

Section 3 New Rules Matrix



Section 3 New Rules Change (July 1, 2021¹):

For Community Development Agencies (Cities, Counties, others):

- This new rule applies to housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs when the total amount of federal assistance to the project from such programs exceeds a threshold of \$200,000.
- Funding source includes CDBG, HOME, ESG, NSP, etc.
- All reporting under the new rules start *July 1, 2021*.
- All current Section 3 businesses and workers will need to **RE-APPLY** for certification. Certification is free. Businesses and workers seeking Section 3 status can now self-certify.

	OUTDATED RULES	NEW RULES EFFECTIVE July 1, 2021
Reporting Threshold	Report on projects with over \$100,000 total development cost on any project with at least \$1 of HUD funding.	Report on any project with over \$200,000 in HUD financial assistance to the project. The threshold is \$100,000 where the assistance is for the Lead Hazard Control and Health Homes programs.
Professional Services/ Non-Construction Services	3% Professional Services Goal	There will no longer be a goal for Section 3 Professional Services, however, contractors are encouraged to hire Section 3 workers.
Contracting Business Compliance Goals	10% Section 3 Business Goal	There will no longer be a goal for Section 3 Contracting Business Goal.
Employment Compliance Goals	30% New Hire Goal	There will no longer be a New Hire goal. The new rule focuses primarily on employment labor hours worked vs. the outdated rule of counting the number of Section 3 residents hired. 25% of all labor hours are performed by Section 3 Workers and 5% of all labor hours are performed by Section 3 Targeted Workers. The 5% goal will count towards the overall 25% Section 3 Worker goal.
Reporting Parameters		Total number of labor hours worked - 100% Total number of labor hours worked by Section 3 workers - 20% Total number of labor hours worked by Section 3 targeted workers - 5%
Income Designations	Low Income 80% Median Income (HUD)	There are two applicable income guidelines now: Very Low Income - 50% Average Median Income for MSP Metro Region Low Income - 80% Average Median Income for MSP Metro Region CHECK income guidelines here - MSA: https://www.huduser.gov/portal/datasets/il.html
Certification Validation Period	3 Years	5 Years
Income Threshold	Household Income (includes spouse, partner, child(ren), etc.	Income threshold only applies now to the individual applying for Section 3 Business or Worker status.
Geographic Region	Section 3 residents were from 16-county metro area.	Applicants can qualify as a Targeted Section 3 Worker, if the worker lives in the service area or the neighborhood of the project. Per 24 CFR 75.5; Service area or the neighborhood of the project means 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.

¹ For all executed projects from this date on