

**City of Stockton
Economic Development Department**

Section 3 Plan



March 2025

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I. Overview of Section 3 Requirements

A. 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 Part 75.

Section 3 ensures that jobs and economic opportunities generated by U.S. Department of Housing and Urban Development (HUD) funded projects, to the greatest extent feasible, and consistent with existing Federal State, and local laws and regulations, go to low-income persons, particularly those receiving housing assistance, and businesses that employ them.

B. Purpose of This Document

This plan outlines how the City of Stockton's Economic Development Department (EDD) and its subrecipients, contractors and subcontractors will comply with HUD's Section 3 requirements in implementing the City of Stockton's Consolidated Plan funded programs. EDD, to the greatest extent feasible, will ensure that employment and contract opportunities resulting from HUD-funded projects are directed to low-income residents and businesses.

EDD may amend this Plan as necessary to ensure continued compliance with HUD's requirements and/or to reflect updated Section 3 guidance and outreach strategies.

C. Applicability

Basic Coverage:

- 1) Public Housing Financial Assistance:
 - a) All funding amounts are covered by Section 3 rules
 - b) Includes: development assistance, operating funds, capital funds, and all mixed-finance development.
 - c) No minimum threshold applies
- 2) Housing and Community Development Financial Assistance:
 - a) Applies to public construction and housing construction/rehabilitation
 - b) Section 3 applies to projects if they exceed the \$200,000 threshold of HUD-provided financial assistance. This threshold applies to total project funding, not to individual contracts.
- 3) Lead Hazard Control Projects have a separate \$100,000 threshold and are calculated independently from other HUD funds.

Multiple Funding Sources:

- 1) Projects combining Public Housing and other HUD Assistance:
 - a) Follow public housing rules (subpart B of Part 75) for the public housing portion of contracts.
 - b) May follow either public housing either public housing (subpart B of Part 75) or community development (subpart C of Part 75) rules for the other portion.
 - c) Must report on the housing rehabilitation, housing construction, or other public construction project as a whole and shall identify the multiple associated recipients.
- 2) Projects combining only Housing and Community Development Funds:

- a) Follow community development rules (subpart C of Part 75) when combined funds exceeds thresholds
- b) Must report to the applicable HUD program office, as prescribed by HUD.

Exclusions:

- 1) Section 3 requirements do not apply to:
Material Supply Contracts – 24 CFR § 75.3(b),
- 2) Indian and Tribal Preferences – 24 CFR § 75.3(c), and
- 3) Other HUD assistance and other Federal assistance not subject to Section 3 – 24 CFR §75.3 (d). However, for financial assistance that is not subject to Section 3, recipients are encouraged to consider ways to support the purpose of Section 3.

II. Employment, Training, & Contracting Goals

A. Safe Harbor Compliance

HUD has set hiring goals to make sure projects help low-income workers. The benchmarks for the minimum percentage of labor hours worked by Section 3 Workers and Targeted Section 3 Workers (both defined in Appendix A) represent minimum targets for a Section 3 Project. The benchmarks are not set asides and quotas, but instead establish what HUD refers to as a "safe harbor" for Subrecipients, Contractors, and Subcontractors on the matter of compliance with Section 3.

Prior to the beginning of work, contractors and subcontractors will be required to certify that they will demonstrate good faith effort as outlined below in [section C](#). After completion of the project, contractors and subcontractors will be required to certify that they followed the prioritization of effort requirements in the Section 3 Cumulative Report.

If the contractor and subcontractor do not meet the safe harbor goals, they must provide evidence of qualitative efforts to assist low and very low-income persons with employment and training opportunities. Examples of this evidence include job postings, documentation of local outreach, training opportunities, or other recorded efforts of hiring local workers.

B. Safe Harbor Benchmarks

To comply with Section 3 requirements outlined in 24 CFR Part 75.19 - for housing and community development financial assistance, subrecipients, contractors, and subcontractors should meet the safe harbor benchmarks. The safe harbor benchmark goals are as follows:

For housing and community development financial assistance

- 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, as defined in Appendix A.
Formula: $\text{Section 3 Labor Hours} / \text{Total Labor Hours} = 25\%$

And

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 in Appendix A.

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

HUD establishes and updates Section 3 benchmarks for Section 3 workers and/or Targeted Section 3 workers through a document published in the Federal Register, not less frequently than once every 3 years. Given that the Section 3 benchmarks are subject to change every three years or sooner, EDD will revisit and/or update their Section 3 Plan every 3 years, as needed.

It is the responsibility of contractors to implement efforts to achieve Section 3 compliance. Any contractor that does not meet the Section 3 benchmarks must demonstrate why meeting the benchmarks was not feasible. All contractors submitting bids or proposals to EDD are required to certify that they will comply with the requirements of Section 3.

C. Contractor Prioritization for Employment, Training, and Contracting

Employment and Training

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

For housing and community development financial assistance:

- Provide employment and training opportunities to Section 3 workers within the City of Stockton, 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 their best efforts to follow the prioritization of effort requirements prior to the beginning work and after work is completed.

Contracting

EDD contractors and subcontractors must make their best efforts to award contracts and subcontracts to business concerns (defined in Appendix A). Business Concerns must demonstrate that they meet the criteria outlined in Appendix A at the time of the bid/proposal. EDD will provide economic opportunities to Section 3 workers in the following order or priority:

For housing and community development financial assistance:

- 1) Business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area 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.

III. Eligibility & Certifications

Individuals and businesses that meet Section 3 criteria may seek Section 3 preference from EDD or its contractors/subcontractors for training, employment, or contracting opportunities on HUD-funded projects through self-certification. To qualify as a Section 3 worker, Targeted Section 3 worker or a Section 3 business concern, each must self-certify that they meet the requirements listed in this plan.

Warning: Contractors or Businesses who misrepresent themselves as Section 3 status and/or report false information may have their contracts terminated as default and be barred from ongoing and future considerations for contracting opportunities with EDD HUD-funded projects.

A. Section 3 Worker and Targeted Section 3 Worker Certification

A Section 3 worker seeking certification shall submit self-certification documentation to the recipient contractor or subcontractor, that the person is a Section 3 worker or Targeted Section 3 worker. For the purposes of Section 3 worker eligibility, EDD will use individual income rather than family/household income to determine eligibility. The income limits will be determined annually using the guidelines published at <https://www.huduser.org/portal/datasets/il.html>.

Persons seeking the Section 3 worker preference shall demonstrate that they meet one or more of the following criteria currently or when hired within the past five years, as documented:

- 1) A low or very low-income resident (the worker's income for the previous or annualized calendar year is below the income limit established by HUD), as updated periodically; or
- 2) Employed by a Section 3 business concern; or
- 3) A YouthBuild participant.

Persons seeking the Targeted Section 3 worker preference shall demonstrate that they meet one or more of the following criteria:

For housing and community development assistance

- 1) Employed by a Section 3 business concern or
- 2) Currently meets or when hired met at least one of the following categories as documented within the past five years:
 - a) Living within the service area or the neighborhood of the project, as defined in Appendix A; or
 - b) A YouthBuild participant.

Section 3 workers and Targeted Section 3 workers who are seeking preference in training and employment must submit the Section 3 Worker and Targeted Section 3 Worker Self-Certification Form.

Projects Involving Multiple Sources of Funding

In cases where Section 3 covered projects include multiple sources of funds, including public housing financial assistance and housing and community development assistance, the EDD may follow either public housing rules (subpart B of Part 75) or community development rules (subpart C of Part 75).

In cases where Section 3 covered projects include multiple housing and development funding sources (financial assistance) from single or multiple recipients, EDD will follow community development rules. Refer to chart in Appendix B for guidance on funding combinations.

IV. Strategies for Achieving Section 3 Goals

EDD will implement strategies to help contractors meet section 3 goals. These strategies may include, but are not limited to:

Documentation and Communication Strategies

- 1) Sharing/explanation of Section 3 requirements and opportunities with assisted businesses, developers and contractors.
- 2) Review Section 3 benchmarks and prioritization efforts with contractors and subcontractors. Emphasize that while existing employees need not be terminated, contractors should make every effort to meet Section 3 benchmark goals by utilizing qualified Section 3 workers and Targeted Section 3 workers for new positions when hiring additional employees is needed to complete proposed work.
- 3) Track and document all labor hours including Section 3 worker hours, Targeted Section 3 worker hours, and overall compliance efforts throughout the project duration.

Additional Support Strategies

- 1) Hold mandatory pre-bid meetings for contractors interested in submitting a bid/offer/proposal to ensure Section 3 requirements are clearly communicated before bid submission.
- 2) Assist with workforce planning by requiring contractors to present, at time of bid, their projected labor hours, including total hours, Section 3 worker hours, and Targeted Section 3 worker hours, plus descriptions and wage rates for available positions.
- 3) Leverage EDD's communication channels (social media, website, etc.) to broadly share employment and contracting opportunities.
- 4) Require contractors to submit a list of core employees (including administrative, clerical, planning and construction trades positions) at time of contract award.
- 5) Establish and maintain an internal database to track Section 3 compliance measures, including but not limited to:
 - a) Certified Section 3 workers and/or business concerns;
 - b) HUD-funded projects that exceed the required threshold; and
 - c) Labor hours of Section 3 projects.

***Note:** These strategies serve as tools to help achieve Section 3 goals. EDD will evaluate and select appropriate strategies based on project requirements, available resources, and effectiveness in meeting goals.*

V. Section 3 Outreach

A. Outreach Efforts for Employment and Training

Contractors and subcontractors should employ several active strategies to notify Section 3 workers and Targeted Section 3 workers of Section 3 job opportunities, including but not limited to:

- 1) Clearly indicating Section 3 eligibility on all job postings with the following statement: “This job is a Section 3 eligible job opportunity. We encourage applications from individuals that are low income and/or live in Public Housing and/or receive a Section 8 voucher.”
- 2) Including the Section 3 Worker and Targeted Section 3 Worker Self-Certification Form in all job postings.
- 3) Establishing a current list of Section 3 eligible applicants.
- 4) Contacting local community organizations and providing them with job postings for Section 3 eligible applicants.
- 5) Coordinating an ad campaign, which results in widespread job posting across diverse ad networks including:
 - a) Advertising job opportunities via social media.
 - b) Advertising job opportunities via flyer distributions and mass mailings and posting ads in housing management offices.
 - c) Contacting neighborhood community organizations to request their assistance in notifying residents of available training and employment opportunities.

B. Outreach Efforts for Contracting

When contracting opportunities arise in connection with HUD Programming, EDD will employ the following strategies to notify Section 3 Business Concerns of Section 3 contracting opportunities, including but not limited to:

- 1) Adding Section 3 language to all RFPs, procurement documents, bid offerings and contracts utilizing housing and community development assistance that exceeds the thresholds of \$200,000.
- 2) Advertising contracting opportunities in local community papers and notices that provide general information about the work to be contracted and where to obtain additional information.
- 3) Providing written notice of contracting opportunities to all known Section 3 Business Concerns. The written notice will be provided in sufficient time to enable business concerns the opportunity to respond to bid invitations.
- 4) Coordinating with the prime contractor to publicize contracting opportunities for small businesses.
- 5) Coordinating with other business assistance agencies and contractor associations to inform them of contracting opportunities and request their assistance in identifying Section 3 business concerns (may include local community development organizations, business development agencies [Chamber of Commerce], and minority contracting associations).
- 6) Connecting Section 3 business concerns with resources to support business development to assist in obtaining contracting opportunities (e.g., bonding and insurance assistance, etc.). Contractors will also be encouraged to collaborate with EDD as subcontract

opportunities arise in an effort to notify eligible Section 3 business concerns about the contracting opportunities.

VI. Section 3 Provisions/Contract Language

EDD will include standard Section 3 language in all of its contracts to ensure compliance with regulations in 24 CFR Part 75. EDD will take appropriate actions upon finding that a contractor is in violation of these regulations and does not knowingly contract with any contractor that has been found in violation of Section 3 regulations.

Contractors and subrecipients are required to include standard Section 3 language in all contracts or agreements for subcontractors to meet the requirements of 24 CFR Part 75.19 (for housing and community development financial assistance).

For businesses, noncompliance with HUD's Section 3 regulations may result in sanctions, termination of a contract for default, and debarment or suspension from future HUD assisted contracts.

VII. Reporting Requirements

A. Project Completion Reporting

Once a project is completed, contractors must submit a final Section 3 cumulative report documenting the following (see 24 CFR Part 75.25 for further guidance):

- 1) The total number of labor hours worked;
- 2) The total number of labor hours worked by Section 3 workers; and
- 3) The total number of labor hours worked by Targeted Section 3 workers.

If benchmarks were not met, documentation of efforts made to achieve compliance must be submitted.

B. Reporting on Projects with Multiple Funding Sources

- 1) For Section 3 projects that include public housing financial assistance and housing and community development financial assistance, each recipient/grantee will report on the project as a whole and will identify the multiple associated recipients.
- 2) For projects assisted with funding from multiple sources of housing and community development assistance that exceed the thresholds of \$200,000, EDD will follow subpart C of Part 75 and will report to the applicable HUD program office, as prescribed by HUD. Note: Refer to chart in [Appendix B](#) for guidance.

VIII. Complaint Procedure

In an effort to resolve complaints generated due to non-compliance through an internal process, EDD encourages submittal of such complaints to its office as follows:

- 1) Complaints of non-compliance should be filed in writing and must contain the name of the complainant and a detailed description of the alleged violation of 24 CFR Part 75.
- 2) Complaints must be filed within 60 calendar days after the complainant becomes aware of the alleged violation.

- 3) An investigation will be conducted if the complaint is found to be valid. EDD will conduct an informal, but thorough investigation affording all interested parties, if any, an opportunity to submit testimony and/or evidence pertinent to the complaint.

Complaints should be submitted to Economic.Development@stocktonca.gov, with the Subject Line: "Section 3 Complaint" and include the above referenced information.

Complainants may be eligible to bring complaints under other federal laws. The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability or genetic information (medical history or predisposition to disease). For more information about complainant rights, please contact EEOC at: www.EEOC.gov.

The Department of Labor Office of Federal Contract Compliance Programs (OFCCP) enforces, for the benefit of job seekers and wage earners, the contractual promise of affirmative action and equal employment opportunity required of those who do business with the Federal government. More information about the services they provide can be obtained at: <http://www.dol.gov/ofccp/>.

Appendix A: Definitions

The terms *HUD*, *Public housing*, and *Public Housing Agency (PHA)* are defined in 24 CFR part 5.

The following definitions also apply to 24 CFR Part 75 HUD's Economic Opportunities for Low-and Very Low-Income Persons:

1937 Act means the United States Housing Act of 1937, 42 U.S.C. 1437 *et seq.* *activities related to Public Housing*

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.

Labor hours means the number of paid hours worked by persons on a Section 3 project or by persons employed with funds that include public housing financial assistance.

Low-income person means a person as defined in Section 3(b)(2) of the 1937 Act, at or below 80% AMI. Note that Section 3 worker eligibility uses individual income rather than family/household income.

Material supply contracts means contracts for the purchase of products and materials, including, but not limited to, lumber, drywall, wiring, concrete, pipes, toilets, sinks, carpets, and office supplies.

Professional services means 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 financial assistance means assistance as defined in 24 CFR Part 75.3(a)(1).

Public housing project is defined in 24 CFR 905.108.

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

Section 3 means Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 business concern means:

(1) A business concern meeting at least one of the following criteria, documented within the last six-month period:

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

(2) 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.

(3) Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.

Section 3 project means a project defined in 24 CFR Part 75.3(a)(2).

Section 3 worker means:

(1) Any worker who currently fits or when hired within the past five 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.

(2) The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.

(3) Nothing in this part 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.

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

A Targeted Section 3 worker for housing and community development financial assistance means a Section 3 worker who is:

- (1) A worker employed by a Section 3 business concern; or
- (2) A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - (i) Living within the service area or the neighborhood of the project, as defined in [§ 75.5](#); or
 - (ii) A YouthBuild participant.

Section 8-assisted housing refers to 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 mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.

Small PHA means a public housing authority that manages or operates fewer than 250 public housing units.

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 the expenditure of public housing financial assistance or for a Section 3 project.

Subrecipient has the meaning provided in the applicable program regulations or in 2 CFR 200.93.

Targeted Section 3 worker has the meanings provided in 24 CFR Part 75.11, 75.21, or 75.29, and does not exclude an individual that has a prior arrest or conviction.

Very low-income person means the definition for this term set forth in section 3(b)(2) of the 1937 Act (at or below 50% AMI).

YouthBuild programs refers to YouthBuild programs receiving assistance under the Workforce Innovation and Opportunity Act (29 U.S.C. 3226).

Appendix B: Multiple Funding Sources - Chart

TYPE OF FINANCIAL ASSISTANCE	DEFINITIONS *TARGETED SECTION 3 WORKER	THRESHOLDS	PRIORITIZATION	REPORTING
Public Housing and Housing and Community Development	PHA – must follow subpart B of Part 75 HCD – may follow subpart B or C of Part 75	None *Any amount of PH assistance triggers Section 3	PHA – must follow subpart B of Part 75 HCD – may follow subpart B or C of Part 75	PHA – must follow subpart B of Part 75 HCD – may follow subpart B or C of Part 75 Both - Must report on project as a whole and identify the multiple associated recipients
Multiple Sources of Housing and Community Development <i>(single or multiple recipients)</i>	Must follow subpart C of Part 75	Exceeds \$200,000 for Section 3 projects *LHCHHP exceeds \$100,000	Must follow subpart C of Part 75	Must follow subpart C of Part 75 Must report on project as a whole and identify the multiple associated recipients Must report to the applicable HUD program office, as prescribed by HUD