

# Section 3

# Section 3 Requirements

- What is Section 3?
- Section 3 Plan
  - Owner/General Contractor
  - Subcontractors
- Section 3 Reporting
  - Benchmarks
  - Qualitative Efforts
  - Frequency of Reporting

# What is Section 3

The section 3 program requires recipients of HUD funding to direct employment, training, and contracting opportunities to low-income individuals and the businesses that employ these persons within their community.

Section 3 regulation was updated effective November 30, 2020 and provided updates to definitions, benchmarks, and reporting requirements.

# Section 3 Plan

- Section 3 Plan provides for the commitment to comply with Section 3 requirements and achieve Section 3 goals.
- Owner/General Contractor submits a Section 3 Plan to MHDC with the FIRM submission documents.
- Subcontractor submits a Section 3 Plan
  - The Compliance Officer for the Developer will send a copy of the Subcontractor Plan to MHDC for review and filing.

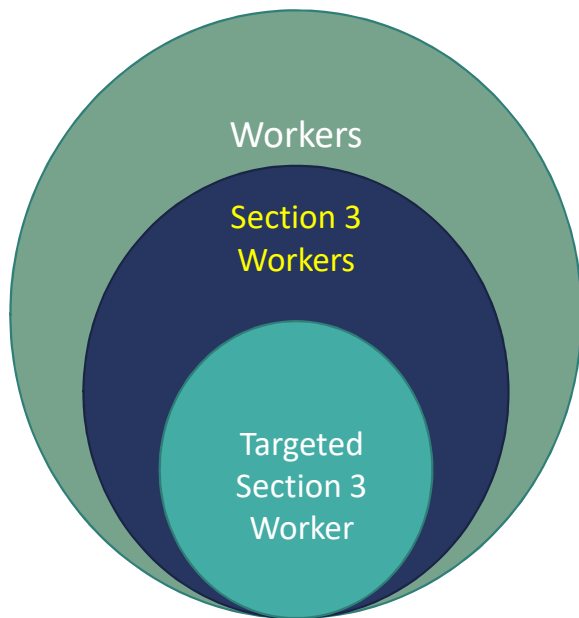
# Section 3 Plan Components

- Policy Statement/Purpose
- Section 3 Applicability
- Section 3 Goals/Safe Harbor Benchmarks
- Recipient and Contractor Responsibilities
- Prioritization and Eligibility Requirements for Workers and Businesses
- Section 3 Certification Procedures for Workers and Business
- Reporting Deadlines
- Complaint Procedures

# Section 3 Summary Report

- What is being reported
  - Labor Hours
  - Section 3 Labor Hours
  - Targeted Section 3 Labor Hours
- Frequency of Report
  - Quarterly
  - Final-End of Construction

## Section 3 Worker



- A worker who currently fits or, when hired within the past 5 years, fits at least one of the following categories:
  - Is a low or low-income person that met HUD income limits for the previous or annualized calendar year.  
<https://www.huduser.gov/portal/datasets/il.html>
  - Is employed by a Section 3 business concern.
  - Is a YouthBuild Participant.

## Targeted Section 3 Worker



- A worker who meets the definition of Section 3 worker plus one of the following:
  - Employed by a Section 3 business concern
  - Who currently fits or, when hired, fit at least one of the following categories, as documented within the past five year:
    - Living within the service area or the neighborhood of the project
    - A YouthBuild Participant



# Section 3 Business Concern

- Meets at least one of the following criteria, documented within the last 6-month period.
  - At least 51% owned and controlled by low or very low-income persons.
  - Over 75% of the labor hours performed for the business over the previous 3-month period are performed by Section 3 workers, or
  - It is at least 51% owned and controlled by current residents of public housing or Section 8-assisted housing.

# YouthBuild Participant

- YouthBuild is a community-based pre-apprenticeship program administered by the U.S. Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of school.

# Safe Harbor Benchmarks

HUD determined threshold for Section 3 Compliance

25% or more of total labor hours worked is performed by Section 3 Workers

5% or more of the total labor hours worked is performed by Targeted Section 3 Worker

The Targeted Section 3 labor hours is included in the Section 3 Labor Hours

Benchmark Notice should be updated every three years.

# Section 3 Reporting

- Labor Hours Reporting
  - The total number of labor hours worked.
  - The total number of labor hours worked by Section 3 workers.
  - The total number of labor hours worked by Target Section 3 workers.
- Labor hours must include the total number of labor hours worked on a Section 3 project by all workers, including any subrecipients, contractors, and subcontractors.
- The labor hours reported will be used to determine if compliance with Section 3 Requirements have been met.

# Section 3 Summary Report



## Section 3 Reporting

Development Name: \_\_\_\_\_  
 Development Number: \_\_\_\_\_  
 Contractor: \_\_\_\_\_

Reporting Period  
 Quarter \_\_\_\_\_ through \_\_\_\_\_  
 Final

### Section A.

Please enter the following information:  
 Total Labor Hours Worked \_\_\_\_\_  
 Section 3 Labor Hours Worked \_\_\_\_\_  
 Targeted Section 3 Labor Hours worked \_\_\_\_\_

Have the HUD Bench Marks Been Met  
 Section 3 Labor Hours Worked #DIV/0!  
 Target Section 3 Labor Hours worked #DIV/0!

If the HUD Benchmarks have not been met move onto to Section B.  
 If HUD Benchmarks have been met, please move to Section C.

Definitions:  
 Total Labor Hours Worked: Hours worked by all workers on the construction project, including contractors and subcontractors.  
 Section 3 Worker: Worker who currently fits or, when hired within the past 5 years, fits at least one of the following:  
 1. Is a Low or Very Low-Income person that met HUD income limits for the previous or annualized calendar year. Income limits can be found at <http://www.huduser.org/portal/datasets/il.html>; or  
 2. Is employed by a Section 3 business concern; or  
 3. Is a YouthBuild participant.  
 Targeted Section 3 Worker: Meets the definition above plus one of the following:  
 1. A worker employed by a Section 3 business concern; or  
 2. A Worker who currently fits or, when hired fit at least one of the following categories as documented within the past 5 years:  
 A. Living within the service area or the neighborhood of the project; or  
 B. A Youthbuild participant.

- Enter labor hours into the open box.
- The report will generate whether the Safe Harbor Benchmarks have been met with “Yes” or “No”.
- If “Yes” move to section C.
- If “No” move to Section B.
  - Select the “Qualitative Efforts” attempted, or describe in “Other” field.
  - Documentation of efforts must be provided.



## Section 3 Summary Report

### Section B.

Please mark the Qualitative Efforts that have been made in order to meet the HUD established Benchmarks. Documentation of Qualitative Efforts made must be attached.

Select all that apply.

- Outreach efforts to generate job applicants who are Public Housing Targeted Workers.
- Outreach efforts to generate job applicants who are Other Funding Targeted Workers.
- Direct, on-the job training (including apprenticeship).
- Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
- Technical training such as arranging for, contracting for, or paying tuition for, off-site training.
- Outreach efforts to identify and secure bids from Section 3 business concerns.
- Technical assistance to help Section 3 business concerns understand and bid on contracts.
- Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- Provided or connected residents with assistance in seeking employment, including drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.
- Held one or more job fairs.
- Provided or connected residents with supportive services that provide direct services or referrals.
- Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.
- Assisted residents with finding childcare.
- Assisted residents to apply for/or attend community college or a four-year educational institution.
- Assisted residents to apply for or attend vocational/technical training.
- Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
- Provided or connected residents with training on computer use or online technologies.
- Other:

## ■ Qualitative Reporting

- If the Section 3 benchmarks have not been met, then qualitative efforts that were pursued by contractors and subcontractors must be reported.
- Qualitative efforts include but are not limited to:
  - Outreach efforts to generate job applicants who are Public Housing Targeted Workers.
  - Direct, on-the job training (including apprenticeship).
  - Other-Describe efforts made in comment box.

# References

HUD Notice: CPD-21-07

24 CFR Part 75

[https://www.hud.gov/program\\_offices/comm\\_planning/home/section3](https://www.hud.gov/program_offices/comm_planning/home/section3)

<https://www.huduser.gov/portal/datasets/il.html>

<https://mhdc.com/programs/hud-programs/section-3/>



 **Missouri Housing**  
Development Commission

Questions?

[MHDC.com](http://MHDC.com)



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