

## **Frequently Asked Questions About HUD's Section 3 Business Registry**

### **1. What is Section 3?**

Section 3 is a provision of the Housing and Urban Development Act of 1968. The intent of Section 3 is to ensure that preference for employment, training and contracting opportunities generated from the expenditure of certain HUD funds, is given to local low- and very low-income persons, particularly those who receive federal housing assistance, and businesses that are owned by or substantially employ such persons.

### **2. What does the term "Section 3 resident" mean?**

A "section 3 resident" is: 1) a public housing resident; or 2) a low- or very low-income person residing in the metropolitan area or Non-metropolitan County where the Section 3 covered assistance is expended.

### **3. What does the term "Section 3 Business" mean?**

Section 3 businesses are businesses that can provide evidence that they meet one of the following criteria:

- a) 51 percent or more owned by Section 3 residents; or
- b) At least 30 percent of its full time employees include persons that are currently Section 3 residents, or were Section 3 residents within three years of the date of first hire\* ; or
- c) Provides evidence, as required, of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to businesses that meet the qualifications of a) or b) above.

\*Example: John is a Section 3 resident that is unemployed. He is hired by XYZ Construction Company at a salary of \$37,500 per year. The local low-income limit for a one-person household is \$35,000. John can be counted as a Section 3 resident by XYZ Construction Company for up to three years towards their efforts to meet the Section 3 business criterion under definition "B" as described above.

**4. How are the terms “low-income” and very low-income determined?**

Low- and very-low-household income limits are determined annually by HUD. These limits are typically established at 80 percent and 50 percent of the median income for each locality by household size or the number of people residing in one house. HUD income limits may be obtained from:

<http://www.huduser.org/portal/datasets/il.html>

**5. What is HUD’s Section 3 Business Registry?**

The Section 3 Business Registry is a registry of firms that have self-certified their status as Section 3 Businesses. Businesses who self-certify that they meet one of the regulatory definitions of a Section 3 business will be included in a searchable online database. The database can be used by agencies that receive HUD funds, developers, contractors, and others to facilitate the award of covered construction and non-construction contracts to Section 3 businesses. Section 3 residents are also encouraged to use the registry to identify businesses that may have HUD-funded employment opportunities.

**6. How does my firm submit a self-certification application if it meets the definition of a Section 3 Business?**

Businesses can submit an online application for inclusion in the Section 3 registry at: [www.hud.gov/Sec3Biz](http://www.hud.gov/Sec3Biz).

**7. When does a business certification expire?**

A certified business must recertify after 3 years.

**8. Where do I find the database of firms that have self-certified that they meet the definition of a Section 3 Business?**

To search the database for businesses please visit: [www.hud.gov/Sec3Biz](http://www.hud.gov/Sec3Biz).

**9. What documentation is required from firms that meet the definition of a Section 3 Business?**

For inclusion in the registry, businesses must submit the online application and are not initially required to submit any additional documentation to HUD. Additional documentation may be requested if HUD receives complaints alleging that any business in its registry has misrepresented their firm’s status to the Department. Businesses may also be required to submit supporting documentation as evidence of their eligibility to recipients prior to the award of the HUD-funded contract.

**10. What is a business license?**

A business license is a type of legal authorization to operate a business in a city, county, or state. A license may even be required on a federal level. Typically issued in document form, a business license gives a business owner the right to conduct entrepreneurial activities as set forth in the license application. In most cases, there is a fee charged to obtain a business license. Requirements for a business license vary by state and municipality. Please visit: <http://www.sba.gov/content/search-business-licenses-and-permits> to learn more about obtaining a business license.

**11. Has HUD verified the authenticity of firms that have submitted self-certification applications and does HUD endorse the quality of services provided by such firms?**

While the Department maintains the Business Registry database, it has not verified the information submitted by the businesses and does not endorse the services they provide. Accordingly, it is recommended that users perform due diligence before awarding contracts to firms that have self-certified their status as a Section 3 business.

The Department will periodically conduct random audits of a percentage of the Section 3 businesses in its registry.

**12. Does being self-certified as a Section 3 Business mean that a firm is automatically entitled to HUD-funded contracts?**

A Section 3 business is not entitled to a contract simply by being listed in the HUD Section 3 Business Registry database. Section 3 businesses may need to demonstrate to the satisfaction of the recipient agency (i.e., Public Housing Authority, local government agency, developer, etc.) that they are a responsible bidder with the ability to perform successfully under the terms and conditions of prospective contracts.

The Section 3 regulation at 24 CFR Part 135.36 provides preference to Section 3 businesses that submit responsible bids for contracts and subcontracts, but does not guarantee the award of contracts.

**13. What if I believe that HUD has accepted the self-certification of a firm that does not meet the definition of a Section 3 Business?**

The Department strongly encourages anyone that believes that a firm in this registry does not meet the eligibility criteria of a Section 3 Business to notify the HUD Office of Inspector General at <http://www.hudoig.gov/report-fraud>. HUD's office of Inspector General is responsible for investigating claims of fraudulence. In such situations, the HUD Office of Inspector General may request documentation and additional information from the business to verify that they qualify for inclusion in the database. Businesses found to have misrepresented themselves will be removed

from the database and penalized as appropriate by the HUD Office of Inspector General.

**14. What if my firm is listed on HUD's Section 3 Business Self-Certification Database and I need to change or update my contact information?**

If your firm needs to change or update your contact information, please submit a detailed request via email to: [Sec3biz@hud.gov](mailto:Sec3biz@hud.gov).

**15. How can I find recipients or agencies that are required to provide preferences to Section 3 residents and businesses in my area?**

To find local recipients, contact your local HUD office. To find your closest office, visit: [www.hud.gov/localoffices](http://www.hud.gov/localoffices).

**16. Are agencies that receive covered HUD funding (i.e., PHAs, cities, states, property owners, and other agencies) required to use this database?**

Recipient agencies that receive Section 3 covered assistance will be informed about the database and encouraged but not required, to contact Section 3 firms in the registry prior to awarding covered contracts.

**17. Are General Contractors required to use this database?**

General Contractors and other developers that receive contracts from recipient agencies may be informed about the database by local recipients and instructed to contract Section 3 firms in the registry prior to the award of subcontracts.

**18. How will HUD monitor success under the Section 3 Business Registry Program?**

The Department will survey Section 3 Businesses and recipient agencies to determine outcomes and challenges associated with the implementation of the Section 3 Business Registry. The Department will monitor the usage of the database by businesses and recipients, and other feedback as a part of its assessment.

**19. Where can I find more information on the requirements of Section 3?**

For more information on the requirements of Section 3, please visit [www.hud.gov/Section3](http://www.hud.gov/Section3).