



# Section 3 Overview

CDBG-DR & CDBG-MIT

## What is Section 3, and does it apply to the project?

“Section 3” refers to a set of requirements outlined in [24 CFR Part 75](#) that are intended to ensure HUD-Funded projects create job, training, and contracting opportunities for low-income individuals, and for businesses that employ or are owned by such individuals.

Section 3 applies when a housing, construction, demolition, or public construction project receives \$200,000 or more in HUD Program Funding. When this threshold is met, the entire project is subject to Section 3 requirements.



### Safe Harbor Benchmarks

- 25% or more of total labor hours are worked by Section 3 Workers
- 5% or more of total labor hours are worked by Targeted Section 3 workers



### Qualitative Efforts

Under Section 3, subrecipients must perform qualitative efforts over the life of their projects if they do not meet Section 3 Safe Harbor benchmarks.

Examples of potential qualitative efforts can be found at [24 CFR 75.15\(b\)](#).



### Facilitate Employment

If new employees are needed, or if vacancies exist for work on CDBG-DR and CDBG-MIT assisted projects, the subrecipient and/or contractor must identify and hire potential Section 3 employees. Outreach efforts may include:

- Clearly indicating Section 3 eligibility on all job postings for the project
- Posting the employment opportunity with organizations that encourage the employment of Section 3 workers such as the [Louisiana Workforce Commission](#)



## Procurement Outreach

Subrecipients must engage Section 3 businesses and individuals in procurement by including inclusive language in RFPs and bids and sharing these with organizations that support low- and very low-income workers.

- **Targeted Section 3 workers** are those Section 3 workers who currently fit one of the following categories:
  - » In addition to earning 80% or less of the AMI, they also live in the Section 3 Service Area identified in Step 1
  - » Are employed by Section 3 businesses
  - » Are YouthBuild participants



## Identifying Section 3 Areas, Businesses, and Workers

### Step 1: Identifying the Section 3 Service Area

Create a Section 3 map to provide to their construction contractors. Instructions on creating a Section 3 map can be found on slide 7 of the [Section 3 Job Aid](#).

### Step 2: Identifying Section 3 Businesses

To identify certain targeted Section 3 workers, contractors should determine if they qualify as a Section 3 business concern. Instructions can be found on slide 6 [Section 3 Job Aid](#).

### Step 3: Identifying Section 3 and Targeted Section 3 Workers

- **Section 3 workers** are low and very low-income workers on a project who earn 80% or less of their parish of residence area median income (AMI). To determine a parish's AMI, please use the [HUD Income Limit Tool](#) for the current year.



## Reporting

Subrecipients must track and report the total labor hours worked on each project, the hours worked by Section 3 workers, and the hours worked by Targeted Section 3 workers. Reports should also include certifications of Section 3 workers and Section 3 businesses as attachments to verify compliance. For detailed reporting instructions, subrecipients should refer to the LOCD-DR Grant Implementation Manual.

