



## CDBG-CV SECTION 3 GUIDELINES

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### **Overview**

Section 3 of the Housing and Urban Development Act of 1968, as amended, ("Section 3") requires that economic opportunities generated by certain U.S. Department of Housing and Urban Development (HUD) financial assistance for housing and community development programs be directed to low- and very low-income persons. The priority of assistance should be to those who are recipients of government assistance for housing and business concerns which provide economic opportunities to low- and very low-income persons.

The Section 3 program was created to ensure that persons living in communities where HUD-assisted programs were being funded could economically benefit from the resources being spent. This would improve the overall socioeconomic condition of not only the community, but also the low- and very low-income residents that reside within the neighborhoods.

The implementing regulation for Section 3 can be found at [24 CFR Part 75](#).

### **Applicability**

Whenever any portion of CDBG funding is invested into projects involving housing construction, demolition or rehabilitation, commercial/private improvements for economic development, or other public construction (e.g., roads, sewers, community centers, and public facilities), the requirements of Section 3 may apply, based on the guidance provided below.

Section 3 requirements that apply to CDBG funded Projects:

In conjunction with construction activity, Section 3 applies to projects that receive \$200,000 or more in CDBG assistance, including projects that are financed in conjunction with state, local, or private matching or leveraged funds, provided that the Section 3 monetary threshold requirements are met. In particular:

- Section 3 applies to recipients of CDBG funding, as well as its sub-recipients, contractors and sub-contractors; and
- Professional service contract labor hours (construction contract oversight, engineering, architectural, environmental and property evaluation, construction progress and construction draw inspection, and prevailing wage labor compliance) are not required to be reported. If a contract covers both professional services and other work and the recipient, contractor, or sub-contractor chooses not to report labor hours from professional services, the labor hours under the contract that are not from professional services must still be reported.

The regulations should not be construed to mean that recipients are required to hire Section 3 Workers or award contracts to Section 3 Business Concerns other than what is needed to complete covered projects and activities. If the expenditure of funding for an otherwise covered project and activity does not result in new employment, contracting, or training opportunities, reporting is still required.

### **Section 3 Benchmarks**

DEO's sub-recipients, developers, and contractors will be required, to the greatest extent feasible, meet the Section 3 HUD benchmarks as described in [24 CFR 75.13](#). HUD will establish Section 3 benchmarks for Section 3 workers or Targeted Section 3 workers, or both, through a document published in the Federal Register ([FR-6085-N-04](#)).

- 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;
- 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.

### **Section 3 Worker**

- HUD defines a Section 3 worker as a worker that meets one of the following requirements: The worker's income is below the income limit established by HUD; or
- The worker is employed by a Section 3 business concern; or
- The worker is a YouthBuild participant.

### **Targeted Section 3 Worker**

A Targeted Section 3 worker includes any worker who is employed by a Section 3 business concern; or a Section 3 worker who is:

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

### **Section 3 Business**

To be considered a Section 3 Business Concern a business must meet one of the following criteria:

- At least fifty-one (51) percent or more owned by Section 3 Workers; or
- Over seventy-five (75) percent of the labor hours performed by the business are performed by low- or very low-income persons; or
- It is a business at least fifty-one (51) percent owned by current public housing residents or residents who currently live in Section 8-assisted housing.

### **Responsibilities**

A local government that receives CDBG funding has the responsibility to comply with Section 3 requirements. The grantee is also required to "ensure compliance" of their contractors and sub-contractors.

This responsibility includes:

- a. Notifying Section 3 Workers and business concerns about jobs and contracts generated by Section 3 covered assistance so that they may submit bids/proposals for available contracts and job openings with the grantee;
- b. Notify potential contractors of their responsibilities under Section 3;
- c. Include Section 3 language in all applicable contracts;
- d. Require sub-recipients, contractors, and sub-contractors to meet the requirements of §75.19, regardless of whether Section 3 language is included in recipient or sub-recipient agreements, program regulatory agreements, or contracts;
- e. Document action(s) taken to meet the HUD benchmarks;
- f. Respond to Section 3 complaints; and
- g. Complete and submit the required Section 3 Forms along with procurement documents to DEO.

### **Outreach Best Practices**

Grantees must develop a Section 3 plan, including outreach to Section 3 Workers and Businesses within the municipality. Best practices include:

- Publication of opportunities in newsletters or other local newspapers, including those targeted to Limited English Proficient populations.
- Use of signage at the project site and flyers posted in the project area.
- Notification of potential training or employment opportunities to neighborhood and non-profit groups, including Public Housing Authorities, servicing low- and very low-income persons.
- Communicate opportunities to employment agencies and career centers.

### **Additional Resources**

[DEO Section 3 Economic Opportunities website](#)

[HUD Section 3 website](#)