



## PUBLIC & INDIAN HOUSING

### ANNUAL SECTION 3 SUMMARY REPORTING REQUIREMENTS

#### \*TECHNICAL ASSISTANCE ON FORM HUD-60002

---

#### Applicability of Section 3 to Public and Indian Housing Programs

Section 3 of the Housing and Urban Development Act of 1968 [12 U.S.C. 1701u and 24 CFR Part 135] represents HUD's policy for providing preference to low- and very low-income residents of the community where the funds are spent (regardless of race or gender), and the businesses that substantially employ these persons for new employment, training, and contracting opportunities created from the usage of covered HUD funds.

The requirements of Section 3 apply to **all Public Housing Authorities (PHAs)** regardless of size or number of units [Section 8-Only Housing Authorities are exempt].

The requirements also apply to **all contractors** that receive awards from PHAs, regardless of the dollar amount of the contract.

Section 3 applies to the following types of Public and Indian Housing assistance:

- Public Housing Operating subsidies
- Public Housing Capital Funds for Development and Modernization;
- Hope VI Revitalization Grants;
- Resident Opportunities and Self-Sufficiency (ROSS) Grants;
- Family Self-Sufficiency (FSS) Grants;
- Lead Hazard Control Grants; and
- Economic Stimulus Funding

#### Recipient Responsibilities Pursuant to Section 3

Each PHA (and their contractors, subcontractors, or subrecipients) are required to comply with the requirements of Section 3 for **new** employment, training, or contracting opportunities resulting from the expenditure of covered funding. This responsibility includes:

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

### Section 3 Summary Reports (Form HUD-60002)

Annually, each PHA is required to submit form HUD-60002 to HUD's Economic Opportunity Division in Washington, DC. Pursuant to 24 CFR 135.90, form HUD-60002 is due at one of the following intervals:

- 1) Where the program providing Section 3 covered funding requires the submission of an annual performance report (eg., CAPERs report, etc.), form HUD-60002 shall be submitted at the time that the annual report is due;
- 2) If the program providing the Section 3 covered funding does not require an annual report, form HUD-60002 shall be submitted by January 10<sup>th</sup> of each year; or
- 3) Form HUD-60002 shall be submitted within 10 days of project completion (e.g., if the project is completed prior to January 10<sup>th</sup>).

### Determining What Should Be Reported on Form HUD-60002

Section 3 Annual Summary Reports are intended to measure each PHA's efforts to comply with the statutory and regulatory requirements of Section 3 in its own operations **AND** those of contractors, subcontractors, and subrecipients.

Accordingly, each submission of form HUD-60002 should indicate the following:

- The total dollar amount of HUD funding that was received by the PHA during the specified reporting period.
- The total number of new employees that were hired by the PHA or its contractors, subcontractors, and subrecipients.
- The amount of new employees that were hired by the PHA or its contractors, subcontractors, and subrecipients, that met the definition of a Section 3 resident.
- The total number of man hours worked on covered projects (optional).
- The aggregate number of hours worked by Section 3 residents on covered projects (optional).
- The total number of Section 3 residents that participated in training opportunities that were made available by the PHA, its contractors, subrecipients, or other local community resource agencies.
- The total dollar amount of construction and/or non-construction contracts (or subcontracts) that were awarded with HUD funding received by the PHA.
- The dollar amount of the PHA's construction or non-construction contracts (or subcontracts) that were awarded to Section 3 business concerns.
- Detailed narrative descriptions of the specific actions that were taken by the PHA, covered contractors, subcontractors, subrecipients, or others to comply with the requirements of Section 3 and/or meet the minimum numerical goals for employment and contracting opportunities.

**\*\*PHAs must submit a separate form HUD-60002 for each type of covered financial assistance (e.g., separate reports must be submitted for Operating Subsidies and Capital funding).**

## Important Notes for Submitting HUD-60002

- Use the online Section 3 Summary Reporting System at: [www.hud.gov/section3](http://www.hud.gov/section3) to ensure that your report is received by the appropriate HUD office in a timely manner.
- The “reporting period” option in the online Section 3 Summary Reporting System (box #7) lists quarters but the Section 3 reporting is an annual requirement. Accordingly, recipients should select **Quarter 4** to document the total amount of covered activities that took place during the entire year.
- PHAs should follow the same 12-month reporting period (i.e., fiscal, program, or calendar year) that is used for other HUD reports. If the PHA does not have other HUD reporting requirements, the Section 3 reporting period will follow the 12-month calendar year.
- Section 3 reports document compliance during the previous year (or reporting period). For instance, reports submitted on January 10, 2009, document the PHA’s efforts to comply with Section 3 during 2008.
- If the PHA (or its contractors, subcontractors and subrecipients) did not hire any new employees during the reporting period, and/or if no construction or non-construction contracts were awarded, the PHA must state this in Part III of form HUD-60002 and certify that this information is true and accurate by penalty of law.

## Form HUD-60002 and Section 3 Compliance Determinations

Absent evidence to the contrary, the Department considers PHAs to be in compliance with Section 3 if they meet the minimum numerical goals set forth at 24 CFR Part 135.30<sup>iii</sup>:

- a. 30 percent of the aggregate number of new hires shall be Section 3 residents;
- b. 10 percent of the total dollar amount of all covered construction contracts shall be awarded to Section 3 business concerns; and
- c. 3 percent of the total dollar amount of all covered non-construction contracts shall be awarded to Section 3 business concerns.

[PHAs 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 enable the Department to make a compliance determination.

**\*\* Recipients that submit Section 3 reports containing **all zeros**, without a sufficient explanation to justify their submission, are in **noncompliance** with the requirements of Section 3.**

Failure to comply with the requirements of Section 3 may result in sanctions, including: debarment, suspension, or limited denial of participation in HUD programs pursuant to 24 CFR Part 24. PHAs that are subject to annual A-133 Audits may also receive an audit finding for failure to submit form HUD-60002 to HUD.

## Where Are Reports Submitted

Form HUD-60002 must be submitted to HUD's Economic Opportunity Division, in Washington, DC. Recipients are strongly encouraged to submit form HUD-60002 online at: [www.hud.gov/section3](http://www.hud.gov/section3).

Recipients can also download a hard copy of form HUD 60002 from the website listed above. Hard copies shall be submitted via fax or mail to:

U.S. Department of Housing and Urban Development  
Attn: Economic Opportunity Division  
451 Seventh Street, SW  
Room 5235  
Washington, DC 20410  
202-708-1286 (fax)

## Additional Section 3 Guidance and Technical Assistance

The Economic Opportunity Division is committed to providing PHAs guidance and technical assistance for compliance with the requirements of Section 3.

For additional information, please visit the Section 3 website at: [www.hud.gov/section3](http://www.hud.gov/section3). This webpage provides the following tools and information:

- Section 3 Statute—12 U.S.C. 1701u
- Section 3 Regulation—24 CFR Part 135
- Frequently Asked Questions
- Section 3 Model Programs
- Guidance on Section 3 and Economic Stimulus Funding
- Guidance on Section 3 and the Neighborhood Stimulus Program (NSP)
- Sample Section 3 Certification Forms (residents and business concerns)
- Link to HUD's Local Income Eligibility Calculator
- Link to Section 3 Annual Reporting System(form HUD-60002)
- Downloadable Forms
- Contact Information for Economic Opportunity Division staff
- Email inquiries on Section 3 can be sent to [section3@hud.gov](mailto:section3@hud.gov)

---

<sup>i</sup> 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).

<sup>ii</sup> 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.

<sup>iii</sup> See Safe Harbor language at 24 CFR Part 135.30(d)