

# NCHFA Section 3 Training

HOME & NHTF Funded Rental Development

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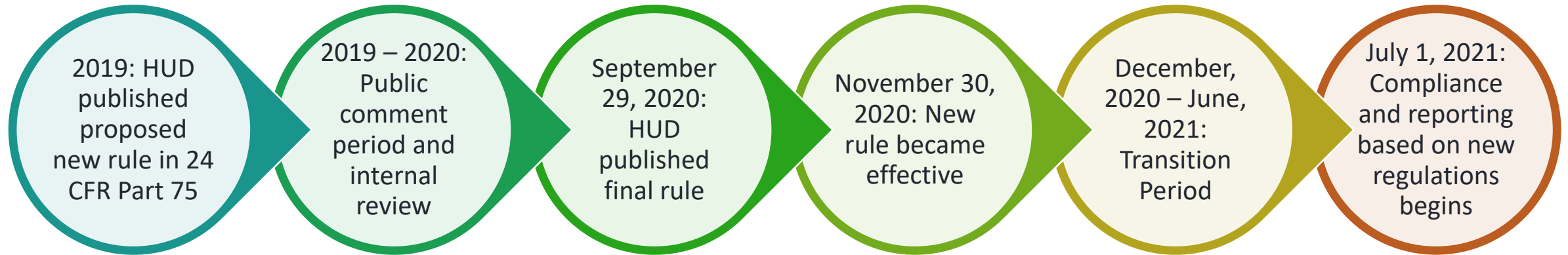
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# Agenda

- Overview of new rule
  - Applicability
  - Regulatory changes
  - Definitions
- Reporting Requirements
- Review Forms
- Questions

# Timeline



Final Commitment Prior to November 30, 2020	Final Commitment between December 1, 2020 & June 30, 2021	Final Commitment after July 1, 2021
Legacy Projects	Transition Projects	New Projects
Old Section 3 Regulations Apply	Abide by new Section 3 requirements	Abide by new Section 3 requirements
Focus on number of new hires	Hours worked by Section 3 & Targeted Section 3 workers	Hours worked by Section 3 & Targeted Section 3 workers

# Which rule applies to you?

## *Legacy Projects*

- Projects committed prior to November 30, 2020 must adhere to old rule (24 CFR Part 135)
- Continue to report based on number of workers hired and utilize existing NCHFA Section 3 forms.
- Required Documents:
  - Year-End Summary Report – January 10<sup>th</sup> every year
  - Final Summary Report – At time of final cost certification
- These projects are referred to as legacy projects

# Which rules apply to you?

## *Transition Projects*

- Projects committed after November 30, 2020 and before July 1, 2021
- Must adhere to the new rule (24 CFR Part 75)
- Will be expected to utilize NCHFA's updated Section 3 forms available on our website
- These projects are expected to follow the same reporting requirements as projects on the following slide.

# Which rule applies to you?

## *New Rule Projects*

- Projects committed after July 1, 2021
- Will be expected to adhere to all requirements of the new Section 3 rule.
- Are required to utilize the updated Section 3 forms available on NCHFA's website.

# Section 3: What changed?

- HUD is no longer interested in tracking new hires.
- Efforts are focused on the number of labor hours performed by Section 3 workers and Section 3 Targeted workers
- New benchmarks are based on the percentage of labor hours worked on a project performed by Section 3 and Targeted Section 3 workers.



# New Benchmarks

- 25% of all labor hours on a project must be performed by Section 3 workers
  - $\text{Section 3 labor hours} / \text{Total labor hours} = 25\%$
- 5% of all labor hours on a project must be performed by Targeted Section 3 workers.
  - $\text{Targeted Section 3 labor hours} / \text{total labor hours} = 5\%$
  - The Targeted Section 3 labor hours are included in the total Section 3 labor hours.

# Section 3 Worker

Section 3 Workers are workers who currently fit, or when hired within the past 5 years fit, at least one of the following criteria:

- A low or very low-income worker (as defined by HUD's area median income)  
OR
- Is employed by a Section 3 Business Concern  
OR
- Is a Youthbuild participant

# Targeted Section 3 Worker

Are Section 3 workers who also meet one of the following criteria:

- Employed by Section 3 Business Concern

OR

- Currently fits, or fit when hired within the last 5 years, at least one of the following criteria:

- Lives within the service area or neighborhood of the project

OR

- A Youthbuild participant

# Service Area as Defined in 24 CFR 75.5



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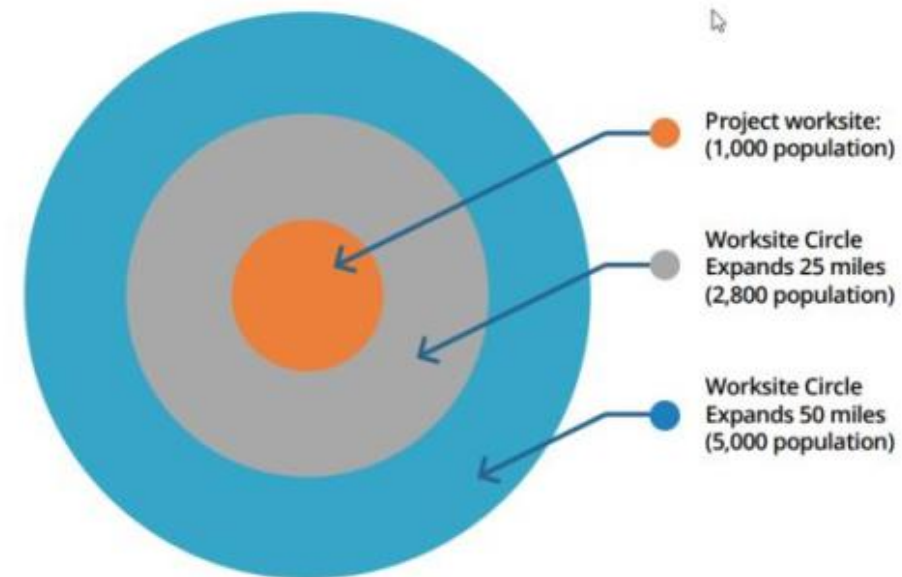
A. *Service Area* = an area within one mile of the Section 3 project

**OR**

B. If < 5,000 people live within one mile of Section 3 project,

Then, *Service Area* = an area within a circle centered around the Section 3 project site that encompasses 5,000 people.

\*According to the most recent U.S. Census



Source: HUD's Section 3 Final Rule Day 1 Slides

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# Section 3 Business Concern

- A Section 3 Business Concern is:
  - 51% or more owned or controlled by low or very low-income people
  - Over 75% of the labor hours performed for the business over the last three month period are performed by Section 3 workers
  - 51% or more owned and controlled by current residents of public housing or Section 8 housing

# Professional Service Labor Hour

- Professional services: non-construction services that require an advanced degree or profession licensing are excluded from the total labor hours. (i.e. these hours are not counted in the denominator of the calculation)
- Professional labor hours worked by Section 3 workers or Targeted Section 3 workers are counted as part of the total Section 3 worker hours or Targeted Section 3 hours. (i.e. these hours are counted in the numerator of the calculation).

Source: HUD Section 3 Final Rule Day 1 Slides

# Low-Income & Very Low-Income

- Low-Income: below 80% AMI
- Very low-income: below 50% AMI
- Determined by HUD annually
- Income limits can be found at:  
<https://www.huduser.gov/portal/datasets/il.html>

# Youthbuild

Youthbuild programs provide academic and skills training for youth ages 16 – 24 who have dropped out of high school or previously dropped out and are currently re-enrolled.

- A list of local Youthbuild programs can be found on the Department of Labor's website at <https://www.dol.gov/agencies/eta/youth/youthbuild>



# Understanding Worker Types



# What if we cannot meet the benchmarks?

If a developer does not meet the quantitative benchmarks they must describe the qualitative measures they undertook to provide opportunities for low and moderate-income households.

These opportunities may include:

- Outreach efforts to generate additional Section 3 & Targeted Section 3 applicants
- Direct or indirect job training for Section 3 workers
- Outreach to solicit bids from Section 3 business concerns
- Job fairs

# Reporting Requirements

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Form Title	Summary	Responsible Party	Received by	Deadline	Requirement Status
<b>Section 3 Worker Certification</b>	Verifies employee's status as a Section 3 worker or Targeted Section 3 worker	Employer and Project Owner	Owner	As applicable	Required
<b>Section 3 Business Concern Certification</b>	Verifies company's status as a Section 3 Business Concern	Section 3 Business Concern	Owner	As applicable	Required
<b>Subcontractor Form</b>	Summarizes hours worked by Section 3, Targeted Section 3 and general workers from each subcontractor/contractor to report.	Subcontractor or contractor	Owner	Suggested: Quarterly	Optional
<b>Section 3 Compliance Certification</b>	Required of each project owner to ensure an understanding and compliance with the Section 3 regulations.	Project Owner	NCHFA	Prior to issuance of the Final Commitment Letter	Required
<b>Section 3 Year End Summary</b>	Required of each project owner to track compliance with Section 3 benchmarks.	Project Owner	NCHFA	January 10 <sup>th</sup> each year after construction begins	Required
<b>Section 3 Summary Report</b>	Required at the completion of the project to report total hours worked on the project and compliance with Section 3 benchmarks.	Project Owner	NCHFA	At time of final cost certification	Required

# Example Forms

- Section 3 Summary Form
- Section 3 Worker Certification

# Questions?

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