

Section 3 Guidance



HOME

Section 3 Information and Terminology

Section 3 of the Housing and Urban Development Act of 1968

Section 3 and regulations at 24 CFR part 75 and 24 CFR part 135, ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, be directed to low-and very-low income individuals and to business concerns they own or that employ them.

Who Must Comply with Section 3 Requirements?

Section 3 applies to employment opportunities generated as a result of projects receiving federal Housing and Urban Development (HUD) funds, such as HOME funding through NCHFA, whether those opportunities are generated by the owner, contractor, or subcontractor.

If the total federal funds from Department of Housing and Urban Development, including any of the sources listed below, exceeds \$200,000 at the project level then Section 3 regulations apply.

Applicable Sources of Federal Funds:

- Community Development Block Grant (CDBG)
- HOME Investment Partnership (HOME)
- National Housing Trust Fund
- Emergency Solutions Grants (ESG)
- Housing Opportunities for People with Aids (HOPWA)
- Disaster Recovery
- Section 202 or 811
- University Partnership Grants
- Economic Stimulus Funds
- Lead Hazard Control Grants or Health Homes Production Grants (\$100,000 threshold instead of a \$200,000 threshold)

Section 3 Worker

Section 3 workers are individuals who currently meet at least one of the following eligibility criteria, or met the criteria when hired within the last 5 years (starting 11/30/2020):

- The worker's income meets the Low-Income or Very Low-Income definition for the current year in the county of their residence as established by the [Department of Housing and Urban Development](#).
- The worker is employed by a Section 3 Business Concern.
- The worker is a YouthBuild participant.

Targeted Section 3 Worker

Targeted Section 3 workers are individuals who meet one of the following criteria:

- The worker is employed by a Section 3 business concern.
- The worker currently meets at least one of the following eligibility criteria, or met the criteria when hired within the last five years (starting 11/30/2020):
 - o The worker meets the low-income or very low-income definitions as established by [Department of Housing and Urban Development](#) and lives within the neighborhood or service area of the project, as defined below.
 - o The worker is a YouthBuild participant.

The following locations have YouthBuild Programs which qualify:

Grantees	Program City	Grantee Year
Grace Mar Services In	Charlotte	2020
Nu Dimensions	Hickory	2019
Central Carolina Community College	Raleigh	2018
Triangle Literacy Council	Asheville	2018
River City Community Development Corporation	Elizabeth City	2017
Capital Area Workforce Development Board	Sanford	2017
Green Opportunities	Durham	2017

Section 3 Service Area/Neighborhood of the Project

The Section 3 service area or neighborhood of the project is an area within one mile of the Section 3 project. If fewer than 5,000 people live within one mile of the Section 3 project a circle will be created, centered on the project, and made large enough to encompass a population of 5,000 people according to the most recent [U.S. Census data](#), which will constitute the service area.

Section 3 Business Concern

A business can be classified as a Section 3 business if it meets at least one of the following criteria, documented within the last six months:

- At least 51% or more of the business is owned and controlled by low- or very low-income individuals according to [Department of Housing and Urban Development's income limits](#).
- Over 75% of the labor hours performed for the business over the last three months are performed by Section 3 workers.
- A business at least 51% owned and controlled by current public housing residents or residents who currently live in Section 8 assisted housing.

Section 3 Benchmarks and Compliance

The measurement of compliance with Section 3 regulations is the percentage of total labor hours worked on a Section 3 project worked by Section 3 workers or targeted Section 3 workers. The Section 3 benchmarks apply to projects awarded in excess of \$200,000 of federal funds in total, including HOME and other funds listed above.

- At least 25% of the total number of labor hours worked on a Section 3 project must be worked by Section 3 workers.
- At least 5% of the total number of labor hours worked on a Section 3 project must be worked by targeted Section 3 Workers.
 - This 5% is included as part of the 25% worked by Section 3 workers.

If it is not feasible to meet the benchmarks, the Covered Parties must be prepared to report on the qualitative nature of the activities it pursued to meet the benchmarks. Such qualitative efforts may include, but are not limited to, the following:

- Engage in outreach to generated applications from targeted Section 3 workers.
- Provide training and apprenticeship opportunities to Section 3 workers.
- Provide technical assistance to help Section 3 workers compete for jobs.
- Provide or connect Section 3 workers with assistance seeking employment opportunities such as: resume writing, interview preparations, and connecting individuals with job placement services.
- Hold at least one job fair.
- Provide or refer Section 3 workers to services which support work readiness such as interview clothing, test fees, transportation, childcare, etc.
- Provide Section 3 workers assistance to apply for or attend community college, a four-year academic institution or vocational and technical training.
- Assist Section 3 workers secure financial literacy training or coaching.
- Engage in efforts to identify and secure bids from Section 3 business concerns.
- Provide technical assistance to help Section 3 business concerns bid on contracts.
- Divide contracts into small jobs to encourage participation by Section 3 business concerns.
- Promote use of business registries aimed to create opportunities for Section 3 business concerns.

What are considered Best Efforts?

Best efforts and greatest extent feasible are typically used interchangeably by HUD to determine the outcomes of the program. HUD's focus is on the outcomes as a result of efforts put forth. The reported results will be compared to the outcome metrics defined by the program benchmarks. If the benchmarks are not met HUD and NCHFA will evaluate the qualitative efforts made by the owner, contractor and subcontractor to ensure best efforts have been taken employ Section 3 workers and targeted Section 3 workers.

Section 3 Implementation

Section 3 must be implemented in a manner consistent with existing Federal, State, and local laws. Section 3 does not supersede these laws, nor do these laws cancel or override the Section 3 obligation.

- Employment – Section 3 is race and sex neutral, directed at low income and very-low income individuals.

Forms and Reporting Requirements

In an effort to streamline documentation and reporting, NCHFA has created a variety of forms, both optional and required. A summary of documents is laid out below. As indicated, the owner must sign the *Section 3 Compliance Certification* prior to the issuances of the final commitment letter. Additionally, the *Section 3 Year End report* is due to NCHFA by January 10th of every year the project is in development. Finally, the *Section 3 Summary Report* is due in conjunction with the final cost certification.

Form Title	Summary	Responsible Party	Received by	Deadline	Requirement Status
<u>Section 3 Worker Certification</u>	Verifies employee's status as a Section 3 worker or Targeted Section 3 worker	Employer and Project Owner	Owner	As applicable	Required
<u>Section 3 Business Concern Certification</u>	Verifies company's status as a Section 3 Business Concern	Section 3 Business Concern	Owner	As applicable	Required
<u>Subcontractor Form</u>	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
<u>Section 3 Compliance Certification</u>	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
<u>Section 3 Year End Summary</u>	Required of each project owner to track compliance with Section 3 benchmarks.	Project Owner	NCHFA	January 10 th each year	Required
<u>Section 3 Summary Report</u>	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