

Section 3 Final Rule

NCHSA HFA Institute
February 12, 2021



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- After this date, the old rule (24 Part 135) is no longer in effect

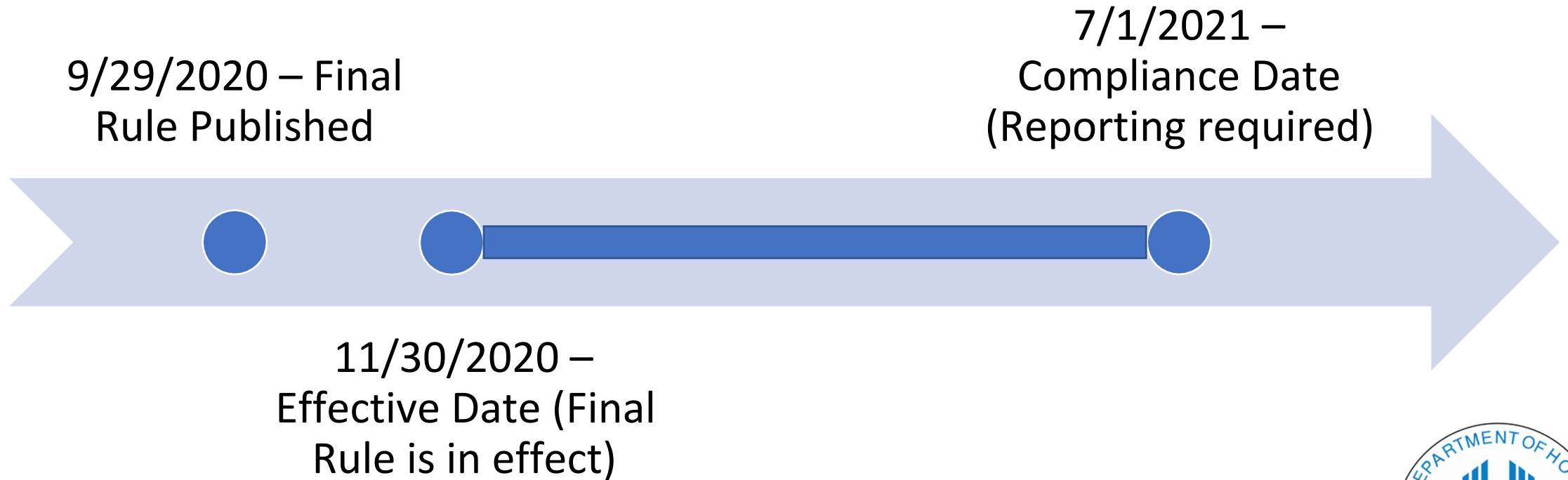
Compliance Date (7/1/2021)

- HOME/HTF commitments that occur on or after this date will be required to fully comply with the final rule when reporting (Report on labor hours worked in IDIS upon project completion)

*The gap between the effective date and compliance date =
“transition period”*



Transition Period



Transition Period

The Final Rule is in effect

- As of 11/30/2020 – HUD expects grantees to comply with 24 Part 75
- PJs/Grantees will not need to comply with the new reporting requirements during transition
 - 24 Part 75.25
 - IDIS reporting functionality will be available on compliance date (7/1/21)
- HUD will not take action related to noncompliance that occurs during this period
- PJs/Grantees should keep written records on Sec 3 eligible projects that committed or completed during this timeframe



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



Applicability Threshold

- Implements a single Section 3 project threshold
 - HUD assistance used for housing rehab/construction, public construction above \$200,000 threshold (to be updated periodically)
- CDBG (including DR)
- HOME
- HTF
- ESG
- HOPWA
- Disaster Recovery
- Section 202 or 811
- Public Housing Capital Fund Program
- Lead abatement and other HUD NOFA Grantees
- *\$100,000 threshold for Lead Hazard Control and Healthy Homes Grants*



Applicability Threshold

- Key Points:
 - \$200,000 of total HUD assistance
 - Provided at project level

Examples:

- HOME/HTF Projects > \$200,000 = Section 3 Project
- Project with \$150,000 CDBG + \$50,000 HOME = Sec 3 Project
- Project with \$100,000 HOME + \$100,000 State funds = NOT Sec 3 Project
- PJ with \$250,000 HOME Grant = not a project...



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

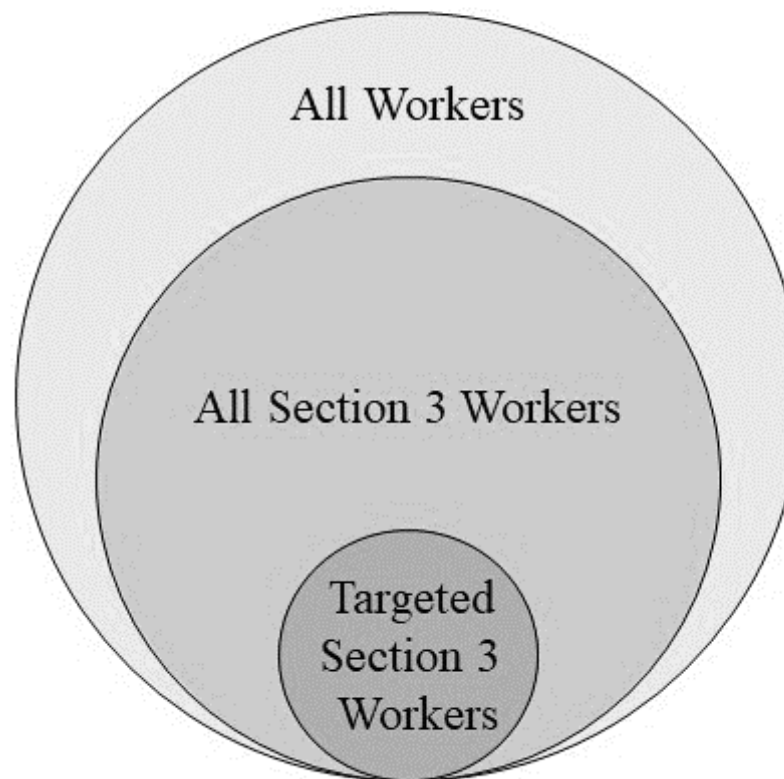


Targeted Section 3 Workers

- 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



Program Oversight

- Removed Delegation of Authority from FHEO
- Align Section 3 with regular grant management processes
- Section 3 compliance included in program office monitoring process
- Complaint process managed by program offices



Reporting Systems

- HOME PJs and HTF Grantees will no longer be reporting in SPEARS
- Will report in IDIS at time of project completion
- IDIS screens developed and will be launched at compliance date (7/1/2021)
- Data will roll-up into CAPER



IDIS

Activity

Add HOME Completion Detail Page 1 (continued) - Section 3

Rental

- HOME Completion has been saved

[Save and Previous Page](#) | [Save](#) | [Save and Continue](#) | [Cancel](#)

* Indicates Required Field

Grantee/PJ Activity ID:

N/A

Activity Name:

2019/2020 BCHA Coffman

Program Year/Project ID:

2019/20

IDIS Activity ID:

728

Activity Owner:

BOULDER

Project Title:

BCHA Coffman

HOME Multiple-address:

No

HOME Completion Activity Type:

New Construction Only

Number of HOME-Assisted Units:

9

Activity Address:

518 Coffman St
Longmont, CO 80501-5410

Section 3 requirements apply to HOME projects that receive at least \$200,000 of HUD assistance (including HOME funds) for housing rehabilitation, housing construction and other public construction. HUD assistance includes, but is not limited to HOME, HTF, CDBG, CDBG-DR, ESG, HOPWA, Lead Abatement Grants, Section 202 or 811, and Public Housing Capital Fund Program funds, and the Rental Assistance Demonstration program.

Is this activity subject to Section 3 reporting? ☒ Yes ☐ No

IDIS

Section 3 requirements apply to HOME projects that receive at least \$200,000 of HUD assistance (including HOME funds) for housing rehabilitation, housing construction and other public construction. HUD assistance includes, but is not limited to HOME, HTF, CDBG, CDBG-DR, ESG, HOPWA, Lead Abatement Grants, Section 202 or 811, and Public Housing Capital Fund Program funds, and the Rental Assistance Demonstration program.

Is this activity subject to Section 3 reporting? ☒ Yes ☐ No

		Calculated Percentage	Safe Harbor Benchmark Met
Total Labor Hours	10		
Section 3 Target Worker Hours	5	50	Yes
Section 3 Worker Hours	2	20	No

Nature of Agency Efforts

This section is required if, based on the labor hours reporting above, the reporting agency did not meet the safe harbor benchmarks.

Check all that apply. Maintain records available for HUD review to document any efforts checked.

- ☐ Outreach efforts to generate job applicants who are Public Housing Targeted Workers
- ☐ Outreach efforts to generate job applicants who are Other Funding Targeted Workers.
- ☐ Direct, on-the job training (including apprenticeships).
- ☐ Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
- ☒ Technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).
- ☐ Outreach efforts to identify and secure bids from Section 3 business concerns.
- ☐ Technical assistance to help Section 3 business concerns understand and bid on contracts.
- ☐ Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- ☒ Provided or connected residents with assistance in seeking employment including: drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.
- ☐ Held one or more job fairs.
- ☐ Provided or connected residents with supportive services that can provide direct services or referrals.
- ☐ Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.
- ☐ Assisted residents with finding child care.
- ☐ Assisted residents to apply for/or attend community college or a four year educational institution.
- ☐ Assisted residents to apply for or attend vocational/technical training.
- ☐ Assisted residents to obtain financial literacy training and/or coaching.
- ☐ Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
- ☐ Provided or connected residents with training on computer use or online technologies.
- ☐ Other. Specify:

Compliance

- Policies and procedures
- Contract language
- Forms and reports
- Marketing and communication materials
- Training materials

Transition period ends July 1, 2021



Resources in Development at HUD

- Toolkit
- FAQs
- Training documents
- Contract templates
- Web Tool
- IDIS reports
- Monitoring exhibits



Questions

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