



DEPARTMENT OF
HOUSING



CDBG-DR

SECTION 3 POLICY

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PUERTO RICO DEPARTMENT OF HOUSING
CDBG-DR PROGRAM GUIDELINES
SECTION 3 POLICY
VERSION CONTROL

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1	March 24, 2020	Original Version
2	June 28, 2021	Revisions through the whole document to comply with new Section 3 regulations in 24 C.F.R. Part 75. Edits are highlighted in grey for ease of reference.

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1 Common Terminology & Definitions

The terminology and definitions contained within this Policy are adapted from 24 C.F.R. Part 75 in conjunction with other HUD requirements and best practices, and follow HUD guidance applicable to the “Housing and Community Development Assistance” portion of Section 3 requirements. For the purpose of the PRDOH CDBG-DR Program, the following selected terms and definitions apply in this policy:

1937 Act: means the United States Housing Act of 1937, 42 U.S.C. § 1437 *et seq.*

Applicant: means 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, Indian housing authority, Indian tribe, 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 (CHDO), resident management corporation, resident council, or cooperative association. For the PRDOH Program purposes, the “applicant” is PRDOH or its subrecipient.

Business Concern: means a business entity formed in accordance with the Government of Puerto Rico law, and which is licensed under Government of Puerto Rico or municipal law to engage in the type of business activity for which it was formed.

Contractor: means any entity entering into a contract with (1) a recipient to perform work in connection with the expenditure of public housing financial assistance or for work in connection with a Section 3 project; or (2) a subrecipient for work in connection with a Section 3 project.

HUD Form 60002: means the data field areas form used by HUD recipients to report via the HUD SPEARS System the Section 3 performance to HUD FHEO prior to the updated Section 3 new rule.

Grantee: means any entity that receives financial assistance or housing and community development assistance directly from HUD, that funds Section 3 projects including, but not limited to, any State, local government, instrumentality, public housing agency, or other public agency, public or private nonprofit organization.

Greatest extent feasible: means that more than normal efforts must be made to comply with the regulatory requirements of Section 3, meaning Subrecipients, and their contractors of Section 3 covered financial assistance should make every effort within their disposal to meet the regulatory requirements. For instance, this may mean going a step beyond the normal notification procedures for employment and contracting procedures by developing strategies that will specifically Target Section 3 Workers, and businesses for these types of economic opportunities.

HUD: means the United States Department of Housing and Urban Development.

Housing and Community Development Assistance: means any financial assistance provided or otherwise made available through a HUD housing or community development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty. 24 C.F.R. Part 75 divides Section 3 activities into two (2) broad classes: 1) public housing financial assistance¹ and 2) Section 3 Projects (which addresses Housing and Community Development financial assistance).²

Labor hours: means the number of paid hours worked by persons on a Section 3 Project.

Low-income Person: as defined in the U.S. Housing Act of 1937, 42 U.S.C. § 1437a (b)(2), this term refers to a single person, in accordance with 42 U.S.C. § 1437a (b)(3), whose income does not exceed eighty percent (80%) of the median income for the area. As per Federal Register Vol. 83, No. 28 (February 9, 2018), 83 FR 5844, for the purposes of CDBG-DR funding, HUD authorizes grantees to determine that an individual is eligible to be considered a Section 3 Worker if the annual wages or salary of the person are at, or under, the HUD-established income limit for a one-person family for the jurisdiction.

Material supply contracts: Refers to contracts for the purchase of products and materials, including, but not limited to, lumber, drywall, wiring, concrete, pipes, toilets, sinks, carpets, and office supplies. Section 3 requirements do not only apply to material supply contracts.

Metropolitan area: means a metropolitan statistical area (**MSA**), as established by the Office of Management and Budget.

Neighborhood area: An identified geographic area of operation within the jurisdiction of the recipient.

(1) For HUD housing programs, a geographical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in ordinances, or other local documents as a neighborhood, village, or similar geographical designation.

¹ 24 C.F.R. Part 75, Subpart B

² 24 C.F.R. Part 75, Subpart C

(2) For HUD community development programs, see the definition, if provided, in the regulations for the applicable community development program, or the definition for this term in 24 C.F.R. § 570.204(c)(1).

New Hires: means full-time employees for permanent, temporary, or seasonal employment opportunities. For reporting purpose, employees are considered new hires for a term of three (3) years.

Non-construction contract: include procurement for architectural, engineering, legal, accounting, or any other services rendered in connection with rehabilitation, construction or infrastructure projects.

Professional services: Refers to non-construction services that require an advanced degree or professional licensing, including, but not limited to, contracts for legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.

Public Housing Resident: Any individual who resides in public housing as a signatory on a public housing lease, or as a member of the family of the individual(s) who is the signatory on the public housing lease. (24 C.F.R. §963.5).

Section 3: Refers to the Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u. Section 3 helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents.

Section 3 Business Concern: Refers to a business concern meeting at least one (1) of the following criteria, documented within the last six (6)-month period:

- (i) It is at least fifty one percent (51%) owned and controlled by low- or very low-income persons.
- (ii) Over seventy-five percent (75%) of the labor hours performed for the business over the prior three (3)-month period are performed by Section 3 Workers; or
- (iii) It is a business at least fifty one percent (51%) owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

The status of a Section 3 Business Concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees. These requirements shall not be construed to require the contracting or subcontracting of a Section 3 Business Concern; however Section 3 Business Concerns are not exempt from meeting the specifications of the contract.

Section 3 Clause: means the contract provisions as required under 24 C.F.R. § 75.27. Please refer to Appendix A.

Section 3 Covered Activity: means any activity that is funded by Section 3 Covered Housing and Community Development Assistance.

Section 8-assisted housing: means housing receiving project-based rental assistance or tenant-based assistance under Section 8 of the 1937 Act.

Service area or the neighborhood of the project: means an area within one (1) mile of the Section 3 project or, if fewer than 5,000 people live within one (1) mile of a Section 3 project, an area within a circle centered around the Section 3 project that is sufficient to encompass a population of 5,000 people, according to the most recent U.S. Census.

Subcontractor: means any entity that has a contract with a contractor to undertake a portion of the contractor's obligation to perform work in connection with a Section 3 project.

Section 3 Business Concern Self-Certification Form³: Refers to the form used to document that a business meets the definition of a Section 3 Business.

Section 3 Worker Self-Certification Form⁴: Refers to the form used to document that an individual is a Section 3 Worker or Section 3 Targeted Worker.

Section 3 Networking Events for Jobs and Contracting Opportunities⁵: Community training events of invited residents and businesses. A presentation on Section 3 will be provided along with technical assistance in completing a Section 3 Worker Self-Certification Form and the Section 3 Business Self-Certification Form. Additionally, both residents and businesses will have the opportunity to introduce themselves and network for employment, training and contracting opportunities. These events will be posted in the PRDOH Website as well as other resources in the community.

Section 3 Project: means housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000. For publicly funded projects of Lead Hazard Control and Healthy Homes programs, as authorized by Sections 501 or 502 of the Housing and Urban Development Act of 1970 (12 U.S.C. § 1701z-1 or 1701z-2), the Lead-Based Paint

³ This form and all other Section 3 forms are available in English and Spanish on the PRDOH CDBG-DR website at <https://cdbq-dr.pr.gov/en/section-3/business-and-contractors/> and <https://cdbq-dr.pr.gov/seccion-3/negocios-y-contratistas/>.

⁴ This form and all other Section 3 forms are available in English and Spanish on the PRDOH CDBG-DR website at <https://cdbq-dr.pr.gov/en/section-3/business-and-contractors/> and <https://cdbq-dr.pr.gov/seccion-3/negocios-y-contratistas/>.

⁵ This term is not defined in 24 C.F.R. Part 75 but appears in this policy document.

Poisoning Prevention Act (42 U.S.C § 4821 *et seq.*); and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. § 4851 *et seq.*) the threshold will specifically be \$100,000. The project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing.

Section 3 Performance Evaluation and Registration System (SPEARS)⁶: SPEARS is the system used by HUD funds recipients to submit Form HUD 60002 reports through 2020. Due to the final rule at 24 C.F.R. Part 75 in effect, the system for input of information is subject to change as per HUD guidance.⁷

Section 3 Worker: means any worker who currently fits or when hired within the past five (5) years fit at least one of the following, as documented:

- (i) The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
- (ii) The worker is employed by a Section 3 Business Concern.
- (iii) The worker is a YouthBuild participant.

The status of a Section 3 Worker shall not be negatively affected by a prior arrest or conviction. Nothing herein shall be construed to require the employment of someone who meets this definition of a Section 3 Worker; however, Section 3 Workers are not exempt from meeting the qualifications of the position to be filled.

Targeted Section 3 Worker: For Housing and Community Development financial assistance, a Targeted Section 3 Worker is defined as:

- (i) A worker employed by a Section 3 Business Concern; or
- (ii) A worker who currently fits or when hired fit at least one (1) of the following, as documented within the past five (5) years:
 - a. Living within the Service Area or the Neighborhood of the Project, as defined herein; or
 - b. A YouthBuild participant.

Subrecipient: means an entity, usually but no limited to non-Federal entities, that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. (2 C.F.R. § 200.1)

⁶ This term is not defined in 24 C.F.R. Part 75 but appears in this policy document.

⁷ More information will be provided from HUD once it is made available for PRDOH to report progress on covered Section 3 projects, activities of its contractors and subrecipients, including the number of Section 3 workers hired or receiving training positions and the amount of contracts awarded to section 3 businesses.

Very Low-income Person: as defined in Section 3(b)(2) of the 1937 Act (42 U.S.C. §1437a(b)(2)), this term means a single person whose income does not exceed fifty percent (50%) of the median for the area. As per 83 FR 5844, for the purposes of CDBG-DR funding, HUD authorizes grantees to determine that an individual is eligible to be considered a Section 3 Worker if the annual wages or salary of the person are at, or under, the HUD-established income limit for a one-person family for the jurisdiction.

YouthBuild Program: means programs that receive assistance through the U.S. Department of Labor under the Workforce Innovation and Opportunity Act of 2014, 29 U.S.C. § 3226, and that provide at-risk youth with training and educational opportunities in construction and other industries.

2 General Policy Statement

After the devastation caused by Hurricanes Irma and María on September 6, and September 20, 2017, respectively, the Puerto Rico Department of Housing (**PRDOH**) received funding from the United States Department of Housing and Urban Development (**HUD**) for recovery activities as part of a multifaceted effort to rebuild, restore, and stimulate economic growth in the communities of Puerto Rico. Since the recovery activities are funded with Community Development Block Grant - Disaster Recovery (**CDBG-DR**) the PRDOH CDBG-DR Program and its subrecipients, contractors, subcontractors, and subrecipient contractors are subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968⁸, as amended (**Section 3**).

It is PRDOH's policy to require its subrecipients, contractors, subcontractors, and contractors of subrecipients to provide training and equal employment opportunities to low- and very-low income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent, to the greatest extent feasible; and to take affirmative action to ensure that both job applicants and existing employees, are given fair and equal treatment. Section 3 is race and gender neutral. It seeks to ensure there will not be discrimination based on economic status.

PRDOH additionally supports the enforcement of Title VI and Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, the Age Discrimination in Employment Act of 1967, Sections 501, 504, and 505 of the Rehabilitation Act of 1973, Titles I and V of the Americans with Disabilities Act of 1990 (**ADA**), Title II of the Genetic Information Non-discrimination Act (**GINA**), the Age Discrimination Act and the Civil Rights Act of 1991 laws prohibit

⁸ 12 U.S.C. §1701u.

discrimination based on race, color, sex, religion, national origin, age, disability, and genetic information, as well as reprisal for protected activity.

PRDOH also supports the enforcement of the Americans with Disabilities Act Amendments Act⁹(**ADAAA**) which prohibits discrimination against individuals with disabilities in all areas of public life, including jobs, schools, transportation, and all public and private places that are open to the general public.

PRDOH implements this Section 3 Policy, through a comprehensive program, to educate the business community, provide outreach, training, programmatic resources, and other opportunities here in Puerto Rico. This policy, when implemented, will provide guidance to PRDOH direct contracting and hiring as well as guidance to subrecipients and their contractors, resources to Section 3 **Workers** and Section 3 Business Concerns. Ultimately PRDOH will create an atmosphere of compliance for identifying hiring and contracting opportunities for Section 3 **Workers** and Section 3 Business Concerns which begins during procurement and follows through project closeout.

3 Purpose

Section 3 and its implementing regulation at **24 C.F.R. Part 75** requires PRDOH to ensure that employment, and other economic and business opportunities generated by HUD financial assistance be directed, to the greatest extent feasible, and consistent with existing Federal, State and Local laws and regulations, to low- and very low-income persons, particularly those who are recipients of government housing assistance, and to business concerns which provide economic opportunities to low- and very low-income persons.

PRDOH will make every effort to ensure that **subrecipients** of Section 3 covered funding as well as their contractors and subcontractors comply with the Section 3 responsibilities, as outlined in **24 C.F.R. Part 75, Subpart C**.

4 Applicability

Section 3 applies to economic opportunities (i.e., training, employment, contracting) that arise in connection with the expenditure of **Housing** and **Community Development** assistance that is used for housing rehabilitation; housing construction; and other public

⁹ In 2008, the Americans with Disabilities Act Amendments Act (ADAAA) was signed into law and became effective on January 1, 2009. The ADAAA made a number of significant changes to the definition of "disability." The changes in the definition of disability in the ADAAA apply to all titles of the ADA, including Title I (employment practices of private employers with 15 or more employees, state and local governments, employment agencies, labor unions, agents of the employer and joint management labor committees); Title II (programs and activities of state and local government entities); and Title III (private entities that are considered places of public accommodation).

construction.¹⁰ “Other public construction” includes infrastructure work, such as extending water and sewage lines, sidewalk repairs, site preparation, installing conduits for utility services, etc. The requirements apply to construction and rehabilitation activities that are funded with Section 3 covered assistance.

4.1 Applicability for Subrecipients

Section 3 requirements apply to subrecipients of the CDBG-DR Program and other¹¹ Housing and Community Development program assistance for a Section 3 project(s), which by definition exceeds the \$200,000 threshold, or in the instance of designated Lead Hazard projects, \$100,000. These Section 3 Projects are held to the employment and training, contracting, and HUD established benchmarks for Section 3 Workers and Targeted Section 3 Workers.

4.2 Applicability for Contractors and Subcontractors

The Section 3 requirements apply for all contractors and subcontractors performing work on Section 3 project(s), which by definition exceeds the \$200,000 threshold, or in the instance of designated Lead Hazard projects, \$100,000. These Section 3 projects are held to the employment and training, contracting, and meeting HUD established benchmarks for Section 3 Workers and Targeted Section 3 Workers.

5 Section 3 Employment, Training & Contracting Requirements, and Labor Hour Benchmarks

PRDOH, its contractors, subcontractors as well as subrecipients to PRDOH and their respective contractors and subcontractors must demonstrate compliance, to the greatest extent feasible, with Section 3 by implementing the employment, training, and contracting requirements of 24 C.F.R. § 75.19, and meeting or exceeding the HUD established labor hour safe harbor benchmarks for Section 3 Workers and Targeted Section 3 Workers.

The employment, training, and contracting requirements for PRDOH, its contractors, subcontractors as well as subrecipients to PRDOH and their respective contractors and subcontractors, are:

Employment and Training

- (1) To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients covered by this section shall ensure that employment and training opportunities arising in connection with Section 3 projects

¹⁰ 24 C.F.R. § 75.3(a) distinguishes Section 3 applicability between two (2) types of programs: Public Housing Financial Assistance; and Housing and Community Development Assistance (which is the one applicable to our Program).

¹¹ Refers to any other HUD funding source for public or community development assistance including but not limited to CDBG funding.

are provided to Section 3 Workers within the metropolitan area (or non-metropolitan county) in which the project is located.

- (2) Where feasible, priority for opportunities and training described in paragraph (1) above, should be given to:
 - a. Section 3 Workers residing within the service area or the neighborhood of the project, and
 - b. Participants in YouthBuild programs.

Contracting

- (1) To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients covered by this section shall ensure contracts for work awarded in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 Workers residing within the metropolitan area (or non-metropolitan county) in which the project is located.
- (2) Where feasible, priority for contracting opportunities described in paragraph (1) directly above should be given to:
 - 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.

Section 3 Safe Harbor Requirements

The Section 3 requirements will be considered to have been met, in the absence of evidence to the contrary if PRDOH, its contractors, subcontractors as well as subrecipients to PRDOH and their respective contractors and subcontractors:

- (1) Each certify that they have followed the prioritization of effort described above with regard to employment and training and with regard to contracting (24 C.F.R. § 75.19); and
- (2) Meet or exceed both applicable Section 3 benchmarks as described below.

HUD's current Section 3 Project safe harbor benchmarks as established in accordance with the provisions of 24 C.F.R. § 75.23, are:

Labor Hour Standard	Ratio Formula	Benchmark Percentage*
Section 3 Workers	Work Hours of Section 3 Workers ÷ Total Labor Hours	25%

Targeted Section 3 Workers	Work Hours of Targeted Section 3 Workers ÷ Total Labor Hours	5%
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* Federal Register Vol. 85, No. 189 (September 29, 2020), 85 FR 60907.

PRDOH will develop and implement resources to provide training and employment opportunities to Section 3 Workers, Section 3 Business Concerns, subrecipients and contractors. The following list of efforts are recognized as industry best practices and provided as elements to be reported on as part of 24 C.F.R. § 75.25.

Targeted Section 3 Worker:

For Housing and Community Development financial assistance, a Targeted Section 3 Worker is defined as:

- (i) A worker employed by a Section 3 Business Concern; or
- (ii) A worker who currently fits or when hired fit at least one of the following categories, as documented within the past **five (5) years**:
 - a. Living within the Service Area or the Neighborhood of the Project, as defined herein; or
 - b. A YouthBuild participant.



Section 3 Worker means:

Any worker who currently fits or when hired within the past **five (5) years** fit at least one of the following categories, as documented:

- (i) The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
- (ii) The worker is employed by a Section 3 Business Concern.
- (iii) The worker is a YouthBuild participant.

The status of a Section 3 Worker shall not be negatively affected by a prior arrest or conviction. Nothing herein shall be construed to require the employment of someone who meets this definition of a Section 3 Worker; Section 3 Workers are not exempt from meeting the qualifications of the position to be filled.



For Potential Section 3 Workers and Targeted Section 3 Workers:

- Engage in outreach efforts to generate job applicants by distributing flyers, creating mass mailings or posting the information in PRDOH CDBG-DR webpage.
- Provide training or apprenticeship opportunities.

- Contact neighborhood community organizations to request their assistance in notifying residents of the available training and employment opportunities.
- Advertise employment opportunities by posting job vacancies on the PRDOH CDBG-DR webpage and in other locations where resident may access community information such as common areas of PRDOH Headquarter Offices and Regional Offices as well as in facilities of resident councils, resident management corporations, and neighborhood community organizations.
- Develop and maintain a database of eligible potential Section 3 Workers and Targeted Section 3 Workers who can list their information to be contacted by other program subrecipients and contractors.
- Assist Section 3 Workers to obtain financial literacy training and/or coaching.
- Invite potential Section 3 Workers and Targeted Section 3 Workers to participate in Networking events or job fairs with subrecipients and contractors working with CDBG-DR funding.
- Provide technical assistance to help Section 3 Workers compete for jobs (e.g., resume assistance, coaching).
- Provide or referred Section 3 Workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, childcare).
- Provide Section 3 Worker Self-certification forms and instructions for supporting documentation to be provided for review.
- Provide a listing of contractors and their contact information/ website who are working on CDBG-DR projects for Individuals to submit their resumes and self-certification forms and supporting documentation.

For Section 3 Business Concerns:

- Promote use of business registries designed to create opportunities for disadvantaged and small businesses.
- Develop, maintain, and make available a database of self-identified potential Section 3 Workers and Targeted Section 3 Workers with copies of their resume.
- Engage in outreach efforts to identify and secure bids from Section 3 Business Concerns.
- Provide technical assistance to help Section 3 Business Concerns understand and bid on contracts.
- Divide contracts into smaller jobs to facilitate participation by Section 3 Business Concerns.
- A database will be made available of eligible qualified Section 3 Business Concerns for subrecipients and contractors to contact with new contract opportunities.

- Facilitate and encourage ongoing engagement with local area employers, PRDOH contractors and subrecipients through implementation of Section 3 Networking Events for Jobs and Contracting Opportunities and other training opportunities.
- Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.
- Provide bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Business Concerns.
- Require and provide templates for *Section 3 Plans* for all awarded contractors, review those plans for compliance and convey the documentation of efforts they are required to meet.
- A provision for Section 3 Workers or Targeted Section 3 Workers to be trained or employed by the contractor will be incorporated into the contract.

PRDOH shall ensure that, to the greatest extent feasible, contractors and subcontractors provide training, employment, and contracting opportunities in accordance with requirements contained herein.

As set forth in the **Documentation of Section 3 Hiring and Contracting Efforts** section of this Policy, contractors must document and provide status of their compliance efforts through the **PRDOH's Quarterly Report**.

The numerical benchmarks established in this section represent minimum benchmarks and are considered safe harbor numerical targets. PRDOH embraces these goals and strongly encourages its subrecipients and contractors to adopt numerical goals that exceed the minimum requirements and to maintain the required documentation supporting efforts taken to achieve compliance.

Section 3 is not an entitlement program; therefore, employment and contracts are not guaranteed. Low and very low-income individuals and Section 3 Business Concerns must be able to demonstrate that they have the ability or capacity to perform the specific job or successfully complete the contract that they are seeking.

If a subrecipient or contractor fails to meet the Section 3 minimum numerical goals, it bears the burden of reporting the barriers encountered in all efforts to satisfy the minimum numerical goals. Supporting evidence of efforts may include but is not limited to job ads to which Section 3 Workers did not apply, or reasons for determining a Section 3 Worker as unqualified for open positions, among other barriers to meeting the minimum numerical goals. PRDOH will examine the contractor's documented efforts and provide technical assistance, as necessary.

If the subrecipient's or contractor's reporting indicates that they have not met the Section 3 safe harbor requirements and benchmarks described above, additional reporting will

be required. The subrecipient must report in a form prescribed by HUD on the qualitative nature of its activities and those pursued by its contractors and subcontractors. Such qualitative efforts may, for example, include but are not limited to the following:

- Engaged in outreach efforts to generate job applicants who are Targeted Section 3 Workers.
- Provided training or apprenticeship opportunities.
- Provided technical assistance to help Section 3 Workers compete for jobs (e.g., resume assistance, coaching).
- Provided or connected Section 3 Workers with assistance in seeking employment including drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
- Held one or more job fairs.
- Provided or referred Section 3 Workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, childcare).
- Provided assistance to apply for/or attend community college, a four (4) -year educational institution, or vocational/technical training.
- Assisted Section 3 Workers to obtain financial literacy training and/or coaching.
- Engaged in outreach efforts to identify and secure bids from Section 3 Business Concerns.
- Provided technical assistance to help Section 3 Business Concerns understand and bid on contracts.
- Divided contracts into smaller jobs to facilitate participation by Section 3 Business Concerns.
- Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 Business Concerns.
- Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.
- Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act, 29 U.S.C. 3151(e).

6 Section 3 Business Concerns

A Section 3 Business Concern can be any type of business, such as a sole proprietorship, partnership or a corporation, properly licensed that meets all legal requirements to perform the contract under consideration.

Identifying Section 3 Business Concerns

Business LMI Owned and Controlled

Business Concerns that are fifty-one percent **(51%) or more owned and controlled** by low- or very-low income persons;



Public Housing/Section 8 Ownership

Business Concerns that are at least fifty-one percent **(51%) or more owned and controlled** by current public housing residents or residents who currently live in Section 8-assisted housing.



Labor Hours

Businesses with over seventy-five percent **(75%) of the labor hours** performed for the business over the prior three-month period are performed by Section 3 workers.



Subrecipients and contractors are responsible for meeting contracting goals on both non-construction contracts and construction contracts. Sourcing Section 3 Business Concerns may begin by using HUD's database and performing a query for Section 3 businesses located here in Puerto Rico and beyond. Subrecipients and contractors are responsible for verifying that a business in fact qualifies under HUD's definition of a Section 3 Business Concern, regardless of how they source a Section 3 business. The PRDOH will offer a Section 3 Self-Business Concern Self-Certification, which can be found on the PRDOH website as listed in Appendix B.

Contractors and their subcontractors, using CDBG-DR Funding in the projects they are participating and meeting the contract applicability thresholds will be required to complete:

1. Contractor Section 3 Plan available online as listed in Appendix B
2. All Section 3 qualifying contractors and their subcontractors will be required to self-certify using the Section 3 Business Self-Certification form (Appendix B) and submit evidence, to support their status accordingly¹²
3. Suggest qualifying Section 3 Business Concerns additionally register on the HUD Section 3 Business Registry, if not already registered there
4. Document their efforts to ensure Section 3 Plans are being enforced and completed

¹² PRDOH will determine if a business qualifies for Section 3 designation. PRDOH will verify the certification in order to ensure that the business concern has the ability and capacity to perform.

5. Comply with quarterly reporting to PRDOH for information which will be reported to HUD for Section 3.

6.1 Notifications to Section 3 Workers and Targeted Section 3 Workers

After the award of contracts but prior to beginning work, the contractor must perform outreach to potential Section 3 Workers and Targeted Section 3 Workers, advising them of the development at which the work will be performed, by providing:

1. Names and contact information of the contractors to be utilized on the project;
2. Estimates of the number of positions available to be utilized for contract;
3. Projected number of available new positions, to include job descriptions, wage rates¹³;
4. Projected number of subcontracts, to include contracting description and contact information; and
5. Efforts that will be utilized to seek Section 3 Workers and Section 3 Business Concerns.

Businesses, including those designated as a Section 3 Business Concerns will be vetted for violations identified by HUD or those listed on the federal listing of debarred contractors. Such identified businesses will not be allowed to participate in any part of this federally assisted project.

6.2 Section 3 Plan

PRDOH will evaluate Section 3 Plans to ensure they contain the following:

Section 3 Plan Elements	
1	Contractor Basic Information: Name, Address, Contact Information, Website
2	Identification of a Section 3 Coordinator
3	Identification of the Service Area or the Neighborhood of the Project
4	Specific information about the contractor's current workforce and any foreseeable hiring needs
5	Specific strategies for hiring Section 3 Workers and Targeted Section 3 Workers
6	Specific strategies for training Section 3 Workers and Targeted Section 3 Workers
7	Specific strategies for subcontracting Section 3 Business Concerns
8	Specific plan for engaging Section 3 designated businesses and, if applicable, each HUD Section 3 certified business that will participate in the contract

¹³ To be compliant with Davis Bacon when applicable.

9	A description of the work each named Section 3 Business Concern will perform with the dollar amount of participation and estimated labor hours for Section 3 Workers and Targeted Section 3 Workers
10	A firm commitment to include the PRDOH "Model Contract Section 3 Clause" ¹⁴ in all sub-contracts
11	A firm commitment to conduct outreach and notifications to potential Section 3 Workers and potential Targeted Section 3 Workers and businesses of hiring opportunities using site signage, flyers, etc.
12	A firm commitment to document and report efforts that will be made to notify Section 3 Business Concerns of contracting opportunities generated by HUD financial assistance for Housing and Community Development programs, to the greatest extent feasible
13	A firm commitment to review any Section 3 Self Certification forms, and review and request supporting documentation
14	Provide a process for any Section 3 Complaints to be filed and addressed, and agree to notify PRDOH in the event of such complaints ¹⁵
15	Indicate ability to maintain and complete required labor hour reporting for Section 3 Workers and Targeted Section 3 Workers on a quarterly basis using the form set forward by PRDOH on their website and submitting the report. ¹⁶

7 Preference for Section 3 Workers & Business Concerns

7.1 Section 3 Worker Preference

HUD requires that to the greatest extent feasible, and consistent with Federal, state, and local laws and regulations, employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 Workers within the metropolitan area (or non-metropolitan county) in which the project is located, and where feasible that priority for these opportunities and training should be given to Section 3 Workers residing within the service area or the neighborhood of the project, and Participants of YouthBuild programs.

¹⁴ Section 3 clause language must adhere to the language specified in Appendix A and as required by PRDOH policy.

¹⁵ Complaint procedures requirements were set forth in 24 C.F.R. §135.76 originally but are amended as per 24 C.F.R. § 75.33 (b). See Complaint Section in Policy Guide.

¹⁶ Subrecipients, contractors, and subcontractors should be conscientious that reporting on Section 3 labor hours and efforts is an obligation that must be completed without exception and there is no waiver process.

7.2 Section 3 Business Concerns Preference

HUD requires that preference be given to Section 3 Business Concerns as discussed in the Section 3 Employment, Training & Contracting Requirements, and Labor Hour Benchmarks Section of this policy.

For direct contracts with PRDOH, PRDOH will notify businesses within Puerto Rico who are listed on the HUD Business Registry, to the extent feasible, of bid opportunities and provide access to communicate with existing contractors already working with PRDOH. PRDOH will also post contracting opportunities on the HUD Section 3 Opportunity Portal¹⁷ under the contracting tab. Additionally, PRDOH will create and maintain a local database of Section 3 Business Concerns and make them accessible to contractors or subrecipients as needed.

Other program subrecipients, their contractors and subcontractors will be encouraged to post new hire opportunities flagged as Section 3 job opportunities on the PRDOH CDBG-DR webpage by contacting PRDOH, HUD Section 3 Opportunity Portal¹⁸ and at local Workforce Development Partner locations.

Subrecipients and Contractors are encouraged to consider:

- Entering into first source hiring agreements with organizations representing Section 3 residents.
- Consulting resident organizations, YouthBuild administrators, vocational education institutions, and job training organizations to recruit qualified workers.
- Contacting business assistance agencies, local chambers of commerce, and community organizations to advertise contracting opportunities and solicit bids from Section 3 Business Concerns
- Actively supporting joint ventures with Section 3 Business Concerns
- Pursuant to competitive procurement methods authorized in 2 C.F.R. § 200.320 or for contracts awarded based on lowest price, award contracts to Section 3 Business Concerns with reasonable and responsive bids within ten percent (10%) of the lowest bid or for contracts based on a competitive proposal method, incorporate evaluative factors to award preference for Section 3 Business Concerns in the form of bonus points.

The CDBG-DR Program, subrecipients, general contractors, and subcontractors shall direct their efforts to provide, to the greatest extent feasible, contracting opportunities generated from the expenditure of Section 3 covered assistance to Section 3 Business Concerns.

¹⁷ <https://hudapps.hud.gov/OpportunityPortal/search.action#contract-search>

¹⁸ <https://hudapps.hud.gov/OpportunityPortal/search.action#job-search>

7.3 Section 3 Worker Self Certification Form

A resident seeking Section 3 Worker or Targeted Section 3 Worker preference shall submit a Section 3 Worker Self-Certification Form with supporting documentation. See Appendix B of this policy. The completed form with supporting documentation should be submitted to PRDOH, subrecipients, contractors, or subcontractors to verify their eligibility for preference. The contractor or subcontractor can also confirm the eligibility of any employee and whose annual income places the employee in the low and very low-income range.¹⁹

PRDOH will maintain a database of Section 3 Workers and offer contractors and subrecipients access to this database, access to which shall be posted to the PRDOH website at www.cdbg-dr.pr.gov/.

8 Documentation of Section 3 Hiring and Contracting Efforts

All contractors, subcontractors, and recipients will be required to provide documentation supporting efforts taken to fulfill employment, training, and contracting requirements for Section 3. Efforts should include the type of action taken whether outreach, direct solicitation or training, the audience intended to reach, any contact with Section 3 Business Concerns, Section 3 Workers, or Targeted Section 3 Workers, and the outcome for that hiring or contracting opportunity.

For a worker to qualify as a **Section 3 Worker**, one of the following must be maintained:

1	A worker's self-certification that their income is below the income limit from the prior calendar year;
2	A worker's self-certification of participation in a means-tested program such as public housing or Section 8-assisted housing;
3	Certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;
4	An employer's certification that the worker's income from that employer is below the income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis; or
5	An employer's certification that the worker is employed by a Section 3 Business Concern.

¹⁹ At 83 FR 5844, HUD authorizes grantees to determine that an individual is eligible to be considered a Section 3 Worker if the annual wages or salary of the person are at, or under, the HUD-established income limit for a one-person family for the jurisdiction.

For a worker to qualify as a **Targeted Section 3 Worker**, under eligible Housing and Community Development financial assistance:

1	An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census;
2	An employer's certification that the worker is employed by a Section 3 Business Concern: or
3	A worker's self-certification that the worker is a YouthBuild participant.

The following non-exhaustive list is provided as guidance on the acceptable type of efforts which should be documented:

Efforts to Offer Training and Employment Opportunities to Section 3 Workers

List of Sample Efforts
Sponsor or establish training and employment programs for Section 3 Workers and/or Targeted Section 3 Workers
Advertise employment and training positions in the project service area or neighborhood by distributing flyers (positions to be filled/qualifications/resource for information)
Advertise in the common areas or other prominent areas of the housing development
Contact resident councils, community organizations, state-local agencies, probation-parole agencies, unemployment compensation programs, and other applicable officials or organizations to assist with recruiting Section 3 Workers and Targeted Section 3 Workers
Sponsor a job fair or informational meeting for residents
Provide assistance in job-seeking skills to Section 3 Workers and Targeted Section 3 Workers
Consult with local employment service providers
Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other Section 3 Workers and Targeted Section 3 Workers in the building trades
Coordinate activities with local educational institutions
Maintain file of eligible, interested applicants

Efforts to Award Contracts to Section 3 Businesses Concerns

List of Sample Efforts:

Contact business assistance agencies, minority contracting associations and community organizations to inform them of opportunities and seek assistance in identifying eligible businesses

Bid and solicitations: Provide bid notices to all known Section 3 Business Concerns, and develop a Section 3 business communication network

Emphasize Section 3 at pre-bid conferences, coordinate pre-bid meetings at which Section 3 Business Concerns can be informed of upcoming contracting and subcontracting opportunities

Provide Section 3 Business Concerns with resources for seeking assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance

Conduct contractor workshops

Provide small business technical assistance

Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, radio, or PRDOH

Notify YouthBuild agencies of contracting opportunities

Establish numerical goals for award of contracts to Section 3 Business Concerns

Encourage financial institutions to comply with their Corporate Responsibility Act requirements by making loans to Section 3 Business Concerns

Actively support joint ventures with Section 3 Business Concerns

Support business incubators which assist Section 3 Business Concerns

In determining the responsibility of potential contractors, consider their past record of Section 3 compliance and their current plans for the pending contract.

Following up with Section 3 Business Concerns that have expressed interest in the contracting opportunities.

Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by Section 3 Business Concerns

Supporting businesses which provide economic opportunities to low income persons by linking them to the support services such as the Small Business Administration (SBA), the Department of Commerce, and comparable agencies

If there were any limitations or impediments in the program or project outreach or contracting efforts, subrecipients and contractors are responsible for documenting and providing a narrative to explain the nature of the constraints to successful implementation.

PRDOH provide contractors and subrecipients with a template in Excel²⁰ format to document efforts and submit to PRDOH via an online form.

9 Outreach

PRDOH will conduct vigorous outreach, which includes a social media campaign and other efforts to educate the public on Section 3 employment opportunities, training, and contracting opportunities provided through the financial assistance of HUD CDBG-DR funding by:

- Conducting internal trainings of PRDOH staff
- Training residents and businesses in the community through Section 3 networking events for jobs and contracting, community job fairs and/or community partnerships
- Contacting resident organizations and local community development
- Distributing flyers and posting flyers
- Offering written guidance to subrecipients and contractors participating in bidding process about the requirements of Section 3 and the importance of developing a Section 3 Plan
- Provide training and resources to contractors at all Pre-Bid Conferences
- Provide training and resources to subrecipients at all Pre-Submission Meetings
- Providing copies of this Section 3 Plan to Contractors and have them certify receipt
- Offering one on one Section 3 Orientation on implementing their Section 3 Plan, documentation of efforts and reporting obligations before start of a new contract
- Incorporating the **Section 3 Clause** for covered projects and covered contracts as set forth in 24 C.F.R. § 75.27.²¹

10 Monitoring

All CDBG-DR subrecipients, contractors, and subcontractors shall cooperate fully and promptly with the PRDOH in monitoring reviews, investigations of Section 3 noncompliance allegations, and with the distribution and collection of data and information that PRDOH may require in connection with achieving the economic objectives of Section 3.

PRDOH will be responsible for conducting monitoring of their contractor's and subrecipient's Section 3 efforts. PRDOH Monitoring team may conduct Section 3 Monitoring Visits to review documentation of Section 3 compliance, including but not

²⁰ See Section 3 Documentation of Efforts Template on the PRDOH website: <https://cdbg-dr.pr.gov/en/section-3/recipients/template-to-document-efforts/>

²¹ Subrecipients, contractors, and subcontractors are required to meet the requirements of 24 C.F.R. § 75.19, regardless of whether the Section 3 Clause is included in contracts or agreements.

limited to outreach efforts, labor hour records and documentation, Quarterly reporting, contracting and subcontracting documents and Section 3 Business documentation. The PRDOH may utilize enhanced monitoring visits or more frequent reporting in response to non-compliance from subrecipients or contractors.

- CDBG-DR contractors and subcontractors shall refrain from entering into a contract with any contractor after notice by HUD or knowledge that the contractor has been found in violation of the regulations in 24 C.F.R. Part 75.
- Noncompliance with HUD's regulations established in 24 C.F.R. Part 75 may result in sanctions, termination of contract for default, and debarment or suspension from future HUD assisted contracts. The provision also applies to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or otherwise ineligible status.

11 Procurement

PRDOH fully embraces the spirit and intent of Section 3 and sets forth the development and publication of policies and procedures in accordance therewith. Such policies are applicable to contractors, subcontractors, and others engaged in projects funded through PRDOH with HUD funds.

PRDOH shall:

- Incorporate Section 3 language in PRDOH procurement document instructions, and in the Evaluation Criteria for reviewing and accepting initially submitted Section 3 Plans. Subsequent contractors and subcontractors with executed contracts will be required to create a Section 3 Plan. See PRDOH Procurement templates and Evaluation Criteria.
- Incorporate the Section 3 language for project contracts for covered Section 3 Projects. See Appendix A.
- Through the Evaluation Criteria, bidding contractors who provide a Section 3 Plan will be evaluated using PRDOH developed criteria to determine the effectiveness of the plan to ensure that: employment, training, and contracting requirements are appropriately addressed, and that the safe harbor benchmarks for Section 3 Workers and Targeted Section 3 Workers are met and exceeded. PRDOH procurement guidelines and SOPS/checklists will outline criteria for providing an acceptable Section 3 Plan.
- PRDOH will host Section 3 training workshops for bidding contractors to increase awareness of Section 3 and the contracting requirements for qualified Section 3

Business Concerns as well as the training and employment opportunities made available to Section 3 Workers.

- PRDOH may sponsor workshops with PRDOH staff to provide Section 3 technical assistance in the preparation of reporting, subrecipient or contractor outreach, and work with program areas in preparation for Subrecipient and PRDOH Monitoring Visits.

12 Section 3 Reporting

12.1 PRDOH Direct Reporting

Pursuant to 24 C.F.R. Part 75, direct recipients of HUD financial assistance should submit reports to HUD for determining the effectiveness of Section 3, thus the Grantee, PRDOH, must report on the HUD provided platforms such as Performance Evaluation and Registry System (SPEARS) and any additional systems requested by HUD.

To that end, PRDOH must document all efforts to comply with Section 3 in employment, training, and contracting opportunities, as well as the results of actions taken and obstacles encountered.

PRDOH will be responsible for collecting and compiling data to submit to HUD. These submissions have been performed electronically. For the year 2020, PRDOH reached out to HUD local office staff and to the Real Estate Assessment Center (REAC) Technical Assistance Center (TAC) desk for assistance to be registered in HUD's Secure Systems portal – Web Access Secure System (WASS), in order to access SPEARS and submit Form HUD 60002.

Instructions for accessing the Section 3 reporting system as well as the Form HUD 60002 submission steps can be found at:

https://www.hud.gov/program_offices/field_policy_mgt/section3.

PRDOH will maintain a close relationship with HUD to ensure guidelines for the revised Section 3 rule are followed for the successful compliance of Title 24 C.F.R. Part 75.

HUD recently provided updated guidance on reporting on March 25, 2021.

Reporting requirements for legacy contracts entered into under the former Part 135 rule:

“On and after November 30, 2020, Section 3 regulations codified at 24 C.F.R. Part 135 (the old rule) have not applied and will not apply to new grants, commitments, contracts, or projects. Contracts executed or projects for which assistance or funds were committed prior to November 30, 2020 are still required to adhere to the requirements of the old rule. Recipients of such assistance or funds will still be expected to maintain records of Section 3 statutory, regulatory, and contractual compliance but will no longer be required to report Section 3 compliance to HUD

*in SPEARS. HUD does not require funding recipients to change or alter contracts that were in place prior to the new Section 3 requirements becoming effective on November 30, 2020."*²²

Reporting requirements for Section 3 projects for which assistance or funds are committed during the transition period:

*"Projects for which assistance or funds are committed between November 30, 2020 and July 1, 2021 are subject to the new Section 3 regulations found in 24 C.F.R. Part 75, and HUD expects that funding recipients will begin following this final rule's requirements for new grants, commitments, and contracts. Recipients will be expected to maintain records of statutory, regulatory, and contractual compliance with Section 3 for these projects but will not be required to report to HUD on the requirements found in 24 C.F.R. Part 75. During the transition period between November 30, 2020 and July 1, 2021, recipients are expected to plan and revise processes, systems, and documents to comply with the new rule's requirements. During this time, funding recipients are still required to comply with Section 3's statutory requirements by ensuring that, to the greatest extent feasible, recipients continue to direct economic opportunities generated by certain HUD financial assistance to low- and very low-income persons and businesses that provide economic opportunities to low- and very low-income persons. Recipients and employers should use this time to update policies and procedures for tracking labor hours and other requirements to ensure compliance with the new rules for projects for which funds are committed on or after July 1, 2021."*²³

PRDOH will maintain records of its hiring, training, job vacancies, solicitation of bids or proposals, selection materials and contracting documents (including scope of work and contract amount), in accordance with Federal and Puerto Rican procurement laws and regulations. The documentation should demonstrate efforts taken towards the achievement of the Section 3 requirements.

12.2 Subrecipient and Contractor Reporting

PRDOH will collect from all subrecipients, direct contractors and contractors of subrecipients Quarterly Reports which will include the Section 3 benchmarks.

²² <https://www.hud.gov/sites/documents/11SECFAQS.PDF>

²³ <https://www.hud.gov/sites/documents/11SECFAQS.PDF>



For housing and community development financial assistance projects, the benchmark for Section 3 Workers is set at twenty-five percent (25%) or more of the total number of labor hours worked by all workers on a Section 3 project. The benchmark for Targeted Section 3 Workers is set at five percent (5%) or more of the total number of labor hours worked by all workers on a Section 3 project. This means that the five percent (5%) is included as part of the twenty-five percent (25%) threshold.

PRDOH will additionally require all subrecipients, direct contractors and contractors of subrecipients on Section 3 Projects to maintain and make available records of its hiring, training, job vacancies, solicitation of bids or proposals, selection materials and contracting documents (including scope of work and contract amount), in accordance with Federal and Puerto Rican procurement laws and regulations. The documentation should demonstrate efforts taken towards meeting Section 3 requirements and should be provided with the quarterly reporting to PRDOH through the following link <https://cdbg-dr.pr.gov/iframes/quarterlycompliancereportIFRM.html>

The PRDOH Section 3 Coordinator will review Section 3 Plan updates and quarterly reports to compile metrics to determine the project progress toward Section 3 goals and outreach efforts.

12.3 Recordkeeping

PRDOH shall maintain documentation and ensure that its subrecipients, contractors, or subcontractors that employ workers maintain documentation to ensure that workers meet the definition of a Section 3 Worker or Targeted Section 3 Worker at the time of hire or the first reporting period, in accordance with the following requirements:

For a worker to qualify as a **Section 3 Worker**, one of the following must be maintained:

1	A worker's self-certification that their income is below the income limit from the prior calendar year;
2	A worker's self-certification of participation in a means-tested program such as public housing or Section 8-assisted housing;
3	Certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;
4	An employer's certification that the worker's income from that employer is below the income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis; or
5	An employer's certification that the worker is employed by a Section 3 Business Concern.

For a worker to qualify as a **Targeted Section 3 Worker**, under eligible Housing and Community Development financial assistance:

1	An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census;
2	An employer's certification that the worker is employed by a Section 3 Business Concern: or
3	A worker's self-certification that the worker is a YouthBuild participant.

The foregoing documentation must be maintained in accordance with 2 C.F.R. § 200.334 on Retention Requirements for Records and 24 C.F.R. § 570.490(d) on Record Keeping Requirements.

13 Filing and Processing Complaints

Complaints alleging failure to comply with the provisions of 24 C.F.R. § 75.33(b) may be reported to the HUD program office responsible for the public housing financial assistance or the Section 3 project, or to the local HUD field office. HUD mentions in the final rule that:

"The local HUD field office is part of the FPM organizational structure, and also provides individuals with a complaint venue when the complainant does not know which program office would be responsible. There will be variation in what

*guidance and/or compliance looks like for each program office, but HUD will provide support to the extent it is standardized across program offices."*²⁴

For Puerto Rico and the U. S. Virgin Islands, you may contact your local HID office by any of the following methods:

- **Email:** PR_Webmanager@hud.gov
- **Online:** https://www.hud.gov/states/puerto_rico_virgin_islands/offices
- **Postal Mail:** U. S. Department of Housing and Urban Development.
San Juan Field Office
235 Federico Costa Street, Suite 200
San Juan, PR 00918
- **Phone:** (787) 274-5846, TTY: (787) 274-5898
Fax: (787) 766-5995
- **Director:** Efraín Maldonado
- **Office Hours:** Monday through Friday from 8:00am to 4:30pm

14 Project & Program Closeout

PRDOH will perform a review of the project file and notify the respective subrecipient or contractor on the project file containing all the appropriate documentation including:

1. Section 3 Plans submitted
2. Quarterly PRDOH Reporting submitted
3. Annual HUD Report(s)
4. Documentation of Efforts submitted
5. Self-identification Forms submitted
6. Labor hours documentation for Section 3 Workers and Targeted Section 3 Workers

All subrecipients and contractors will comply with providing documentation needed to close their respective project files.

END OF POLICY.

²⁴ Federal Register Vol. 85, No. 189 (September 29, 2020), 85 FR 61524, 61554.

Appendix A: Section 3 Clause

All Section 3 covered contracts and subcontracts shall include the Section 3 Clause set forth in Section 3 requirements in any subrecipient agreement or contract as required under 24 C.F.R. § 75.27 and as set forth below:

SECTION 3 CLAUSE

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 C.F.R. Part 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 Part 75 regulations.

C. The contractor agrees to send to each labor organization or representative of 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; 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 C.F.R. Part 75 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 C.F.R. Part 75. 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 C.F.R. Part 75.

E. The contractor acknowledges that subrecipients, contractors, and subcontractors are required to meet the employment, training, and contraction requirements of 24 C.F.R. § 75.19, regardless of whether Section 3 language is included in recipient or subrecipient agreements, program regulatory agreements, or contracts.

F. 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 C.F.R. Part 75 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 75.

G. Noncompliance with HUD's regulations in 24 C.F.R. Part 75 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

H. 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).

I. The Contractor agrees to submit, and shall require its subcontractors to submit to them, quarterly reports to the PRDOH detailing the total number of labor hours worked on the Section 3 Project, the total number of labor hours worked by Section 3 Workers, and the total number of hours worked by Targeted Section 3 Workers, and any affirmative efforts made during the quarter to direct hiring efforts to low- and very low-income persons, particularly persons who are Section 3 Workers and Targeted Section 3 Workers.

Appendix B: PRDOH Section 3 Program Templates, Forms, and Resources

The following documents are available for subrecipient and contractor use in the administration of Section 3 compliant training, hiring, and documentation efforts.

These templates, forms, and other resources can be found, in English and Spanish, on the PRDOH website at <https://cdbg-dr.pr.gov/en/section-3/> and <https://cdbg-dr.pr.gov/seccion-3/>.

- Section 3 Business Self-Certification Form
- Section 3 Worker Self-Certification Form
- Contractor Section 3 Plan Template
- Recipient Section 3 Plan Template
- Section 3 Documentation of Efforts Template