

Section 3 Compliance Guide

Step 1: Contractor Complete Required Section 3 Documents

- Include “Section 3 Clause” in all contracts and subcontracts (Exhibit 1)
- Complete Contractor’s Requirements form (Exhibit 2)
- Complete a Section 3 Plan (Exhibit 3)
- Complete Section 3 Utilization Tool (Form 4737C)
- Complete Certification of Bidder form (Exhibit 4)

Step 2: Advertise and Recruit Section 3 Workers

- Contractor advertises and hires employees
 - Post at Public Housing (if applicable)
 - Opportunity to Work from Kansas Works (Exhibit 5)
 - Host one or more job fairs
- Contractor and Grantee review Qualitative Efforts Compliance Form (Exhibit 6)
- Post and/or email outreach efforts. **Document efforts!**

Step 3: Identify Section 3 Workers

- Contractor reviews existing employees for those that can be certified as Section 3 Workers
 - Complete Contractor Existing Workforce Form (Exhibit 7)
- Contractor hires employees thought to be Section 3 Workers and documents status

Two primary options for identifying and documenting Section 3 Worker status:

1. Worker Self-Certification (Form 4736C)
2. Employer Certification (Form 4736A)

Step 3(a): Documenting Section 3 Workers

Worker Self-Certification Options (one of the following)

1. Income from the prior calendar year is below 80 percent area median income
2. Employed by a Section 3 Business Concern (will need employer confirmation)
3. Currently participating in the YouthBuild program (uncommon)

Employer Certification Options (one of the following)

1. Employer confirms that the worker’s income from that employer is below 80 percent median income
2. Employer confirms that the worker is employed by a Section 3 Business Concern

Step 3 (b): Documenting Targeted Section 3 Workers

Worker Self-Certification Options (one of the following)

1. Currently participating in the YouthBuild program (uncommon)
2. **Income from the prior calendar year is below 80 percent median income and the employee lives within the project’s service area** (defined as within one-mile radius of the project; if fewer than 5,000 people live with that radius, the circle may be expanded until that population is reached); - **residence must be confirmed by employer**

Employer Certification Options (one of the following)

1. Employer confirms that the worker’s income from that employer is below 80 percent median income and lives within the employment radius
2. Employer confirms that the worker is employed by a Section 3 Business Concern

Step 3 (c): Documenting Section 3 Business Concerns

- At least 51 percent of the business is owned and controlled by low- or very low-income persons
- Over 75 percent of the labor hours performed by the business are performed over the prior 3-month period are performed by Section 3 workers
- At least 51 percent of the business is owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing (Form 4736)
- Complete Section 3 Business Concern (Form B and B1)

Step 4: Track and Monitor Labor Hours

Labor Hours Reporting Requirements

- HUD sought to tie Section 3 reporting requirements with standard business practices – in that most developers, contractors, and subcontractors already track labor hours in a payroll system.
- For those employers who do not track labor hours in detail through a time-and-attendance system, HUD does not require employers to acquire such a system. Instead, they may provide a good faith assessment of the labor hours for an employee.
- Track Section 3 worker and Targeted Section 3 worker labor hours (Form A)
- Track Section 3 Business Labor hours (Form 4737)

Step 5: Reporting on Section 3 Efforts

- Grantees must report on Section 3 compliance at completion of the project
- See HUD Forms 4736, 4736A, 4736C, 4737, and Form A
- Final Section 3 Utilization Report (Exhibit 8)
- Documentation of Section 3 Workers (Step 3 and 3a) and Documentation of Labor Hours (Step 4) will be requested
- Documentation of compliance with established labor hour Benchmarks of 25 percent Section 3 Workers and 5 percent Targeted Section 3 Workers (Exhibit 8)
- If Section 3 Benchmarks are not met, then the Grantee must report on the qualitative efforts undertaken to meet those benchmarks (Exhibit 6)

What are Qualitative Efforts?

Examples of appropriate Qualitative Efforts:

1. Outreach efforts to generate job applicants who are Targeted Section 3 workers
2. Training/apprenticeship opportunities
3. Holding Job Fairs
4. Aid in applying for/or attend education/vocational training
5. Provide financial literacy training
6. Engage in outreach to identify and secure bids from Section 3 Business Concerns

Examples of appropriate documentation of Qualitative Efforts:

1. Copies of direct mail solicitations
2. Email and internet outreach efforts
3. Formal advertisements
4. Flyers or brochures about meetings
5. Sign-in lists from job fairs and other public meetings
6. Agendas and/or meeting notes from meetings with contractors