

New Jersey Economic Development Authority
Labor Standards Compliance- HUD Programs
Mandatory Contract Language

Appendix A-1

Section 3 of the HUD Act of 1968

The purpose of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

*Each professional services consultant and construction contract values of \$100,000 or more must abide by Section 3 of the HUD Act of 1968 (Section 3). Those projects under that threshold amount do not trigger Section 3. **However, in the case that a contract under \$100,000 due to change orders or amendments reach or exceeds that amount, then Section 3 and all required compliance would be applicable.** This would include submission and approval of a Section 3 Plan and monthly compliance reporting to the NJEDA's Section 3 Coordinator.*

For Section 3 covered contracts that exceed \$100,000, the selected professional services consultant and construction contractors/sub-contractors must demonstrate compliance with "greatest extent feasible" requirement of Section 3 by meeting the Section 3 numerical goals for providing training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

Section 3 goals consist of the following:

- At least 30% of all new employees hired should be Section 3 residents;*
- At least 10% of the total dollar amount of all Section 3 covered contracts for housing rehabilitation, construction, and other public construction should be granted to eligible Section 3 businesses;*
- At least 3% of the total dollar amount of non-construction (e.g., professional services) contracts should be granted to eligible Section 3 businesses.*

Prospective successful consultants and general contractors should familiarize themselves with Chapter V of the NJEDA CDBG-DR Administrative Manual and Section 3 of the HUD Act of 1968 as an example of Section 3 compliance requirements.