HUD SECTION 3 INFORMATION PACKET – CITY OF EVANSVILLE

The purpose of Section 3 under the U.S. Department of Housing and Urban Development (HUD) Act of 1968 is to contribute to the establishment of stronger, more sustainable communities by ensuring that employment, training and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible, directed towards low- and very low-income persons, particularly those who receive government assistance for housing. For more information go to <https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-07cpdn.pdf> .

**When does Section 3 apply?**

* Section 3 applies to training or employment arising in connection with HUD funded housing rehabilitation, housing construction, or other construction projects.
* When the total amount of HUD assistance to the project exceeds a project threshold of $200,000, or $100,000 when the assistance is from HUD’s Lead Hazard Control and Healthy Homes Program.
* If triggered, Section 3 applies to the entire project’s labor hours including efforts that are financed by other, non-HUD sources of funds.

**Whose Labor Hours need to be tracked?**

* The final rule at 24 CFR 75, effective November 30, 2020, changes from tracking new hires to tracking labor hours to emphasize continued long-term employment and the hiring, training and retaining of workers.
* Grantees and their contractors are required to report the total paid, 100%, of all labor hours for all workers, Section 3 workers and Targeted Section 3 workers.
* See SECTION 3 LABOR HOUR TRACKING for assistance in tracking hours. This form should be submitted weekly to enable monitoring of a Contactor’s progress in meeting Section 3 benchmarks.
* Who to include:
  1. All workers:
     + Include all hours worked by skilled and unskilled workers on the job.
     + Labor hours do NOT include ‘non-construction’ professional service hours that might require the worker to have an advanced degree or professional license.
     + However, if employees in professional services roles meet the definition of a Section 3 worker or Targeted Section 3 worker, their labor hours can be reported in the applicable Section 3 worker labor hours category.
  2. Section 3 workers:
     + A Section 3 worker is a worker who currently fits or, when hired within the last five years, and after November 30, 2020, fits at least one of the following categories:
       - A low- or very low-income person that met HUD income limits for the previous or annualized calendar year. Income limits may be obtained from the City of Evansville’s Department of Metropolitan Development (DMD).
       - Is employed by a Section 3 business concern, or
       - Is a Youth Build participant.
     + Labor hours for a Section 3 worker may be counted on projects for five years from when their status as a Section 3 worker is established. The five-year period for a worker cannot begin before November 30, 2020, the effective date of the final rule.
     + Benchmark = Twenty-five (25) percent of the total number of labor hours worked.
  3. Targeted Section 3 workers must be employed by a Section 3 Business concern or meet the definition of a Section 3 worker, plus:
     + Lives within the service area or neighborhood of the project.
       - Service area is an area within one mile of the Section 3 project. If fewer than 5,000 people live within that one mile, then within a circle centered on the Section 3 project that is sufficient to encompass 5,000 people according to the U.S. Census.
* Is a Youth Build participant.
  + - Benchmark = Five (5) percent of the total number of labor hours worked.

**What is a Section 3 Business?**

* A Section 3 business concern is defined by 24 CFR 75.5 as a business that meets at least one of the following criteria, documented within the last six-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 certified Section 3 workers; or
* At least 51% owned and controlled by current residents of public housing or Section 8-assisted housing
  + - * To learn more <https://www.youtube.com/watch?v=AimGMuDq9jU>
      * To register as a Section 3 Business concern, see the attached Section 3 Business Self-Certification Form or visit <https://portalapps.hud.gov/Sec3BusReg/BRegistry/BRegistryHome>

**What Documentation is required?**

An employer must maintain one of the following records from the time the worker is certified as meeting the Section 3 worker definition for the five-year period or from the time of hire (if hired within the last five years). A Section 3 Resident Self-Certification Form is included within this information packet.

* A worker’s self-certification that their income is below HUD’s income limit from the prior calendar year;
* A worker’s self-certification that they reside in public housing or participate in the Housing Choice Voucher Program, Section 8 – assisted housing.
* Certification from a Public Housing Authority (PHA), or an owner or property manager of project-based Section 8 – assisted housing, or an administrator of tenant-based Section 8 – assisted housing that the worker is a participant in one of their programs.
* An employer’s certification that the worker’s income from that employer is below HUD’s income limit when based on an employer’s calculation of what the worker’s wage rate would translate to if annualized on a full-time basis.
* An employer’s certification that the worker is employed by a Section 3 business concern.
* For Targeted Section 3 workers, in addition to the documentation certifying that the worker meets the definition as a Section 3 worker, one of the following sources must be maintained:
  + Employer’s confirmation that the worker resides within one mile of the job site or within a circle encompassing 5,000 people.
  + Employer’s certification that it is a Section 3 Business.
  + Worker’s self-certification that the worker is a Youth Build participant.