

Section 3 of the Housing and Urban Development Act of 1968

Old Rule - 24 CFR Part 135

New Rule - 24 CFR Part 75

Focusing on sustained employment of low- and very low-income populations

A new hire for a temporary, one-month job and a new hire for a permanent, year-round job counted the same, instead of placing more value on long-term employment.

Recognizes the greater value of the permanent job by focusing on labor hours instead of new hires, creating an incentive for employers to invest in and retain their newly hired low-income workers.

Crediting successful sustained employment in reporting benchmarks

Former benchmarks:

- 30% of persons hired by Section 3 funding must be Section 3 residents
- 10% of total funds for construction contracts awarded to Section 3 businesses
- 3% of total funds for non-construction contracts awarded to Section 3 businesses
- No updates to these benchmarks

Final rule benchmark notice:

- 25% of all labor hours must be performed by a Section 3 worker
- 5% of all labor hours must be performed by Targeted Section 3 workers
- Benchmark notice should be updated by the Secretary every three years

Allowing varied outcomes for different geographies and activities

Section 3 residents are:

- Public housing residents
- Low- and very low-income persons who live in the metropolitan area or non-metropolitan county where a HUD assisted project for housing or community development is located

Section 3 workers are:

- Workers whose incomes for the previous or annualized calendar year are below the income limit established by HUD
- Employed by a Section 3 business concern
- YouthBuild participants

Under the old rule, there is no distinction or prioritization of hiring Targeted Section 3 workers.

New rule emphasizes the priority hiring of Targeted Section 3 workers living in public or Section 8-assisted housing or within a 1 mile radius of the project site.

Section 3 business concerns are:

- At least 51% owned by Section 3 residents
- At least 30% of employees are currently Section 3 residents, or were within first three years of employment
- Businesses that subcontract more than 25% of all subcontracts to a Section 3 business concern

Section 3 business concerns are:

- At least 51% owned and controlled by low- or very low-income persons
- Businesses where Section 3 workers perform over 75% of the labor hours over a three-month period
- At least 51% owned and controlled by current public housing or Section 8-assisted housing residents

Integrating Section 3 into the program offices

Enforcement and compliance was performed by the Office of Fair Housing and Equal Opportunity.

Enforcement and compliance will be integrated into regular program office work.

Reducing reporting requirements for grantees who are meeting benchmarks

What Projects or Contracts Does Section 3 Apply to?

Housing and Community Development Financial Assistance

Section 3 applies to housing construction, housing rehab and public infrastructure projects that receive more than \$200,000 in HUD assistance. Section 3 also applies to projects that include Lead Hazard Control and Healthy Homes assistance that exceeds \$100,000.

Public Housing Financial Assistance

Section 3 applies to any amount of assistance for development, operations and management, mixed-finance development projects, and in some cases, Rental Assistance Demonstration (RAD) and Choice Neighborhoods projects.

What Are the Goals of Section 3?

Section 3 has goals that recipients, subrecipients, contractors and subcontractors must meet. The goals are as follows:

Housing and Community Development Financial Assistance

- 25% or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers and 5% or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers.

Public Housing Financial Assistance

- 25% or more of the total number of labor hours worked by all workers in a PHA's fiscal year are Section 3 workers and 5% or more of the total number of labor hours worked by all workers in a PHA's fiscal year are Targeted Section 3 workers.

What Happens if the Section 3 Goals Are Not Met?

Recipients must report qualitative nature of Section 3 compliance efforts and the efforts of its contractors and subcontractors.

How Can I Find Section 3 Opportunities in My Area?

Contact your local and state government and public housing authority to learn more about employment, training and contracting opportunities that may be available to you in your community.

How Can I Learn More About Section 3?

Visit the following websites:

- <http://www.hud.gov/section3>
- <http://www.hudexchange.info/programs/section-3/>

Want to learn more about YouthBuild?

- <http://www.dol.gov/agencies/eta/youth/youthbuild>



SECTION 3

for Workers and Businesses

Learn about employment, training and contracting opportunities that can be available to you under Section 3.

What Is Section 3 and Why Does It Matter?

- Every year the Department of Housing and Urban Development (HUD) invests billions of federal dollars into distressed communities across the country for projects that provide **access to safe and affordable housing and improve public infrastructure**.
- These funds are passed down to public housing agencies, local and state governments or other recipients through grants or financial assistance.
- The financial assistance can be used to **maintain and build affordable housing and improve public infrastructure** in your community.
- **Employment, training and contracting** opportunities that result from the covered projects or contracts must be directed to persons who are low-income (**Section 3 workers**) and businesses that are owned by or employ persons who are low-income (**Section 3 businesses**) to help build economic wealth.
- Best efforts should be made to direct economic opportunities to persons and businesses in the **order of priority** outlined in the final rule requirements.

Who Is Responsible for Providing Access to Economic Opportunities?

- Recipients and subrecipients of HUD assistance
- Contractors and subcontractors working on certain HUD-assisted projects or contracts

How Can Contractors Help PHAs and Grantees Meet the Section 3 Goals?

Contractors can help PHAs and grantees meet the Section 3 goals by being a Section 3 business or employing Section 3 workers. Some grantees or PHAs may offer incentives to businesses that can demonstrate how they will meet the Section 3 goals.

What Is a Section 3 Worker?

A **Section 3 Worker** is any worker who currently fits, or when hired within the past five years fit, at least one of the following categories as documented:

- Person who is low-income
- Employed by a Section 3 business concern
- YouthBuild participant

What Is a Targeted Section 3 Worker?

A **Targeted Section 3 Worker** is a Section 3 worker who is **employed by a Section 3 business concern** or is a worker that currently fits or when hired fit at least **one** of the following categories as documented within the past five years:

Housing and Community Development Financial Assistance

- Lives within the neighborhood of the project
- YouthBuild participant

Public Housing Financial Assistance

- Resident of public housing or Section 8-assisted housing
- Resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance
- YouthBuild participant



What Is a Section 3 Business Concern?

A business that meets at least **one** of the following categories, within the last six-month period:

- At least 51% owned and controlled by persons who are low-income
- At least 51% owned and controlled by current public housing residents or residents who currently live in Section 8 assisted housing
- Over 75% of the labor hours performed for the business over the prior three-month period were performed by Section 3 workers



Section 3 Job Aid

for Contractors and Subcontractors

1 Understand How Section 3 Applies to Your Project

Section 3 applies to **housing construction, housing rehab, and other public construction** (e.g. infrastructure or facilities) projects funded with **over \$200,000** of housing and community development financial assistance. Material supply contracts are excluded.

2 Understand How to Meet the Section 3 Goals


Meet the Quantitative Goals

25% or more of all labor hours on a Section 3 project must be worked by Section 3 workers, and
5% or more of all labor hours on a Section 3 project must be worked by Targeted Section 3 workers

Professional service labor hours are excluded from the goals, but may be included by choice.

Make Qualitative Efforts

Provide evidence that you made qualitative efforts to assist persons and businesses that provide opportunities to persons listed in the following order of priority: 1) Section 3 workers residing in the neighborhood of the project, 2) YouthBuild participants.

 **Helpful Tool:** The Section 3 Guidebook provides a list of qualitative efforts that contractors and subcontractors may undertake to document that they made qualitative efforts to assist persons who are low-income with employment and training opportunities.

3 Understand What a Section 3 Worker Is

What is a Section 3 Worker? A worker who **currently fits**, or **when hired** within the past five years fit, at least **one** of the following categories as documented:

- Worker who is low-income
- Employed by a Section 3 business concern
- YouthBuild participant

*The five-year lookback period cannot date back further than 2020.

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Understand What a Targeted Section 3 Worker Is

What is a Targeted Section 3 Worker?

A Targeted Section 3 Worker is a Section 3 worker who is:

- Employed by a Section 3 business concern

Or a worker that **currently fits** or **when hired** within the past five years fit, at least **one** of the following categories as documented:

- Living within the service area or the neighborhood of the project and qualifies as a low or very low-income worker; or
- A YouthBuild participant



Helpful Tip:

- All Targeted Section 3 Workers are Section 3 Workers. However, not all Section 3 Workers meet the definition of a Targeted Section 3 Worker.

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Certify Your Section 3 and Targeted Section 3 Workers

Select the Option(s) You will Use for Certifying Worker Eligibility

1. **Worker Self-Certification** - this option allows a worker to verify their own eligibility. A worker may use a self-certification form to certify that:

- Their income is at or below the low-income limit, or
- They are a YouthBuild participant, or
- They live in the service area or neighborhood of the project.

2. **Employer Certification** - this option allows employers to certify that the:

- Worker's paid wage rate by the employer (if annualized on a full-time basis) is at or below the low-income limit, or
- Worker is employed by a Section 3 Business concern, and
- Worker's address is in the service area (or neighborhood of the project)



Helpful Tip:

- If a person does not *currently* meet any of the categories above, the person or employer can look back five years (if hired within the last five years by the same employer) to verify the worker's status.

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Determine if Your Business Qualifies as a Section 3 Business

There are two different ways to qualify as a Section 3 business concern. Your business must meet one of the criteria below to be eligible.

1. At least 51% of your business must be owned and controlled by a person(s) who made less than \$_____ OR by a public housing resident or resident living in Section 8 assisted housing

a. If your business meets the criteria, then you will need to self-certify ownership and income-levels of the qualifying owner(s).

2. In the past 3 months, more than 75% of the labor hours worked for your business must be performed by Section 3 workers.

a. How do I figure this out?

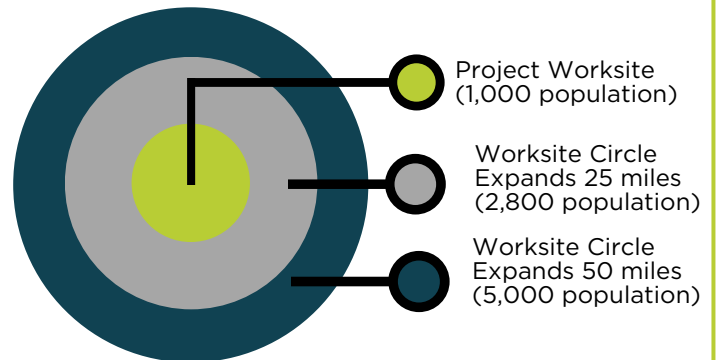
- **Divide** the *total number of labor hours* worked by **Section 3 workers** over the last three-month period by the *total number of labor hours worked* by **all employees** over the last three-month period. **Multiply** the number by 100 to get the percentage. If the percentage is 75% or greater, your business qualifies. You may self-certify your eligibility.

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Additional Guidance

How Do I Determine the Service Area?

The Service Area is within one mile of the Section 3 project, or if less than 5,000 people live within one mile of Section 3 project, the Service Area is an area within a radius centered around the Section 3 project site that contains 5,000 people.



Helpful Tools:

- Launch the [NEPA Assist Tool](#). Type in the address of the project site and draw a one-mile buffer around the project site.
- Use a local GIS mapping tool, if available.



Helpful Resources:

- _____'s Section 3 Plan
- Certification Forms for Workers and Businesses