



Overview of Section 3 Requirements & Updates

AAHRA Spring Conference

April 16, 2019

What is Section 3?

- Section 3 of the Housing and Urban Development Act of 1968
 - 12 USC 1701u
 - 24 CFR Part 135 (June 1994)
- Born out of the March on Washington for Jobs and Freedom

Purpose

Section 3 of the Housing and Urban Development Act of 1968 ensures that employment, training and contracting generated by certain HUD financial assistance shall, **to the greatest extent feasible**, be directed to low- and very low-income persons, particularly recipients of federal housing assistance, and to business concerns which provide economic opportunities to those persons.

Simply Put...

- HUD funding is one of the largest sources of federal funding in distressed communities
- Most HUD funds result in construction/rehabilitation projects
- Section 3 keeps HUD-funded jobs and contracts local
- Multiplier effect for tax dollars

Scope of Section 3

- Up to 40% of HUD's annual budget is subject to Section 3 requirements.
- More than 5,000 direct recipients of HUD funds (PHAs, municipalities, multifamily property owners, and other grantees) have obligations pursuant to Section 3

Section 3 Covered Funding

HUD Programs

PIH Capital Fund Program (CFP)

PIH Operating Subsidy

HOPE VI Grants

Choice Neighborhoods Grants

Community Development Block Grants (CDBG)

HOME Investment Partnership Grants

Disaster Recovery Grants

Section 202/811

Lead Abatement Grants

Certain NOFA Competitive Grants

Current Funding Thresholds

- PIH Threshold: **None**

No threshold for Public Housing Authorities
or their contractors

Current Section 3 Beneficiaries

- Low- and very-low income residents (particularly residents of public housing) of the neighborhood where the funds are spent—race and gender neutral
- Businesses that are either:
 - a. 51% or more owned by low-income persons
 - b. Substantially employ (30% or more) low-income persons
 - c. Provide evidence that they will subcontract 25% of work to a business that meets a. or b.
- HUD's income guidelines

Statewide Income Limits--Alabama

FY 2018 Very Low-Income (50%) Limit (VLIL)								
Median Family Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
60,200	20,800	23,750	26,700	29,700	32,050	34,450	36,800	39,200

FY 2018 Extremely Low-Income Limit (ELIL)							
1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
12,450	14,250	16,050	17,800	19,250	20,650	22,100	23,500

FY 2018 Low-Income (80%) Limit (LIL)							
1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
33,250	38,000	42,750	47,500	51,300	55,100	58,900	62,700

Birmingham MSA Income Limits

FY 2018 Income Limit Area	Median Family Income	FY 2018 Income Limit Category	Persons in Family							
	Explanation		1	2	3	4	5	6	7	8
Birmingham-Hoover, AL HUD Metro FMR Area	\$71,000	Very Low (50%) Income Limits (\$) Explanation	24,650	28,150	31,650	35,150	38,000	40,800	43,600	46,400
		Extremely Low Income Limits (\$)*) Explanation	14,800	16,900	20,780	25,100	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) Explanation	39,400	45,000	50,650	56,250	60,750	65,250	69,750	74,250

NOTE: HUD generally uses the Office of Management and Budget (OMB) area definitions in the calculation of income limit program parameters. However, to ensure that program parameters do not vary significantly due to area definition changes, HUD has used custom geographic definitions for the **Birmingham-Hoover, AL HUD Metro FMR Area**.

The **Birmingham-Hoover, AL HUD Metro FMR Area** contains the following areas: Bibb County, AL; Blount County, AL; Jefferson County, AL; St. Clair County, AL; and Shelby County, AL.

Huntsville MSA Income Limits

FY 2018 Income Limit Area	Median Family Income Explanation	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Huntsville, AL MSA	\$78,700	Very Low (50%) Income Limits (\$) Explanation	27,550	31,500	35,450	39,350	42,500	45,650	48,800	51,950
		Extremely Low Income Limits (\$)* Explanation	16,550	18,900	21,250	25,100	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) Explanation	44,100	50,400	56,700	62,950	68,000	73,050	78,100	83,100

The **Huntsville, AL MSA** contains the following areas: Limestone County, AL; and Madison County, AL.

* The FY 2014 Consolidated Appropriations Act changed the definition of extremely low-income to be the greater of 30/50ths (60 percent) of the Section 8 very low-income limit or the poverty guideline as [established by the Department of Health and Human Services \(HHS\)](#), provided that this amount is not greater than the Section 8 50% very low-income limit. Consequently, the extremely low income limits may equal the very low (50%) income limits.

Alabama Section 3 Outcomes 2017

- HUD disbursed over \$103 Million in Operating Funds to PHAs in Alabama in 2017 and nearly \$37 Million in Capital Funds.
- The expenditure of covered HUD funding generated approximately 310 new jobs. Section 3 residents received over 180 (58.7%) of these new jobs.
- Recipients of Section 3 covered HUD funding reported \$17.1 Million in construction contracts, over \$3 Million (17.5%) of these contracts were awarded to Section 3 businesses.
- Recipients of Section 3 covered HUD funding reported \$6.9 Million in non-construction contracts 3.4 percent, or \$1.9 Million (28%) of all non-construction contracts were awarded to Section 3 businesses.

Section 3 Reporting System

- Section 3 Annual Reports measure grantees efforts to meet the minimum numerical goals
- More than 7,000 grantees submit about 20,000 reports each year
- System launched December 2013

Section 3 Updates

- Section 3 Proposed Rule
 - Published April 4, 2019
 - Public Comments due by June 3, 2019

Section 3 Proposed Rule Highlights

- New Requirements

- Employment & Training

PHAs or other recipients, and their contractors and **subcontractors**, must make their **best efforts** section to Section 3 workers

Section 3 Proposed Rule Highlights

- New Requirements

- Contracting

Consistent with existing Federal, state, and local laws and regulations, PHAs and other recipients of public housing financial assistance, and their contractors and subcontractors, must make their best efforts to award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers

Section 3 Proposed Rule Highlights

- Labor Hours Worked v. New Hires
 - PHAs and other recipients must report:
 - The total number of labor hours worked;
 - The total number of labor hours worked by Section 3 workers; and
 - The total number of labor hours worked by Targeted Section 3 workers.

Section 3 Proposed Rule Highlights

- Section 3 Worker
 - Any worker who fits one of the following categories:
 - The worker's income is below the income limit established by HUD.
 - The worker lives in a qualified census tract.
 - The worker is employed by a Section 3 business concern.

Section 3 Proposed Rule Highlights

- Targeted Section 3 worker
 - A worker employed by a Section 3 business concern; or
 - A worker who currently is or who was when hired by the worker's current employer:
 - A resident in a public housing project or Section 8-assisted housing;
 - A resident of other projects managed by the PHA that is expending assistance; or
 - A current YouthBuild participant.

Section 3 Proposed Rule Highlights

- Labor Hours Worked v. New Hires



Section 3 Proposed Rule Highlights

- Proposed Benchmark –Alternative 1
 - (1) Twenty-five (25) percent or more of the total number of labor hours worked by all workers employed with public housing financial assistance in the PHA's or other recipient's fiscal year are Section 3 workers

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

Section 3 Proposed Rule Highlights

And Proposed Benchmark—Alternative 1

- (2) Five (5) percent or more of the total number of labor hours worked by all workers employed with public housing financial assistance in the PHA's or other recipient's fiscal year are Targeted Section 3 workers

Targeted Section 3 Labor Hours/Total Labor Hours = 5%

Section 3 Proposed Rule Highlights

- Proposed Benchmark –Alternative 2
 - (1) Thirty (30) percent or more of the total number of new hires employed with public housing financial assistance in the PHA's or other recipient's fiscal year are Section 3 workers

Section 3 Total Labor Hours/Total Labor Hours = 30%

Section 3 Proposed Rule Highlights

And Proposed Benchmark—Alternative 2

- (2) Five (5) percent or more of the total number of new hires employed with public housing financial assistance in the PHA's or other recipient's fiscal year are Targeted Section 3 Workers

Targeted Section 3 Labor Hours/Total Labor Hours = 5%

Section 3 Proposed Rule Highlights

- Reporting
 - Safe Harbor Compliance
 - All PHAs submit reports to HUD annually.
 - PHAs with 250+ more units must report quantitative results/ratios
 - If proposed benchmarks are not met, the PHA must also report on qualitative efforts taken to provide employment/training opportunities to Section 3 Workers and Targeted Section 3 Workers

Section 3 Proposed Rule Highlights

- Reporting
 - Small PHAs (i.e., less than 250 units) submit annual reports on qualitative efforts taken

Section 3 Proposed Rule Highlights

- Compliance and Monitoring
 - No more Section 3 complaint investigations or compliance reviews
 - Monitoring and enforcement done by PIH

Section 3 Proposed Rule Highlights

- Public Comments
 - Mail. Comments may be submitted to:
Regulations Division, Office of General Counsel,
Department of Housing and Urban Development,
451 7th Street SW, Room 10276,
Washington, DC 20410–0500.
 - Electronic Submission of Comments. Interested persons may submit comments through the Federal eRulemaking Portal at www.regulations.gov.

Section 3 Proposed Rule Highlights

- Next Steps
 - Webinars and Training Sessions
 - HUD Exchange
 - www.hud.gov/section3
 - Association of Section 3 Professionals (AS3P)
 - sellis@cha-nc.org

QUESTIONS/ANSWERS & WRAP-UP

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