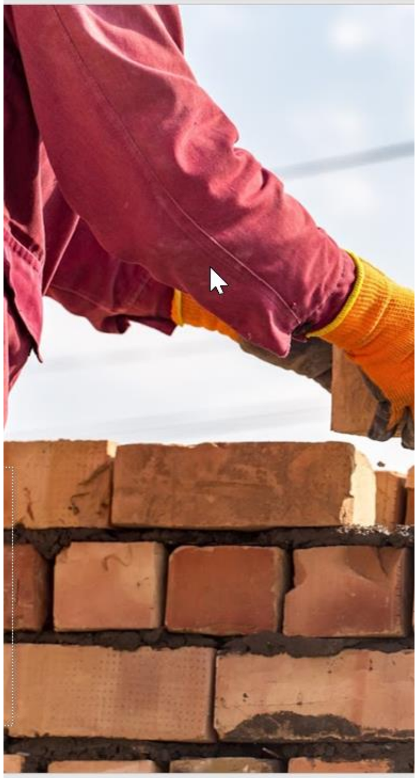
Key Changes to the Section 3 Rule: A Summary Chart



About this Tool

Description:

The final rule took effect on November 30, 2020 and updates HUD's Section 3 regulations to create more effective incentives for employers to retain and invest in their low- and very low-income workers, streamline reporting requirements by aligning them with typical business practices, provide for program-specific oversight, and clarify the obligations of entities that are covered by Section 3. These changes are intended to increase Section 3's impact for low- and very low-income persons, increase compliance with Section 3 requirements, and reduce regulatory burden.

This tool is designed to help grantees and their subrecipients, contractors, and subcontractors understand the key changes to Section 3.

How to Adapt this Document:

This document is intended to be used as a quick reference guide to help grantee staff understand the key changes to the Section 3 rule. Additionally, a grantee may distribute it to their subrecipients, contractors, and subcontractors for educational purposes.

Source of Document:

This document was developed by consultants affiliated with HUD's Community Compass Capacity Building and Technical Assistance program.

Disclaimer:

The quick reference guide is not comprehensive of all the changes to the Section 3 rule.

This resource will be part of a Section 3 Toolkit coming Fall of 2021. It will be hosted on the HUD Exchange at https://www.hudexchange.info/.

Updated as of: June 30, 2021

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 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 is: • A worker whose income for the previous or annualized calendar year is below the income limit established by HUD • Employed by a Section 3 business concern • A YouthBuild participant.
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 concern is: • 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 • A business that subcontracts 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 3 month period; or • 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