



SECTION 3 CONTRACTOR BOOK

City of Phoenix



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WHAT IS SECTION 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) that is regulated by the provisions of 24 CFR 75. Section 3 regulations 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 Phoenix ("City") is the recipient of certain HUD financial assistance for public housing and housing and community development activities. These programs require compliance with Section 3 of the Housing and Urban Development Act of 1968. Section 3 requires that employment and other economic opportunities be directed toward low- and very-low income persons, particularly those who are recipients of federal assistance for housing, and to business concerns that employ these residents.

This handbook is provided as a guide to understanding Section 3 of the Housing and Urban Development Act of 1968, and the business and employment goals related to this project. It is intended to assist contractors in complying with Section 3 requirements, but does not supersede the contract provisions.



Section 3 requirements do not apply to:

- 1) Material Supply Contracts - § 75.3(b),
- 2) Indian and Tribal Preferences - § 75.3(c), and
- 3) Other HUD assistance and other Federal assistance not subject to Section 3 §75.3 (d).

CONTRACTOR RESPONSIBILITY

The General Contractor and all subcontractors on this project are subject to compliance with Section 3 requirements as outlined in the Section 3 Clause of each contract, and the implementation of the regulations as outlined in 24 CFR part 75.

The General Contractor is required to incorporate the Section 3 Clause into all subcontracts.

The contractor and subcontractors agree **to the greatest extent feasible**, meet or exceed the following numerical goal:

- 1) Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers;

Section 3 Labor Hours/Total Labor Hours = 25%

And

- 2) Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers, as defined at 24 CFR Part 75.21 or 24 CFR Part 75.11.

Targeted Section 3 Labor Hours/Total Labor Hours = 5%

Monthly the subcontractors will report Section 3 hours worked, training, and subcontracting activities to the General Contractor. The General Contractor will compile all Section 3 reports for the month (and add their own if applicable) and turn in one monthly report to the project manager at the City. The report must be submitted for a pay application to be processed.

PRIOR TO BEGINNING WORK ON THE SITE

Prior to begging work on the site all contractors and subcontractors must complete the following:

1. Include Section 3 language in all contracts and subcontracts
2. Complete the Section 3 Business Concern Form
3. Have all employees complete Section 3 Employee Certification Form

MONTHLY REPORTING

Davis Bacon

If the project **IS** Davis Bacon monthly hours will be tracked in LCP Tracker to avoid duplicate reporting requirements for hours worked.

Non-Davis Bacon

If the project **IS NOT** Davis Bacon, monthly hours will be reported using the Section 3 Reporting spreadsheet. Each contractor or subcontractor will submit a monthly Section 3 Summary spreadsheet to the City of Phoenix Project Manager assigned to the project. This form will be provided by City of Phoenix staff. The City of Phoenix Project Manager will use the Section 3 Summary spreadsheet to tally the hours worked on the project.

Monthly Reporting Workflow

Subcontractor -> General Contractor/Subrecipient -> City of Phoenix project manager

PRIORITIZATION OF EFFORT FOR EMPLOYMENT, TRAINING, AND CONTRACTING

Contractors and subcontractors should make best efforts to provide employment and training opportunities to Section 3 workers in the priority order listed below:

PUBLIC HOUSING FINANCIAL ASSISTANCE

1. To residents of the public housing projects for which the public housing financial assistance is expended;

2. To residents of other public housing projects managed by the PHA that is providing the assistance or for residents of Section 8-assisted housing managed by the PHA;
3. To participants in YouthBuild programs; and
4. To low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is expended.

HOUSING AND COMMUNITY DEVELOPMENT FINANCIAL ASSISTANCE

Provide employment and training opportunities to Section 3 workers within the metropolitan area in which the project is located in the priority order listed below:

1. Section 3 workers residing within the service area or the neighborhood of the project, and
2. Participants in YouthBuild programs.

Contractors and subcontractors will be required to certify that they will and have made best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

CONTRACTING

Under the City of Phoenix's Section 3 Program, contractors and subcontractors must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers in the following order or priority:

PUBLIC HOUSING FINANCIAL ASSISTANCE

- 1) Section 3 business concerns that provide economic opportunities for residents of public housing projects for which the assistance is provided;
- 2) Section 3 business concerns that provide economic opportunities for residents of other public housing projects or Section-8 assisted housing managed by the PHA that is providing assistance;
- 3) YouthBuild programs; and
- 4) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the assistance is provided.

HOUSING AND COMMUNITY DEVELOPMENT FINANCIAL ASSISTANCE

- 1) Business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which assistance is located in the following order of priority (where feasible):
 - a. Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project; and
 - b. YouthBuild programs.

Contractors and subcontractors will be required to certify that they will and have made best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

SECTION 3 CLAUSE

Must include the following language in all contracts and subcontracts:

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 training, employment, contracting, and other economic opportunities generated by Section 3 covered financial assistance are directed to low- and very low-income persons, including persons who are recipients of HUD assistance for housing, with preference for both targeted workers living in the service area or neighborhood of the Project and Youthbuild participants, as well as to businesses that are either owned by low-income residents of the neighborhood where the financial assistance is spent, or substantially employ these persons, as defined at 24 CFR Part 75 (“Section 3 Regulations”).

The parties to this contract agree to comply with HUD’s Section 3 regulations in 24 CFR 75, 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 Section 3 Regulations.

Contractor agrees to notify potential contractors and subcontractors that are associated with Section 3 covered projects and activities about the requirements of Section 3, to include this Section 3 clause in every contract and subcontract subject to compliance with regulations in 24 CFR part 75, and to ensure that any subcontractors also include this Section 3 clause in their subcontracts for work performed on the project.

- A. 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 75.
- B. Contractor agrees to maintain hiring and contracting practices to the greatest extent feasible so that 25 percent of the total labor hours expended on the project are by Section 3 Workers, of which 5 percent are by Targeted Section 3 Workers as defined in 24 CFR part 75. As part of these practices, Contractor agrees to provide priority consideration to eligible residents and businesses in accordance with 24 CFR Part 75, as applicable. If the Contractor is not able to meet this benchmark goal, it must provide a narrative of efforts taken and supporting documentation explaining why it was unable to meet that goal, despite greatest extent feasible efforts taken.
- C. If applicable, the Contractor agrees to notify each labor organization or representative of workers with which the Contractor has a collective bargaining or similar labor agreement or other understanding about its obligation to comply with the requirements of Section 3 and ensure that new collective bargaining or similar labor agreements provide employment, registered apprenticeship, training, subcontracting, or other economic opportunities to Section 3 Workers and businesses, and to post notices in conspicuous places at the work site advising the labor union, organization, or workers’ representative of the Contractor’s commitments under this part.
- D. The Contractor agrees to comply with all monitoring, reporting, recordkeeping, and other procedures specified the City and the HUD. The Contractor is responsible for providing Section

3 performance metrics and supporting documentation for all its subrecipients, contractors, and subcontractors, as applicable.

- E. Noncompliance with HUD's regulations in 24 CFR part 75 and the City's Section 3 policies may result in sanctions, penalties, termination of this contract for default, and debarment or suspension from future HUD-assisted contracts.

DEFINITIONS AND GOALS

SECTION 3 WORKER

In accordance with the regulation, a Section 3 worker is a worker who **currently fits** or **when hired within the past five years fits** at least one of the following categories:

1. Is a low- or very low-income worker that fell below HUD income limits for the previous or annualized calendar year. Low- and very-low-household income limits may be obtained from: <http://www.huduser.org/portal/datasets/il.html>
2. Is employed by a Section 3 business concern (defined in Section C).
3. Is a Youthbuild participant. YouthBuild is a community-based pre-apprenticeship program administered by the U.S. Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school.

TARGETED SECTION 3 WORKER

As the City of Phoenix serves as both an Entitlement Jurisdiction as well as a Public Housing Authority, there are two possible definitions for Targeted Section 3 worker which may apply. Which definition is applicable will depend on what program the activity is done under. If you are unsure of which definition applies, please contact the City of Phoenix Project Manager assigned to your project.

CPD Programs (HOME, CDBG, ESG, NSP, HOPWA,	PUBLIC HOUSING
<ol style="list-style-type: none"> 1. Employed by a Section 3 business or 2. Currently fits or when hired fit at least one of the following categories as documented within the past five years: <ul style="list-style-type: none"> • Living within the service area or the neighborhood of the project, as defined in 24 CFR 75.5 (typically 1 mile) • A YouthBuild participant 	<ol style="list-style-type: none"> 1. Employed by a Section 3 business or 2. Currently fits or when hired fit at least one of the following categories as documented within the past five years: <ul style="list-style-type: none"> • A resident of public housing or Section 8-assisted housing • A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance • A YouthBuild participant

SECTION 3 BUSINESS CONCERN

Section 3 business concern preference by demonstrating that it meets one or more of the following criteria:

- 1) At least 51 percent of the business is owned and controlled by low- or very low-income persons; or
- 2) 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; or

- 3) Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers. Businesses that seek Section 3 preference shall certify, or demonstrate to City of Phoenix, contractors or subcontractors, that they meet the definitions provided in the above. Businesses may demonstrate eligibility by submitting the Section 3 Business Concern Certification Form.

SECTION 3 GOALS

Section 3 goals are based on the percentage of project hours worked by Section 3 workers. They are:

- 1) Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers;

Section 3 Labor Hours/Total Labor Hours = 25%

And

- 2) Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers, as defined at 24 CFR Part 75.21.

Targeted Section 3 Labor Hours/Total Labor Hours = 5%

FORMS

The reporting forms listed below are included on the subsequent pages:

Section 3 Business Concern Form – This form is to be completed by all contractors and subcontractors working on the project. This form confirms that the contractor is aware of the Section 3 requirements of this project and will be used to identify if any businesses qualify as a Section 3 Business Concern.

Section 3 Employee Affidavit Form – This form is to be completed by all employees prior to working on the jobsite. It will be used to identify both regular and targeted Section 3 worker status.

Spanish Section 3 Employee Affidavit Form – This is a Spanish language version of the Section 3 Employee Affidavit Form



City of Phoenix

Section 3 Business Concern Certification for Contracting

Instructions: Enter the following information and select the criteria that applies to certify your Section 3 Business Concern* status.

Business Information

Project Name:			
Name of Business:			
Address of Business:			
Business Owner:			
Preferred Contact:			
Phone Number:		Email Address:	
Business Type:	Corporation	Partnership	Sole Proprietorship
			Joint Venture

Select from ONE of the following options below that applies:

At least 51 percent of the business is owned and controlled by low- or very low-income persons.

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.

Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers.

Not a Section 3 Business Concern.

Affirmation

I affirm that the above statements are true, complete, and correct to the best of my knowledge and belief. I understand that businesses who misrepresent themselves as Section 3 business concerns and report false information to City of Phoenix may have their contracts terminated as default and be barred from ongoing and future considerations for contracting opportunities. I hereby certify**, under penalty of law, that the following information is correct to the best of my knowledge.

Additionally, I affirm that I have read and understand the HUD Section 3 requirements and responsibilities listed in the Section 3 Clause (24 CFR 75).

Print Name: _____ Signature: _____

Date: _____

FOR ADMINISTRATIVE USE ONLY		
Is the business a Section 3 business concern based upon their certification?	YES	NO

*Information regarding Section 3 Business Concerns can be found at 24 CFR 75.5.

**Certification expires within six months of the date of signature.

EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS.



City of Phoenix

Section 3 Worker and Targeted Section 3 Worker Self-Certification

The purpose of HUD’s Section 3 program is to provide employment, training, and contracting opportunities to low-income individuals, particularly those who are recipients of government assistance for housing or other public assistance programs. Your response is voluntary, confidential, and has no effect on your employment. A Section 3 worker seeking certification shall self-certify and submit this form to the recipient contractor or subcontractor, that the person is a Section 3 worker or Targeted Section 3 Worker as defined in 24 CFR Part 75.

Eligibility for Section 3 Worker or Targeted Section 3 Worker Status

Instructions: Enter/select the appropriate information to confirm your Section 3 worker or Targeted Section 3 Worker status.

Name:		Hire Date	
Address:			
Employer:			
Are you a resident of public housing or a Choice Neighborhoods?	YES	NO	
Are you a resident of the City of Phoenix?	YES	NO	
Is your individual income equal to or less than \$57,600 per year?	YES	NO	
Do you live within 1 mile of the project site(s)?	YES	NO	

Employee Affirmation

I affirm that the above statements are true, complete, and correct to the best of my knowledge and belief. I hereby certify, under penalty of law, that the following information is correct to the best of my knowledge.

Print Name: _____ Signature: _____

Date: _____

FOR ADMINISTRATIVE USE ONLY			
Is the employee a Section 3 worker based upon their self-certification?	YES	NO	
Is the employee a Targeted Section 3 worker based upon their self-certification?	YES	NO	
Was this an applicant who was hired as a result of the Section 3 project?	YES	NO	
If yes, Name of Company		Hire Date:	

EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS.



Ciudad de Phoenix

Autocertificación del trabajador de la Sección 3 y del trabajador de la Sección 3 con estatus específico

El propósito del programa de la Sección 3 de HUD es brindar oportunidades de empleo, capacitación y contratación a personas de bajos ingresos, en particular a quienes reciben asistencia del gobierno para vivienda u otros programas de asistencia pública. Su respuesta es voluntaria, confidencial y no tiene ningún efecto sobre su empleo. Un trabajador de la Sección 3 que busque la certificación deberá autocertificarse y enviar este formulario al contratista o subcontratista receptor, de que la persona es un trabajador de la Sección 3 o un Trabajador de la Sección 3 con estatus específico como se define en 24 CFR Parte 75.

Instrucciones para elegibilidad de trabajador de la Sección 3 o trabajador de la Sección 3 con estatus específico. Ingrese/seleccione la información adecuada para confirmar su estado de trabajador de la Sección 3 o Trabajador de la Sección 3 con estatus específico

Nombre		Fecha de Inicio	
Dirección			
Empleador:			
¿Es usted residente de una vivienda pública o de una elección de vivienda?	SI	NO	
¿Es usted residente de la Ciudad de Phoenix?	SI	NO	
¿Su ingreso individual es igual o menor a \$57,600 por año?	SI	NO	
¿Vive dentro de 1 milla del sitio(s) del proyecto?	SI	NO	

Afirmación del Empleado

Afirmo que las declaraciones anteriores son verdaderas, completas y correctas a mi leal saber y entender. Por la presente certifico, bajo pena de ley, que la siguiente información es correcta a mi leal saber y entender.

Nombre : _____

Firma : _____

Fecha: _____

SOLO PARA USO ADMINISTRATIVO			
¿Es el empleado un trabajador de la Sección 3 según su autocertificación?		SI	NO
¿Es el empleado un trabajador de la Sección 3 con estatus específico en función de su autocertificación		SI	NO
¿Era este un solicitante que fue contratado como resultado del proyecto de la Sección 3?		SI	NO
Si es así nombre de la Empresa		Fecha de Contratación	

LOS EMPLEADORES DEBEN CONSERVAR ESTE FORMULARIO EN SU ARCHIVO DE CUMPLIMIENTO DE SECCIÓN 3 DURANTE CINCO AÑOS