

NCHFA Section 3 Training

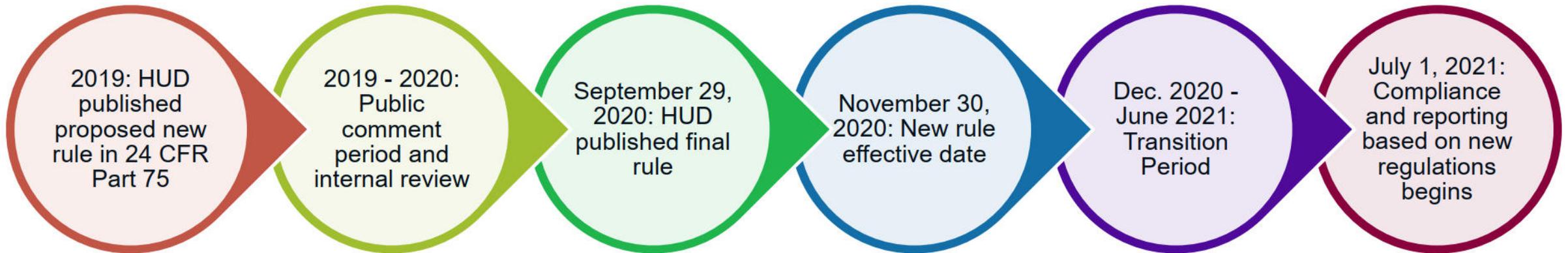
HOME, HOME-ARP & NHTF Funded Activities

Agenda

- Overview of Section 3 Rule
 - Background
 - Applicability
 - Definitions
- Reporting Requirements
- Other Resources
- Questions

Section 3: New Rule

- In 2020, HUD implemented the new Section 3 Rule.
- Efforts are focused on the number of labor hours performed by Section 3 Workers and Section 3 Targeted Workers.
- Benchmarks are based on the percentage of labor hours worked on a project performed by Section 3 and Targeted Section 3 Workers.
- Single funding applicability threshold.



How this rule applies to you?

- Projects committed after November 30, 2020
- Must adhere to the new rule (24 CFR Part 75)
- Must use NCHFA's updated Section 3 forms available on our website
- Required Documents:
 - Section 3 Compliance Certification - Prior to issuance of the Final Commitment Letter
 - Quarterly Summary Report – The 10th of each month following a quarter end
 - Final Summary Report – At time of final cost certification

Benchmarks

- 25% of all labor hours on a project must be performed by Section 3 workers
 - Section 3 labor hours / total labor hours = 25%.
- **AND**
- 5% of all labor hours on a project must be performed by Targeted Section 3 workers.
 - Targeted Section 3 labor hours / total labor hours = 5%.
 - The Targeted Section 3 labor hours are included in the total Section 3 labor hours.

Section 3 Worker

Section 3 Workers are workers who currently fit, or when hired within the past 5 years fit, at least one of the following criteria:

- A **low- or very low-income** worker (as defined by HUD's area median income*)
OR
- Is employed by a **Section 3 Business Concern**
OR
- Is a **YouthBuild participant**

Section 3 workers and Targeted Section 3 Workers qualify for five years from when their certification as a Section 3 Worker or Targeted Section 3 Worker is established.

**Area Median Income is determined based on the residential address of the worker.*

Low-Income & Very Low-Income

- Low-income: below 80% AMI
- Very low-income: below 50% AMI
- Determined by HUD annually
- Income limits can be found at: <https://www.huduser.gov/portal/datasets/il.html>
- Use the residential address of the worker

Moore County - 2025		
AMI Level	Income Category	Upper Limit
50% AMI	Very low-income	\$38,050
80% AMI	Low-income	\$60,850

FY 2025 Income Limits Summary

FY 2025 Income Limit Area	Median Family Income Click for More Detail	FY 2025 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Pinehurst-Southern Pines, NC MSA	\$109,000	Very Low (50%) Income Limits (\$) Click for More Detail	38,050	43,450	48,900	54,300	58,650	63,000	67,350	71,700
		Extremely Low Income Limits (\$)* Click for More Detail	22,850	26,100	29,350	32,600	37,650	43,150	48,650	54,150
		Low (80%) Income Limits (\$) Click for More Detail	60,850	69,550	78,250	86,900	93,900	100,850	107,800	114,750

Section 3 Business Concern

- A Section 3 Business Concern is:
 - 51% or more owned or controlled by low- or very low-income people
 - OR**
 - Over 75% of the labor hours performed for the business over the last three month period are performed by Section 3 workers
 - OR**
 - 51% or more owned and controlled by current residents of public housing or Section 8 housing.
- NC Housing Finance Agency provides a form that partners should retain in their files for record-keeping:
 - https://www.nchfa.com/sites/default/files/page_attachments/Sec3-BusinessCertification.pdf

YouthBuild

YouthBuild programs provide academic and skills training for youth ages 16 – 24 who have dropped out of high school or previously dropped out and are currently re-enrolled.

- A list of local YouthBuild programs can be found on the Department of Labor's website at:
 - <https://www.dol.gov/agencies/eta/youth/youthbuild>

Targeted Section 3 Worker

A Targeted Section 3 Worker must:

meet the definition of a Section 3 Worker

AND

meet one of the following criteria:

- Employed by Section 3 Business Concern

OR

- Currently fits, or fit when hired within the last 5 years, at least one of the following criteria:
 - Lives within the **service area** or neighborhood of the project
 - A YouthBuild participant

Service Area as Defined in 24 CFR 75.5



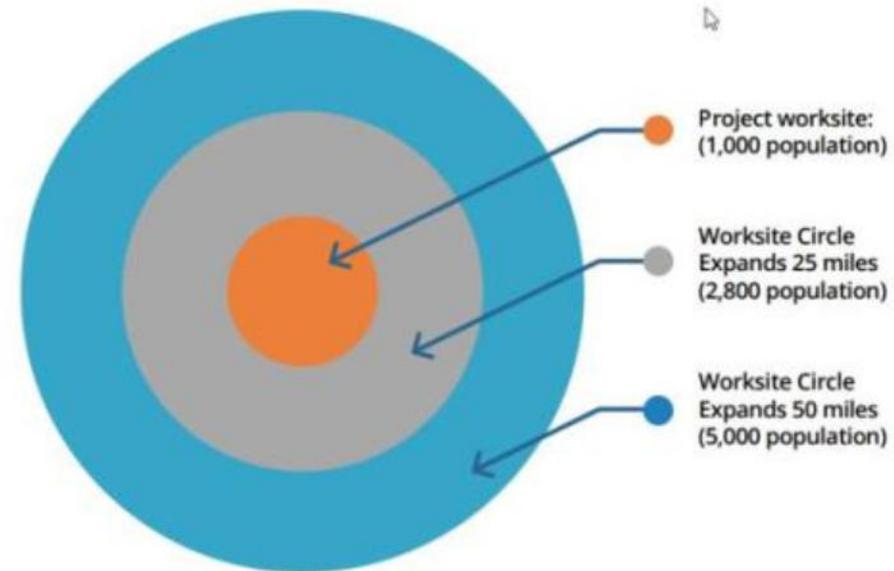
HCD

A. *Service Area* = an area within one mile of the Section 3 project

OR

B. If < 5,000 people live within one mile of Section 3 project,

Then, *Service Area* = an area within a circle centered around the Section 3 project site that encompasses 5,000 people.



*According to the most recent U.S. Census

Source: HUD. (2021, December 7). *Section 3 Final Rule Training Course*, Day 1 Slide 34

Understanding Worker Types



Professional Service Labor Hour

- Professional services are “non-construction services that require an advanced degree or professional licensing...”
 - These hours are excluded from the total labor hours.
 - These hours are not counted in the denominator of the calculation
 - But, Professional Service labor hours that are worked by Section 3 workers or Targeted Section 3 workers are counted as part of the total Section 3 worker hours or Targeted Section 3 worker hours.
 - These hours are counted in the numerator of the calculation.

Funding Applicability Thresholds

- Section 3 regulations apply to projects which receive over \$300,000* in Housing and Community Development funding in total.
- This includes HOME, HOME-ARP and NHTF funding.

**Effective March 16, 2026 the funding applicability threshold was increased from \$200,000 to \$300,000.*

What if we cannot meet the benchmarks?

If a developer does not meet the quantitative benchmarks, they must describe the qualitative measures they undertook to provide opportunities for low- and moderate-income households.

These opportunities may include:

- Outreach efforts to generate additional Section 3 & Targeted Section 3 applicants
- Direct or indirect job training for Section 3 workers
- Outreach to solicit bids from Section 3 business concerns
- Job fairs

For more examples of qualitative efforts and to reference the source regulation: see 24 CFR 75.25(b).

Reporting Requirements

Form Title	Summary	Responsible Party	Received by	Deadline	Requirement Status
HUD Form 4736A Employer Certification	Verifies employee’s status as a Section 3 worker or Targeted Section 3 worker	Employer and Project Owner	Owner	As applicable	Required
Section 3 Business Concern Certification	Verifies company’s status as a Section 3 Business Concern	Section 3 Business Concern	Owner	As applicable	Required
Section 3 Compliance Certification	Required of each project owner to ensure an understanding and compliance with the Section 3 regulations.	Project Owner	NCHFA	Prior to issuance of the Final Commitment Letter	Required
Section 3 Quarterly Summary	Required of each project owner to track compliance with Section 3 benchmarks.	Project Owner	NCHFA	10 th of each month following the end of quarter	Required
Section 3 Summary Report	Required at the completion of the project to report total hours worked on the project and compliance with Section 3 benchmarks.	Project Owner	NCHFA	At time of final cost certification	Required
Optional Forms	Optional forms created by the Agency, HUD or others that are useful but not required. Available on the Agency’s website.	Various	Owner	Various	Optional

Dates and Construction Completion

Reporting to NCHFA is needed at the following times:

1. Final Commitment Letter Issuance – Compliance Certification
2. Interim – Quarterly Reports
3. Final Cost Certification – Summary Report

Months	Reporting due to NCHFA by:
January - March	April 10th
April - June	July 10th
July - September	October 10th
October - December	January 10th

Quarterly Reports must be completed and submitted each quarter until final cost certification. At which time, the final Summary Report is due.

Other Resources

- NCHFA Section 3 Landing Page
<https://www.nchfa.com/rental-housing-partners/rental-developers/section-3-local-jobs-initiative>
- HUD Exchange – Section 3 Resources and Tools
<https://www.hudexchange.info/programs/section-3/resources-and-tools/#section-3-tools>

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Questions?