



NATIONAL LOW INCOME
HOUSING COALITION

BRIEF SUMMARY and ANALYSIS FINAL SECTION 3 REGULATION

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INTRODUCTION

HUD under the Trump Administration published a [final Section 3 rule](#) on September 29, 2020, updating the 1994 interim rule. The final rule, which is effective on November 30, 2020, implements the Section 3 obligations of public housing agencies (PHAs) and other recipients of HUD housing and community development funding. The final rule adopts most of the proposed rule, which had many problems – but it makes three good changes.

The purpose of Section 3 of the Housing and Urban Development Act of 1968 is to ensure that when HUD funds are used to assist housing and community development projects, “to the greatest extent feasible,” preference for some of the jobs and other economic opportunities created go to low-income people, ***“particularly those who are recipients of government assistance for housing.”*** Another Section 3 obligation is to support businesses owned or controlled by low-income people or businesses that hire them.

PHAs and jurisdictions using Community Development Block Grant (CDBG), HOME Investment Partnerships program, and other HUD funds must comply with Section 3 and ensure that contractors and subcontractors comply.

THREE POSITIVE CHANGES IN THE FINAL RULE

Requiring PHAs and Jurisdictions to Track and Report “Labor Hours” instead of “New Hires”

The 1994 interim rule required PHAs and jurisdictions to have goals of 30% of “new hires” at projects be so-called Section 3 residents. However, advocates had long observed that some contractors would hire Section 3 residents for a short time so that they would “count” toward the 30% goal, but lay them off in short order. Or, a Section 3 resident would only be given 20 hours or less of work per week. Some contractors would shift some of their existing workforce to a Section 3 project so that the contractor could claim that they did not need to hire anyone new for the Section 3 project.

The *proposed* rule required **jurisdictions** to switch to labor hours worked, but asked whether **PHAs** should use labor hours worked or continue to use the new hires standard. NLIHC urged that PHAs also be required to switch to labor hours worked. **HUD agreed; the final rule requires PHAs to also make the switch to labor hours worked.**

However, **Small PHAs**, those with fewer than 250 public housing units, will not be required to report the number of labor hours. Instead they have the option to **report qualitative efforts**, such as holding job fairs, referring residents to services supporting work readiness, and outreach efforts to generate job applicants. Out of 2,950 PHAs, 2,250 are small PHAs.

NLIHC comments: Small PHAs should not be exempt; they could have significant contractor and subcontractor activity. Inexpensive software is available for Small PHAs to use to report on labor hours worked by their permanent staff as well by contractors and subcontractors.

Removing “Qualified Census Tract” Option from Definition of “Section 3 Worker”

The *proposed* rule would replace the 1994 rule’s term “Section 3 Resident” with a new term, “Section 3 Worker,” who is someone meeting one of the following:

- 1) The worker’s income is less than the income limit set by HUD for the program triggering Section 3 (for example 80% of the area median income, AMI, for CDBG and HOME); or,
- 2) The worker lives in a “qualified census tract;” or,
- 3) The worker is employed by a Section 3 business. (see next topic)

NLIHC urged HUD to remove option #2 because someone living in a qualified census tract (QCT) will not necessarily be a low-income person. Depending on how the qualified census tract is drawn, a large number of residents could be higher-income.

HUD agreed; the final rule eliminates the QCT option.

(A QCT is a term created for the Low Income Housing Tax Credit program. A QCT is a census tract with a poverty rate of 25% or more or with at least 50% of the households having income less than 60% of AMI. HUD officially designates QCTs each year.)

More about “Section 3 Worker” is on page 5.

Changing the Definition of “Section 3 Business” *next page*

Changing the Definition of “Section 3 Business”

The *proposed* rule would significantly change the definition of “Section 3 business” to be a business meeting one of the following:

1. At least 51% of the business is owned by low-income people; or,
2. Low-income people work more than 75% of the labor hours worked at a business; or,
3. At least 25% of the business is owned by public housing residents or Section 8 residents (either tenant-based or project-based).

Regarding #3, NLIHC commented that setting a 25% threshold for public housing or Section 8 ownership of a business risks rewarding businesses that are merely “fronts,” a problem sometimes experienced with minority-owned and women-owned business programs. For example, the other 75% of the owners could be regular business people who do not have the best interests of residents at heart.

The final rule improves #3 by requiring a business to be one that is at least 51% owned and controlled by current public housing residents or Section 8 residents (either tenant-based or project-based).

More about “Section 3 business” is on page 6.

STRUCTURE OF THE FINAL RULE

The final rule has: Subpart A general provisions, Subpart B public housing, Subpart C “Section 3 projects,” (projects funded by other HUD programs such as CDBG and HOME), and Subpart D projects with public housing and other HUD funds.

HUD ELMINATES SECTION 3 COMPLAINT PROCESS

The final rule eliminates any Section 3-specific complaint process. Instead, complaints may be reported to the relevant HUD program office or to the local HUD field office.

Relevant program offices are those that provide the funds that trigger the Section 3 obligation, such as the Office of Public and Indian Housing (PIH) for public housing, Office of Community Planning and Development (CPD) for CDBG and HOME, and Office of Recapitalization, ReCap (for Rental Assistance Demonstration [RAD] demolition, rehabilitation, or new construction).

However, the preamble to the rule is confusing, stating that the Office of Field Policy and Management (FPM) will filter complaints to the appropriate HUD program office, instead of every HUD program office having its own complaint process.

The 1994 regulation had an entire section about complaints and compliance, including a section with details for residents to submit complaints. Other HUD program areas such as public housing, CDBG, HOME, and RAD do not have detailed provisions for residents to register a PHA’s or jurisdiction’s failure to meet a program requirement like Section 3.

HUD REMOVES SECTION 3 FROM FHEO

Historically, Section 3 regulations had been at 24 CFR part 135, under the umbrella of the Office of Fair Housing and Equal Opportunity (FHEO). The final rule moves Section 3 regulations from part 135 to a new part 75, under the Office of the HUD Secretary.

Monitoring and enforcement of Section 3 is removed from FHEO and transferred to the relevant HIUD program office.

This is a problem because Section 3 monitoring and enforcement should be carried out by HUD staff who are independent of the HUD program offices because program staff (PIH, CPD, and ReCap staff) are too close to the PHAs, jurisdictions, and the development projects funded by their programs.

According to a separate *Federal Register* notice on [October 5](#), a separate HUD office will manage Section 3 evaluation and reporting – the Office of Field Policy and Management (FPM).

RECIPIENT

Residents and advocates should be aware that HUD, PHAs, and jurisdictions will often use the term “recipient.” As with the 1994 rule, the final rule uses the term “recipient.”

A recipient is any entity that receives funds directly from HUD, such as a PHA receiving public housing Capital and Operating funds, or states, counties, or cities receiving CDBG, HOME, and other funds awarded through Notices of Funding Availability (NOFAs). Nonprofits also sometimes receive HUD funds directly through NOFAs.

SECTION 3 WORKER

The rule replaces the interim rule's term "Section 3 resident" with a new term, "Section 3 Worker."

The first paragraph explains that a Section 3 Worker is someone who *currently fits or when hired within the past five years fit* at least one of the following:

- i. The worker's income for the previous or annualized calendar year is less than the income limit set by HUD for the program triggering Section 3 (for example 80% of the area median income, AMI, for CDBG and HOME); or,
- ii. The worker is employed by a "Section 3 business" [explained next page]; OR
- iii. The worker is a YouthBuild participant.
(YouthBuild programs receive assistance under the Workforce Innovation and Opportunity Act.)

The final rule also amended the opening line of the definition of Section 3 Worker by *adding the text in italics*. Section 3 Worker means:

"Any worker who *currently fits or when hired within the past five years fit* at least one of the following categories, as documented:..."

HUD explains that the addition of "*or when hired within the past five years,*" is intended to encourage an employer to keep Section 3 Workers.

NLIHC comment: Retention is good, but does a five-year look-back period unduly reward a business that hired a low-income person at low wages five years ago and still pays low wages? Even if a person's income grows over five years as HUD assumes, is that too long to look back?

NLIHC comment: The definition is not written to clearly state that a low-income person hired today could still be counted for five years going forward, but the preamble text shows that HUD intends a business to also have a five-year forward option. In the rule's section on "Recordkeeping," it is clear that a business can look forward or backward five years.

NLIHC Comment Regarding Option i

Option i fails to address a concern raised by NLIHC: people should not be counted as Section 3 Workers simply because they are paid low wages. The language in the text does not address this problem. HUD dismisses this in the preamble, assuming a Section 3 Worker's income will grow over five years to the point that they are no longer "low-income."

NLIHC Comment Regarding Option ii

Having as an option "employed by a Section 3 business" is a potential dead end because one option in the definition of a Section 3 business (option ii) uses the definition of Section 3 Worker. (see next page)

Two Other Provisions under Definition of "Section 3 Worker", next page

SECTION 3 WORKER, *continued*

Two Other Provisions under Definition of “Section 3 Worker”

1. The definition also states that someone’s status as a Section 3 Worker shall not be negatively affected if they have had a prior arrest or conviction.
2. The rule clearly states that an employer is not required to hire someone just because they meet the definition of a Section 3 Worker, and the Section 3 Worker must be qualified for the job.

SECTION 3 BUSINESS

Section 3 is not just about employment and training opportunities – there is also an obligation to make “best efforts” to give preference in awarding contracts to businesses owned and controlled by low-income people, or to businesses that hire a substantial number of low-income people.

The proposed rule would significantly change the definition of “Section 3 Business.” It defined a section 3 Business concern as one that would meet one of the following:

- i. At least 51% of the business is owned by low-income people; or,
- ii. Low-income people work more than 75% of the labor hours at the business; or,
- iii. At least 25% of the business is owned by public housing residents or residents living in Section 8-assisted housing (either tenant-based or project-based).

The final rule amends the opening line of the definition of Section 3 business by *adding the text in italics*. Section 3 business means:

“A business concern meeting at least one of the following criteria, *documented within the last six-month period:*”

Option i

The final rule makes two minor improvements to Option i. It now reads (*italics is new*):

[The business] is at least 51% owned *and controlled* by low- or very low-income income persons.

SECTION 3 BUSINESS, *continues*

SECTION 3 BUSINESS, *continued*

Option ii

The final rule makes two changes to Option ii. It now reads (*changes in italics*):

“Over 75 percent of the labor hours performed for the business *over the prior three month period* are performed by *Section 3 Workers*.”

The preamble explains the addition of “over the prior three-month period” is to help “business determine whether or not they meet the criteria.”

The proposed rule called for the labor hours to be performed by persons who are “low- or very low-income.” That was more precise because the definition of “Section 3 Worker” includes at (ii) someone employed by a Section 3 business.

Option iii

As indicated above, [page 8] the final rule changes option iii to require a business to be one that is at least 51% owned and controlled by current public housing residents or Section 8 residents (either tenant-based or project-based). [pages 14 & 58 of the preamble]

The final rule also adds that the business must not merely be owned, it must also be *controlled* by public housing residents or residents living in Section 8-assisted housing.

Therefore, the final rule defines a Section 3 business to mean:

1. A business meeting at least one of the following criteria, documented within the last six-month period:
 - i. It is at least 51% owned and controlled by low- or very low-income persons;
 - ii. Over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 Workers; or
 - iii. It is a business at least 51% owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Two Other Provisions under Definition of “Section 3 Business”

1. The final rule states that the status of a Section 3 business shall not be negatively affected by a prior arrest or conviction of the owners or employees.
2. The final rule clearly states that there is no requirement to contract or subcontract with a Section 3 business, and any Section 3 business must meet the specifications of a contract.

SECTION 3 EMPLOYMENT PRIORITIES

The final rule reflects the statute's requirements for giving priority to certain categories of Section 3 Workers.

PHAs

PHAs and their contractors and subcontractors must make "best efforts" to provide employment and training opportunities to Section 3 Workers in the following order of priority:

1. Residents of the public housing project funded with public housing money;
2. Residents of a PHA's other public housing projects, or residents with Section 8 vouchers or project-based rental assistance;
(the final rule's addition of Section 8 residents is an improvement over the old rule)
3. YouthBuild participants; and,
(YouthBuild programs receive assistance under the Workforce Innovation and Opportunity Act.)
4. People in the metro area (or non-metro county) with income less than 80% of the area median income (AMI).

Jurisdictions

The final rule states that jurisdictions and their contractors and subcontractors must "to the greatest extent feasible" ensure that employment and training opportunities "arising in connection with" Section 3 projects are provided to Section 3 Workers who live in the metro area (or non-metro county).

The final rule adds that "where feasible" jurisdictions "should" give **priority** to providing employment and training opportunities to Section 3 Workers who live in a project's "service area or neighborhood" and to YouthBuild participants.

HUD defines the "service area or neighborhood" of a project as an area within one mile of the Section 3 project. If there are fewer than 5,000 people within one mile, then within a circle centered on the Section 3 project that includes at least 5,000 people.

While the final rule repeats the language in the statute, it strays from the old rule's priorities, which gave first priority to residents of the service area or neighborhood of a project, (second priority to YouthBuild participants), third priority to homeless people, and only as a last priority other Section 3 residents in the metro area or non-metro county.

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SECTION 3 CONTRACTING PRIORITIES

PHAs

PHAs and their contractors and subcontractors must make “best efforts” to award contracts and subcontracts to businesses that provide economic opportunities to Section 3 Workers in the following order of priority:

- i. Section 3 businesses that provide economic opportunity for residents of the public housing project funded with public housing money;
- ii. Section 3 businesses that provide economic opportunity for residents of the PHA’s other public housing projects, or residents assisted with Section 8 vouchers or project-based rental assistance;
(the addition of Section 8 residents is an improvement over the existing rule)
- iii. YouthBuild participants; *and,*
(YouthBuild programs receive assistance under the Workforce Innovation and Opportunity Act.)
- iv. Section 3 businesses that provide economic opportunity to low-income people living in the metro area (or non-metro county).

Jurisdictions

Jurisdictions and their contractors and subcontractors must “to the greatest extent feasible” ensure that contracts for work awarded “in connection with” Section 3 projects are provided to Section 3 businesses that provide economic opportunities to Section 3 Workers in the metro area (or non-metro county).

Where “feasible” jurisdictions “should” give priority to:

- i. Section 3 businesses that provide economic opportunities to Section 3 Workers living in the service area or neighborhood of the project; and
- ii. YouthBuild participants.
(YouthBuild programs receive assistance under the Workforce Innovation and Opportunity Act.)

HUD defines the “service area or neighborhood” of a project as an area within one mile of the Section 3 project. If there are fewer than 5,000 people within one mile, then within a circle centered on the Section 3 project that includes at least 5,000 people.

TARGETED SECTION 3 WORKER, next page

TARGETED SECTION 3 WORKER

This is a new idea HUD intends to give PHAs and jurisdictions an incentive to focus on reaching workers given priority in the statute and workers at Section 3 businesses.

Targeted Section 3 Workers are a subset of all Section 3 Workers.

PHAs

A Targeted Section 3 Worker for PHAs is:

1. A worker employed by a Section 3 business; or,
2. A worker who currently fits or when hired fit at least one of the following categories, *as documented within the past five years*:
 - i. A resident of any of the PHA's public housing or any resident assisted by Section 8, whether a voucher or project-based rental assistance; or,
 - ii. A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is using public housing assistance; or,
 - iii. A YouthBuild participant.

(YouthBuild programs receive assistance under the Workforce Innovation and Opportunity Act.)

The five-year look-back is HUD's intent to encourage long-term employment.

NLIHC comment: The definition of "Section 3 Worker" includes as one option "a worker employed by a Section 3 business". The first option under the definition of Targeted Section 3 Worker is "A worker employed by a Section 3 business concern." Repeating a "worker employed by a Section 3 business" as one option in the definition of a "Targeted Section 3 Worker" dilutes HUD's targeting idea for benchmarking. [see next page]

Jurisdictions

A Targeted Section 3 Worker for jurisdictions is:

1. A worker employed by a Section 3 business; or,
2. A worker who currently fits or when hired fit at least one of the following categories, *as documented within the past five years*:
 - i. Living in the service area or neighborhood of a project; or,
 - ii. A YouthBuild participant.

(YouthBuild programs receive assistance under the Workforce Innovation and Opportunity Act.)

The problems are the same as those regarding PHAs, compounded by the geographic limitations of the rule's definition of service area.

SECTION 3 BENCHMARKS

The final rule establishes Section 3 “benchmarks” to replace the old rule’s “goals” (see box with the old rule’s goals provisions at Attachment on page 15).

The benchmarks will be used to monitor a PHA’s and a jurisdiction’s accomplishments toward directing job opportunities to Section 3 Workers and the new subcategory of Section 3 Worker called “Targeted Section 3 Worker.” (described on page 10)

The benchmarks are the same for PHAs and jurisdictions:

1. Section 3 Workers make up 25% of the total number of labor hours worked by all workers; **and**
2. Targeted Section 3 Workers make up 5% of the total number of labor hours worked by all workers.

A March 25, 2021 HUD Frequently Asked Question (FAQ) clarified that the 5% Targeted Section 3 worker benchmark is included as part of the 25% threshold.

NLIHC and other advocates commented that the benchmark of 5% for Targeted Section 3 Workers was far too low; at least 15% was recommended. However, the final rule keeps the benchmark at 5%.

Although HUD stated it would update benchmarks every three years, in October 2023 HUD announced that it would not update the benchmark because it could not obtain sufficient labor hour data to support changing the 2020 benchmark. HUD stated that it would update the benchmark no later than three years from October 5, 2023.

SAFE HARBOR

If a PHA or jurisdiction certifies that it has met the priorities for job and contract opportunities (pages 8 and 9 above) and has met the jobs benchmark (above), then HUD presumes the PHA or jurisdiction is complying with Section 3 – unless residents or advocates tell HUD about evidence that contradicts the PHA or jurisdiction.

HUD calls this the “safe harbor.” At this stage, a PHA or jurisdiction would not have to continue reporting any additional Section 3 employment or contracting activities.

If a PHA or jurisdiction cannot certify that it has met the job and contract priorities and jobs benchmark, then it will have to send to HUD “qualitative” reports on their efforts. (see “Reporting” next page).

Residents and advocates should monitor and report to HUD any evidence that contradicts a PHA or jurisdiction.

REPORTING

The reporting requirements are the same for PHAs and jurisdictions.

The final rule requires PHAs and jurisdictions to report to HUD their benchmark data:

- Total number of labor hours worked;
- Total number of labor hours worked by Section 3 Workers; and,
- Total number of labor hours worked by Targeted Section 3 Workers.

This includes labor hours worked by contractors and subcontractors.

Section 3 Workers' and Targeted Section 3 Workers' labor hours may be counted for five years from when their status as a Section 3 Worker or Targeted Section 3 Worker is established following the "Recordkeeping" section of the rule.

This is there to "ensure that workers meet the definition of a Section 3 Worker or Targeted Section 3 Worker **at the time of hire or the first reporting period...**" This means a PHA or jurisdiction can count back five years or count forward for five years.

The final rule does not require inclusion of professional services in the benchmark.

- These are defined as non-construction services *that require an advanced degree or professional licensing* such as contracts for legal services, financial consulting, accounting, environmental assessments, and architectural and engineering services.
- PHAs and jurisdictions *may* include labor hours worked by people in professional services when counting Section 3 Workers and Targeted Section 3 Workers for their benchmark, without including them in the total number of hours worked. This could increase a PHA's or jurisdiction's benchmark number.

If a contractor or subcontractor does not track labor hours, a PHA or jurisdiction "may" accept the contractor's or subcontractor's "good faith assessment" of the labor hours of full-time or part-time employees.

If the benchmark is not met, a PHA or jurisdiction will be required to use a HUD form to report on the "qualitative" nature of its activities or the activities of contractors and subcontractors. Small PHAs may choose to only report their qualitative efforts.

The final rule lists 14 examples of possible qualitative efforts, such as reaching out to generate job applicants, holding job fairs, connecting people with entities that help draft resumes and prepare for job interviews, referring people to job placement services, and reaching out to identify bids from Section 3 businesses.

PHAs and jurisdictions will report to HUD each year.

SECTION 3 PROJECT

The final rule defines a “Section 3 project” as one that is not funded with public housing Capital and Operating funds, but instead receives at least \$200,000 in funds from other HUD programs, such as CDBG and HOME, for housing rehab or new construction or for other public construction projects (such as road repair).

- A “project” is defined as “the site or sites together with any buildings and improvements located on the site(s) that are under common ownership, management, and financing.”

The per-project threshold is \$100,000 for Lead Hazard and Healthy Homes programs.

NLIHC had long raised concerns about the old rule’s \$100,000 per project threshold. The new rule makes things even worse by going up to \$200,000.

With the rule’s definition of “project” and a \$200,000 per project threshold, many contractors would not have to comply with Section 3. Contractors awarded significant amounts of Section 3 covered funds in a single year to spend, all together, on a number of small, discreet activities (such as homeowner housing rehabilitation) would not have to hire Section 3 Workers or subcontract with Section 3 businesses because each component activity costs less than \$200,000.

For example, if a contractor receives \$1 million in CDBG funds to rehab seven single-family homes and the contractor spends \$130,000 per home, that contractor would not have to comply with Section 3 because each home is considered a single project and not one of the seven rehabs had a contract for more than \$200,000.

RENTAL ASSISTANCE DEMONSTRATION (RAD)

The Notices by which the Rental Assistance Demonstration (RAD) operates have, since the initial draft Notice and through the current [Notice PIH-2019-23/\(HA\) H-2019-09, REV-4](#), limited Section 3 to the construction- or rehabilitation-related activities identified in the RAD Financing Plan and RAD Conversion Commitment. Specifically:

1. Pre-development conversion costs remain subject to regular Section 3 public housing provisions (first priority for employment and other economic opportunities must be given to residents of public housing or Section 8-assisted housing).
2. After RAD Closing (which takes place before final conversion), any rehabilitation or new construction required by the conversion is subject to the Section 3 provisions for housing and community development activities – except that first priority for employment and other economic opportunities must be given to residents of public housing or Section 8-assisted housing. If funding comes from CDBG or HOME, then first priority is to low-income residents in the project’s neighborhood.

(In response to an inquiry by NLIHC, HUD clarified in an email that Section 3 applies to the entire RAD scope of work. That is, under RAD, related non-housing work such as a parking lot, sidewalks, landscaping, etc., are considered a part of “housing construction” and is covered by Section 3.)

After the conversion, unless additional federal financial assistance is later used for rehabilitation, Section 3 no longer applies.

RAD continues

After the conversion, unless additional federal financial assistance is later used for rehabilitation, Section 3 no longer applies.

NLIHC has long urged HUD to extend Section 3 obligations post-conversion because application of Section 3 obligations that apply to permanent PHA staff – a potential source of Section 3 training and employment – can greatly shrink if a significant portion of the portfolio is converted or can be totally lost if an entire portfolio is converted.

The public housing portion of the Section 3 statute that applies to the operating assistance provided by the public housing program does not extend to public housing converted to Project-Based Rental Assistance. PHAs will continue, however, to “manage” or have a controlling interest in public housing converted to Project-Based Vouchers (PBVs). Therefore, NLIHC urged that the RAD Notice be modified to state that Section 3 will still apply to the permanent staff slots of the entities owning or managing a development converted to PBVs. This would extend some Section 3 training and employment opportunities post-conversion, rather than reduce them.

HUD declined NLIHC’s recommendation. HUD’s decision shrinks economic opportunities for residents of RAD-converted properties because only new construction or rehabilitation would trigger Section 3 after RAD conversion; as with public housing, Section 3 obligations should continue to apply to non-professional services staff involved in project operations.

MULTIPLE FUNDING SOURCES

When a project is funded with public housing funds and also meets the Section 3 project criteria (page 13 above), the project must follow the public housing Section 3 requirements for the public housing portion of the funds, and may follow the public housing Section 3 requirements or the Section 3 project requirements for the community development funds.

When a Section 3 project receives housing and community development funds from two different HUD programs (for example CDBG and HOME), HUD will tell the jurisdiction which HUD program office to report to.

NLIHC does not summarize this section of the final rule.

The *Federal Register* version of the final Section 3 rule is at: <https://bit.ly/33e0Vos>

An easier to read version of the final rule is at: <https://bit.ly/30mPLf7>

The benchmark *Federal Register* notice is at: <https://bit.ly/3520zko>

An easier to read version of the benchmark notice is at: <https://bit.ly/3j2PbKc>

Information about the now-defunct Section 3 regulations is on [page 7-75](#) of NLIHC’s *2020 Advocates’ Guide* and on [NLIHC’s public housing webpage](#)

ATTACHMENT, The current interim rule’s “goals”

The current rule goals:

Employment

If PHAs and jurisdictions – and their contractors and subcontractors – have new job slots at housing or community development construction projects funded by HUD programs, they must, “to the greatest extent feasible”, attempt to reach minimum “goals” for filling those “new hires” with “Section 3 residents”.

There are two levels of goals:

1. A goal of 30% of new hires applies to:
 - a. Public housing capital improvements or operating funds.
This includes management and administrative jobs, technical, professional, building trades, and non-construction jobs at all levels. (Section 3 Frequently Asked Questions, page 14)
 - b. Non-housing construction...mostly CDBG.
(eg roads, sidewalks, sewers, recreation centers, community centers, commercial buildings, etc.)
2. A goal of 10% of new hires applies to other HUD programs to rehab or construct housing
(eg, HOME, CDBG, NSP, Continuum of Care Homeless Assistance programs, lead-based paint abatement, etc.).

[Sec. 135.3(a)], [Sec. 135.30(a)(1) & (4)], [Sec. 135.30(b)]

Contracts

There are two numerical goals for contracts:

1. At least 10% of the total dollar amount of all Section 3 covered contracts should be awarded to “Section 3 businesses” for any building trades work[▲] for:
 - a. Public housing maintenance, repair, modernization, or construction; *or*,
 - b. Housing rehab or construction arising from other HUD housing programs; *or*
 - c. Other public construction projects.
2. At least 3% of the total dollar amount of all other (non-building trades) Section 3 covered contracts should be awarded to “Section 3 businesses”.

[Sec. 135.30(c)]

[▲]“Building Trades Work” is not defined in the regs, but it probably includes obvious things like bricklaying, plumbing, and painting. “Other” kinds of contracts might be carpet installation, lawn care, re-painting, routine maintenance, HVAC servicing, clerks, etc. (for the PHA or construction company).