

Section 3 Final Rule

NCHSA HFA Institute
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What is Section 3?

Section 3 of the Housing and Urban Development Act of 1968

- Ensure employment and other economic opportunities generated by certain HUD assistance goes to the “greatest extent feasible” to Low and Very low-income persons and businesses.
- Applies to Public Housing and HUD-provided housing and community development assistance.



Final Rule

- 24 CFR §75
- Published in Federal Register on September 29, 2020
- *Why Update?*
 - Modernize and Simplify Regulations
 - Provide Program-Specific Oversight
 - Reduce Administrative Burden
 - Better Alignment with Statutory Priorities
 - Increase Economic Opportunities

<https://www.govinfo.gov/content/pkg/FR-2020-09-29/pdf/2020-19185.pdf>



Key Dates

Effective Date (11/30/2020)

- HOME/HTF commitments that occur prior to that date, continue to follow old rule
 - was in effect when contracts were signed
- After this date, the old rule (24 Part 135) is no longer in effect



Key Changes



Summary of Key Changes

- Single Applicability Threshold
- Replaced New Hires with Labor Hours
- Added Section 3 Worker Definitions and removed Section 3 Resident
- Redefine Section 3 Business
- Benchmarks for Safe Harbor
- Streamlined Reporting
- Established Program Office Oversight



Reporting on Labor Hours

- Track and report on labor hours rather than new hires
- Promote employee retention
- Consistent with existing business practices
 - (i.e. Davis-Bacon and payroll systems)



Section 3 Worker Definition

- Section 3 Worker §75.5
- Any worker who currently fits or when hired within the past five years fit at least one of the following criteria:
 - Low- or very low-income, as established by HUD's income limits;
 - Employed by a Section 3 business concern
 - A YouthBuild participant

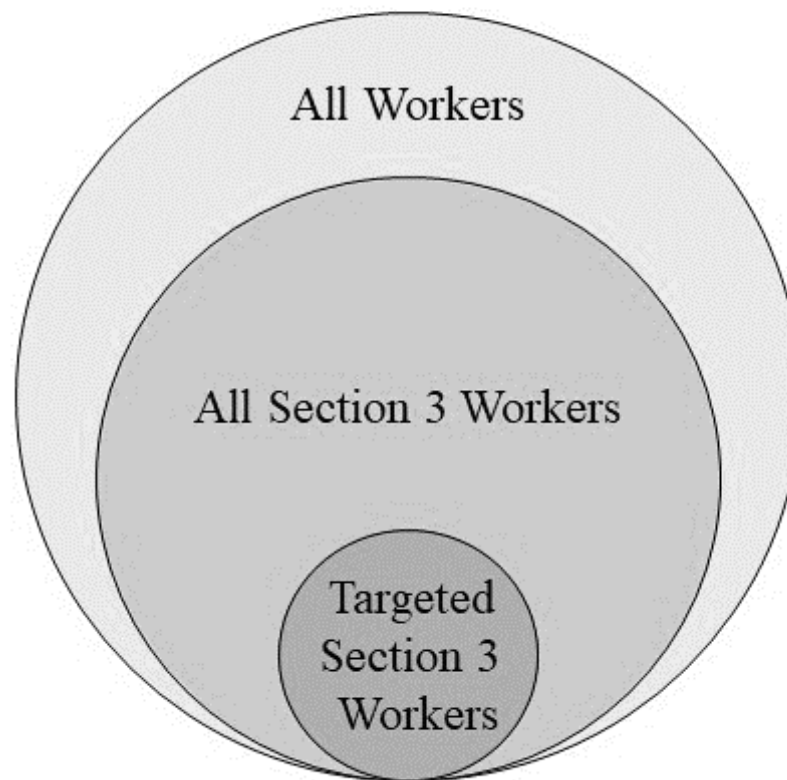


Targeted Section 3 Workers

- Targeted Section 3 Worker concept prioritizes local employment (§75.21)
- Targeted Section 3 Worker for housing and community development assistance:
 - Worker employed by a Section 3 business concern
 - low and very low-income workers residing within **neighborhood or service area of the project**
 - Neighborhood service area – one-mile radius of project site, or if fewer than 5,000 people, circle centered on project containing 5,000 people.
 - Web tool being developed to assist with calculation
 - YouthBuild participants



Targeted Section 3 Workers



Section 3 Business Concern

- Section 3 Business Concerns §75.5
- Businesses that meet one of the following criteria (in the last 6 months):
 - At least 51% owned and controlled by low-income or very low-income persons
 - Over 75% of labor hours performed for the business over prior 3-month period are performed by Section 3 Workers
 - At least 51% owned and controlled by current residents of public housing or Section 8 assisted housing



Benchmarks

- Safe Harbor §75.23
- Certify met or exceeded two benchmarks and considered in compliance
- Initial Section 3 Benchmarks:
 - 25% of total labor hours worked by Section 3 workers
 - 5% of total labor hours worked by “Targeted Section 3 workers”
- Benchmarks set by separate Federal Register notice
- Will be updated periodically

<https://www.govinfo.gov/content/pkg/FR-2020-09-29/pdf/2020-19183>



Benchmarks

- Qualitative Reporting §75.25(b)
- If unable to meet goals, must describe efforts taken to meet
- Examples include:
 - Held job fairs
 - Conducted on-the job training
 - Outreach efforts to public housing residents
 - Connected residents with supportive services
 - Helped residence apply for technical training
 - Provided technical assistance to Section 3 Businesses



Resources in Development at HUD

- Toolkit
- FAQs
- Training documents
- Contract templates
- Web Tool

