

## Section 3 Fact Sheet

Last update: 9/24/2021

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- No longer tracking new hires, instead will be tracking labor hours.
- 25% of total project hours must be worked by Section 3 workers; 5% by targeted Section 3 workers
- Section 3 workers are: any employee who meets one of the following categories within the past five years or at time of project:
  - o Income below 80% of the AMI in which workers resides
  - o The worker is employed by a Section 3 business concern
  - o Worker is a YouthBuild participant
- Targeted Section 3 workers are:
  - o Those employed by a Section 3 business concern
  - o Currently fits, or when hired fit, at least one of the following categories as documented within the past five years:
    - Living within the service area or the neighborhood of the project
    - A YouthBuild participant
- Service area or neighborhood of the project means an area within one mile of the Section 3 project or, if fewer than 5,000 people are in that area it is instead within a circle centered on the project area that encompasses a population of 5,000.
- Business can be Section 3 if 51% owned by PHA resident or 75% of hours are worked by Section 3 workers
- Compliance required on a per-project basis; a covered project is one that is greater than \$200K in assistance
- Now reported in DRGR instead of SPEARS
- Any contract signed before November 30, 2020 is subject to the old rule.
- Any contract or amendment signed after November 30, 2020 is subject to the new rule.
- Section 3 is required when the project involves new construction, rehab, or demolition of housing, infrastructure or public facilities.
- You may achieve safe harbor through qualitative efforts towards compliance such as outreach and training. If you do not meet numeric goals HUD will evaluate these qualitative efforts.
- Will be reported quarterly instead of yearly
- Is now found under 24 CFR 75

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New Rule	Old Rule
Section 3 compliance required on a per-project basis only	Program-wide compliance required if >\$200K in HUD funds
Covered project threshold may be updated every 3 years by FR notice	Covered project threshold was fixed
Reported in IDIS or DRGR depending on funding source	Reported in SPEARS
Implementing regulation 24 CFR 75	Implementing regulation 24 CFR 135
Numeric benchmarks updated every 3 years by FR notice; Project thresholds updated every 5 years by FR notice	Fixed numeric benchmarks and project thresholds
Overseen by Program Offices	Overseen by the Office of Fair Housing and Equal Opportunity
Covered project = greater than \$200K in CPD assistance or greater than \$100K in Lead and Healthy Homes funding	Covered project = greater than \$100K in HUD assistance
25% of total project hours worked by Section 3 workers; 5% by targeted Section 3 workers	30% of new hires must be Section 3 residents
Uses the term "Section 3 worker"	Used the term "Section 3 resident"
Added preference & definition for targeted Section 3 worker	No preference or definition for targeted Section 3 worker
Business can be Section 3 if 51% owned by PHA resident or 75% of hours worked are by Section 3 workers	Business could be Section 3 if subcontracting 25% of work to other Section 3 firms
No numeric benchmark but must contract with Section 3 businesses to greatest extent feasible	10% of construction costs contracted to Section 3 firms
Professional services that require specialized degrees or licensing not subject to Section 3	3% of non-construction costs contracted to Section 3 firms