



Missouri Housing
Development Commission



Section 3

HUD Programs

MHDC.com

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 is triggered when a development receives \$300,000 or more of funds from HOME, HOME ARP or National Housing Trust Fund.

Section 3 Triggers

- If Section 3 is triggered, all contractors and subcontractors working on the development must comply with Section 3 requirements. Please note that HUD updated the Section 3 requirements effective November 30, 2020, and adjusted the threshold again on March 16, 2026. The changes impact developments whose agreements were executed on or after July 1, 2021.
- The updated threshold impacts developments whose agreements were executed on or after March 16, 2026.

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 to General Contractor
 - 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 General Contractor Responsibilities
- Prioritization and Eligibility Requirements for Workers and Businesses
- Section 3 Certification Procedures for Workers and Business
- Reporting Deadlines
- Complaint Procedures

Safe Harbor Benchmarks

HUD determined threshold for Section 3 Compliance

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

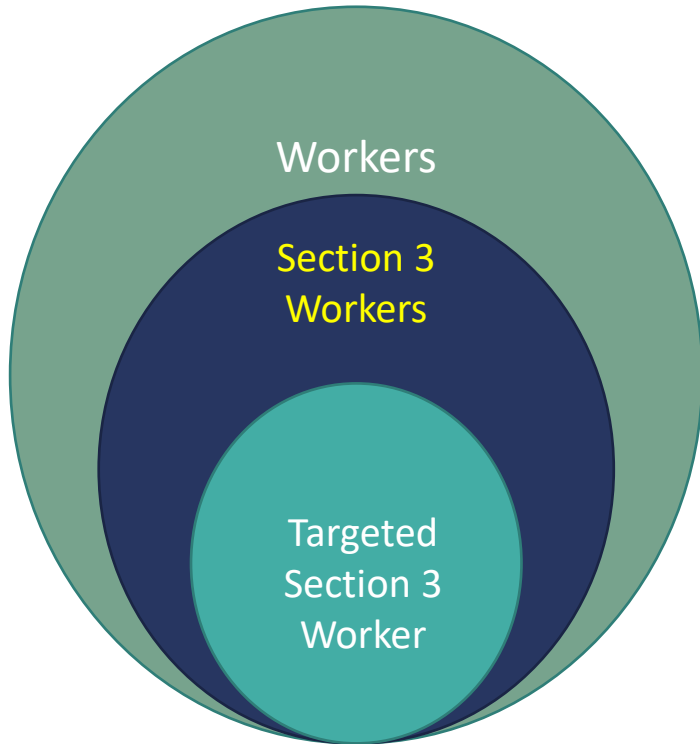
5% or more of the total labor hours worked is performed by Targeted Section 3 Worker

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

Benchmark Notice should be updated every three years

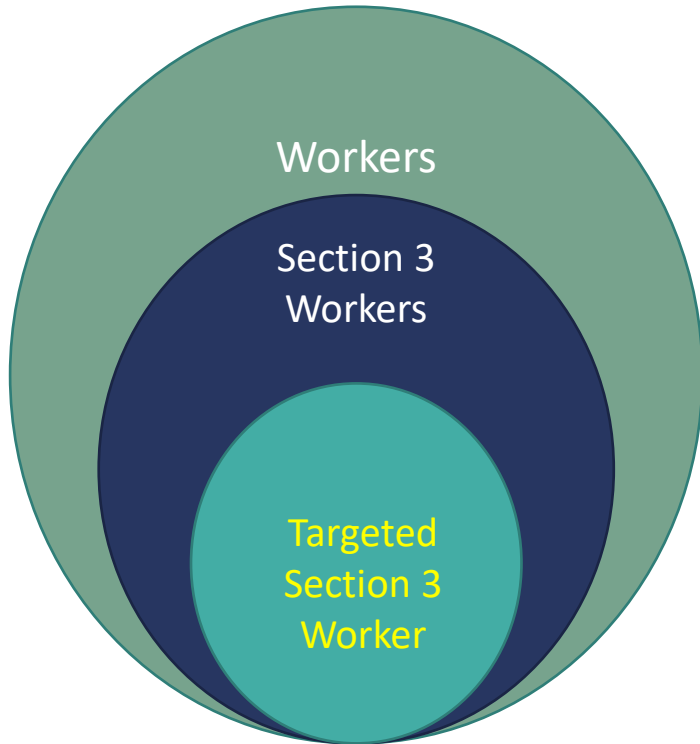


Section 3 Worker



- 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 very 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 years:
 - 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.

Section 3 Summary Report

- Frequency of Report
 - Quarterly
 - Final-Construction Completion
- 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.

Section 3 Summary Report

Section 3 Reporting

Development Name: _____
Development Number: _____
Contractor: _____

Reporting Period

Quarter Month, Year through Month, Year
 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, guarantees, 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.huduser.gov/portal/datasets/il.html>

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

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