

Local Economic Opportunity Obligation Notice: HUD Section 3

TDHCA and HUD may monitor Subrecipients and contractors based on these requirements.

Applicability: HUD-funded projects that involve construction, reconstruction, rehab, or demolition.

Service area: applicant describes geographic limits of “local” for purposes of compliance.

Section 3 Coordinator: responsible for advising the recipient or contractor and submitting summary reports.

For the sake of clarity, “Subrecipient” means: any entity that receives HUD funds under contract from TDHCA.

Definition of “Section 3 resident,” and other terms appear at:

<http://www.tdhca.state.tx.us/program-services/hud-section-3/index.htm>

Contact the Section 3 specialist in Program Services with your questions.

<http://www.tdhca.state.tx.us/program-services/contacts.htm>

Basis for Section 3 Requirements (24 CFR 135)

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

Section 3 Clause (24 CFR 135.38) must appear in all Section 3-covered HUD contracts [24 CFR 135.3].

Responsibilities of Subrecipient to Department, Community, and Labor Force:

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

1. Develop a Local Economic Opportunity Section 3 Plan that describes community circumstances and how subrecipient anticipates utilizing resources to fulfill program responsibilities. (recommended)
2. Outreach: Demonstrate good faith efforts to notify Section 3 residents and businesses about training, employment, and contracting opportunities generated by this Section 3 covered assistance. (required)
3. Document actions taken to comply with Section 3 goals and justifiable reasons if unable to comply. (required)
4. Submit Summary Reports (based on form HUD-60002) as requested to TDHCA. (required)

Responsibilities for all contractors, including subrecipient, for covered projects:

5. “To the greatest extent feasible,” recruit, train, and employ Section 3 residents and award contracts to Section 3 businesses including recruiting Section 3 residents through local advertising, project site signage, liaisons with local Public Housing Authorities, community organizations, public or private institutions, or Local Workforce Development Boards (affiliated with Texas Workforce Commission).
6. Maintain a list of lower-income area residents who applied for project employment and employ such persons if appropriate vacancy exists.
7. Notify potential contractors of their Section 3 responsibilities, by including this notice in solicitations and incorporating Section 3 Clause into covered contracts [see 24 CFR Part 135.38].
8. Maintain and provide requested data for Summary Report, including employment and training records of Section 3 residents and contracts awarded to Section 3 businesses.
9. Refrain from entering into contracts with entities reportedly in violation of Section 3 regulations.

Numerical goals: new hiring of Section 3 residents (24 CFR 135.30)

- 30% of new hires
 - Public housing residents
 - Youthbuild participants
 - Below 80% AMI (area median household income)

Numerical goals: Contracting Section 3 businesses

- 10% of construction contracts (by dollar value)
- 3% of non-construction contracts (by \$ value)

Outreach and Good Faith Efforts (see “Understanding Section 3,” Resources, and HUD Examples)

Reporting Requirements

Final report 60002 precedes final disbursement. Periodic report (if required [NSP]) reflects Section 3 Summary report (HUD 60002). Narrative section should coincide with project’s Local Economic Opportunity plan on file.

These obligations and requirements substantively reflect 24 CFR 135, guidance from US Department of Housing and Urban Development (HUD) and TDHCA Board-approved policy.