

Increasing Economic Opportunity through **HUD Section 3**



Before we begin...

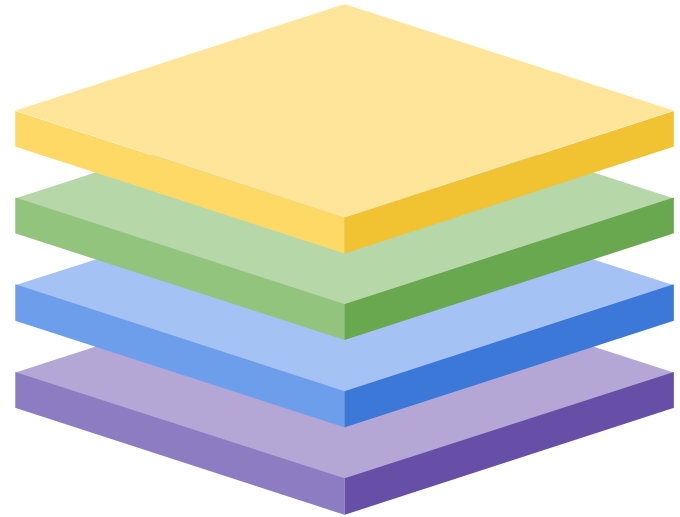
Have Section 3 questions?

Email section3@hud.gov



Topics

- Background & Regulations
- Definitions
- Requirements



Additional Section 3 info is available through the HUD Region 5 Section 3 Resource Hub:

<https://hud-region-5-section-3-resource-hub-hud.hub.arcgis.com/>

1

Section 3 Intent & Regulations

“

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




Recipients of HUD Funding



Residents

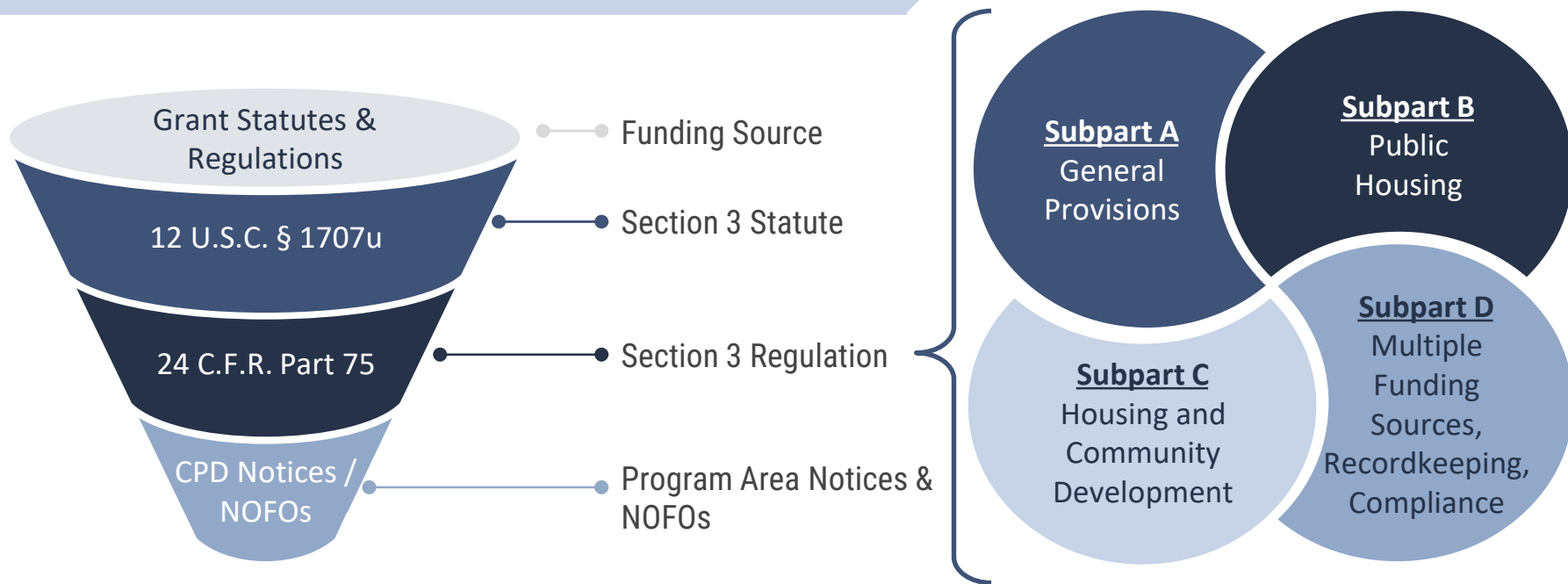
Economic Opportunity



HUD Programs Covered by Section 3

- ❑ PIH Capital Fund Program (CFP)
- ❑ PIH Operating Subsidy
- ❑ Rental Assistance Demonstration (RAD)
- ❑ Choice Neighborhoods Grants (formerly HOPE VI)
- ❑ Community Development Block Grants (CDBG)
- ❑ HOME Investment Partnership Grants
- ❑ Emergency Shelter Grants
- ❑ Disaster Recovery Grants
- ❑ Section 202/811
- ❑ Lead Abatement Grants
- ❑ Self Help Ownership Program (SHOP)
- ❑ Certain Notice of Funding Availability (NOFA) Competitive Grants
- ❑ CARES Act Funding

Section 3 Rules & Requirements




2

Section 3 Definitions

Key Terms

Section 3 Worker & Business Concern Definition

 A **Section 3 worker** 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



A **Section 3 business concern** is, documented within the last six-month period:



51% or more owned/controlled by low- or very low-income persons; or



> 75% labor hours performed over prior three-month period are performed by low- or very low-income workers; or



≥ 51% owned/controlled by current residents of public housing or Section 8-assisted housing

Individual Income Limits

Individual Income Area	Individual Income Limit
Duluth	\$47,800
Greater Minnesota	\$58,250
Rochester	\$62,450
Minneapolis-St. Paul-Bloomington	\$62,600

Source: <http://www.huduser.org/portal/datasets/il.html> (updated April 2022)

Targeted Section 3 Workers



A **targeted Section 3 worker** is a Section 3 worker who is:



Public Housing Recipients

- Employed by Section 3 business concern; or
- Who currently fits or when hired fit one of the following definitions, as documented in the previous five years:

- ✓ Resident of public housing or Section 8 assisted housing; or
- ✓ A resident of another project managed by the PHA; or
- ✓ A YouthBuild participant



Housing & Community Development Recipients

- Employed by Section 3 business concern; or
- Who currently fits or when hired fit one of the following definitions, as documented in the previous five years:

- ✓ Living within the service area or the neighborhood of the project; or
- ✓ A YouthBuild participant



When Status is Determined

Section 3 Business Concern:



Businesses *self-certify* Section 3 status when signing up for the [business registry](#)



Verification that a business meets the definition of a Section 3 business concern is done *at the time of contracting*



Once verified a Section 3 business concern maintains its Section 3 status for as long as it continues to meet the definition (24 C.F.R. § 75.5)

Section 3 defers to local, state, and other federal rules and regulations. (24 C.F.R. §§ 75.9 & 75.19)

Section 3 worker:



Workers are established as Section 3 workers or Targeted Section 3 workers at either:

- Date of initial hire/contract; or
- Employee Certification Date (if after date of initial hire)



Established Section 3 workers or Targeted Section 3 workers may count their labor hours for five-years from the date used to establish their status.*



Workers *may reestablish* their status as a Section 3 worker or Targeted Section 3 worker at end of the five-year period.

*Do not look back prior to the effective date of the rule (November 30, 2020)

3

Section 3 Applicability and Requirements

Public Housing Financial Assistance and Section 3



Other Public Housing Financial Assistance Activating Section 3

Choice Neighborhood Implementation and Planning Grants

(as outlined by applicable NOFA)

Rental Assistance Demonstration

(as outlined by latest RAD Notice)

Jobs Plus/Family Self-Sufficiency (FSS)/Resident Opportunities and Self Sufficiency (ROSS) Grants

(as outlined by appropriate NOFA/NOFO)

Section 3 Requirements

Employment & Training:

Consistent with existing Federal, state, and local laws and regulations, PHAs or other recipients receiving public housing financial assistance, and their contractors and subcontractors, must make their best efforts to provide employment and training opportunities generated by the public housing financial assistance to Section 3 workers.

Contracting:

Consistent with existing Federal, state, and local laws and regulations, PHAs and other recipients of public housing financial assistance, and their contractors and subcontractors, must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers.

Residents of the public housing projects for which the public housing financial assistance is expended; or to residents of the public housing projects for which the public housing financial assistance is expended.

YouthBuild participants

Low and very low-income persons residing within the metropolitan area (or nonmetropolitan county) in which the assistance is expended.

When feasible priority should be given to:

Section 3 business concerns that provide economic opportunities for residents of the public housing projects for which the assistance is provided; or for residents of other public housing projects or Section 8 assisted housing managed by the PHA that is providing the assistance.

YouthBuild programs



Multiple Funding Sources

Housing rehabilitation, construction, or other public construction is funded by Public Housing and Housing and Community Development funds:

- Public Housing must follow their normal requirements (Subpart B)
- Housing and Community Development recipient may follow *either* their normal requirements (Subpart C) **OR** public housing requirements (Subpart B)
 - May use *either* definition of a Targeted Section 3 worker (§ 75.11 or § 75.21)

Recipients of both sources of funding shall report on the project as a whole and shall identify the multiple associated funding sources while reporting on the labor hour numbers:

Total labor
hours worked

Worked by
Section 3
workers

Worked by
Targeted Section
3 workers

4

Section 3 Resources



Opportunity Portal

<https://hudapps.hud.gov/OpportunityPortal>

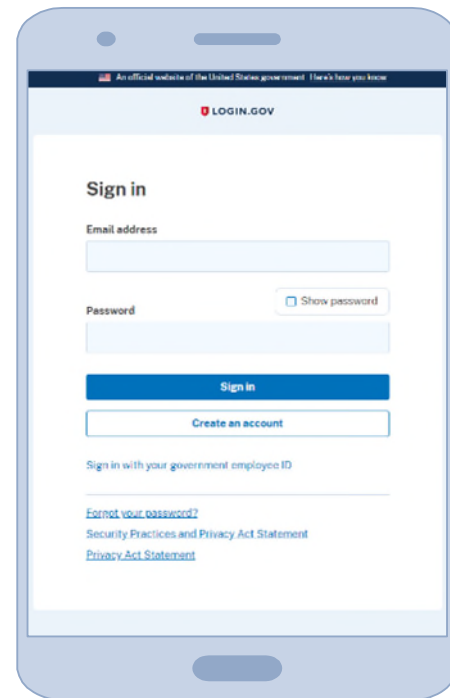
Businesses can self-certify they meet the definition of a Section 3 Business Concern

Individuals can post their resumes allowing businesses to search for potential Section 3 Workers and Targeted Section 3 Workers



Businesses can post employment and contracting opportunities

Recipients can post contracting opportunities

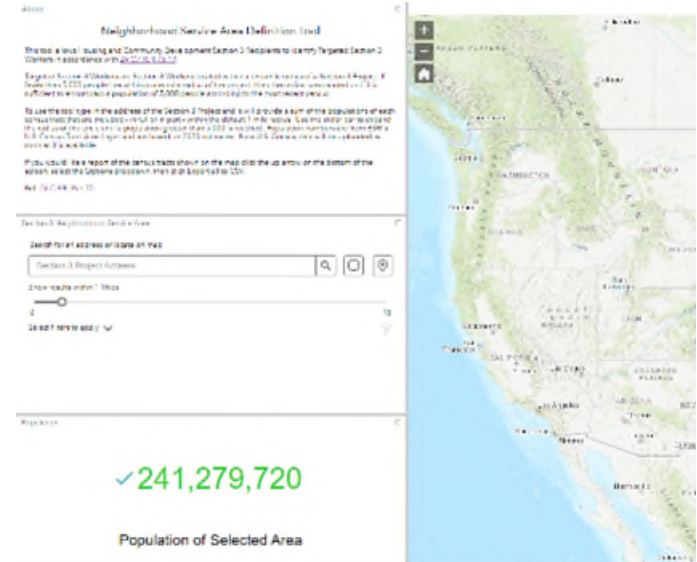


Posted opportunities and resumes are searchable with a Login.gov sign in



Neighborhood Service Area Definition Tool

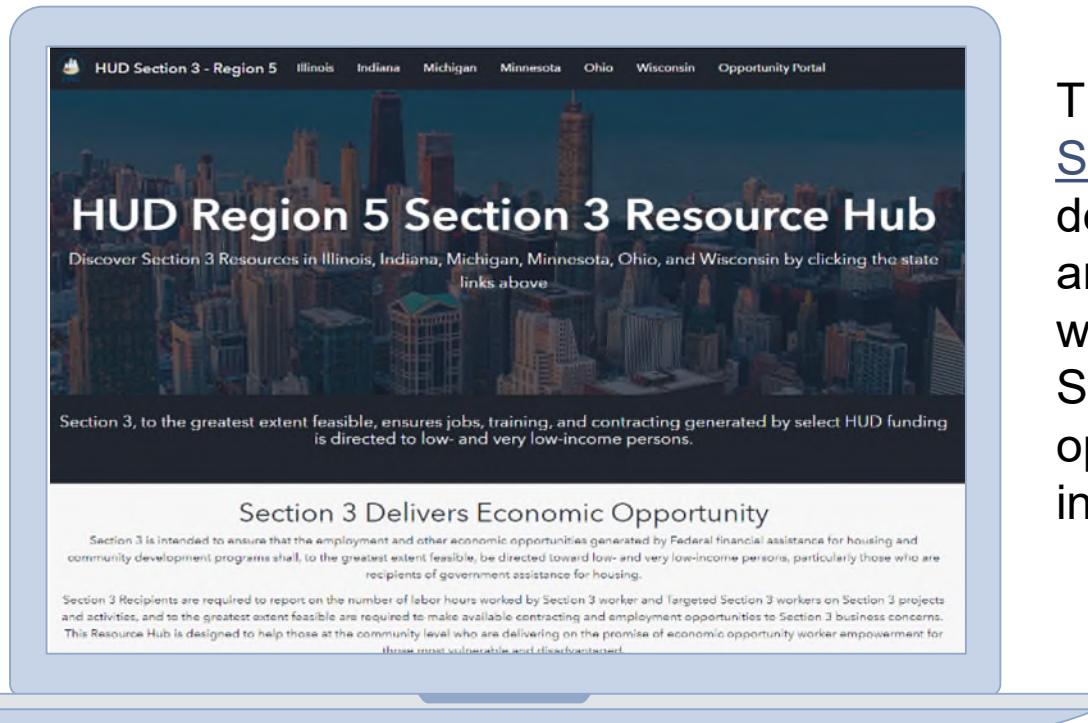
- An area within one mile of the Section 3 project
- If fewer than 5,000 people live within a one-mile radius of the Section 3 project, then the circle is expanded until it is sufficient to encompass 5,000 people
- Utilize [HCD Neighborhood Service Area Tool](https://hud.maps.arcgis.com/apps/webappviewer/index.html?id=1d27b42dd64e4684ba74fe5bd00f9755) on HUD Region 5's Section 3 Resource Hub



<https://hud.maps.arcgis.com/apps/webappviewer/index.html?id=1d27b42dd64e4684ba74fe5bd00f9755>



Section 3 Resource Hub



The HUD Region 5 Section 3 Resource Hub is designed to provide Businesses and Recipients of HUD Funding with a starting point in leveraging Section 3 to increase economic opportunity for low- and very low-income individuals.



Section 3 Success Stories

Construction

Rehab

Residents

Lyndale Manor

Minneapolis, MN



600
18th Avenue North

The image shows the exterior of a multi-story brick building, identified as Lyndale Manor. The building features a mix of brickwork and dark-framed windows. Some windows are large and multi-paned, while others are smaller and single-paned. Small, white, box-like air conditioning units are mounted on the brick facade between the windows. The building has a flat roof with a central section that appears to have a slightly different roofline or structure. The overall appearance is that of a modern or mid-20th-century residential or institutional building.

Lyndale Manor

Minneapolis, MN

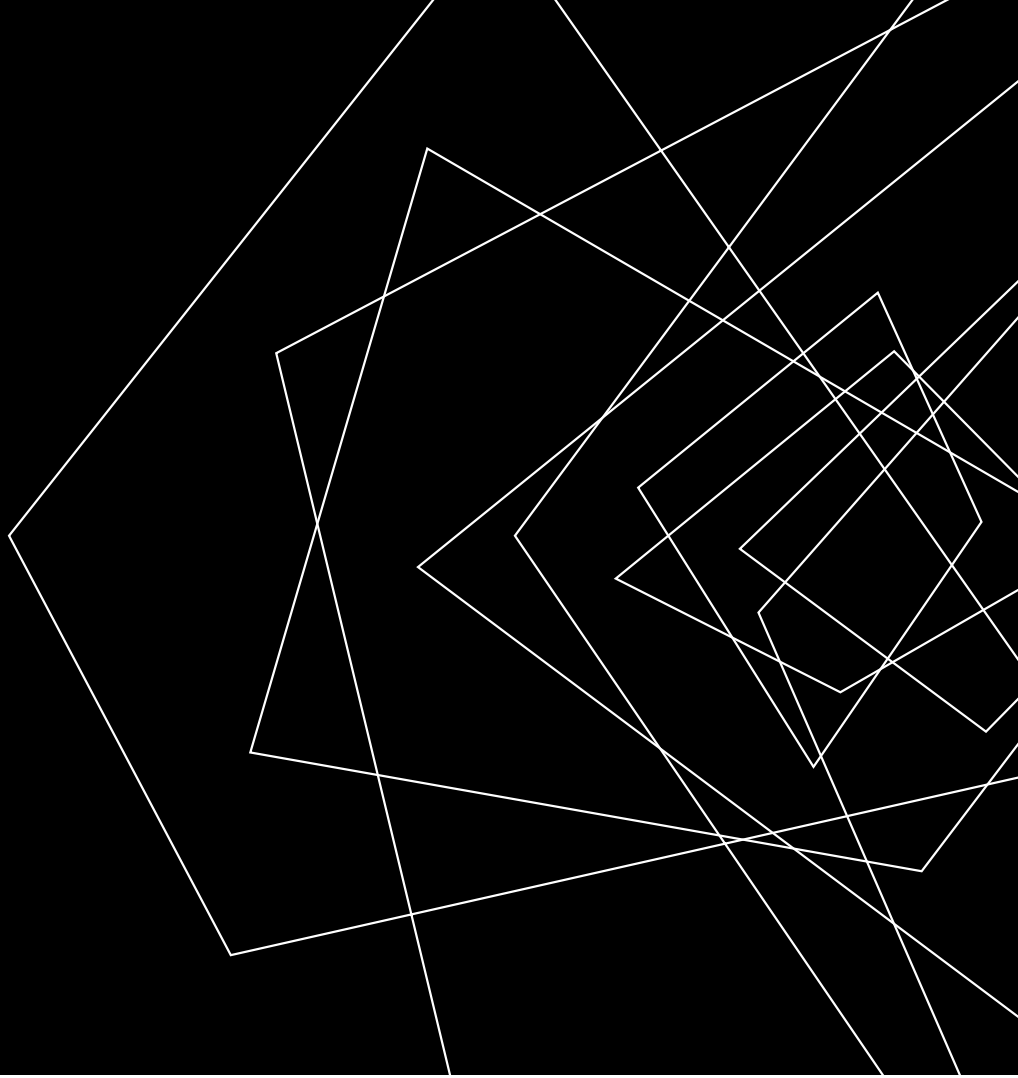
Abstract geometric lines in the top left corner of the page, consisting of several overlapping, irregular polygons and lines in a light gray color.

NOTICE PIH 2022-10

Issued April 18, 2022

ABOUT NOTICE PIH 2022-10

This notice provides guidance to public housing agencies and authorities (PHAs) on tracking and reporting compliance with the new requirements for Public Housing Financial Assistance as defined in the Section 3 Final Rule.



REPORTING

SECTION 3 PERFORMANCE AND EVALUATION SYSTEM (SPEARS)

Deactivated; no longer used for Section 3 reporting.

SECTION 3 REPORTING SYSTEM (S3RS)

Successor reporting system to SPEARS.

BUT...

No firm date when S3RS will be online.

INTERIM SOLUTION

It is HUD's expectation that PHAs (including Moving to Work agencies) and other public housing financial assistance recipients will continue to retain Section 3 compliance records until the new reporting system is available.



24 CFR SECTION 75.31

PHAs MUST RETAIN ON-SITE RECORDS OF SECTION 3 ACTIVITIES DURING EACH REPORTING PERIOD

PHAs must produce such records if HUD requests that information at a future date

TRACKING NEW HIRES NO LONGER REQUIRED

Enables recipients to measure total actual employment and the proportion of the total employment performed by low and very low-income workers.

PHAS THAT DO NOT MEET QUANTITATIVE BENCHMARKS FOR LABOR HOURS ARE REQUIRED TO REPORT QUALITATIVE EFFORTS AND ACTIVITIES

Small PHAs with fewer than 250 public housing units may opt to report qualitative efforts as a first option.

SECTION 3 COMPLIANCE REPORTING

First Full Fiscal Year After July 1, 2021 Reporting Implementation Date

1st FYE prior to July 1, 2021 reporting effective date (starts with June 30 PHAs)	1st Reporting Period Begins (1st FYB on or after July 2, 2021)	1st Reporting Period Ends (1st full FYE after July 2, 2021)	1st Reports Due (60 days after 1st full FYE after July 1, 2021)
June 30, 2021	July 1, 2021	June 30, 2022	August 29, 2022
September 30, 2021	October 1, 2021	September 30, 2022	November 29, 2022
December 31, 2021	January 1, 2022	December 31, 2022	March 1, 2023
March 31, 2022	April 1, 2022	March 31, 2023	May 30, 2023

FYE = Fiscal Year End | FYB = Fiscal Year Beginning



NONCOMPLIANCE EXAMPLES

When a PHA or other finding recipient does not report timely or submits a report that does not demonstrate qualitative efforts or fails to show that required benchmarks were met.

Lack of records retained during a remote or on-site monitoring review.

HUD's investigation of a complaint that shows a recipient did not meet requirements of the new rule.



NONCOMPLIANCE REMEDIES

Contract amendment.

Procurement review threshold to ensure
Section 3 requirements are adequately applied.

Requiring a corrective action plan that would
lead to the PHA to comply with Section 3
requirements.



TRAINING

- **Section 3 Frequently Asked Questions**
<https://www.hud.gov/sites/documents/11SECFAQS.PDF>
- **Understanding Section 3**
<https://www.hudexchange.info/trainings/section-3/>
- **Section 3 Guidebook: Welcome – HUD Exchange**
<https://www.hudexchange.info/programs/section-3/section-3-guidebook/welcome/>



Thank you!

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Important Links

Section 3 Frequently Asked Questions

<https://www.hud.gov/sites/dfiles/FPM/documents/Section-3-FAQs.pdf>

Regulation for Section 3: 24 CFR Part 75

<https://www.ecfr.gov/cgi-bin/text-idx?SID=0414068240086d7d685c304f0949e7b8&mc=true&node=pt24.1.75&rgn=div5>

Training

Visit HUD Exchange for Section 3 training:

<https://www.hudexchange.info/programs/section-3/>