

GRRP's Section 3 Requirement

Overview

Each year, HUD invests billions of federal dollars into communities across the country. And the Section 3 program requires recipients of HUD funding to direct employment, training, and contracting opportunities to low-income individuals and the businesses that employ these persons within their community. Section 3 is a provision of the HUD Act of 1968 and is found at 12 U.S.C. 1701u. The regulations are found at **24 CFR Part 75**.


To comply with Section 3, recipients of GRRP award must demonstrate that a minimum number of labor hours have been performed by low-income workers or that the recipient made best efforts to employ low-income workers.

Labor Hour Requirement

HUD sets the Section 3 benchmarks for the percentage of labor hours that must be worked by "Section 3 Workers" and "Targeted Section 3 Workers" in Section 3 projects. The benchmarks for GRRP projects (*where the amount of assistance to the project exceeds a threshold of \$200,000*) are:

- 25% or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 Workers; and
- 5% or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 Workers, as defined below.

To calculate these percentages, the equations are:



$$\frac{\text{Section 3 labor hours}}{\text{Total labor hours}} = 25\% \quad \text{AND} \quad \frac{\text{Targeted Section 3 labor hours}}{\text{Total labor hours}} = 5\%$$

Reporting Note

When reporting Section 3 Worker and Targeted Section 3 worker labor hours, it is important to note that the count of Targeted Worker labor hours is contained within the count of the overall Section 3 Worker labor hours. Therefore, the total percentage of labor hours that need to be performed by a combination of Section 3 Workers and Targeted Section 3 Workers is 25% with at least 5% of the total labor hours performed by Targeted Section 3 workers.

Section 3 Workers

A **Section 3 Worker** is any worker who when hired fits at least one of the these categories or did so in the past five years:

- A low- or very low-income individual,
- A YouthBuild participant, or
- A person hired by a Section 3 business. 

A **Targeted Section 3** worker meets one of the following criteria:

- A worker employed by a Section 3 business concern.

A worker is also considered a Targeted Section 3 Worker if when hired fits at least one of the these criteria or did so in the past five years:

- A resident of public housing or Section 8-assisted housing;
- A resident of other public housing or Section 8-assisted housing managed by the PHA that is providing the assistance; or
- A YouthBuild participant.

A **Section 3 Business** meets at least one of the following criteria, documented within the last six-month period:

- The business is at least 51% owned and controlled by low- or very low-income persons;
- Over 75 percent of the labor hours performed for the business over a 3-month period are performed by Section 3 Workers; or
- The business is at least 51% owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Best Efforts to Hire Section 3 Workers

In cases where owners do not meet the labor hours benchmarks for Section 3 Workers and Targeted Section 3 Workers, they must demonstrate they conducted best efforts to hire these workers. These “best efforts” should be documented and the documentation should be submitted in Greenlight for reporting on Section 3 compliance.

Best effort activities include but are not limited to:

- Outreach to generate Public Housing and assisted housing workers,
- Providing technical assistance to help Section 3 Workers compete for jobs through coaching or resume building workshops,
- Connecting residents to employment assistance services such as interview preparation and job placement services,
- Other examples found at [§75.15](#).

Reporting



Owners will be doing their Section 3 reporting in **Green Light** at the end of the GRRP project.

Example of reporting template in Greenlight:

Labor Hours	
Start Date: [DATE CLOSED]	End Date: [Date Scope of Work Completed]
Total Number of Labor Hours Worked	<input type="text"/>
Total Number of Labor Hours Worked by Section 3 Workers	<input type="text"/>
Of the Total Section 3 Labor Hours input above, how many were worked by <u>Targeted</u> Section 3 Workers?	<input type="text"/>

Reporting Note

Although Section 3 reporting comes at the end of the GRRP project as part of the completion certification, all the Section 3 hiring activities will need to take place prior to construction so it is important that Owners maintain documentation of their Section 3 efforts and keep track of the labor hours worked by Section 3 Workers throughout the GRRP project.

Owners **will not** need to upload income documentation that proves a worker is a Section 3 Worker but this documentation must be available to HUD upon request. A best practice includes keeping Section 3 Worker documentation with other supporting documentation and tracking so it can be easily made available upon an audit request. Documentation may include:

- A worker’s self-certification stating that their income is below the income limit from the prior calendar year;
- Certification that the worker is a participant in one of their programs from a PHA, the owner or property manager of Project-Based Section 8-assisted housing, or the administrator of Tenant-Based Section 8-assisted housing; or
- An employer’s certification that the worker’s income is below the income limit.
- Other forms of Section 3 work verification and templates found in the [Section 3 Guidebook](#) on the HUD Exchange.

Your Grant and Loan Specialist will inform you if any additional information or action is needed.

Please refer to the [Section 3 Guidebook](#) for additional resources and guidance on the Section 3 requirement. Any questions regarding Section 3 compliance can be directed to your Grant and Loan Specialist.



Example Reporting Form



SECTION 3 REPORTING

Owner Name:

Street Address:

City, County:

State:

Zipcode:

Contact Email:

Name of Project:

HOME or CDBG funding in S&U? Yes/No If yes, "Input IDIS Number:"

Owners must meet or exceed the safe harbor benchmarks that are established in 24 CFR § 75.25. See below Nature of Efforts if

Labor Hours

Start Date: [DATE CLOSED] End Date: [Date Scope of Work Completed]

Total Number of Labor Hours Worked:

Total Number of Labor Hours Worked by Section 3 Workers:

Of the Total Section 3 Labor Hours input above, how many were worked by Targeted Section 3 Workers?

put in blue bubbles where comment boxes are
 Benchmark 1: [TOTAL S3 W HRS] / [TOTAL LABOR] must be 25% or greater
 Benchmark 2: [Targeted S3 W HRS] / [TOTAL LABOR] must be 5% or greater

Nature of Agency Efforts

Based on above section, Reporting Agency met or exceeded the safe harbor benchmarks. Skip this section.
 Based on above section, Reporting Agency did not meet the safe harbor benchmarks. Complete the below section.
 Check all that apply. Reporting agency must maintain records available for HUD review to document any efforts checked.

This text will appear if the above data meets Benchmark 1 & Benchmark 2
This text will appear if at least one of the above benchmarks is not met

Minimum Required Efforts

- Outreach efforts to generate job applicants who are Public Housing Target Workers
- Technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching)
- Provided or connected residents with assistance in seeking employment including: drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services

Additional Efforts

- 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
- 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 participations by Section 3 business concerns
- Held one or more job fairs
- 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/for 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: *If checked, cannot be null*

Upload Evidence of Agency Efforts

Owner must upload supporting documentation that the minimum efforts have been satisfied. Supporting document examples include:

- Flyers for technical assistance workshops
- Registration/sign-in forms of workshops (must include name, address, date and resident signature)
- Letter of partnerships that will provide technical assistance
- Resident referral forms that connect residents to job opportunities & other employment services

Document Title:

All Section 3 minimum required efforts must be checked and at least one supporting document must be up. Owner cannot submit if criteria not met