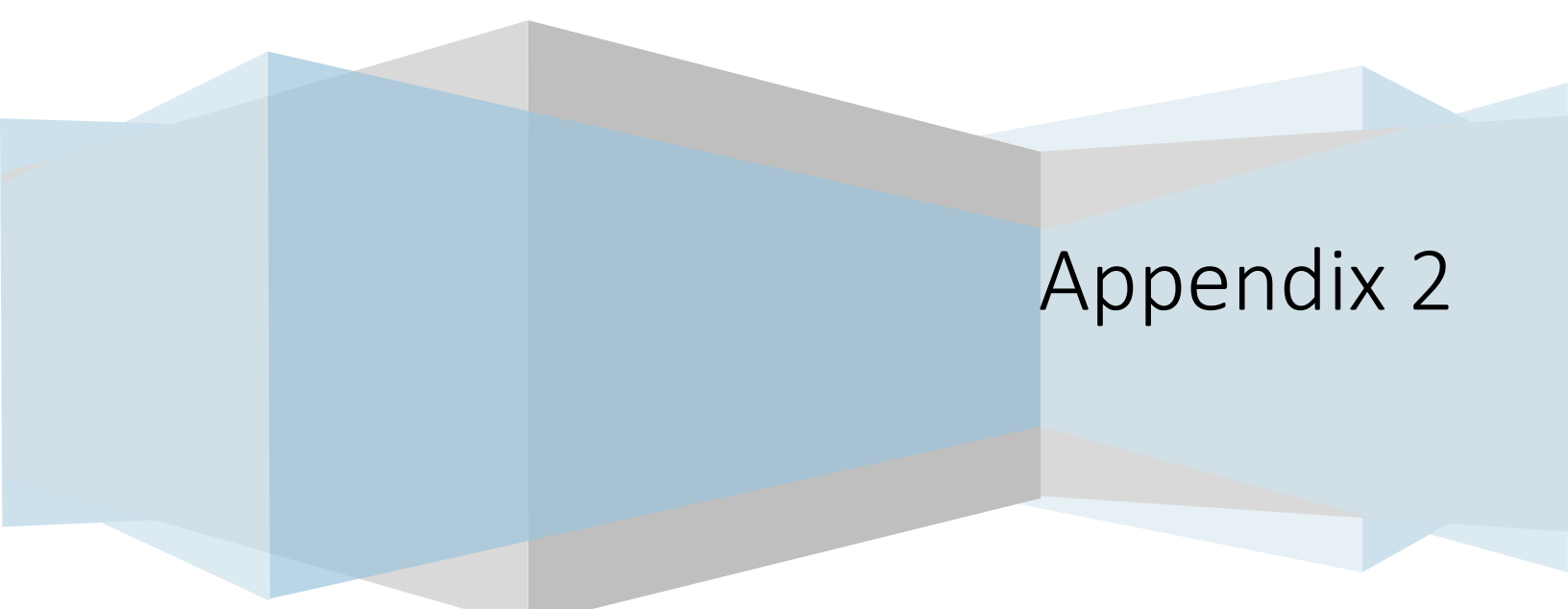


Section 3 Requirements

CDBG/HOME Guidebook



Appendix 2

Section 3 Requirements

Section 3 Requirements and Compliance

What is Section 3?

Each year the U.S. Department of Housing and Urban Development (HUD) invests billions of federal dollars into communities for projects designed to build and rehabilitate housing, improve roads, develop community centers, and otherwise assist primarily low-income families.

Section 3 regulations recognize that HUD funding typically results in projects/activities that generate new employment, training and contracting opportunities. These economic opportunities not only provide “bricks and mortar” but can also positively impact the lives of residents who live in the neighborhoods where HUD funded projects occur.

Section 3 of the Housing and Urban Development Act of 1968 is HUD’s legislative directive for providing preference to low- and very low-income residents of the local community and the businesses that substantially employ these persons, for new employment, training, and contracting opportunities resulting from HUD-funded projects.

Triggering the Requirements of Section 3

As a condition of receiving more than \$200,000 of HUD Community Development Block Grant (CDBG) and/or HOME Investment Partnership (HOME) funds, grant recipients must comply with the requirements of Section 3 if the funding will be invested into a project involving **housing construction, demolition, rehabilitation, or other public construction – i.e., roads, sewers, community centers, etc.** The project is the site or sites together with building(s) and improvements located on the site(s) that are under common ownership, management, and financing. The requirements apply to an entire Section 3 project, regardless of whether the project is fully or partially assisted with CDBG or HOME.

For CDBG and HOME assisted projects which trigger Section 3 compliance, the benchmark for Section 3 workers is set at 25 percent or more of the total number of labor hours worked by all workers on the project. The benchmark for Targeted Section 3 workers is set at 5 percent or more of the total number of labor hours worked by all workers on the project. This means that the 5 percent is included as part of the 25 percent threshold.

Section 3 Workers

A “Section 3 Worker” is any worker who currently fits, or when hired within the past five years fit, at least one of the following categories, as documented:

1. The worker’s income for the previous or annualized calendar year is below the income limit established by HUD (worker is “low income” meaning their income is below 80% of the area median income).
2. The worker is employed by a Section 3 business concern.
3. The worker is a YouthBuild participant.

Section 3 Requirements

A “Targeted Section 3 worker” is a Section 3 worker who:

1. Is employed by a Section 3 business concern; or
2. Currently fits or when hired fit at least one of the following categories, as documented within the past 5 years:
 - Living within the service area or the neighborhood of the project, as defined in 24 CFR Part 75.5; or
 - A YouthBuild participant

Determining Income Levels

Low income is defined as 80% or below the as area median income for Section 8 programs as determined by HUD. HUD publishes income limits each year for the Bremerton-Silverdale Metropolitan Statistical Area (MSA). These limits are updated annually by HUD and available from the Kitsap County Block Grant office.

What is YouthBuild?

YouthBuild is a community-based pre-apprenticeship program that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school. Kitsap County’s YouthBuild Program is operated by Olympic Educational Service District 114, located in Bremerton.

Section 3 Business Concern

A Section 3 business concern is 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. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
3. A business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

The Section 3 Business Registry is a listing of firms that have self-certified that they meet the definition of a Section 3 business and are included in a searchable online database. It can be found here: [Search HUD Section 3 Business Registry](#)

How Do We Comply with Section 3 Requirements?

Block Grant staff will work with grant recipients to comply with the requirements of Section 3. As the recipient of more than \$200,000 of CDBG or HOME funds your responsibility includes:

1. Grant recipients are required to maintain documentation to demonstrate compliance with the regulations and are responsible for requiring their contractors/subcontractors to maintain or provide any documentation that will assist recipients in demonstrating compliance, including documentation that shows hours worked by Section 3 workers, Targeted Section 3 workers, and any qualitative efforts to comply with Section 3.
2. Implement procedures to notify Section 3 workers and businesses about training, employment, and contracting opportunities generated by your CDBG or HOME award. You will need to provide

Section 3 Requirements

a form letter (Block Grant will provide a template) to the general contractor, which they will send to the following:

- Work Source Center
- Skookum Enterprises
- Youthbuild

This form letter will alert organizations that work with Section 3 residents of the upcoming project and potential employment opportunities. These organizations will be asked to make referrals to the general contractor, and the general contractor shall document its outreach efforts and report Section 3 workers hired (including those hired by subcontractors) on the Section 3 report submitted to the Block Grant Office.

HUD also maintains a Section 3 Opportunity Portal where you can post job/contract opportunities or search for eligible workers to fill positions. The site can be found here [Section 3 Opportunity Portal - Home \(hud.gov\)](https://www.hud.gov/section3)

3. Incorporate the Section 3 Clause into all covered solicitations and contracts. All bid packets for contracts must contain the Section 3 clause.
4. Work with contractors and subcontractors to ensure compliance. Information must be provided at the beginning of the project. Provide the Section 3 report forms, and Section 3 Clause for contracts, to the general contractor selected for the project. Forms will be provided by the Kitsap County Block Grant Office.