

A. PURPOSE

The purpose of Section 3 is to ensure that employment and other economic opportunities created by HUD assistance to construction and rehabilitation projects is directed to low-income persons.

B. REQUIRED COMPLIANCE GOALS

1. **Employment - 30%** of the aggregate number of **new hires** for a covered project will be low income persons (A low income person is defined as having a family income less than 80% of the HUD established median income for Washtenaw County as found in the Section 3 Resident Income Verification Form.).
2. **Contracting** - Award at least **10%** of the total dollar amount for building trades work related to the project and at least **3 %** of all other covered contracts to Section 3 businesses.

C. SECTION 3 STRATEGY OR PLAN REQUIREMENT

Prior to or at the time of the contract signing between owner/developer and the contractor for the work on this project, the contractor is required to develop and complete with owner/developer, a Section 3 strategy or plan with final approval of the Section 3 strategy or plan by the Washtenaw County Office of Community and Economic Development (OCED). The Section 3 Plan must include, but not be limited to, the following, all per the requirements of Section 3:

1. Section 3 contracting goals for the construction contract and other contracts on the project;
2. Section 3 employment and training goals for the project;
3. Outreach to solicit Washtenaw County Section 3 Business Concerns;
4. Outreach to solicit Section 3 Washtenaw County Residents;
5. Project neighborhood area for the project;
6. Section 3 coordinator.

OCED has a template or model Section 3 Plan/Strategy available that you may use for the development of the Section 3 strategy or plan for the project. OCED also has a list of certified Washtenaw County Section 3 Business Concerns.

D. SECTION 3 BUSINESS CERTIFICATION APPLICATIONS:

Applications for Section 3 Business Certification may be obtained from the *Washtenaw County OCED, 415 W. Michigan Ave., Suite 2200, P.O. Box 915, Ypsilanti, MI 48197.*

APPLICATION PROCESS:

To be considered for certification as a Section 3 Business Concern, a business must complete the ***Section 3 Clause, submit the appropriate Section 3 Business Certification Forms and provide all required supporting documentation.***

1. (Category 1) Business Ownership:

- ∅ When a qualified Section 3 Resident is the primary owner having 51% or more ownership he/she (or, if less than 51%, holds the greatest percentage of ownership) must complete the *Section 3 Business Certification Form (51% Section 3 Resident Ownership)* form. This category was created by HUD for business concerns that are primarily owned by a person(s) that meet the HUD definition of being low income.
- ∅ If there are two or more Section 3 Resident owners that together own 51% or more of the business, each additional owner (not having majority ownership) must complete the *Section 3 Resident Income Verification Form (Section 3 Business Certification)*.

2. (Category 2) Percentage of Employees Criteria:

- ∅ A business having at least 30% permanent, full time Section 3 Residents on the payroll completes the *Section 3 Business Certification Form (30% Section 3 Resident Employment)*. At least 30% of permanent, full time employees must be Section 3 Residents or within three (3) years of the date of first employment with the business were Section 3 Residents.
- ∅ A *Section 3 Resident Income Verification Form (Section 3 Business Certification)* must be completed by each Section 3 Resident employee as evidence that each individual meets the HUD definition of a Section 3 Resident.

E. DOCUMENTATION:

θ The following completed forms are required for certification:

- Section 3 - **51% or 30%** Business Certification Application;
- Section 3 Clause;
- Register with the Office of Community and Economic Development to become an approved contractor and/or subcontractor;
- Submit Articles of Incorporation with State of Michigan Seal;
- Submit Ownership or Partnership Agreement(s) or if applicable, Notarized Affidavit or Secretary of State Certification to confirm that applicant(s) is or are the major shareholder(s)/owner(s);
- Submit Capacity evaluation: demonstration of business experience, i.e., list at least 10 previous jobs, existing jobs and 3 current references;
- Submit Largest Contract Award verification;
- If 51% Section 3 Resident Ownership; Submit Most Recent IRS Tax Statement (Individual(s) and Corporate or if a Sole Proprietor Submit IRS 1040 with Schedule C to confirm income.
- Submit Identification (i.e. Passport, Drivers License)
- Workers Compensation Certificate

F. CERTIFICATION:

- a. The Section 3 Business Certification Letter will be issued to acknowledge that a business has met the criteria established by the HUD Act of 1968, 24 CFR PART 135 - Section 3.
 - The business shall be listed in the Section 3 Washtenaw County OCED Business Directory provided the business also completes a contractor or sub-contractor application (as applicable) to be an approved contractor/sub-contractor with Washtenaw County OCED. Alternatively, the contractor/sub-contractor could choose to be a Section 3 business concern for only the project.

G. REPORTING RESPONSIBILITIES (*Transmit reports via Email or as hard copies to address below*)

During the life of the project these forms are collected by the **Owner/Developer**, checked for accuracy and completeness and submitted with the Request for Reimbursement to the Washtenaw County Office of Community and Economic Development (OCED) . If there is no disbursement request within a quarter, submit the report to the Compliance Officer no less than quarterly.

SECTION 3 CLAUSE ACKNOWLEDGEMENT FORM

1. **Owner/Developer** completes Section 3 Clause Acknowledgement Form (Submit once during life of project). The Section 3 Clause is required in every Section 3 covered contract and stipulates Section 3 applicability and requirements.
2. **Covered Contractor/Subcontractor** completes Section 3 Clause Acknowledgement Form (Submit once during life of project). The Section 3 Clause is required in every Section 3 covered contract and stipulates Section 3 applicability and requirements.

PERMANENT EMPLOYEE LISTING

1. **Owner/Developer** provides a complete list of permanent employees, including name and job category.
2. **Covered Contractor/Subcontractor** provides a complete list of permanent employees, including name and job category.

SECTION 3 SUMMARY REPORT FORM (HUD FORM 60002)

1. **Owner/Developer** completes the Section 3 Summary Report Form to account for all construction Contractors and subcontractors and businesses providing other services working on the project.
2. **Covered Contractor/Subcontractor** completes the Section 3 Summary Report Form to report all new hires for the covered project and the construction contracts and subcontracts with Section 3 Business Concerns. Contractor/subcontractor provides **all** *Section 3 Resident New Hires* the *Section 3 Income Verification Form* for completion and signature and proof of residency.

Transmit Documents to:

Terry R. Brinkman

Office of Community and Economic Development: 415 W. Michigan Ave., Suite 2200, P.O. Box 915, Ypsilanti, MI 48197, Phone: (734) 544-2985,

Email: brinkmat@ewashtenaw.org