

# Section 3 of the Housing and Urban Development Act of 1968

## Old Rule - 24 CFR Part 135

## New Rule - 24 CFR Part 75

### Focusing on sustained employment of low- and very low-income populations

A new hire for a temporary, one-month job and a new hire for a permanent, year-round job counted the same, instead of placing more value on long-term employment.

Recognizes the greater value of the permanent job by focusing on labor hours instead of new hires, creating an incentive for employers to invest in and retain their newly hired low-income workers.

### Crediting successful sustained employment in reporting benchmarks

Former benchmarks:

- 30% of persons hired by Section 3 funding must be Section 3 residents
- 10% of total funds for construction contracts awarded to Section 3 businesses
- 3% of total funds for non-construction contracts awarded to Section 3 businesses
- No updates to these benchmarks

Final rule benchmark notice:

- 25% of all labor hours must be performed by a Section 3 worker
- 5% of all labor hours must be performed by Targeted Section 3 workers
- Benchmark notice should be updated by the Secretary every three years

### Allowing varied outcomes for different geographies and activities

Section 3 residents are:

- Public housing residents
- Low- and very low-income persons who live in the metropolitan area or non-metropolitan county where a HUD assisted project for housing or community development is located

Section 3 workers are:

- Workers whose incomes for the previous or annualized calendar year are below the income limit established by HUD
- Employed by a Section 3 business concern
- YouthBuild participants

Under the old rule, there is no distinction or prioritization of hiring Targeted Section 3 workers.

New rule emphasizes the priority hiring of Targeted Section 3 workers living in public or Section 8-assisted housing or within a 1 mile radius of the project site.

Section 3 business concerns are:

- At least 51% owned by Section 3 residents
- At least 30% of employees are currently Section 3 residents, or were within first three years of employment
- Businesses that subcontract more than 25% of all subcontracts to a Section 3 business concern

Section 3 business concerns are:

- At least 51% owned and controlled by low- or very low-income persons
- Businesses where Section 3 workers perform over 75% of the labor hours over a three-month period
- At least 51% owned and controlled by current public housing or Section 8-assisted housing residents

### Integrating Section 3 into the program offices

Enforcement and compliance was performed by the Office of Fair Housing and Equal Opportunity.

Enforcement and compliance will be integrated into regular program office work.

### Reducing reporting requirements for grantees who are meeting benchmarks