

SECTION 3 IS INTENDED TO ENSURE THAT WHEN EMPLOYMENT OR CONTRACTING OPPORTUNITIES ARE GENERATED BECAUSE A COVERED PROJECT OR ACTIVITY NECESSITATES THE EMPLOYMENT OF ADDITIONAL PERSONS OR THE AWARDING OF CONTRACTS FOR WORK, PREFERENCE MUST BE GIVEN TO LOW-AND VERY LOW-INCOME PERSONS OR BUSINESSES CONCERNED RESIDING IN THE COMMUNITY WHERE THE PROJECT IS LOCATED.

### **What responsibilities do contractors / subcontractors have if they receive Section 3 covered financial assistance?**

If a contractor / subcontractor has the need to hire a new person to complete the Section 3 covered contract or needs to subcontract portions of the work to another business, they are required to direct their newly created employment and/or subcontracting opportunities to Section 3 residents and business concerns. The numerical goals apply and 30% of the aggregate number of new hires annually, 10% of all Section 3 covered construction contracts, and 3% of the total dollar amount of all non-construction Section 3 covered contracts shall be awarded to Section 3 businesses. In addition, the contractor/subcontractor must notify the City about their efforts to comply with Section 3 and submit the required documentation.

### **Are professional service contracts covered under Section 3?**

Yes, the term "Section 3 covered contract" includes professional services contracts provided that the work to be performed is generated by the expenditure of Section 3 covered work arising in connection with projects involving housing rehabilitation, housing construction, demolition, or other public construction.

### **What are the responsibilities of the City and its subrecipients?**

The City is required to ensure our own compliance and the compliance of its subrecipients (including non-profits and for-profit developers) and contractors/subcontractors.

### **When is Section 3 triggered?**

Section 3 requirements are only triggered when new jobs and/or contracting opportunities are created during the completion of covered projects. But, Section 3 residents and business concerns are not guaranteed employment or contracting opportunities. Section 3 residents must demonstrate that they meet the qualification for new employment opportunities created as a result of the expenditure of covered assistance.

### **What is considered acceptable evident to determine eligibility as a Section 3 resident?**

Acceptable documentation includes, but is not limited to, the following:

- Proof of residency in a public housing development;
- Evidence of participation in a HUD Youthbuild program operated in the City of Rockford;
- Evidence that the individual resides in the Section 3 area and is low income
- Self-certify eligibility through the execution of a City generated document which includes a statement of penalty for falsifying information.

### **Does preference to a Section 3 business mean that the business should be selected if it meets the technical requirement of the bid, regardless of bid price?**

No. Contract awards shall only be made to responsible contractors possessing the ability to perform under the terms and conditions of the proposed contract.

For additional information, go to the City of Rockford's website at [www.rockfordil.gov](http://www.rockfordil.gov) or contact:  
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City of Rockford  
Community & Economic Development

EXCELLENCE IN SERVICES

# SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968

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• SECTION 3 IS A PROVISION OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968, WHICH RECOGNIZES THAT HUD FUNDS ARE TYPICALLY ONE OF THE LARGEST SOURCES OF FEDERAL FUNDING EXPENDED IN COMMUNITIES THROUGH THE FORM OF GRANTS, LOANS, ENTITLEMENT ALLOCATIONS AND OTHER FORMS OF ASSISTANCE. SINCE THE CITY OF ROCKFORD IS A RECIPIENT OF AT LEAST \$200,000 UNDER ONE OR MORE OF THE SECTION 3 HUD FINANCIAL ASSISTANCE PROGRAMS, THE CITY IS REQUIRED TO COMPLY WITH SECTION 3 UNDER THE COVERED PROGRAMS.

Some of the covered programs include:

- Community Development Block Grant (CDBG and CDBG-R)
- HOME Investment Partnership
- Economic Development Initiatives assistance
- Brownfields Economic Development Initiative
- Continuum of Care Homeless Assistance Program
- Various stimulus grants received from the Federal/State government

What is a Section 3 covered project?

A Section 3 covered project involves the construction, demolition, or rehabilitation (including the reduction of lead-based paint hazards) of housing or other public construction such as street repair, sewage line repair or installation, updates to building facades, etc.

**Section 3 resident** - A section 3 resident is 1) a public housing resident; or 2) a low or very low-income person residing in the city of Rockford.

**Section 3 Business Concern** - Section 3 Business Concerns are businesses that can provide evidence that they meet one of the following:

- A) 51% or more owned by Section 3 residents
- B) At least 30% of its full time employees include persons that are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents.
- C) Provides evidence, as required, of a commitment to subcontract in excess of 25% of the dollar award of all subcontractors to be award to business concerns that meet the qualification in the above two bullets.
- D) Or is willing to self-certify on a form generated by the City of Rockford which includes a statement of penalty for falsifying information.

**What is a new hire?** A new hire means a full-time employee for a new permanent, temporary, or seasonal position that is created during the expenditure of Section 3 covered financial assistance.

**Does Section 3 apply to other State/local laws?**

Compliance with Section 3 shall be achieved to the greatest extent feasible, and consistent with local laws and regulations.

**How does Section 3 differ from the Minority business Enterprise / Women Business Enterprise programs?**

Section 3 is both race and gender neutral. The preferences provided under this regulation are based on income-level and location. Section 3 was designed to encourage recipients, such as the City of Rockford, to direct new employment and contracting opportunities to low-income residents, and the businesses that employ these persons regardless of race and/or gender. However, the City anticipates that Section 3 will serve to support, and not impeded, contract opportunities for minority business enterprises.

**What dollar threshold amounts apply to contractors and subcontractors?**

All contractors (or subcontractors) receiving covered funds in excess of \$100,000 to complete projects involving housing construction, rehabilitation, demolition, or other public construction are required to comply with the requirements of Section 3.

For additional information, go to the city of Rockford's website at [www.rockfordil.gov](http://www.rockfordil.gov).