

NC Housing Finance Agency

Section 3 Guidance for ESFRLP



HOME

Section 3 Information and Terminology

Section 3 of the Housing and Urban Development Act of 1968

Section I: Introduction

Section 3 and regulations at 24 CFR Part 75 and 24 CFR Part 135, ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, be directed to low-and very-low income individuals and to business concerns they own or that employ them.

Who Must Comply with Section 3 Requirements?

Section 3 may apply to employment opportunities for the Essential Single-Family Rehabilitation Loan Pool (“ESFRLP”) Members that are generated as a result of projects receiving federal HUD HOME Investment Partnership Program (HOME) funding. For NCHFA ESFRLP awards, it has been determined by HUD Greensboro that Section 3 is applicable to any subrecipient who receives more than \$200,000 in ESFRLP funding.

Section II: Definitions

Section 3 Service Area/Neighborhood of the Project

- Due to the scattered site nature of the projects, the service area will be the county service area as defined in the NCHFA ESFRLP program guidelines.

Section 3 Worker

Section 3 workers are individuals who currently meet at least one of the following eligibility criteria, or met the criteria when hired within the last 5 years:

- The worker’s income meets the Low-Income or Very Low-Income definition as established by the [Department of Housing and Urban Development](#).
- The worker is employed by a Section 3 Business Concern, as defined below.
- The worker is a YouthBuild participant.

Targeted Section 3 Worker

Targeted Section 3 workers are individuals who meet one of the following criteria:

- The worker is employed by a Section 3 business concern, as defined below.
- The worker currently meets at least one of the following eligibility criteria, or met the criteria when hired within the last five years:
 - The worker meets the low-income or very low-income definitions as establish by [Department of Housing and Urban Development](#) and lives within the neighborhood or service area of the project.
 - The worker is a YouthBuild participant.

The following locations have YouthBuild Programs which qualify:

Grantees	Program City	Grantee Year
Grace Mar Services In	Charlotte	2020
Nu Dimensions	Hickory	2019
Central Carolina Community College	Raleigh	2018
Triangle Literacy Council	Asheville	2018
River City Community Development Corporation	Elizabeth City	2017
Capital Area Workforce Development Board	Sanford	2017
Green Opportunities	Durham	2017

Section 3 Business Concern

A business can be classified as a Section 3 business if it meets at least one of the following criteria, documented within the last six months:

- At least 51% or more of the business is owned and controlled by low- or very low-income individuals.
- Over 75% of the labor hours performed for the business over the last three months are performed by Section 3 workers.
- A business at least 51% owned and controlled by current public housing residents or residents who currently live in Section 8 assisted housing.

Section III: Compliance

Section 3 Benchmarks and Compliance

The measurement of compliance with Section 3 regulations is the percentage of total labor hours worked on a Section 3 project worked by Section 3 workers or targeted Section 3 workers. The Section 3 benchmarks apply to projects awarded in excess of \$200,000 in ESFRLP funding.

- At least 25% of the total number of labor hours worked on a Section 3 project must be worked by Section 3 workers.
- At least 5% of the total number of labor hours worked on a Section 3 project must be worked by targeted Section 3 Workers.
 - This 5% is included as part of the 25% worked by Section 3 workers.

If it is not feasible to meet the benchmarks, the Covered Parties must be prepared to report on the qualitative nature of the activities it pursued to meet the benchmarks. Such qualitative efforts may include, but are not limited to, the following:

- Engage in outreach to generated applications from targeted Section 3 workers.
- Provide training and apprenticeship opportunities to Section 3 workers.
- Provide technical assistance to help Section 3 workers compete for jobs.
- Provide or connect Section 3 workers with assistance seeking employment opportunities such as: resume writing, interview preparations, and connecting individuals with job placement services.
- Hold at least one job fair.
- Provide or refer Section 3 workers to services which support work readiness such as interview clothing, test fees, transportation, childcare, etc.
- Provide Section 3 workers assistance to apply for or attend community college, a four-year academic institution or vocational and technical training.
- Assist Section 3 workers secure financial literacy training or coaching.
- Engage in efforts to identify and secure bids from Section 3 business concerns.
- Provide technical assistance to help Section 3 business concerns bid on contracts.
- Divide contracts into small jobs to encourage participation by Section 3 business concerns.
- Promote use of business registries aimed to create opportunities for Section 3 business concerns.

What are considered Best Efforts?

Best efforts and greatest extent feasible are typically used interchangeably by HUD to determine the outcomes of the program. HUD's focus is on the outcomes as a result of efforts put forth. The reported results will be compared to the outcome metrics defined by the program benchmarks. If the benchmarks are not met HUD and NCHFA will evaluate the qualitative efforts made by the owner, contractor and subcontractor to ensure best efforts have been taken employ Section 3 workers and targeted Section 3 workers.

Section 3 Implementation

Section 3 must be implemented in a manner consistent with existing Federal, State, and local laws. Section 3 does not supersede these laws, nor do these laws cancel or override the Section 3 obligation.

- Employment – Section 3 is race and sex neutral, directed at low income and very-low income individuals.

Forms and Reporting Requirements

- Prior to the end of the grant period or closing, the **subrecipient** is required to submit to NCHFA the Section 3 Summary Report for ESFRLP. This is an Excel form and must be submitted with the Certification for Completion and Final Cost (CCFC) form.

Section 3 Reporting Instructions for the Summary Report

Essential Single-Family Rehabilitation Loan Pool (ESFRLP)

This reporting requirement applies only to ESFRLP subrecipients that receive HOME funds in excess of \$200,000 and is only applicable to the subrecipient. The subrecipient must submit to NCHFA one Section 3 Summary Report for ESFRLP report that contains their own activities.

General Instructions

For NCHFA ESFRLP projects, the Summary Report must be submitted prior to award close-out. The terms “low-income persons” and “very low-income persons” have the same meanings given the terms in section 3(b)(2) of the United States Housing Act of 1937. Low-income persons mean families (including single persons) whose incomes do not exceed 80% of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 % of the median for the area on the basis of the Secretary’s findings such that variations are necessary because of prevailing levels of construction costs or unusually high- or low- income families. Very low-income persons mean low-income families (including single persons) whose incomes do not exceed 50% of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50% of the median for the area on the basis of the Secretary’s findings that such variations are necessary because of unusually high or low family incomes.

Fill out blue cells only

For the heading of Section 3 Summary Report:

Fill out:

- Subrecipient Name and Address: This should contain the complete name of the subrecipient of the NCHFA award, not the name of the homeowners. The address field should be the address of the subrecipient organization.
- Contact person: The person at the recipient organization whom NCHFA staff should contact with questions about this form.
- Date Submitted to NCHFA: Enter date
- Phone/Fax/Email: For the contact person
- Total HOME Funds Awarded by NCHFA: Enter the dollar amount, rounded to the nearest dollar, received from NCHFA. The next field will self-calculate and is the amount that exceeds \$200,000.

For Part I: Employment and Training

Labor hours worked by Section 3 workers and targeted Section 3 workers will be reported to HUD.

Column A: Enter the total labor hours worked on the Section 3 project by all employees.

Column B: Enter the labor hours worked on the project by Section 3 workers.

Column C: Enter the number of hours worked by targeted Section 3 workers on the project.

For Part II: Summary of Efforts

Enter **Yes** or **No** to the first six statements. Use the first narrative space to detail any actions that were undertaken by the subrecipient to comply with Section 3 (where you posted job listings etc. if there was hiring). In the second narrative space detail why you were unable employ section 3 workers or targeted workers, if applicable.