

The contractor certifies that it is a Section 3 Business Concern based on:
(PLEASE CHECK OFF ONE OPTION BELOW)

[ ] OPTION 1: Status as a Section 3 resident-owned enterprise (at least 51% owned by Section 3 residents):

- Provide copy of resident lease, evidence of participation in a public assistance program, or signed certification of Section 3 resident
Provide documentation of business ownership, such as copy of articles of incorporation, partnership agreement, list of owners/stockholders and percentage ownership of each, or organization chart with names and titles

[ ] OPTION 2: At least 30% of permanent, full-time employees are currently Section 3 Residents or were Section 3 residents within the past 3 years (based on housing assistance or family income):

- Provide complete list of all permanent, full-time employees
Provide list of employees claiming Section 3 status
Provide documentation of Section 3 status for all applicable employees such as PHA residential lease or signed certification of Section 3 resident

[ ] OPTION 3: Commitment to subcontract more than 25% of the dollar awarded to qualified Section 3 business (only applicable to prime contractors):

- Provide list of subcontracted Section 3 business(es) and subcontract amount
Provide documentation of Section 3 status for applicable businesses

To confirm if you are considered a Section 3 business, visit:
https://portalapps.hud.gov/Sec3BusReg/BRegistry/AmISection3

[ ] The contractor certifies that it DOES NOT meet any of the requirements to be a Section 3 Business.

I hereby certify that the information provided here is true and correct and understand that any falsification of any information provided could subject me to disqualification and punishment under the law.

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name / Title: \_\_\_\_\_

**City of Laredo  
SECTION 3 RESIDENT PREFERENCE CLAIM FORM**

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

Address of Business: \_\_\_\_\_

Name of Project: \_\_\_\_\_

**Eligibility for Preference**

A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Section 135.5. (An example of evidence of eligibility for the preference is evidence of public housing residency, OR evidence that household income does not exceed the income guidelines, by family size, for low- or very low-income, as indicated elsewhere on this form.)

**Certification for Resident Seeking Section 3 Preference in Training and Employment**

I, \_\_\_\_\_, (name) am a legal resident of the City of Laredo, Webb County, TX and qualify as a Section 3 resident because:

\_\_\_\_\_ I legally reside in public housing OR

\_\_\_\_\_ I meet the income eligibility guidelines for a low- or very low-income person as shown below on this form.

<b>Number of Persons in Family</b>	<b>Very Low Income Level Household Income</b>	<b>Low Income Level Household Income</b>
1	\$20,550	\$32,900
2	\$23,500	\$37,600
3	\$26,450	\$42,300
4	\$29,350	\$46,950
5	\$31,700	\$50,750
6	\$34,050	\$54,500
7	\$36,400	\$58,250
8	\$38,750	\$62,000

**FY 2019 Webb County Income Limits Summary**

Please ensure table being used to document income eligibility is for the current Fiscal Year (FY)

*I hereby certify that the information provided here is true and correct, and understand any falsification of any of the information provided here could subject me to disqualification from participation and punishment under the law.*

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Permanent Address

\_\_\_\_\_  
City, State, Zip Code

**City of Laredo  
SECTION 3 SUBCONTRACTORS**

Name of Project: \_\_\_\_\_ Contract Amount: \$ \_\_\_\_\_

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

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

Phone Number: \_\_\_\_\_

Is the contractor a Section 3 Certified Business? Yes\*/ No

\*If "Yes", include self-Certification print out from the HUD website.

On the table below, list **all** subcontractors that will be used in this contract **only** if you will be subcontracting more than 25% of the dollar awarded to qualified Section 3 subcontractors.

<b>Section 3 Business?</b>	<b>Subcontractor</b>	<b>Subcontractor Award Amount and Percentage</b>
<input type="checkbox"/> YES  <input type="checkbox"/> NO	Name: Address: Email: Tax ID:	Award: \$  Percentage:     %
<input type="checkbox"/> YES  <input type="checkbox"/> NO	Name: Address: Email: Tax ID:	Award: \$  Percentage:     %
<input type="checkbox"/> YES  <input type="checkbox"/> NO	Name: Address: Email: Tax ID:	Award: \$  Percentage:     %

*Only companies self-certified as Section 3 businesses in the HUD website can be applied toward the subcontracting goals. Business Self-Certifications for all subcontractors must be submitted with the bid packet.*

For a list of self-certified Section 3 Businesses, please visit:  
<https://portalapps.hud.gov/Sec3BusReg/BRegistry/SearchBusiness>

**Name/Title:** \_\_\_\_\_

**Authorized Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**City of Laredo  
CERTIFICATION FOR SECTION 3 NEW HIRES**

Name of Project: \_\_\_\_\_

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

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

Estimate the number of employee **new hires** that will be brought onto the job, if awarded this contract: \_\_\_\_\_

What percentage of the new hires will be Section 3 individuals?  
(A minimum of 30% is required in order to meet the City of Laredo’s goal) \_\_\_\_\_

Describe how Section 3 individuals will be notified of employment opportunities:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**AFFIRMATION:** I hereby affirm that the above information is true and complete to the best of my knowledge and belief. I further understand and agree that if awarded the contract, this document shall be attached thereto and become a binding part of the contract.

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name / Title: \_\_\_\_\_

**NOTE:** If Section 3 hiring goals were not met in a percentage that equals or exceeds the City’s goal of 30%, you will be required to provide an explanation in the Section 3 Compliance Report to be filled out at completion of project.

For additional information, contact:  
City of Laredo  
Community Development Department  
1301 Farragut St.  
Laredo, TX 78040  
(956)795-2675

**City of Laredo  
SECTION 3 COMPLIANCE REPORT**

Must be completed by every contractor or subcontractor awarded a construction contract on a Community Development Block Grant project at completion of project.

Name of business: \_\_\_\_\_ Address: \_\_\_\_\_

Name of Project: \_\_\_\_\_

Contract Amount: \_\_\_\_\_

Indicate the efforts made to direct the employment and other economic opportunities generated by HUD financial for housing and community development program, to the greatest extent feasible, toward low and very low income persons, particularly those who are recipients of government assistance for housing. Check all that apply:

\_\_\_\_ Attempted to recruit low-income residents through local advertising media, signs prominently displayed at the project site, contracts with community organizations and public or private agencies operating within the metropolitan area in which the Section 3 covered program or project is located or similar methods.

\_\_\_\_ Participated in a HUD program or other program which promotes the training or employment of Section 3 residents.

\_\_\_\_ Participated in a HUD program or other program which promotes the award of contracts to business concerns which meet the definition of a Section 3 business concern.

\_\_\_\_ Coordinated with Youthbuild Programs administered in the metropolitan area in which the Section 3 covered project is located.

\_\_\_\_ Other. Describe \_\_\_\_\_

Please provide employee information below. For employees that qualify as Section 3, a Section 3 Resident Form must be submitted.

<b>Job Category</b>	<b>Total # of Employees</b>	<b>Total # of Section 3 Employees</b>	<b>Total # of new hires that qualify as Section 3</b>	<b>Total # of hours for New Hires that qualify as Section 3</b>	<b>Total # of hours for Section 3 employees</b>
Professional					
Technicians					
Office/Clerical					
Officials/Managers					
Sales					
Craft Workers (Skilled)					

Continues on the next page

Job Category	Total # of Employees	Total # of Section 3 Employees	Total # of new hires that qualify as Section 3	Total # of hours for New Hires that qualify as Section 3	Total # of hours for Section 3 employees
Operatives (Semiskilled)					
Laborers (Unskilled)					
Service Workers					
Other (List)					
<b>TOTAL</b>					

If Section 3 hiring goals were **not met** in a percentage that equals or exceeds the City's goal of 30%, please provide an explanation below:

---



---



---



---



---



---

Name/Title: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_



**City of Laredo**  
**SECTION 3 EMPLOYEE ROSTER**

Fill out **ONLY** if 30% of permanent, full time employees are currently Section 3 Residents  
or were Section 3 residents within the past 3 years (Option 2)

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

Name of Project: \_\_\_\_\_ Contact/Title: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Total Number of Employees: \_\_\_\_\_ Number of Section 3 Employees: \_\_\_\_\_

List of <b>Non-Section 3</b> Employees				
	Name	Classification	Full time?	
			Yes	No
1				
2				
3				
4				
5				
6				
7				
8				

(If additional space is needed, please submit a second **Form H**)

List of <b>Section 3</b> Employees				
	Name	Classification	Full time?	
			Yes	No
1				
2				
3				
4				
5				
6				
7				
8				

**NOTE: Attach Form C or copy of Public Housing Authority residential lease per Section 3 employees.**

Authorized Signature: \_\_\_\_\_

Date \_\_\_\_\_

Name/Title: \_\_\_\_\_

The following documents must be submitted within 10 business days after selection of contractor

**Option 1**  
Business owned at least 51% by Section 3 residents

**Option 2**  
At least 30% of permanent, full time employees are currently Section 3 Residents

**Option 3**  
Commitment to subcontract more than 25% of the dollar awarded to qualified Section 3 businesses

Within 10 business days of selection of contractor, submit the following documentation:

- Signed certification of Section 3 resident preference claim form (**Form D**) **OR**
- Provide a copy of resident lease, **OR**
- Evidence of participation in a public assistance program, **AND**
- Provide documentation of business ownership, such as: Copy of articles of incorporation **OR**
- Partnership agreement **OR**
- List of owners/stockholders and percentage ownership of each **OR**
- Organization chart with names and titles

Within 10 business days of selection of contractor, submit the following documentation:

- Provide complete list of all permanent, full time employees and Provide list of employees claiming Section 3 status (**Form H**)
- Provide documentation of Section 3 status for all applicable employees such as PHA residential lease
- Signed certification of Section 3 resident preference claim form (**Form D**)

Within 10 business days of selection of contractor, submit the following documentation:

- Provide list of subcontracted Section 3 business(es) and subcontract amount (**Form E**)
- Provide documentation of Section 3 status for applicable businesses (Documentation from option 1 or option 2 of this **Form I**)

**Disclaimer: If not all applicable forms are submitted, Section 3 disqualification might occur.**