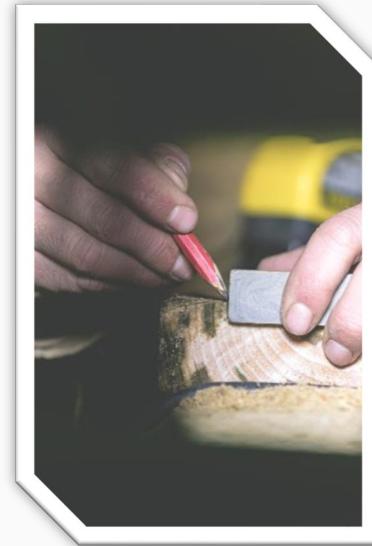




Increasing Economic Opportunity for
Low-Income Individuals

HUD Section 3



Nathan Roush
HUD, FPM
Program Analyst
Section 3 Compliance Specialist

HUD Secretarial Section 3 Delegations



Field Policy and Management

Manage Section 3 reporting system and other systems of record, administer Technical Assistance funds, coordinate best practices to external stakeholders



Program Area (CPD, PIH, MF, Etc.)

Section 3 administration, compliance, and enforcement within the scope of the applicable grant programs



Secretarial Delegation promulgated in *Delegation of Authority for the Office of FPM* 85 Fed. Reg. 62753:



Topics Covered

01

Intent / Regulations

02

**Fundamental
Definitions**

03

Applicability

04

Reporting

05

Grantee Perspective

06

Resources

More info on Section 3 is available through the HUDEXchange Section 3 Resource Hub.



01

Intent of Section 3



Statutory Intent of Section 3

To ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing.

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u(b))

§1701u. Economic opportunities for low- and very low-income persons

(a) Findings

The Congress finds that—

- (1) Federal housing and community development programs provide State and local governments and other recipients of Federal financial assistance with substantial funds for projects and activities that produce significant employment and other economic opportunities;
- (2) low- and very low-income persons, especially recipients of government assistance for housing, often have restricted access to employment and other economic opportunities;
- (3) the employment and other economic opportunities generated by projects and activities that receive Federal housing and community development assistance offer an effective means of empowering low- and very low-income persons, particularly persons who are recipients of government assistance for housing; and
- (4) prior Federal efforts to direct employment and other economic opportunities generated by Federal housing and community development programs to low- and very low-income persons have not been fully effective and should be intensified.

(b) Policy

It is the policy of the Congress and the purpose of this section to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing.

(c) Employment

(1) Public and Indian housing program

(A) In general

The Secretary shall require that public and Indian housing agencies, and their contractors and subcontractors, make their best efforts, consistent with existing Federal, State, and local laws and regulations, to give to low- and very low-income persons the training and employment opportunities generated by development assistance provided pursuant to section 1437c of title 42, operating assistance provided pursuant to section 1437g of title 42, and modernization grants provided pursuant to section 1437f of title 42.

(B) Priority

The efforts required under subparagraph (A) shall be directed in the following order of priority:

- (i) To residents of the housing development for which the assistance is expended;
- (ii) To residents of other developments managed by the public or Indian housing agency that is expending the assistance;
- (iii) To participants in YouthBuild programs receiving assistance under section 3226 of title 29;
- (iv) To other low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is expended.

(2) Other programs

(A) In general

In other programs that provide housing and community development assistance, the Secretary shall ensure that, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low- and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the project is located.

(B) Priority

Where feasible, priority should be given to low- and very low-income persons residing within the service area of the project or the neighborhood in which the project is located and to participants in YouthBuild programs receiving assistance under section 3226 of title 29.

(d) Contracting

The term "a business concern that provides economic opportunities" means a business concern that—

- (A) provides economic opportunities for a class of persons that has a majority controlling interest in the business;
- (B) employs a substantial number of such persons; or
- (C) meets such other criteria as the Secretary may establish.

(f) Coordination with other Federal agencies

The Secretary shall consult with the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Commerce, the Administrator of the Small Business Administration, and such other Federal agencies as the Secretary determines are necessary to carry out this section.

(g) Regulations

Not later than 180 days after October 28, 1992, the Secretary shall promulgate regulations to implement this section.

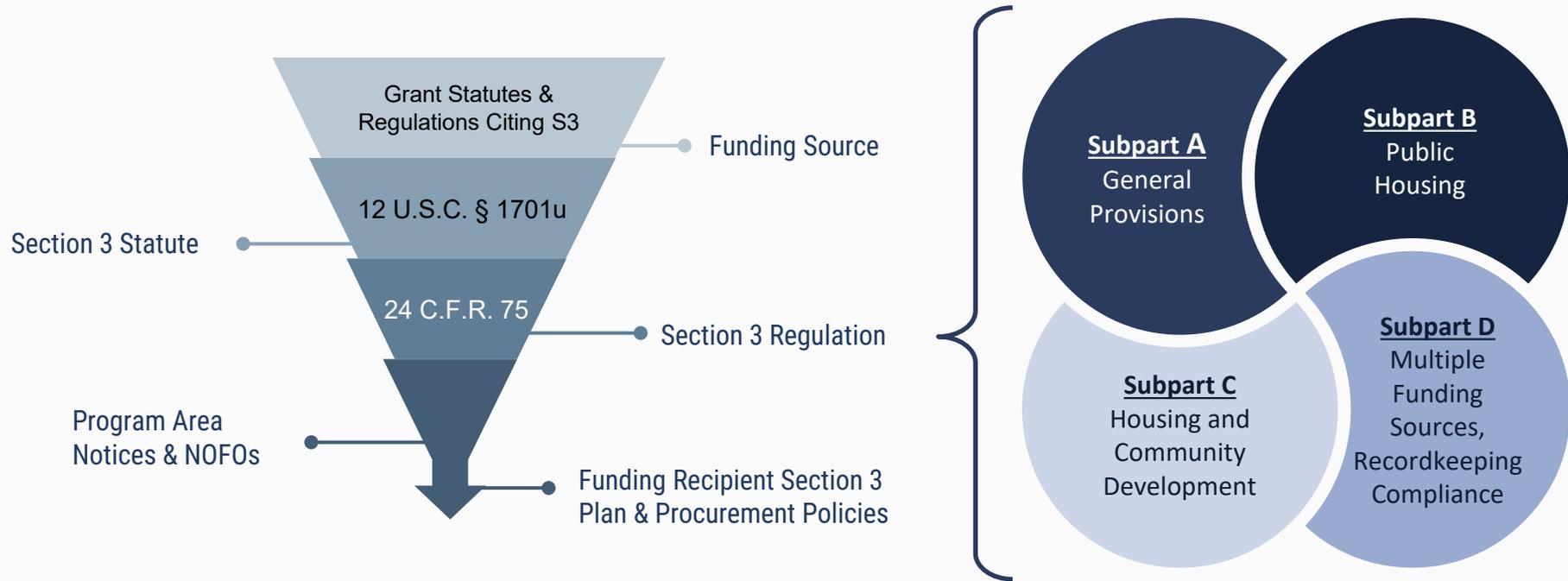


Recipients of HUD Funding

Residents

Economic Opportunity

Section 3 Regulations/Rules





02

Fundamental Section 3 Definitions

Section 3 Worker/Business



Section 3 Worker

Worker who is, or when hired in the past 5 years* was:

- A Low- or Very Low-Income individual; or
- A YouthBuild participant; or
- Employed by a Section 3 Business Concern

Only need to meet one of the prongs!



Section 3 Business Concern

Business meeting at least one criteria within the last six month period:

- $\geq 51\%$ owned/controlled by low-or very low-income persons; or
- $> 75\%$ of the labor hours performed for the business over the prior 3 month period are performed by Section 3 Workers; or
- $\geq 51\%$ owned/controlled by current public housing residents or residents who currently live in Section 8-assisted housing

* Cannot look back prior to November 30, 2020 – the effective date of 24 Part 75

Income Limits Based on Individual

Individual Income Area	Low-Income Limit
Birmingham-Hoover	\$52,850
Montgomery	\$45,800
Mobile	\$42,600
Huntsville	\$60,400
Tuscaloosa	\$48,850


FY 2022 INCOME LIMITS DOCUMENTATION SYSTEM

First select a state:

Illinois - IL

Indiana - IN

Iowa - IA

Kansas - KS

Kentucky - KY

Louisiana - LA

Maine - ME

Maryland - MD

Massachusetts - MA

Michigan - MI

Then select a county:

Alcona County, MI

Alger County, MI

Allegan County, MI

Alpena County, MI

Antrim County, MI

Arenac County, MI

Baraga County, MI

Barry County, MI

Bay County, MI

Benzie County, MI

[Choose a County](#)

Or view FY 2022 statewide Income Limits for Michigan:

[View State Calculations](#)

Or select a FY 2022 HUD Metropolitan Fair Market Rent/Income Limits Area (HMFA):

Niles-Benton Harbor, MI MSA

[View HMFA Calculations](#)

Prepared by the [Program Parameters and Research Division](#), HUD.

For more on area definitions, [click here](#). Technical Problems or questions? [Contact Us](#).

Sample Alabama Income Limits

Source: <http://www.huduser.org/portal/datasets/il.html> (April 2024)

Targeted Section 3 Worker (TS3W)



TS3W for Public Housing Funds

A Section 3 Worker who is:

- Employed by a Section 3 Business Concern; or
- Who currently fits, or when hired fit, one of the following definitions, as documented in the previous 5 years*:
 - Resident of Public Housing or Section 8-assisted housing; or
 - Resident of other Public Housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance; or
 - A YouthBuild participant



TS3W for Housing Community Development Funds

A Section 3 Worker who is:

- Employed by a Section 3 Business Concern; or
- Who currently fits, or when hired fit, one of the following definitions, as documented in the previous 5 years*:
 - Living within the service area or the neighborhood of the Section 3 project; or
 - A YouthBuild participant

* Cannot look back prior to November 30, 2020 – the effective date of 24 Part 75

When Status Determined



Section 3/TS3 Worker

 A Section 3/TS3 Worker status determined at either:

- Date of Initial Hire/Contract; or
- Post-Hire certification date.

 Once established Section 3/TS3 Workers may report their labor hours for 5 years from the date used to determine their status*

Workers may reestablish their status as a Section 3/TS3 Worker at any time.



Section 3 Business Concern

Prior to contracting grantees/contractors may maintain a self-certified registry.



Verification of Section 3 Business status is done at time of contracting, which means:

- Anytime post contract date, but
- No earlier than 6 months prior to contract date.



Once verified a Section 3 Business maintains Section 3 status for as long as it continues to meet the definition (generally the length of the contract)

Verification Documentation

Recipients must maintain documentation, or ensure that a subrecipient, contractor, or subcontractor maintains documentation, to ensure workers meet the definition of a Section 3 worker or Section 3 targeted worker:

Section 3 Worker Record Requirements:

- ✓ Worker's self-certification that their income is below the income limit from the prior calendar year ([HUD Form 4736C & D](#))
- ✓ Worker's self-certification of participation in a means-tested program such as public housing or Section 8 ([HUD Form 4736C & D](#))
- ✓ Certification from a PHA or Section 8 program manager that the worker is a participant in such a program ([HUD Form 4736](#))
- ✓ Employer's certification that the worker's income from that employer is below the income limit ([HUD Form 4736A & B](#))
- ✓ Employer's certification that the worker is employed by a Section 3 business concern ([HUD Form 4736A & B](#))

Targeted Section 3 Worker Record Requirements

- ✓ Worker's self-certification of participation in a means-tested program such as public housing or Section 8
- ✓ Certification from a PHA or Section 8 program manager that the worker is a participant in such a program
- ✓ Employer's certification that the worker is employed by a Section 3 business concern
- ✓ Worker's certification that the worker is a YouthBuild participant





03

Applicability / Requirements of Section 3

Section 3 Applicability

Determined by Funding Source



Public Housing

Applies to Entire Grant:

- Section 3 requirements apply to *all* activities funded with the following funds, regardless of the amount funded:
 - Operating Funds
 - Capital Funds
 - Development/Modernization Funds
 - RAD – See notice for specifics

Check Program Regulations, Notices, and NOFOs of HUD Funds for more info on applicability



Housing & Community Development

Application Determined by Project:

- Section 3 requirements for HCD funding apply to only those projects that meet the definition of a Section 3 Project under §75.3:
 - CPD Formula Grants
 - CPD Competitive Grants
 - Lead Grants
 - Multifamily Grants

24 C.F.R. § 75.29 includes a special provision for projects with multiple funding sources (e.g. RAD Projects).

HCD – Section 3 Project Definition



Section 3 Project:

- Housing rehabilitation, housing construction, and other public construction project that is
- Assisted under HUD programs that provide HCD financial assistance
- When the total amount of HCD assistance to the project exceeds a threshold of \$200,000
 - The threshold is \$100,000 where the assistance is from Lead Hazard Control and Healthy Homes program funding.

A project for this purpose is the site(s) together with any building(s) and improvements on the site(s) that are under common ownership, management, and financing.

HOME
CDBG
ESG
HTF
NSP
HOPWA
CoC
EDI
Lead
RAD
§ 202/811
VHRMP
CPF

Applies to Section 3 projects for which assistance or funding is committed on or after July 1, 2021 – See CPD Notices for more information

Section 3 Requirements

NOTE: Material Only contracts are exempted from Section 3 Requirements



PHAs & their contractors/ subcontractors

Consistent with existing Federal, state, and local laws & regulations must make their best efforts to provide to Section 3 Workers

Make Best Efforts to Provide

Employment &
Training to:

24 C.F.R. § 75.9

Contracting with S3
businesses
providing economic
opportunity to:

- TS3 Workers living in PHA Project
- TS3 Worker subsidized by funding PHA
- Youthbuild Participants
- L/VLI Persons residing within Metro/County where assistance provided



Housing & Community Development Funding

Consistent with existing Federal, state, and local laws & regulations shall provide to Section 3 Workers in Metro/County where the project is located

To the Greatest Extent Feasible

Employment &
Training to:

24 C.F.R. § 75.19

Contracting with S3
businesses
providing economic
opportunity to:

- Section 3 Workers residing within neighborhood of the Section 3 Project – **See Neighborhood Tool**
- YouthBuild Participants / Programs

Neighborhood Service Area



- An area within one mile of the Section 3 Project.
- If fewer than 5,000 people live within a one-mile radius of the Section 3 Project, then the circle is expanded until it is sufficient to encompass 5,000 people.

Due to the nature of census data, HUD does not expect this to be a perfect circle and allows for the inclusion of entire census block group/tract that touches anywhere within the radius of the circle. Not appropriate to try and pro-rate a census block group/tract.

HUD Region 5 Section 3 Resource Hub includes a HCD Neighborhood Service Area Tool

Designed to assist grantees and contractors in determining the Neighborhood Service Area.

Neighborhood Service Area Definition Tool

This tool allows Housing and Community Development Section 3 Recipients to identify Targeted Section 3 Workers in accordance with 24 C.F.R. § 7.219.

Targeted Section 3 Workers are Section 3 Workers located within a one-mile radius of a Section 3 Project. If fewer than 5,000 people live within a one-mile radius of the project, then the radius is expanded until it is sufficient to encompass a population of 5,000 or more according to the most recent census.

Search the search by typing in the address of the Section 3 Project, the map will auto zoom to the selected address, highlight all block groups that are included *in full or in part* within the default 1 mile radius, and provide a sum of the populations of highlighted block groups. Use the slider to expand the radius of the circle until the block groups total a population 5,000 or higher. Population total allows green when you have reached the population threshold. Population numbers are from ESRI's U.S. Census Block Group Layer.

To create a report or record of the block groups included click the up arrow on the bottom of the screen, select the Options dropdown, then click Export all to CSV. This can then be filed with your Section 3 Records.

Ref: 24 C.F.R. Part 75

Section 3 Neighborhood Service Area

Search for an address or locate on map

333 E Michigan Ave, Lansing, MI 48933

Show results within 1 Miles

0 15

USA Census Block Group Boundaries

Block Group 240505006002 in MI 0 mi

Block Group 240505007001 in MI 0.09 mi

Population

✓ 13,277

Population of Census Block Groups Within or Intersected by Radius

ESRI Community Maps Contributors, Michigan State University, Province of Ontario, Esri, TomTom



04

Section 3 Reporting



What is Reported

- HUD Funding Recipient is ultimately responsible for reporting
 - Leeway and flexibility in how this is conducted
- Reported information determines if recipient met benchmarks and safe harbor
 - If safe harbor not met, recipient reports on qualitative measures undertaken to meet Section 3 goals
- Requires tracking of:
 - Total Labor Hours (minus professional services)
 - Section 3 Worker Labor Hours
 - TS3 Worker Labor Hours
 - Prioritization efforts undertaken to meet benchmarks (qualitative efforts)

Establishing Safe Harbor

HUD considers recipients to have complied with Section 3, absent any contrary evidence, if they –

- ❑ Certify that they have met the prioritization efforts outlined in § 75.9 or §75.19 (as applicable), AND
- ❑ Meet or exceed the applicable Section 3 Benchmarks as published every three years in the Federal Register

“5 in 25” Benchmarks

$$\frac{\text{Section 3 worker labor hours}}{\text{Total Section 3 labor hours}^*} \geq 25\%$$

MUST INCLUDE WITHIN THE TOTAL (“AND”)

$$\frac{\text{Targeted Section 3 worker labor hours}}{\text{Total Section 3 labor hours}^*} \geq 5\%$$

Section 3 Worker

Worker who is, or when hired in the past 5 years* was:

- A Low- or Very Low-Income individual; **or**
- A Youthbuild participant; **or**
- Employed by a Section 3 Business Concern

*May excludes labor hours from professional services (24 C.F.R. § 75.15(a)(4))

Qualitative Efforts

- Outreach efforts to generate job applicants who are Targeted Section 3 workers
- Training/apprenticeship opportunities
- Technical assistance provided to help Section 3 workers compete for jobs (resume assistance, etc.)
- Provide/connect Section 3 workers with assistance in seeking employment
- Holding job fairs
- Provided/referred Section 3 workers to services supporting work readiness and retention
- Provided assistance to apply for/or attend education/vocational training
- Provide financial literacy training
- Engage in outreach to identify and secure bids from Section 3 business concerns
- Provide technical assistance to Section 3 business concerns to help them understand Section 3 requirements
- Divided contracts into smaller jobs to facilitate participation by Section 3 businesses
- Provide bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns
- Outreach, engagement, or referrals with the state one-stop system

PHA Reporting

Section 3 PHA Reporting Guidance (PIH 2022-38/FPM-19-2022)

- ✓ Section 3 Performance Evaluation and Registration System (**SPEARS**) is **no longer used** for Section 3 compliance reporting.
- ✓ PHAs will **report on a successor system** that is still in development.
- ✓ Until successor system is online, **PHAs are not required to report Section 3 labor hours or other Section 3 compliance to HUD.** HUD will provide appropriate lead time for reporting when the successor system comes online.
- ✓ **PHAs must maintain on-site records of Section 3 activities** and records demonstrating compliance with Section 3 and associated regulations
- ✓ It is recommended that PHAs maintain these documents digitally to expedite any periodic monitoring review HUD may conduct.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

OFFICE OF FIELD POLICY AND MANAGEMENT

Special Attention of:

Public Housing Agencies (PHAs)
Directors of HUD Regional and
Field Offices of Public Housing
Public Housing Directors
Resident Management Corporations

Notice: PIH 2022-38/FPM-19-2022

Issued: December 20, 2022

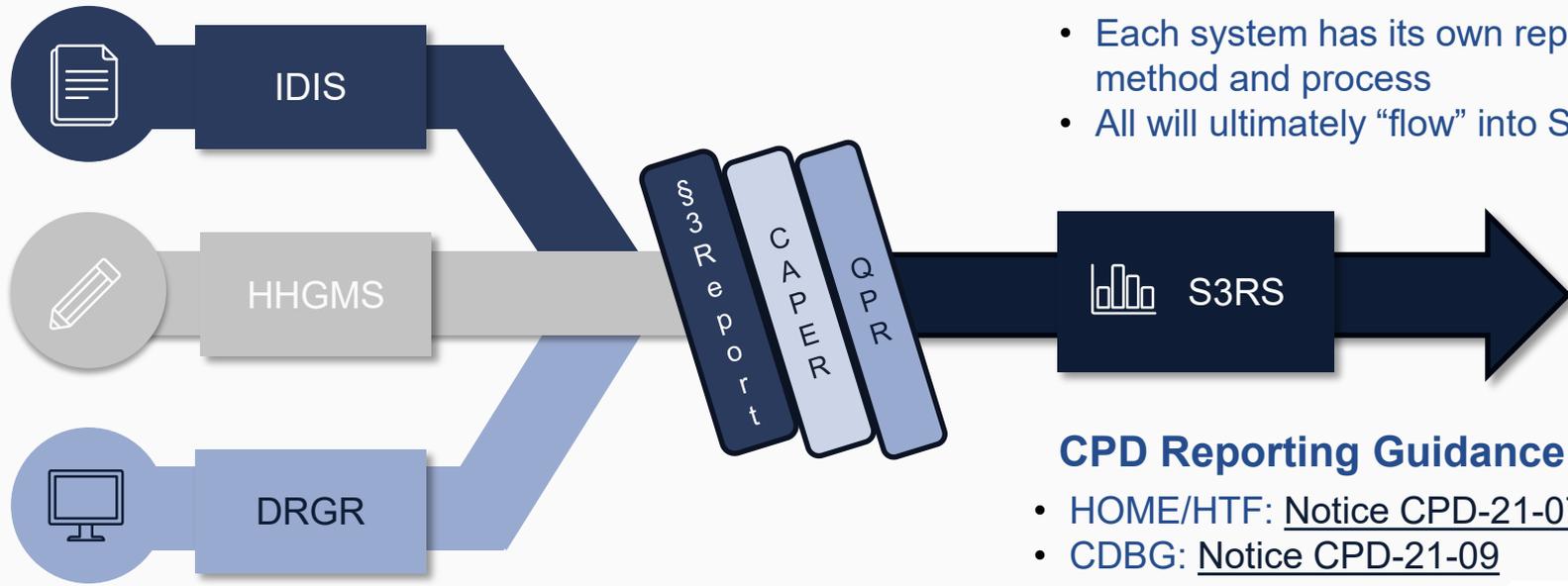
Expires: This notice remains in effect until amended, superseded, or rescinded.

Cross Reference: 24 CFR Part 75; Notice PIH 2022-10

SUBJECT: Reporting Supplement to the Implementation of the Final Rule on Section 3 Regulations - 24 CFR Part 75



HCD Reporting Systems



HCD Reporting Systems

- Each system has its own reporting method and process
- All will ultimately “flow” into S3RS

CPD Reporting Guidance

- HOME/HTF: [Notice CPD-21-07](#)
- CDBG: [Notice CPD-21-09](#)

IDIS Reporting

IDIS Activity ID:
14524

Program Year/IDIS Project ID/Project Title:
2023/4/Economic Development

Activity Name:
Facade Improvement Program

Activity Status:
Open

Completion Date:

Grantee/PJ Activity ID:

Initial Funding Date:
04/12/2024

Program	Activity Category	Ready to Fund	Funded	Setup Detail	Accomplishment	Completion Check
CDBG	<ul style="list-style-type: none"> ◆ Is this activity to prevent, prepare for, and respond to coronavirus? No ◆ Does this activity use Section 108 loan? No 18A - ED Direct Financial Assistance to For-Profits 	Yes	Yes	View CDBG		Check CDBG
ESG		No	No			
HOME		No	No			
HOPWA		No	No			
HESG		No	No			
HOPWA-C		No	No			
HTF		No	No			

📄 Is this activity subject to Section 3 at 24 CFR Part 75? No

📄 Is this activity an infrastructure project, as defined under the Build America, Buy America Act? No

Environmental Review: UNDERWAY

No other organization is allowed access to this activity

HEROS Environmental Review ID

Comments

Indicators of Accurate HCD S3 Reporting



Commitment Date

Knowing where an activity falls within your specific program area notices (e.g. CPD Notice 21-07 & 21-09)



“Activity” ≠ “Section 3 Project”

System activity entries do not always line up with the definition of a Section 3 Project



Labor Hour Anomalies

Total Labor Hours *must be* ≥ S3 Worker LHs
must be ≥ Targeted S3 Worker LHs



Activity Entry Process Updated

Processes updated to reflect new rule and notices relating to S3 Project identification & LH reporting





05

Section 3 Best Practices

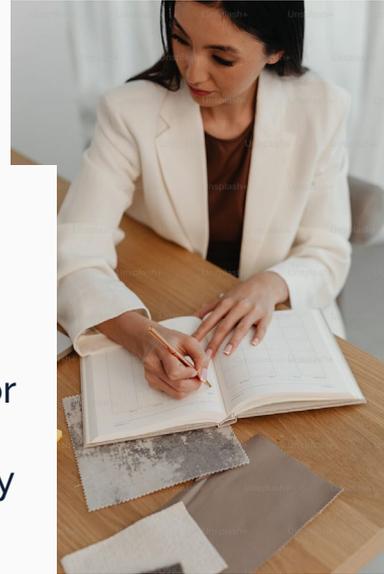
Preparation/Project Set-up

Enact Section 3 Policy that includes:

- ✓ Methods to capture contractor/subcontractor Qualitative Efforts
- ✓ Outreach methods and requirements to increase Small Business participation by
 - ❑ Establishing equitable and accessible Small Business outreach lists for minority and women owned businesses (8a businesses)
 - ❑ Breaking larger contracts into smaller scope of work to increase ability of Small Businesses to meet capacity requirements

Planning Stage Section 3 Considerations:

- ✓ Streamline Section 3 certification process for subgrantees/contractors by having readily available forms*
- ✓ Establish when and how data will be collected
- ✓ Identify Section 3 pre-bid meeting information and any additional Section 3 training for subgrantees/contractors



Project Activity/Closeout

- ✓ Consolidating reporting from subgrantees/contractors that include:
 - ❑ Labor Hours (Total Labor Hours, Section 3 Worker, Targeted Section 3 Worker)
 - ❑ Section 3 Certifications (Business, Worker)
 - ❑ Procurement/Contracting Records
 - ❑ Qualitative Efforts undertaken
- ✓ Project Completion
 - ❑ Review results to see if safe harbor is met (Prioritization certification, Benchmarks)
 - ❑ Actions taken by contractors to meet benchmarks – Qualitative Efforts (job fairs, training opportunities, etc.)
 - ❑ Feedback from contractors
- ✓ Adjust plan as necessary based on feedback

Highlight Section 3 Opportunities in your newsletters



Hold informational meetings on Section 3 with your community and residents (may request field or regional support from HUD)



Family Self-Sufficiency (FSS) PROGRAM

Integrate Section 3 certification into Employment programs such as FSS and Jobs Plus



Working with Federal Partners and promoting federal/state incentives for hiring low-income individuals



WORK OPPORTUNITY TAX CREDIT



Include Section 3 information in your contractor briefings, indicating the advantages of hiring a Section 3 worker and becoming a Section 3 business

Maintain a list of businesses that self-certify as Section 3 for affirmative outreach when contracting opportunities become available

Develop local/regional Section 3 Plan and Shared Business List and put it online

Section 3 Worker Certification

Would you like to apply for Section 3 preference in hiring? Click below for the Section 3 Worker Certification form.

[Section 3 Worker Certification \(PDF, 2MB\)](#)

Section 3 Business Certification

Are you a business seeking Section 3 preference? Fill out our form below.

[Apply for Section 3 Preference \(PDF, 278KB\)](#)

Section 3 Plan

You also need to fill out a "Section 3 Plan" form. It certifies you are committed to complying with the Section 3 act, Section 3 regulations, and the City of Grand Rapids Section 3 Guidelines.

[Section 3 Plan- Owner/Developer and Contractors \(PDF, 270KB\)](#)

[Section 3 Plan- Subcontractors \(PDF, 270KB\)](#)

Section 3 Business List

For a list of the Section 3 businesses that have submitted certification to the City of Grand Rapids, click below.

[Section 3 Business List](#)



06

Section 3 Resources

Section 3 Resource Links



- [Section 3 Final Rule](#)
- [24 C.F.R. Part 75](#)
- [Section 3 Benchmark Notice](#)
- [Section 3 Program](#)
- [Section 3 HUD Exchange](#)
- [Section 3 Guidebook](#)
- [Section 3 Frequently Asked Questions](#)
- [HHGMS Section 3 Instructions](#)
- [IDIS Section 3 Instructions](#)
- [DRGR Section 3 Instructions](#)
- [HCD Neighborhood Service Area Tool](#)
- [Sample Section 3 Certification Forms \(HUD-4736 Series\)](#)
- [Sample Section 3 Utilization Forms \(HUD-4737 Series\)](#)
- [PIH Notice 2022-38/FPM-19-2022](#)
- [PIH Notice 2022-10](#)
- [RAD Section 3 Guidance](#)
- [Bipartisan Infrastructure Act Preferences](#)



Thank you!

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