



Section 3 Guidelines for HOC Contractors

June 2023

SECTION 3 – Establishment

- Established by Congress under Section 3 of the U.S. Department of Housing and Urban Development (HUD) Act of 1968, as amended (12 U.S.C. 1701u).
- Designed to guarantee that employment and other economic opportunities created by HUD financial assistance for housing and community development programs are directed toward low- and very-low income persons, particularly those who are recipients of government assistance for housing.
- The federal Section 3 regulations are defined in the Code of Federal Regulations (CFR) at 24 CFR, Part 75.

SECTION 3 – New Rule

- HUD published a New Rule effective November 30, 2020
 - Old: Emphasis on New Hires and Subcontracting.
 - New Rule: Tracking of all labor hours and worker statuses on the project.
 - Established new benchmarks.

SECTION 3 – Goals

- Through the Section 3 program, HOC seeks to foster:
 - local economic development,
 - neighborhood economic improvement, and
 - individual self-sufficiency.
- The ultimate goal of HOC's Section 3 program is to:
 - Connect HOC residents to jobs and training,
 - Connect other low-income individuals in the Washington, DC metropolitan area to jobs and training, and
 - Award contracts to businesses that share HOC's commitment to continually bettering the community.

SECTION 3 – Applicability

- Section 3 projects assisted under HUD programs that provide housing community development financial assistance exceeding \$200,000.
- Projects funded in whole, or in part, by grants under HUD's Lead Hazard Control and Health Homes programs. Threshold of \$100,000.
- Does not apply to contractors who only furnish materials or supplies.
- All types of contracts funded through covered assistance:
 - Cooperative purchasing agreements, memoranda of understanding, and contracts for professional services that do not require an advanced degree or license.
- Note: Section 3 applies to Public Housing Financial Assistance, however, HOC no longer operates Public Housing.

SECTION 3 – Key Terms

- **Section 3 Worker:** Any worker who currently fits, or when hired within the past five years fit one of the following categories:
 1. Worker's income for the previous or annualized calendar year is below the limits established by HUD; or
 2. Worker is employed by a Section 3 Business Concern; or
 3. The worker is a YouthBuild participant.
- **Targeted Section 3 Worker:**
 1. Worker employed by a Section 3 Business Concern.
 2. Currently or when hired, fit a one of the following categories within last five years.
 - Living within the service area of or neighborhood of the project; or
 - A YouthBuild participant.

SECTION 3 – Key Terms

- **Section 3 Business Concern:**
 1. Businesses that are 51% or more owned by Section 3 residents.
 2. Over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 Workers.
 3. Business at least 51% owned and controlled by current Public Housing residents or residents who currently live in Section 8-assisted housing.

SECTION 3 – Compliance

- **Benchmarks:** Require tracking of all labor hours on the project and worker statuses.
 1. **Section 3 Worker Labor Hours: 25%**
 2. **Targeted Section 3 Worker Labor Hours: 5%**
- If unable to meet benchmarks, must make sufficient attempts to increase Section 3 Worker and Targeted Worker participation.
 - New Hires
 - Subcontracting

SECTION 3 – Reporting

- New Rule will require significantly more oversight and reporting. HOC Requires the following reporting:
 - **Monthly:** Statistics for total hours worked and hours for Section 3 and Targeted Section 3 Workers, including the ratios for each group.
 - **Quarterly:** Hours worked by each group and the ratios.
 - **Annual:** Submit report at end of the calendar year with labor hour totals and ratios.
 - **Project Completion:** Once the project is complete, prime contractor will submit final report showing overall hours worked and the final totals/ratios of each worker group.
- Data will be analyzed at each reporting interval to determine necessary action to achieve the Section 3 benchmarks.

Questions?

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