

EXHIBIT – FEDERAL SECTION 3 REQUIREMENTS AND REPORTING

Why HUD Enforces Section 3?

Each year the U.S. Department of Housing and Urban Development invests billions of federal dollars into distressed communities for projects that build and rehabilitate housing; improve roads and community centers; and help families achieve the American Dream.

The Section 3 regulation acknowledges that HUD funding typically results in projects/activities that generate new contracting, employment, and other economic opportunities that not only affect bricks and mortar, but also create a multiplier effect for local housing providers and businesses that provide goods and services.

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.

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.

What triggers the requirements of Section 3?

Each recipient of \$200,000 of covered HUD funding is required to comply with Section 3. Section 3 applies to all projects and activities involving housing construction, rehabilitation, or other public construction that is funded with covered HUD funding.

Section 3 is triggered when the normal completion of construction and rehabilitation projects creates the need for new employment, contracting, or training opportunities.

The Section 3 regulations should not be construed to mean that recipients are required to hire Section 3 residents or award contracts to Section 3 businesses other than what is needed to complete covered projects/activities.

If the expenditure of covered funding does not result in:

- new employment or
- contracting or
- training opportunities, then the requirements have not been triggered

Section 3 Worker by Definition

Section 3 Worker Definition:

- A low or very low-income resident (the worker's income for the previous or annualized calendar year is below the income limit established by HUD); or
- Employed by a Section 3 business concern; or
- A YouthBuild participant

Targeted Section 3 Worker Definition (for public housing):

- Employed by a Section 3 business concern or
- Currently meets or when hired met at least one of the following categories as documented within the past five years:
 - A resident of public housing; or
 - A resident of other public housing projects or Section 8-assisted housing; or
 - A YouthBuild participant

Targeted Section 3 Worker Definition (for housing and community development):

- Employed by a Section 3 business concern or
- Currently meets or when hired met at least one of the following categories as documented within the past five years:
 - Living within 1 mile radius of the service area or the neighborhood of the project, as defined in 24 CFR 75.5
 - A YouthBuild participant

Certification of Section 3 Business Concern

Business concerns may self-certify to claim that they meet the requirements as defined in the regulations in [§ 75.5](#). Once a business is certified as a Section 3 business concern it will retain that status for as long as it continues to meet the definition outlined in [§ 75.5](#). Recipients should require a self-certified Section 3 business concern to submit some type of certification form during the bidding or contracting process for businesses bidding on a Section 3 activity or project.

The determination of certification as a Section 3 business concern is made in the initiation stage of developing a contract or subcontract and prior to its execution. Information submitted by businesses must be verified for Section 3 compliance before awarding contracts or subcontracts to those businesses who self-certified.

The requirement to self-certify and the determination of certification prior to contract or subcontract execution provides program participants with certainty in their Section 3 strategies. While HUD maintains a self-certified Opportunity Portal database, it does not verify the information submitted by the businesses and does not endorse the services they provide. The process to verify and finalize certification is the responsibility of the recipient.

Safe Harbor Benchmarks

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968, federal regulation formerly 24 CFR Part 135. HUD released a final rule in the fall of 2020 changing the regulation to 24 CFR Part 75. The final rule moved from tracking the number of qualified new hires (Section 3 residents) in Section 3 projects to tracking the total labor hours worked (by Section 3 workers and Targeted Section 3 workers). In connection with the final rule, 24 CFR Part 75, HUD published a document citation via the federal register, 85 FR 60907, Section 3 Benchmarks for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses.



The new Section 3 regulation, 24 CFR Part 75 still aims 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 residents of the community in which the federal assistance is spent. Requiring recipients of certain HUD housing and community development financial assistance, to the greatest extent feasible, to provide employment and job training for low- and very low-income persons and contracting opportunities to business concerns which provide economic opportunities to low- and very low-income persons in connection with projects and activities in their neighborhoods.

HUD established nationwide benchmarks for work performed by tracking the labor hours. The two benchmarks are (1) twenty-five percent (25%) or more of the total number of labor hours worked on a Section 3 project is performed by Section 3 workers; and (2) five percent (5%) or more of the total number of labor hours worked on a Section 3 project is performed by Targeted Section 3 workers. The five percent is within the twenty-five percent. The labor hours reported must include any labor hour charged against the budget of the project.

Section 3 Projected Hours & Available Positions Tracking

How many positions available	Project Name:	Provide projected hours			Total Projected Labor Hours
		Non Section 3 Worker	Section 3 Worker	Targeted Section 3 Worker	
	Contractor Name:				
	List Projected available Positions				
		<p>At the time of bid, contractor are to present a list, of the number of total labor hours, Section 3 worker labor hours, and Targeted Section 3 worker labor hours expected to be generated from the initial contract and a list of projected number of available positions, to include job descriptions and wage rates.</p>			

Section 3 Opportunity Portal

The [Section 3 Opportunity Portal](#) is intended to assist recipients of Section 3 covered funding and Section 3 business concerns meet their obligations for employment, hiring, and contracting under the final rule, and serve as a helpful tool in locating or connecting Section 3 business concerns and Section 3 workers within the community.

- Section 3 workers may use the site to search for employment opportunities and post a resume to their profile for companies seeking Section 3 workers
- Section 3 business concerns may use the site to self-certify as a Section 3 business concern, post or search job/contract opportunities, or search for low- and very low-income workers to fill positions and become Section 3 workers
- Section 3 recipients may use the site to identify businesses that have self-certified to have met the definition of a Section 3 business concern, post or search job/contracting opportunities, or search for low- and very low-income workers to fill positions and become Section 3 workers for their jurisdiction's Section 3 projects



Users can search for jobs, training positions, or contracts without creating a Portal sign-in. Users must complete a free registration and sign-in to post resumes, jobs, training opportunities, contracts, or search job applicants.

HUD maintains this database for the convenience of the recipients of Section 3 covered funding. HUD does not verify information submitted by the businesses, eligible Section 3 workers, or Section 3 recipients within the database. It is the responsibility of the Section 3 business concern or Section 3 recipient to verify the information, as outlined in [§ 75.5](#), upon hiring Section 3 workers or contracting with Section 3 business concerns. Additionally, by maintaining the database, HUD does not indirectly or definitely verify the information submitted nor does it endorse the services they provide. Users of the database are encouraged to use due diligence to ensure sufficient capacity or qualifications before awarding contracts or hiring individuals that have submitted information to the Section 3 Opportunity Portal.

If you believe that a firm has misrepresented itself as a Section 3 business concern, please email HUD at Section3@hud.gov.

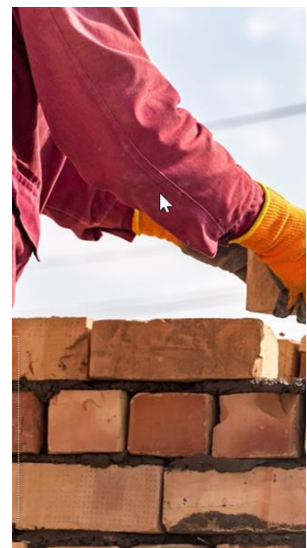
Website: <https://hudapps.hud.gov/OpportunityPortal/>

Certification of Section 3 Business Concerns

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Counting Worker Hours

The final rule tracks and reports labor hours instead of new hires. The final rule's **focus on labor hours performed by low- and very low-income workers**

Collecting Labor Hours – *use Monthly Labor Hours Tracking Form*

Recipient agencies and contractors must collect the following information:

- The total number of labor hours worked
- The total number of labor hours worked by Section 3 workers
- The total number of labor hours worked by Targeted Section 3 workers

Recruitment Outreach Strategies

Recipients will be considered to have complied with the Section 3 requirements and met the safe harbor, in the absence of evidence to the contrary, if they certify that they have followed the required prioritization of effort and met or exceeded the applicable Section 3 benchmarks.

If a recipient agency or contractor does not meet the benchmark requirements but can provide evidence that, they have made a number of qualitative efforts to assist low- and very low-income persons with employment and training opportunities the recipient or contractor is considered to be in compliance with Section 3. Absent evidence to the contrary (i.e., evidence or findings obtained from a Section 3 compliance review).



Successful methods by which a business can locate and hire Section 3 workers within the area of the project or in public housing development projects include:

- **Accessing HUD's Section 3 Opportunity Portal** to help connect HUD funding recipients, Section 3 business concerns, and Section 3 workers. HUD funding recipients and their contractors can post contract opportunities; Section 3 business concerns are able to post training/job opportunities for Section 3 workers; and Section 3 workers are able to post their resume.
- **Informing local PHAs**, in particular the PHAs Resident Councils, Resident Management Corporations, or other resident organization, of any training/job opportunities
- **Distributing flyers/posting signs** in the area of the development/project and in projects owned and managed by the PHA
- **Placing help wanted ads** in local newspapers or online
- **Cultivating local contacts** such as community development organizations, business development agencies, minority contracting associations, apprenticeship development programs, YouthBuild, Jobs Corps, and employment agencies

HUD funding recipients can recruit potential Section 3 business concerns by:

- **Implementing a resident business development initiative or business incubator** to support resident entrepreneurship (e.g. resident contracting program, family day care program, and revolving loan program)
- **Educating local unions** on Section 3 or creation of apprenticeship programs with those local unions
- **Holding hiring fairs** that includes Section 3 informational sessions and invite local business and industry as well as local business association groups
- **Partnering with local business start-up groups** and business incubators
- **Establishing clear and robust contracting guidelines** ensuring everyone bidding is aware of any Section 3 requirements
- **Advising Section 3 business concerns** as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance

Section 3 Labor Hours Summary Report (regulation 24 CFR Part 75)

Economic Opportunities for Low - and Very Low-Income Persons

1. Submitting Business Name: _____ 2. Project Name: _____ 3. Project Address / Location: _____

4. Contact Person: _____ 5. Contact Number: _____ 6. Contact Email Address: _____

7. Reporting Period (Month & Year): _____ 8. Date Report Submitted: _____ 9. Project Dates: (Start Date - End Date) _____

10. Total Awarded Amount: _____ 11. Funding Program Name and Amount: (HOME, CDBG, & CDBG-CV) _____

Part I: Employment and Training (** Columns B, C and F are mandatory fields. Include New Hires in E & F)

A	B	C	D	E	F
Business Name	All Workers Labor Hours	Section 3 Workers Labor Hours	% of Section 3 Worker Labor Hours	Targeted Section 3 Workers Labor Hours	Section 3 Trainees (If yes, enter "1")
1 Developer			33.33%		0
2 General Contractor	0	0	#DIV/0!	0	0
3 Sub 1	0	0	#DIV/0!	0	0
4 Sub 2	0	0	#DIV/0!	0	0
5 Sub 3	0	0	#DIV/0!	0	0
6 Sub 4	0	0	#DIV/0!	0	0
7 Sub 5	0	0	#DIV/0!	0	0
8 Sub 6	0	0	#DIV/0!	0	0
9 Sub 7	0	0	#DIV/0!	0	0
10 Sub 8	0	0	#DIV/0!	0	0
11 Sub 9	0	0	#DIV/0!	0	0
12 Sub 10	0	0	#DIV/0!	0	0
13 Sub 11	0	0	#DIV/0!	0	0
14 Sub 12	0	0	#DIV/0!	0	0
15 Sub 13	0	0	#DIV/0!	0	0
16 Sub 14	0	0	#DIV/0!	0	0
17 Sub 15	0	0	#DIV/0!	0	0
18 Sub 16	0	0	#DIV/0!	0	0
19 Sub 17	0	0	#DIV/0!	0	0
20 Sub 18	0	0	#DIV/0!	0	0
21 Sub 19	0	0	#DIV/0!	0	0
22 Sub 20	0	0	#DIV/0!	0	0
TOTAL	0	0	#DIV/0!	0	0
Business Name	All Workers Labor Hours	Section 3 Workers Labor Hours	% of Section 3 Worker Labor Hours	Targeted Section 3 Workers Labor Hours	Section 3 Trainees (If yes, enter "1")

Business Name	All Workers Labor Hours	Section 3 Workers Labor Hours	% of Targeted Section 3 Worker Labor Hours	Targeted Section 3 Workers Labor Hours	Section 3 Trainees (If yes, enter "1")

Section 3 Labor Hours Verification (prior 3-month period) (24 CFR Part 75)

Please complete the form below for your entire workforce labor hours for a **3-month period**.

1. Submitting Business Name: **2. Business Street Address, City, State, and Zip Code**

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4. Contact Person **5. Contact Number** **6. Contact Email Address**

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7. Reporting Period (prior 3-months - "Month, Month, and Month") **8. Date Report Submitted**

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	A	B	C	D	E	F	G
	Months	Enter the Month		Enter the Month		Enter the Month	
Worker Name	All Workers Labor Hours	Section 3 Workers Labor Hours	All Workers Labor Hours	Section 3 Workers Labor Hours	All Workers Labor Hours	Section 3 Workers Labor Hours	
1	Worker Name 1						
2	Worker Name 2						
3	Worker Name 3						
4	Worker Name 4						
5	Worker Name 5						
6	Worker Name 6						
7	Worker Name 7						
8	Worker Name 8						
9	Worker Name 9						
10	Worker Name 10						
11	Worker Name 11						
12	Worker Name 12						
13	Worker Name 13						
14	Worker Name 14						
15	Worker Name 15						
16	Worker Name 16						
17	Worker Name 17						
18	Worker Name 18						
19	Worker Name 19						
20	Worker Name 20						
21	Worker Name 21						
22	Worker Name 22						
23	Worker Name 23						
24	Worker Name 24						
25	Worker Name 25						
26	Worker Name 26						
27	Worker Name 27						
28	Worker Name 28						
29	Worker Name 29						
30	Worker Name 30						
	TOTAL	0	0	0	0	0	0
	Section 3 Labor Hours Percentage		#DIV/0!		#DIV/0!		#DIV/0!
Worker Name	All Workers Labor Hours	Section 3 Workers Labor Hours	All Workers Labor Hours	Section 3 Workers Labor Hours	All Workers Labor Hours	Section 3 Workers Labor Hours	

I certify that the total workforce labor hours and Section 3 workers labor hours provided are true and accurate. I will promptly provide supporting documentation (i.e. certified payrolls, etc.) as requested by Housing and Revitalization Department Section 3 Program Manager or designee.

Print Name

Title

Signature

Date



Section 3 Worker and Targeted Section 3 Worker Self-Certification

Eligibility for Section 3 Worker or Targeted Section 3 Worker Status

The purpose of HUD's Section 3 program is to provide employment, training and contracting opportunities to low-income individuals, particularly those who are recipients of government assistance for housing or other public assistance programs. **Your response is voluntary, confidential, and has no effect on your employment.**

City of Columbia Section 3 Income Limits

Eligibility Guidelines: The worker's income must be at or below the amount provided below for an individual (household of 1) regardless of actual household size.

Individual Income Limits for City of Columbia FY 2022

Income Limits Category	FY 2022 Income Limits
Extremely Low Income Limits (30%)	\$16,950
Very Low Income Limits (50%)	\$28,250
Low Income Limits (80%)	\$45,150

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- Employed by a Section 3 business concern; or
- A YouthBuild participant.

Targeted Section 3 Worker Definition (for public housing)

- Employed by a Section 3 business concern or
- Currently meets or when hired met at least one of the following categories as documented within the past five years:
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Targeted Section 3 Worker Definition (for housing and community development)

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 - Living within 1 mile radius of the service area or the neighborhood of the project, as defined in 24 CFR 75.5



Instructions: Enter/select the appropriate information to confirm your Section 3 worker or Targeted Section 3 Worker status.

Employee Name: _____

1. Are you a resident of public housing or a Housing Choice Voucher Holder (Section 8)? YES NO
2. Are you a resident of the City of Columbia YES NO

Select from **ONE** of the following two options below:

I qualify as a:

3. **Section 3 Worker** (as defined on page 3 of Section 3 Worker Certification Form)
4. **Targeted Section 3 Worker** (as defined on page 3 of Section 3 Worker Certification Form)
5. In the field below, select the amount of individual income you believe you earn on an annual basis. *The grantee should confirm that their state and local laws do not prohibit this question.

- | | | |
|--|--|---|
| <input type="checkbox"/> Less than \$10,000 | <input type="checkbox"/> \$30,001 - \$40,000 | <input type="checkbox"/> More than \$60,000 |
| <input type="checkbox"/> \$10,001 - \$20,000 | <input type="checkbox"/> \$40,001 - \$50,000 | |
| <input type="checkbox"/> \$20,001 - \$30,000 | <input type="checkbox"/> \$50,001 - \$60,000 | |

Employee Affirmation

I affirm that the above statements are true, complete, and correct to the best of my knowledge and belief. I hereby certify, under penalty of law, that the following information is correct to the best of my knowledge.

Employee Address: _____

Print Name: _____ **Date Hired:** _____

Signature: _____ **Date:** _____



FOR ADMINISTRATIVE USE ONLY

Is the employee a Section 3 worker based upon their self-certification? YES NO

Is the employee a Targeted Section 3 worker based upon their self-certification? YES NO

Was this an applicant who was hired as a result of the Section 3 project? YES NO

If Yes, what is the name of the company? _____

What was the date of hire? _____

EMPLOYERS MUST RETAIN THIS FORM IN THEIR SECTION 3 COMPLIANCE FILE FOR FIVE YEARS.