

# Section 3 Program

- ▶ A provision of the Housing and Urban Development (HUD) Section 3 Act of 1968, federal regulation 24 CFR Part 75 (formerly regulation 24 CFR Part 135).
- ▶ Regulation Part 75 was release in the fall 2020 and became effective July 1, 2021.
- ▶ The goal is to create more effective incentives for employers to retain and invest in their low- and very low-income employees, streamline reporting requirements by aligning them with typical business practices, and provide for program-specific oversight.
- ▶ Recipients of certain HUD financial assistance (i.e. HOME, CDBG, LEAD, CDBG-CV, NSP, HOPWA, ESG, Healthy Homes & Choice Neighborhoods).
  - ▶ Type of projects - housing rehab, new housing construction, and other public construction.
  - ▶ To provide employment and job training for low- and very low-income persons (Section 3 Workers and Targeted Section 3 Workers) and contracting opportunities to businesses which provides economic opportunities to Section 3 Residents (Section 3 Business Concerns) in connection with projects receiving HUD financial assistance funding.

# Section 3 - Threshold & Benchmarks

HUD financial assistance threshold amount exceeds \$200,000 per housing and community development project.

The commitment is to at least meet the HUD Section 3 benchmarks (§75.23 (b)):

- ▶ **Section 3 workers benchmark**

Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers; and

- ▶ **Targeted Section 3 workers benchmark**

Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers.

$$\frac{\text{Section 3 Labor Hours}}{\text{Total Labor Hours}} = 25\% \quad \text{and} \quad \frac{\text{Targeted Section 3 Labor Hours}}{\text{Total Labor Hours}} = 5\%$$

- ▶ The labor hours reported must include the total number of labor hours worked on a Section 3 project, including labor hours worked by any subrecipients/developers, contractors and subcontractors to report (75.25 (3)).
- ▶ HUD created the Section 3 worker and Targeted Section 3 worker concepts so that HUD could track and set benchmarks to target selected categories of workers and to recognize the statutory requirements pertaining to contracting opportunities for business concerns employing low- and very-low income persons.

# Section 3 & Targeted Section 3 Workers

- ▶ A Section 3 worker means (**§75.5**):
    - ▶ Any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented (note - the published date was 11/30/2020, therefore the look-back date is 11/30/2020 instead of 5 years):
      - ▶ The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
      - ▶ The worker is employed by a Section 3 business concern.
      - ▶ The worker is a Youthbuild participant.
    - ▶ The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.
    - ▶ Nothing in this part shall be construed to require the employment of someone who meets this definition of a Section 3 worker. Section 3 workers are not exempt from meeting the qualifications of the position to be filled.
  - ▶ A Targeted Section 3 worker means (**§75.21**):
    - ▶ A Section 3 worker who is:
      - ▶ A worker employed by a Section 3 business concern; or
      - ▶ A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years (note - the published date was 11/30/2020, therefore the look-back date is 11/30/2020 instead of 5 years):
        - ▶ Living within the service area or the neighborhood of the project, as defined in § 75.5; or
        - ▶ A Youthbuild participant.
- (Note - *Service area or the neighborhood of the project* means an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census. (**§75.5**))
- ▶ ***The Section 3 worker must also be a Detroit resident.***

# Section 3 Business Concerns

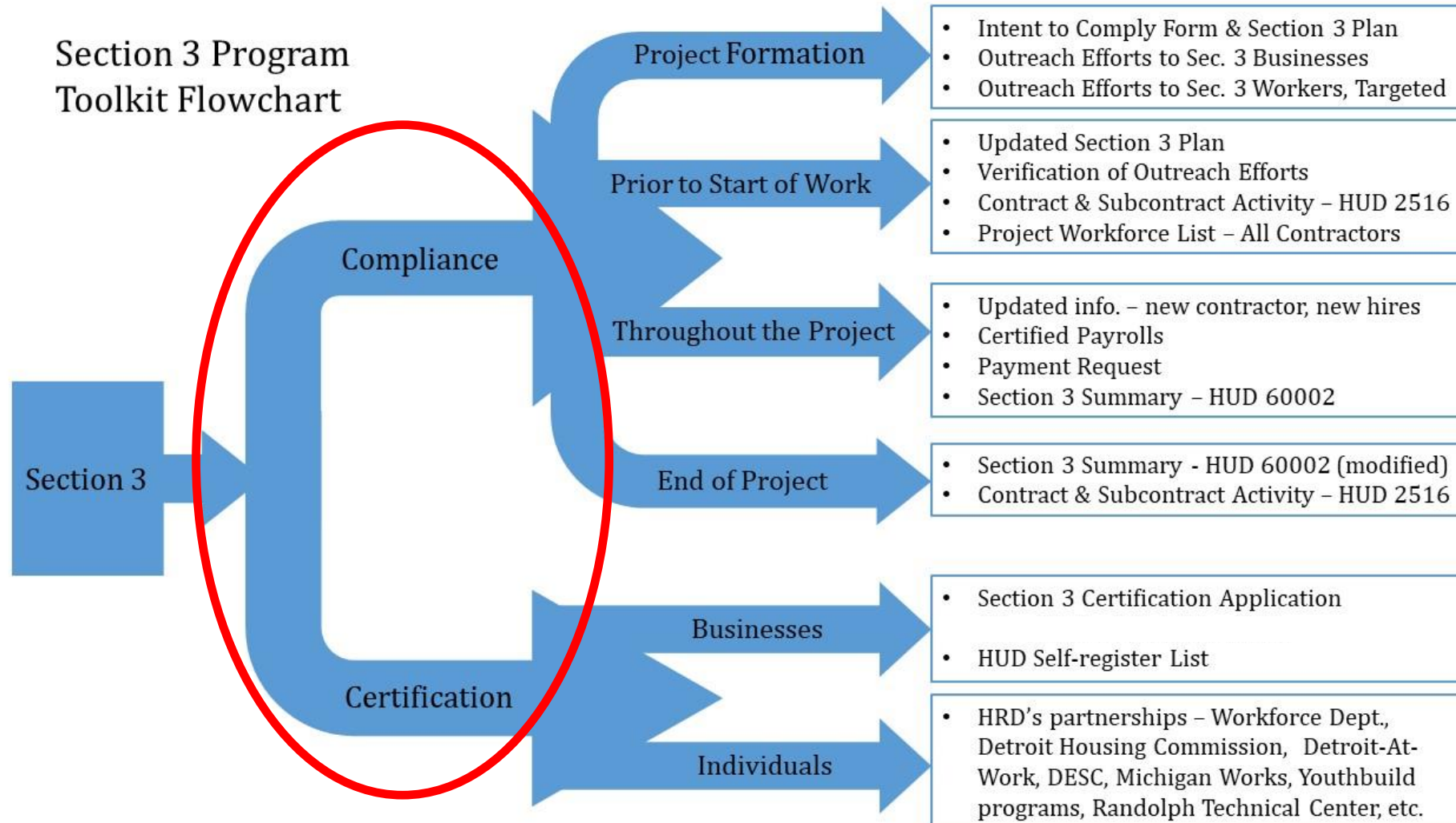
- ▶ A Section 3 business concern means (§75.5):
  - ▶ A business concern meeting at least one of the following criteria, documented within the last six-month period:
    - ▶ It is at least 51 percent owned and controlled by low- or very low-income persons;
    - ▶ Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
    - ▶ It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.
  - ▶ The status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees.
  - ▶ Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.

(Note - *Service area or the neighborhood of the project* means an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census. (§75.5))

- ▶ ***The Section 3 worker must also be a Detroit resident.***

# Section 3 Program

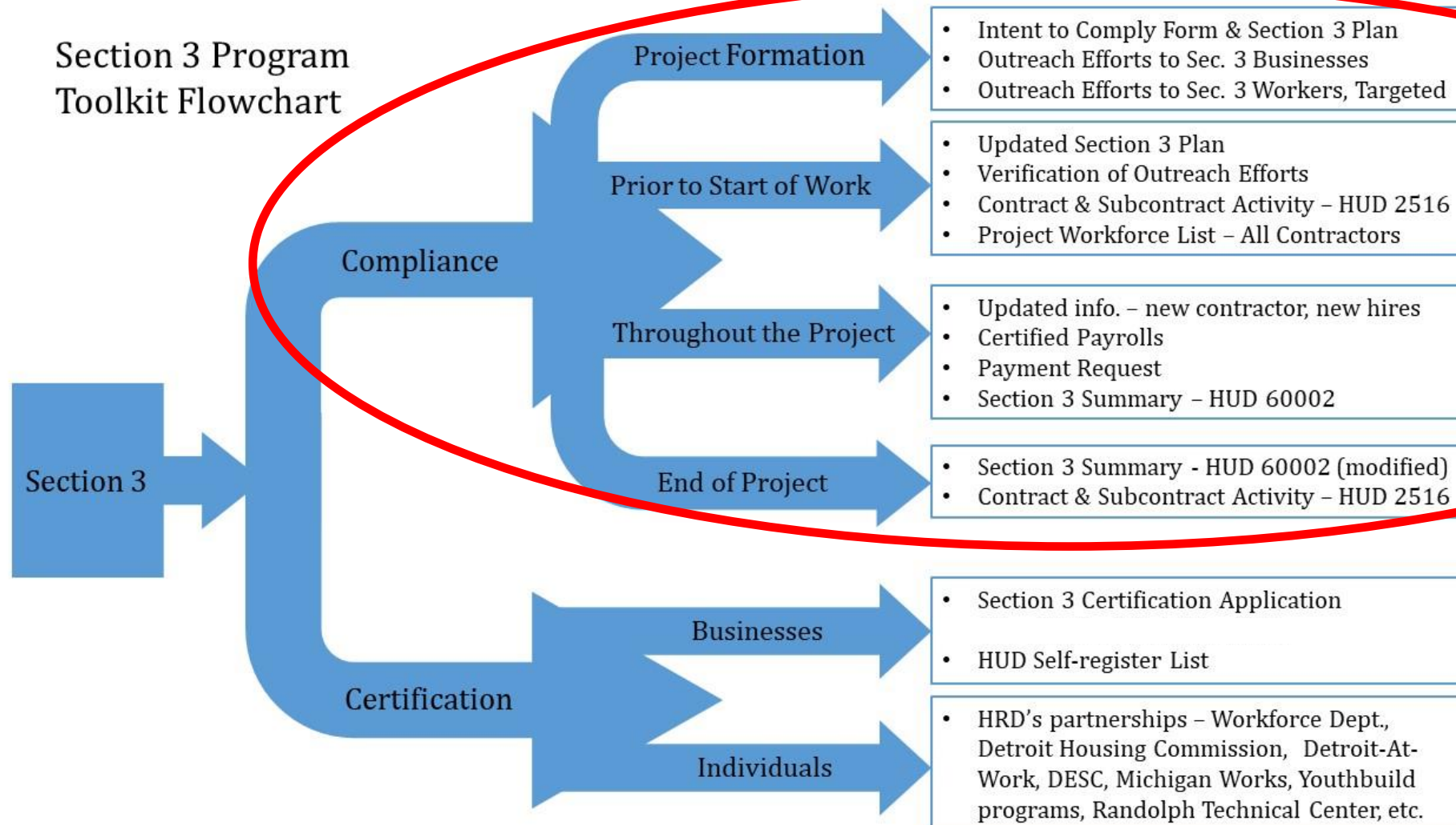
- ▶ There are two components of the Section 3 Program - Compliance and Certification.





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## Thank you

Email questions to - [HRDsection3@DetroitMi.gov](mailto:HRDsection3@DetroitMi.gov)

For more information - visit web page  
Housing and Revitalization Department (HRD)  
Section 3 Program

<https://detroitmi.gov/departments/housing-and-revitalization-department/hud-programs-and-information/section-3-program>