



HUD ECONOMIC STIMULUS FUNDING AND THE CREATION OF JOBS, TRAINING, AND CONTRACTING OPPORTUNITIES

The American Reinvestment and Recovery Act of 2009

On February 17, 2009, President Barak Obama signed the American Recovery and Reinvestment Act (ARRA). The purpose of ARRA is to:

- 1. Preserve and create jobs and promote economic recovery;**
- 2. Assist those most impacted by the recession;**
3. Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
4. Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
5. Stabilize State and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

General Principles Concerning Use of Funds—The President and heads of Federal departments and agencies shall manage and expend the funds made available in the Act so as to achieve the purposes specified in [above], including committing expenditures and activities as quickly as possible.¹

Economic Opportunities for Low- and Very Low-Income Persons (Section 3)

HUD received \$13.6 billion in ARRA funding, approximately **\$7.8 billion or 57 percent** of which is subject to the statutory and regulatory requirements of Section 3 of the Housing and Urban Development Act of 1968. The majority of Section 3 covered ARRA funding was provided under the following program areas:

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| • PIH Public Housing Capital Funds | \$4 Billion |
| • Neighborhood Stabilization Program | \$2 Billion |
| • Community Development Block Grants | \$1 Billion |
| • Native American Housing Block Grants | \$510 Million |
| • Assisted Housing Energy & Green Retrofits | \$ 250 Million |
| • Lead Hazard Control | \$ 78 Million (LHC Grants Only) |

***The requirements of Section 3 are encouraged but not required for other HUD funding provided under ARRA.

Section 3 Purpose/Intent

Section 3 recognizes that the ***normal expenditure*** of certain HUD funds typically results in new jobs, contracts, and other economic opportunities; and when these opportunities are created, low- and very low-income persons residing in the community in which the funds are spent **(regardless of race and gender)**, and the businesses that substantially employ them, should receive priority consideration.

Section 3 is one of HUD's tools for ensuring that the expenditure of federal funds in economically distressed communities has a multiplier effect by targeting local low- and very low-income persons and qualified businesses for jobs, training, and contracting opportunities.

Section 3 Applicability

Since ARRA funding is specifically intended to create jobs and other economic opportunities for those most impacted by the recession, compliance with the requirements of Section 3 is **critical**.

ARRA does not increase or reduce each recipient's Section 3 responsibilities. In fact, the requirements of Section 3 apply *in the same manner as they do for other types of covered HUD financial assistance*. Specifically, grantees and other direct recipients of Section 3 covered ARRA funding are required to comply with the statutory and regulatory requirements of Section 3. Please refer to subparts B and E of 24 CFR Part 135 for specific guidance.

Recipient Responsibilities Pursuant to Section 3

Each recipient of Section 3 covered financial assistance (and their contractors or subcontractors) are required to comply with the requirements of Section 3 for ***new*** employment, training, or contracting opportunities that are created during the expenditure of covered funding. This responsibility includes:

1. Implementing procedures to notify Section 3 residentsⁱⁱ and business concernsⁱⁱⁱ about training and employment opportunities generated by Section 3 covered assistance;
2. Implementing procedures to notify Section 3 business concerns about the availability of contracting opportunities generated by Section 3 covered assistance;
3. Notifying potential contractors completing work on Section 3 covered projects of their responsibilities;
4. Incorporating the Section 3 Clause into all covered solicitations and contracts [see 24 CFR Part 135.38];
5. Facilitating the training and employment of Section 3 residents and the awarding of contracts to Section 3 business concerns;
6. Assisting and actively cooperating with the Department in obtaining the compliance of contractors and subcontractors;
7. Refraining from entering into contracts with contractors that are in violation with the Section 3 regulations;
8. Documenting actions taken to comply with Section 3; and
9. Submitting Section 3 Annual Summary Reports (form HUD-60002) in accordance with 24 CFR Part 135.90.

Section 3 Compliance and ARRA

As with all other covered programs, the Department makes determinations regarding Section 3 compliance based upon the following:

1. Meeting the minimum numerical goals set forth at 24 CFR Part 135.30
 - a. 30 percent of the aggregate number of new hires shall be Section 3 residents;
 - b. 10 percent of all covered construction contracts shall be awarded to Section 3 business concerns; and
 - c. 3 percent of all covered non-construction contracts shall be awarded to Section 3 business concerns
2. Recipients that fail to meet the numerical goals above bear the burden of demonstrating why it was not possible. Such justifications should describe the efforts that were taken, barriers encountered, and other relevant information that will allow the Department to make a determination regarding compliance.

Each recipient of HUD ARRA funding is required to submit separate Section 3 summary data to the Office of Fair Housing and Equal Opportunity using form HUD-60002. This form can be submitted online at: www.hud.gov/section3. Please review the reporting guidance associated with the type of covered ARRA funds received.

Section 3 Guidance and Technical Assistance

The Economic Opportunity Division in HUD Headquarters is committed to providing recipients of covered funding guidance and technical assistance to ensure compliance with the statutory and regulatory requirements of Section 3. For additional information, please refer to the following:

- www.hud.gov/section3
- Section 3 Statute—12 U.S.C. 1701u
- Section 3 regulations—24 CFR Part 135
- U.S. Department of Housing and Urban Development
Economic Opportunity Division
451 Seventh Street, SW Room 5235
Washington, DC 20410
202-708-3633 (this is not a toll free number)
section3@hud.gov

Notes:

ⁱ Source: H.R.-1. The American Recovery and Reinvestment Act of 2009

ⁱⁱ Section 3 residents are defined as: 1) residents of public housing; or 2) individuals that reside in the metropolitan area or non-metropolitan county in which the Section 3 covered assistance is expended and meet the definition of a low- or very low-income person as defined by HUD).

ⁱⁱⁱ Section 3 business concerns are defined as one of the following: 1) businesses that are 51 percent or more owned by Section 3 residents; 2) businesses whose permanent, full-time employees include persons, at least 30 percent of whom are current Section 3 residents or were Section 3 residents within 3 years of the date of first employment with the business concern; or 3) businesses that provide evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in the two previous categories.