

Guide to DCA's Section 3 Labor Hours Reporting

Overview:

The reporting requirements apply to any project receiving HUD funding from DCA, to lower-tier contracts, and their subcontractors. HUD funding includes CDBG (including DR), HOME, HTF, ESG, HOWPA, NSP, Disaster Recovery, Section 202 or 811, Lead abatement, and other HUD NOFA Grantees. The primary contract recipient must submit to DCA, monthly, one Section 3 Labor Hours Report that contains a combined summary of both their own Section 3 hours and those of subcontractors they hire (24 CFR Reporting §135 75.15/§75.25). DCA will in turn report to HUD a summary of its contract awardees. DCA requires the recipient to submit a completed report during the final draw process.

General Concepts:

The Section 3 Labor Hours Report is designed to track and report the labor hours worked on Section 3 projects and the efforts to promote employee retention must document the recipient's accomplishments regarding employment, training, and contracting opportunities provided to low and very low-income people (24 CFR 135.30 (b)). The Section 3 regulations apply to recipients of housing and community development assistance in excess of \$200,000 expended for: (1) housing rehabilitation (including reduction and abatement of lead-based paint hazards); (2) housing (3) other public construction projects; or when assistance from HUD's Lead Hazard Control and Healthy Homes (LHCHH) programs exceeds \$100,000

Section 3 Definitions:

Section 3 worker - Any worker who currently fits or when hired within the past five years fits at least one of the following criteria:

- Low or very low income, as established by HUD's income limits.
- Employed by a Section 3 Business Concern.
- A YouthBuild participant

Targeted Section 3 Workers – is a worker who meets the definition of a Section 3 worker plus one of the 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 (defined below)
 - b. A YouthBuild participant

In 24 CFR 75.5, the final rule defines the service area or the neighborhood of the project as “an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3

project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.”

For a worker to qualify as a Targeted Section 3 worker, there must be evidence that the worker meets at least one of the categories in the definition. Therefore, in addition to the documentation certifying that the worker meets the definitions of a Section 3 worker, one of the following sources of documentation must be maintained:

1. An employer’s confirmation that a worker’s residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census.
2. An employer’s certification that the worker is employed by a Section 3 business concern: or
3. A worker’s self-certification that the worker is a YouthBuild participant.

If a HOME- or HTF-assisted Section 3 project is combined with public housing financial assistance, for purposes of the HOME or HTF reporting, the grantee has the option under 24 CFR 75.29 (Multiple Funding Sources) of following the public housing definition of Targeted Section 3 worker at 24 CFR 75.11 to simplify project reporting.

A Targeted Section 3 worker for public housing financial assistance means a Section 3 worker who is:

1. A worker employed by a Section 3 business concern, 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. A resident of public housing or Section 8-assisted housing
 - b. A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance
 - c. A YouthBuild participant

For a worker to qualify as a Targeted Section 3 worker under the public housing financial assistance definition, there must be evidence that the worker meets at least one of the categories in the definition. Therefore, in addition to the documentation certifying that the worker meets the definitions of a Section 3 worker, one of the following sources of documentation must be maintained

1. An employer’s certification that the worker is employed by a Section 3 business concern; or
2. A worker’s self-certification of participation in public housing or Section 8-assisted housing programs.
3. A certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs.
4. A worker’s self-certification that the worker is a YouthBuild participant.

Benchmarks: The benchmark establishes numeric goals, or benchmarks, to measure compliance with the final rule. HUD plans to review and update the benchmarks at least once every three years through notice in the Federal Register.

The current benchmark applicable for a HOME or HTF Section 3 project where the total amount of HUD assistance to the project exceeds a threshold of \$200,000, which are:

- 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
Section 3 Labor Hours/Total Labor Hours = 25%

- 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
 $\text{Targeted Section 3 Labor Hours} / \text{Total Labor Hours} = 5$

Section 3 Business Concern - A Section 3 business concern is now 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% owned and controlled by low or very low-income persons,
2. Over 75% of the labor hours performed for the business over the previous 3-month period are performed by Section 3 workers, or
3. It is at least 51% owned and controlled by current residents of public housing or Section 8-assisted housing

Receipts must certify that they are making efforts to prioritize contracting with Section 3 business concerns and are responsible for verifying that businesses meet the definition of a Section 3 business concern.

Detailed Instructions for Completing the Section 3 Labor Hours Report:

The Section 3 Labor hours Report has **three** parts to be completed for all projects triggering Section 3 compliance. **Part 1** relates to the contracting, **Part II** related to the hours worked, and **Part III** summarizes the efforts by the grantees to invest in and retain newly hired low-income workers. Grantees or contractors subject to Section 3 requirements must maintain appropriate documentation to establish that HUD financial assistance for housing and community development programs was directed toward low and very low-income persons.

Part 1: Contracting Information

1. DCA Project Number: Enter DCA's assigned project funding round number.
2. Recipient/Project Name: Enter the name of the reporting project.
3. Recipient/Project Address: Enter the address of the reporting project.
4. Contact person: The person with knowledge of the award and the recipient's implementation of Section 3, DCA staff may contact with questions about this report.
5. Phone: The telephone number of the contact person.
6. Email address: The email address of the contact person.
7. Contract Begin Date: Enter the project's contract beginning date.
8. Contract End Date: Enter the project's contract ending, and revised ending date.
9. Reporting Period Begin date: Enter the first day for the current reporting period.
10. Reporting End Date: Enter the last day of the current reporting period.
11. Date Report Submitted: Report data completion date.
12. Funding Program Name: Select the federal financial assistance program funding the project from the drop-down list

Part II: Job Categories Worked on the Project

- **Column A:** Job categories: "Professionals" include those with educationally based expertise other than construction trades (i.e.: architects, engineers, surveyors, planners, and computer programmers). For construction positions, select trade names that most closely resemble the ones involved on your job site and provide data in columns B through F for each trade where persons were employed.
- **Column B:** Enter the total number of hours worked in each job category identified in Column

A.

- **Column C:** Enter the total number of hours worked by Section 3 workers. “Section 3 workers” as defined above (24 CFR 135.5 definitions).
- **Column D:** This field will automatically calculate, dividing column C by B, for % of the aggregate number of Section 3 hours worked.
- **Column E:** Enter the total number of hours worked by Targeted Section 3 workers.
- **Column F:** This field will automatically calculate, dividing column F by B, for % of the aggregate number of Targeted Section 3 hours worked.
- **Column G:** Select yes or no from the drop-down list, as to whether the Safe Harbor Benchmark was met.

Part III: Nature of Efforts – Demonstration of Good Faith Efforts

Recipients that fail to meet the benchmarks bear the burden of demonstrating that it has made qualitative efforts to provide low and very low-income persons with employment and training opportunities.

If the benchmark was not met the recipient must select the option(s) from the list that best describes their efforts or describe their efforts in the box labeled “other”. Recipients must submit documentation of their efforts to DCA and maintain the records in their project files.

Failure to comply with the requirements of Section 3 may result in sanctions, including debarment, suspension, or limited denial of participation in HUD programs under 24 CFR Part 24.