

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY
THRESHOLD REQUIREMENTS TO COMPLY WITH SECTION 3**

**EFFECTIVE FOR PROJECTS RECEIVING COMMITMENTS
ON OR AFTER NOVEMBER 30, 2020
VERSION: 11/18/2021**

SUMMARY OF SECTION 3

The rule establishes the requirements to be followed to ensure the objectives of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) are met. The purpose of Section 3 is to ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing or residents of the community in which the Federal assistance is spent.

The objective is to secure the participation of low-income persons and Section 3 business concerns in activities that arise in connection with the assisted project. Section 3 applies where \$200,000.00 or more of applicable HUD program funds are awarded to a project, which includes construction or rehabilitation activity. Section 3 requirements apply to the entire project, not just the HUD-financed portion. If a housing rehabilitation, housing construction, or other public construction project receives more than \$200,000 of HUD funding, then Section 3 requirements are triggered and apply to all employment and training opportunities and contracts for work arising in connection with the project including efforts that are financed by other, non-HUD sources of funds. Grantees must make all recipients, contractors, and subcontractors aware of the need to comply with Section 3 requirements. Section 3 regulations also encourage the provision of other economic opportunities to low-income persons and businesses. Examples of other economic opportunities include: trainee positions, management and, part-time positions, efforts to establish or expand Section 3 business concerns. The Section 3 requirements also apply when a project receives less than \$200,000 in HUD housing and community development financial assistance but receives public housing financial assistance, as defined in 24 CFR 75.3(a)(1), or more than \$100,000 of Lead Hazard Control and Healthy Homes program funding, Section 3 also applies to other federal housing and community development programs, recipients of public or Indian housing programs and community development assistance.

New Hampshire Housing Finance Authority will need to demonstrate how and whether Section 3 goals are met. Therefore documentation of Section 3 Worker, Targeted Section 3 Worker and Section 3 Business Concern participation is required.

Outreach, Employment and Section 3 Residents

The objective is to secure jobs for low-income persons that are generated by Section 3 covered project. Section 3 Workers must be encouraged to apply for all project-related, full-time positions including: construction related, technical services, administrative, coordination, maintenance, management and other positions. Jobs must be given to Section 3 Workers to the greatest extent feasible. Compliance with Section 3 is achieved if

1. Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Section 3 workers and
2. Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Targeted Section 3 workers

Section 3 Workers are defined as following:

1. Is a low- or very low-income worker that fell below HUD income limits for the previous or annualized calendar year. Low- and very-low-household income limits may be obtained from: <http://www.huduser.org/portal/datasets/il.html>
2. Is employed by a Section 3 business concern.
3. Is a YouthBuild participant. YouthBuild is a community-based pre-apprenticeship program administered by the U.S. Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school.

Targeted Section 3 Workers are defined as following:

1. A worker employed by a Section 3 business concern (defined below), or
2. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
 - a. Living within the service area or the neighborhood of the project (within one mile).
 - b. A YouthBuild participant.

An individual seeking preference for training and employment under Section 3 shall certify or submit evidence to the recipient, contractor or subcontractor (as requested) that the person is a Section 3 resident.

Contracting with Section 3 Business Concerns

The statute creates a contracting priority for businesses that provide economic opportunities for low- and very low-income workers. To implement this priority, the regulation includes labor hours worked by Section 3 business concern employees to count towards benchmarks for Section 3 workers and Targeted Section 3 workers.

A Section 3 business concern: A Section 3 business concern is defined in 24 CFR 75.5 as a business that meets at least one of the following criteria, documented within the last six-month period:

1. At least 51 percent owned and controlled by low- or very low-income persons,
2. More than 75 percent of the labor hours performed for the business over the previous 3-month period are performed by Section 3 workers, or
3. At least 51 percent owned and controlled by current residents of public housing or Section 8-assisted housing.

Highest preference must be provided to Section 3 business concerns in the jurisdiction of the project. Second tier concerns are applicants selected to carry out HUD Youthbuild programs. Third tier includes all other Section 3 business concerns.

There is no registration process to establish qualification; rather the business concern shall certify that it meets the regulatory definition to the qualifying HUD funds recipient or contractor. Business concerns shall also submit evidence to the recipient, contractor or subcontractor as requested to demonstrate that the business is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract.

SUMMARY OF SECTION 3 GOALS

Employment of Section 3 Workers and Business Concerns by Recipients of HUD Funds:

1. Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Section 3 workers and
2. Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Targeted Section 3 workers

Contraction with Section 3 Business Concerns:

Section 3 business concerns are not exempt from meeting contract specifications nor do the regulations require the contracting or subcontracting of a Section 3 business concern.

HUD's Section 3 Business Registry is a searchable on-line database of firms that have self-certified that they meet one of the regulatory definitions of a Section 3 business concern. Agencies that receive HUD funds, developers, contractors, and others can use this registry to facilitate the award of certain HUD-funded contracts. While the Department maintains the Business Registry database, it has not verified the information submitted by the businesses and does not endorse the services they provide. Accordingly, grantees must verify that each business meets the definition of a Section 3 business concern before awarding contracts to any firm that has self-certified on this registry.