

Sample Section 3 Contract Clause (“Section 3 Clause”)

Source: HUD Notice PIH 2022-10, Appendix

Section 3 contract language must be customized depending upon the contract and the program. HUD provides this sample language but has determined that the PHA or Recipient is in the best position to determine what contract language is appropriate for each context. A *Section 3 Clause* needs to be included in all contracts subject to Section 3 of the Housing and Urban Development Act of 1937, as amended and 24 CFR Part 75. See especially regulatory contracting provision requirements in 24 CFR sections 75.9, 75.17 and 5.27, as applicable. Please note this sample may only be used for public housing contracts.

A. Authority. 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) and 24 CFR Part 75. 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. Contracting, Contract Certification and Compliance. The parties to this contract agree to comply with HUD’s regulations in 24 CFR 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. Specifically, contracts must be:

(1) Consistent with existing Federal, state, and local laws and regulations, PHAs and other recipients of public housing financial assistance, and their contractors and subcontractors, must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers.

(2) PHAs and other recipients, and their contractors and subcontractors, must make their best efforts in the following order of priority:

(a) To Section 3 business concerns that provide economic opportunities for residents of the public housing projects for which the assistance is provided;

(b) To 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 the assistance;

(c) To YouthBuild programs; and

(d) To 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.

C. Notice. 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, and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. Subcontracts. The contractor agrees to include this **Section 3 Clause** in every subcontract subject to compliance with regulations in 24 CFR Part 75 and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this **Section 3 Clause** upon finding that the subcontractor is in violation of the regulations in 24 CFR 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 CFR Part 75.

E. Employment and Training Opportunities. The contractor will certify that any vacant employment positions, including training positions, that are filled: after the contractor is selected but before the contract is executed, and with persons other than those to whom the regulations of 24 CFR Part 75 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR Part 75.

Specifically, the contract shall be consistent with existing Federal, State, and local laws and regulations. PHAs or other recipients receiving public housing financial assistance, as well as their contractors and subcontractors, must make their best efforts to provide employment and training opportunities generated by the public housing financial assistance to Section 3 workers. These best efforts must apply to the Section 3 workers in the following order of priority:

- (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.

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