

SECTION 3 INFORMATION SHEET

Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall 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.

Section 3 projects mean housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000. The project is the site or sites together with any building(s) and improvements located on the site(s) that are under common ownership, management, and financing. The requirements in apply regardless of whether the project is fully or partially assisted under HUD programs that provide housing and community development financial assistance.

REQUIREMENTS:

Employment and training.

1. To the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients covered by this subpart shall ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located.

Effective November of 2020, HUD issued new Section 3 regulations to **track and report labor hours instead of new hires** [24 CFR 75]. HUD created the *Section 3 worker* and *Targeted Section 3 worker* concepts so that HUD could track and set benchmarks to target selected categories of workers and to recognize the statutory requirements pertaining to contracting opportunities for business concerns employing low- and very-low-income persons.

Section 3 worker is any worker who currently fits, or when hired within the past five (5) years fit, at least one of the following categories, as documented:

- The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
- The worker is employed by a Section 3 business concern.
- The worker is a YouthBuild participant.

Targeted Section 3 worker (for housing and community development financial assistance) is:

- A worker employed by a Section 3 business concern; or
- A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - Living within the service area or the neighborhood of the project.
 - A YouthBuild participant.

A **Section 3 business concern** must meet at least one of the following criteria, documented within the last six-month period:

- It is at least 51 percent owned and controlled by low- or very low-income persons;

- Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
- It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Service area or the neighborhood of the project means an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census. (See map on page 4)

YouthBuild refers to community-based pre-apprenticeship program that provides job training and educational opportunities for at-risk- youth ages 16-24 who have previously dropped out of high school. More information can be found here: <https://www.dol.gov/agencies/eta/youth/youthbuild>

BENCHMARK:

Section 3 benchmarks consist of labor hours worked by Section 3 and Targeted Section 3 workers divided by the total number of labor hours worked by all workers on a Section 3 project in the recipient’s program year.

- **Section 3 worker:** Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project. $\frac{\text{Section 3 Labor Hours}}{\text{Total Labor Hours}} = 25\%$
- **Targeted Section 3 worker:** Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project. $\frac{\text{Section 3 Labor Hours}}{\text{Total Labor Hours}} = 5\%$

*The 5% benchmark for Targeted Section 3 worker is included as part of the 25% threshold.

REPORTING OF LABOR HOURS:

1. Section 3 workers and Targeted Section 3 workers;
2. Total number of labor hours worked on a Section 3 project; and
3. Total number of labor hours worked by Section 3 workers; and
4. Total number of labor hours worked by Target Section 3 workers.

*Section 3 workers' and Targeted Section 3 workers' labor hours may be counted for five years from when their status as a Section 3 worker or Targeted Section 3 worker is established pursuant to §75.31.

RECORDKEEPING:

Contractor, or subcontractor that employs the worker must maintain documentation to ensure that workers meet the definition of a Section 3 worker or Targeted Section 3 worker, at the time of hire or the first reporting period, as follows:

1. For a worker to qualify as a Section 3 worker, one of the following must be maintained:
 - A worker's self-certification that their income is below the income limit from the prior calendar year; or
 - An employer's certification that the worker's income from that employer is below the income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis; or
 - An employer's certification that the worker is employed by a Section 3 business concern;
2. For a worker to qualify as a Targeted Section 3 worker, one of the following must be maintained:

- An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census
- An employer's certification that the worker is employed by a Section 3 business concern; or
- A worker's self-certification that the worker is a YouthBuild participant.

DETERMINING INCOME:

Low- and very low- income limits are determined annually by HUD. Workers can complete Section 3 Income Certification Forms.

HUD 24 CFR Part 5

Low-income person means families (including single persons) whose incomes do not exceed 80 percent of the median income for the area.

Very low-income person means families (including single persons) whose incomes do not exceed 50 percent of the median family income for the area.

To verify Income Limits by Area Please See Attached Income Limits:

*Please note that HUD updates income limits annually