

Section 3: Employment Opportunities for Low-Income People

HUD – Community Planning & Development (CPD) Programs

[Section 3 \(HUD.gov\)](#) is a US Department of Housing & Urban Development (HUD) requirement designed to ensure that HUD funds invested in housing and community development activities contribute to employment opportunities for low-income people living in or near the HUD-funded project. (24 CFR 75). HUD encourages its funding recipients to document procedures and practices currently used, or to better utilize those currently available, to maximize community benefits and economic opportunities for low-income persons and households.

See “Policy Guidance and CPD Notices, Regulation for Section 3: 24 CFR Part 75”, at [HUD Exchange – Section 3](#), for details about applicability to various HUD programs.

HUD’s Self-Paced Training for Section 3 <https://www.hudexchange.info/trainings/section-3/>

Covered HUD-Community Planning & Development (CPD) Programs

- [HOME Investment Partnerships Program](#) (HOME)
- [HOME American Rescue Plan](#) (HOME-ARP)
- [National Housing Trust Fund](#) (NHTF)
- [Neighborhood Stabilization Program](#) (NSP)
- [Emergency Solutions Grants](#) (ESG)
- [Community Development Block Grant](#) (CDBG)

TDHCA Section 3 Compliance Mandates

Section 3 pertains to all TDHCA programs accessing HUD Section 3-covered funds that allow any construction, demolition, or rehab and meet the \$200,000 project threshold.

The Public Housing Financial Assistance requirements for Section 3 state that any recipient receiving public housing financial assistance, and their contractors and subcontractors, must make their best efforts to “provide employment and training opportunities generated by the public housing financial assistance to Section 3 workers” and “award contracts and subcontracts to business concerns that provide economic opportunities to Section 3 workers” ([§75.9](#)). Subrecipients and contractors must also include Section 3 language in any agreement or contract to ensure requirements are met ([§75.17](#)). TDHCA and its subrecipients may use the provided clause on its website to convey Section 3 obligations.

Benchmarks for this compliance is measured by percentage of total work hours performed by Section 3 workers and Targeted Section 3 workers ([§75.13](#)).

Inability to meet Section 3 benchmark goals for hiring or subcontracting requires subrecipients to document the “qualitative nature of its Section 3 compliance activities and those of its contractors and subcontractors” ([§75.15](#))

Section 3 Reporting

Before a project has been awarded, it is best to review HUD’s guidance and TDHCA’s supplemental materials for Section 3. [Search for a HUD Section 3 Business](#) (hud.gov).

During a project, document Section 3 status for eligible workers, including Targeted Section 3 workers, using the Section 3 Employee Certification (Form S304), and Section 3 Business Certification (Form S303). Additionally, document Section 3 hours using the Contractor and Subcontractor Report (Form S301). TDCHA may request and spot-check the S301 during the early stages of construction.

Upon completion of project, complete and submit Section 3 Cumulative Report (Form S302) to describe outreach efforts, ratios of Section 3 labor hours to total labor hours, and worker training, pursuant to creating economic opportunities for low- and very low-income persons. HUD’s published forms may also be used, and are found here:

https://www.hud.gov/program_offices/field_policy_mgt/section3/publications_and_regulations

Davis-Bacon

If Davis-Bacon (DBRA) applies to a project, the required certified weekly payrolls may serve as verification of Section 3 labor worked hours only if payroll is supported with a Section 3 certification. For more information about DBRA, visit [TDHCA’s DBRA webpage](#).

Housing Tax Credits

Alternatives to construction jobs may include supportive services to residents and positions created to qualify for Housing Tax Credits. Examples of supportive services appear in the HTC-QAP explanation of selection criteria §11.9. Competitive HTC Selection Criteria, see Qualified Allocation Plan. Other examples of supportive services appear on the HUD website.

Federal Agency Support

- US Department of Housing and Urban Development (HUD)
 - HUD – <https://www.hud.gov/section3>
 - HUD Exchange – <https://www.hudexchange.info/programs/section-3/>
 - HUD’s Self-Paced Training for Section 3 (24 CFR 75)
<https://www.hudexchange.info/trainings/section-3/>
- Code of Federal Regulations
 - 24 CFR 75: <https://www.ecfr.gov/current/title-24/subtitle-A/part-75>

- Definitions: <https://www.ecfr.gov/current/title-24/subtitle-A/part-75/subpart-A/section-75.5>
- Federal Register Final Rule – <https://www.federalregister.gov/documents/2020/09/29/2020-19185/enhancing-and-streamlining-the-implementation-of-section-3-requirements-for-creating-economic>

TDHCA Resources

- [HOME Investment Partnerships Program](#) (HOME)
- [HOME American Rescue Plan](#) (HOME-ARP)
- [Neighborhood Stabilization Program](#) (NSP)
- [Emergency Solutions Grants](#) (ESG) Program
- [Community Development Block Grant](#) (CDBG)

If you have any questions, please contact your program's contract specialist.