



Housing and Revitalization
Department

Housing and Revitalization Department

Section 3 Program Policy

Section 3 Policy

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Mission

To promote and maintain fiscal responsibility, regulatory compliance and accurate reporting of the U.S. Department of Housing and Urban Development (HUD) awards.

Overview

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968, federal regulation formerly 24 CFR Part 135. HUD released a final rule in the fall of 2020 changing the regulation to 24 CFR Part 75. The final rule moved from tracking the number of qualified new hires (Section 3 residents) in Section 3 projects to tracking the total labor hours worked (by Section 3 workers and Targeted Section 3 workers). In connection with the final rule, 24 CFR Part 75, HUD published a document citation via the federal register, 85 FR 60907, titled - Section 3 Benchmarks for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses. The citation includes benchmark numbers and the methodology for determining the benchmarks.

The new Section 3 regulation, 24 CFR Part 75 continue to ensure that economic opportunities, most importantly employment, generated by certain HUD financial assistance shall be directed to low- and very low-income persons, particularly those who are residents of the community in which the federal assistance is spent. This requires recipients of certain HUD housing and community development financial assistance, to the greatest extent feasible, to provide employment and job training for low- and very low-income persons and contracting opportunities to business concerns which provides economic opportunities to low- and very low-income persons in connection with projects and activities in their neighborhoods. HUD believes the final rule makes Section 3 goals and reporting more meaningful and aligned with statutory requirements.

Successful compliance with HUD Section 3, federal regulation 24 CFR Part 75, by the subrecipient, developer, general contractor, and subcontractor will be a factor in determining future awards of Section 3 covered assistance.

Section 3 Projects

Section 3 applies to projects that are fully or partially funded with HUD financial assistance. Section 3 projects are housing rehabilitation, housing construction, and other public construction projects and activities assisted under HUD programs when the total amount of assistance to the project exceeds a threshold of \$200,000. The threshold is \$100,000 where the assistance is from the Lead Hazard Control and Healthy Homes programs (§75.3 (2) (i)). However, Section 3 regulation does not apply to material only contracts. All parties associated with each project must maintain documentation for a time period required for record retention or in the absence of applicable program regulation in accordance with 2 CFR Part 200.

HUD Covered Programs

Section 3 applies to projects with more than \$200,000 in funding from housing and community development financial assistance programs. The following is a partial list of HUD funding that may be subject to Section 3:

- Community Development Block Grants (CDBG)
- Home Investment Partnership Grants (HOME)
- Neighborhood Stabilization Program Grants (NSP)
- Economic Stimulus Funds / CARES Act Funding
- Housing Opportunities for Persons with AIDS (HOPWA)
- Emergency Solutions Grants (ESG)
- Lead Hazard Control Grants (\$100,000 threshold)
- Healthy Homes Production Grants (\$100,000 threshold)
- Choice Neighborhoods Program

The following are additional HUD grants, programs and/or activities that may trigger Section 3, but may not be a program in the City of Detroit:

- Housing Trust Fund (HTF)
- University Partnership Grants
- Project Based Section 8 Vouchers
- Rental Assistance Demonstration Program (RAD)
- Section 202 Supportive Housing for the Elderly
- Section 811 Supportive Housing for the Disabled
- Economic Development Initiative (EDI)
- Brownfield Economic Development Initiative (BEDI)

As the above is not an exhaustive list of covered funding, please contact the Housing and Revitalization Department's Section 3 Program Office to determine Section 3 applicability of project funds.

All Subrecipient & Contract Awardees - Required Information and HUD Section 3 Language

All subrecipient and contract awardees are required to meet at least the minimum HUD Section 3 benchmark goals. As a subrecipient and contract awardee, Section 3 is a requirement regardless of the Section 3 language included in agreements, program regulatory agreements, or contracts (§75.27). All parties are encouraged to review the Section 3 information and documentation on the Housing and Revitalization Department's website and HUD's website. Links to websites are included in the appendix.

Individuals and Businesses

HUD created the Section 3 Worker and Targeted Section 3 Worker classifications to target selected categories of workers. Each category of workers establishes separate benchmarks for the work hours and to recognize the statutory requirements pertaining to contracting opportunities for business concerns employing low- and very-low income persons.

A Section 3 worker means (§75.5)

1. Any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented:
 - a. The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
 - b. The worker is employed by a Section 3 business concern.
 - c. The worker is a Youthbuild participant.
2. The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.
3. Nothing in this part shall be construed to require the employment of someone who meets this definition of a Section 3 worker. Section 3 workers are not exempt from meeting the qualifications of the position to be filled.

Note – *The timeframe to determine if an individual meets the Section 3 worker requirements is within the past five years or when this regulation was published on 11/30/2020, whichever is later.*

A Targeted Section 3 worker means (§75.21)

A Section 3 worker who is:

- a. A worker employed by a Section 3 business concern; or
- b. 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 within the service area or the neighborhood of the project, as defined in § 75.5; or
 - ii. A Youthbuild participant.

(Note - *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. (§75.5))

FY2021 - 2022 \$80,000 Median Family Income

Family Size	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Income	\$44,800	\$51,200	\$57,600	\$64,000	\$69,150	\$74,250	\$79,400	\$84,500

Metro Detroit Income Limits subject to change annually

Source - <https://www.huduser.gov/portal/datasets/il/il2021/2021summary.odn>
 Detroit-Warren-Livonia MI HUD METRO FMR AREA AMI Income Limits as of 07/01/2021)

Section 3 business concern means (§75.5)

1. A business concern meets one of the following criteria, documented within the last six-month period:
 - a. It is at least 51 percent owned and controlled by low- or very low-income persons;
 - b. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
 - c. It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.
2. The status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees.
3. Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.

Employment and Training (§75.19)

To demonstrate compliance with HUD Section 3 regulation, to the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients shall ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 workers that are residents of the City of Detroit. If your business and/or the project provides apprenticeships and training opportunities for new hires, Section 3 workers should receive the same opportunities.

Where feasible, priority for opportunities and training as described above should be given to:

1. Section 3 workers residing within the service area or the neighborhood of the project, and
2. Participants in Youthbuild programs.

Contracting (§75.19)

To demonstrate compliance with HUD Section 3 regulation, to the greatest extent feasible, and consistent with existing Federal, state, and local laws and regulations, recipients shall ensure contracts for work awarded in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 workers residing within the City of Detroit.

Where feasible, priority for contracting opportunities described above should be given to:

1. Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project, and
2. Youthbuild programs.

Note – *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 (§75.5).

Benchmark Goals

The benchmarks are for the project itself rather than the recipient’s fiscal year. HUD established nationwide benchmarks for work performed by Section 3 workers and Targeted Section 3 workers. In establishing the Section 3 benchmarks, HUD will exclude professional services from the total number of labor hours, as such hours are excluded from the total number of labor hours to be reported (§75.23 (b) (2)). **However**, if there are opportunities to hire for any professional services positions and if low- or very low-income persons are hired meeting the Section 3 worker requirements, those work hours may be included in the Section 3 workers labor hours’ calculations (in the numerator), without including the total number of labor hours from professional services (in the denominator) (§75.25 (a) (4)).



Section 3 workers benchmark (§75.23 (b) and federal register – document citation 85 FR 60907)

Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers; and

Targeted Section 3 workers benchmark (§75.23 (b) and federal register – document citation 85 FR 60907)

Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers.

$$\frac{\text{Section 3 Labor Hours}}{\text{Total Labor Hours}} = 25\% \quad \text{and} \quad \frac{\text{Targeted Section 3 Labor Hours}}{\text{Total Labor Hours}} = 5\%$$

The labor hours reported must include the total number of labor hours worked on a Section 3 project, including labor hours worked by any subrecipients/developers, general contractors and subcontractors (75.25 (3)).

Compliance Monitoring and Performance Reviews

The Housing and Revitalization Department (HRD) has the right, authority, and responsibility to monitor all HRD-funded projects and activities subject to Section 3. The Section 3 Program Office shall develop and implement procedures that include strategies required to accomplish the monitoring function of the HRD HUD Section 3 Program. If voluntary compliance cannot be obtained, enforcement measures may be recommended. HRD reserves the right to allow contractors and subcontractors to comply with HUD Section 3 by combining or adjusting methods of compliance when necessary, to ensure the overall goal of compliance with HUD Section 3 is being met to the “greatest extent feasible.”

Successful compliance with HUD Section 3, federal regulation 24 CFR 75, by the subrecipient/developer, general contractor, and subcontractor will be a factor in determining future awards of Section 3 covered assistance.

Additional Reporting – Benchmarks Not Met

When the Section 3 benchmarks have not been met, HRD must provide a report to HUD on the qualitative nature of its activities and of those its subrecipients/general contractors and subcontractors pursued. Such qualitative efforts may include but are not limited to the following (§75.25 (b)):

1. Engaged in outreach efforts to generate job applicants who are Targeted Section 3 workers.
2. Provided training or apprenticeship opportunities.
3. Provided technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).
4. Provided or connected Section 3 workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services.
5. Held one or more job fairs.
6. Provided or referred Section 3 workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care).
7. Provided assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training.
8. Assisted Section 3 workers to obtain financial literacy training and/or coaching.
9. Engaged in outreach efforts to identify and secure bids from Section 3 business concerns.
10. Provided technical assistance to help Section 3 business concerns understand and bid on contracts.
11. Divided contracts into smaller jobs to facilitate participation by Section 3 business concerns.
12. Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
13. Promoted use of business registries designed to create opportunities for disadvantaged and small businesses.
14. Outreach, engagement, or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

Documentation of efforts made by subrecipient/developer, general contractor, and subcontractor to comply with Section 3 must be maintained for 5 years. Documentation might include: copies of direct mail solicitations, email and internet outreach efforts (including social media – LinkedIn, Facebook, Instagram, TikTok, etc.), formal advertisements, flyers or brochures about meetings, sign-in lists from job fairs and other public meetings, agendas and/or meeting notes from meetings with contractors, and etc. A public meeting could include meetings with community organizations as an example - resident councils, resident management corporations, and neighborhood community organizations.

Enforcement Measures

HRD may impose enforcement measures if the subrecipient/developer, general contractor, or subcontractor fails to meet the Section 3 benchmarks and demonstrate a concerted effort to comply with the regulation, to the greatest extent feasible. The enforcement measures may include:

1. Withholding some or all future contract payments pertaining to the project that is determined to be in Section 3 non-compliance or any other contract the contractor may have with HRD until compliance has been achieved;
2. Terminating the contract and/or imposing a suspension from future HRD contracting opportunities for a period not to exceed twelve (12) months;
3. Imposing debarment from future participation in HRD contracting opportunities for up to three years.

Section 3 Certified Business Concern Information

General contractors and subcontractors may demonstrate a commitment to compliance by becoming a certified Section 3 business concern. A Section 3 business concern means (§75.5):

1. A business concern meets one of the following criteria, documented within the last six-month period:
 - a. It is at least 51% owned and controlled by low- or very low-income persons;
 - b. Over 75% of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
 - c. It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.
2. The status of a Section 3 business concern shall not be negatively affected by a prior arrest or conviction of its owner(s) or employees.
3. Nothing in this part shall be construed to require the contracting or subcontracting of a Section 3 business concern. Section 3 business concerns are not exempt from meeting the specifications of the contract.

A general contractor or subcontractor seeking to become a certified Section 3 business concern shall submit the Section 3 application to certify with supporting documentation to the Housing and Revitalization Department Section 3 Program Office according to one of the above categories.

Appendix

Section 3 Language – Updated 24 CFR Part 75

All HUD Section 3 covered contracts shall include the following language:

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very-low income persons.
- B. The Parties to this contract agree to comply with HUD’s regulation in 24 CFR Part 75 and Housing and Revitalization Department (HRD) policy and guidelines, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediments that would prevent them from complying with the Part 75 regulation.
- C. The contractor agrees to include this Section 3 language in every subcontract subject to compliance with regulation in 24 CFR Part 75, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 language, upon a finding that the subcontractor is in violation of the regulation in 24 CFR Part 75 and HRD’s policy and guidelines. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulation in 24 CFR Part 75.
- D. Noncompliance with HUD’s regulation in 24 CFR Part 75 and HRD’s policy and guidelines may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Housing and Revitalization Department Information and Resources

For more information on the Housing and Revitalization Department (HRD) Section 3 Program, contact the HRD Section 3 Program Office:

Section 3 Program Office

Housing and Revitalization Department (HRD)

Coleman A. Young Municipal Center (CAYMC)

2 Woodward Avenue, Suite 908

Detroit, MI 48226

HRDsection3@DetroitMi.gov

313-224-6380 main line

313-224-9515 direct line – Program Office

<https://detroitmi.gov/departments/housing-and-revitalization-department/hud-programs-and-information/section-3-program>

Submission of any Section 3 documents and forms are submitted via the HRD Labor Compliance Documentation Upload

<https://app.smartsheet.com/b/form/6b93e2c07b344e018f2c4140a6666e3f>

For more information on the Michigan State Housing Development Authority (MSHDA) Section 3 Program contact – Likwa Williams, WilliamsL91@Michigan.gov.

Housing and Revitalization Department Partners when seeking individuals to hire and training opportunities:

State of Michigan - Work Opportunity Tax Credit (WOTC)

<https://www.michigan.gov/leo/bureaus-agencies/uia/employers/panel-resources/programs/wotc>

The Work Opportunity Tax Credit is a federal business credit available to private, for-profit employers who hire workers from targeted groups that experience difficulty finding work. These labor pools include veterans; ex-felons; long-term unemployment recipients; Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), or Social Security recipients; workers with physical or mental disability; or applicants who live in the Rural Renewal Counties (RRC) of Gogebic, Marquette and Ontonagon or in Detroit's Empowerment Zone.

TAX CREDIT VALUES

	Tax Credit	First Year Wages
Veterans		
Disabled Vet	\$3,000 - \$4,800	\$12,000
Disabled & Unemployed Vet	\$6,000 - \$9,600	\$24,000
Unemployed Vet at least 4 weeks	\$1,500 - \$2,400	\$ 6,000
Unemployed Vet at least 6 months	\$3,500 - \$5,600	\$14,000
TANF Recipients		
Short-Term	\$1,500 - \$2,400	\$6,000
Long-Term	\$2,500 - \$9,000	\$10,000 (50% 2nd year)
Other Target Groups		
SNAP, Designated Community, Voc. Rehab, Ex-Felon, SSI	\$1,500 - \$2,400	\$6,000
Summer Youth (SY)	\$ 750 - \$1,200	\$3,000
Tax-Exempt Organizations		
For Qualified Veteran Only	Up to \$6,240	

The WOTC tax credit depends on the number of hours worked in the first year. If an employee works 120-399 hours, the employer qualifies for a 25 percent tax credit of first year wages. That tax credit increases to 40 percent if the employee works 400 hours or more.



**City of Detroit Civil Rights, Inclusion & Opportunity Department (CRIO)
Construction Outreach Team (for both individuals and businesses)**

Email address - Inclusion_CRIO@DetroitMi.gov;

313-681-9094 direct line, RichmondR@DetroitMi.gov; Renard Richmond, Construction Outreach Team

<https://detroitmi.gov/departments/civil-rights-inclusion-opportunity-department/about-crio/outreach-team>

Detroit Housing Commission (DHC)

Administrative Office

1301 East Jefferson Avenue

Detroit, MI 48207

313-877-8000 main line

313-877-8114 resident services – Section 3

Detroit Employment Solutions Corporation (DESC)

Business Services Division (BSD)

bsd@DetEmpSol.org

313-664-5566

www.DescMiWorks.com/business-services

Detroit-At-Work

313-962-WORK (9675)

www.DetroitAtWork.com

Michigan Works (a partner of the American Job Center Network)

www.michiganworks.org/michigan-works-network

Detroit Office – partnered with DESC

Administrative Office

Detroit Employment Solutions Corporation (DESC)

440 East Congress

Detroit, MI 48226

313-876-0674

www.DESCMiWorks.com

Service Centers

Detroit

5555 Conner

313-579-4925

Detroit

9310 Michigan Avenue

313-873-7321

Detroit

18100 Meyers Road

313-962-9675

Youthbuild Learning Academy

SER-Metro

Career Coach

youth@SerMetro.org

313-945-5200 ext. 2

www.SerMetro.org

Randolph Career and Technical Center

17101 Hubbell

Detroit, MI 48235-3942

313-494-7100

www.detroitk12.org/RandolphCTC

HUD Resources

HUD Section 3 website & FAQs

- <https://www.hud.gov/section3>
- <https://www.hud.gov/sites/dfiles/FPM/documents/Section-3-FAQs.pdf>

Housing and Urban Development Section 3 Regulation – 24 CFR Part 75

- <https://www.ecfr.gov/current/title-24/subtitle-A/part-75>
- <https://www.govinfo.gov/content/pkg/FR-2020-09-29/pdf/2020-19185.pdf>

Section 3 Projects Benchmarks

- <https://www.federalregister.gov/documents/2020/09/29/2020-19183/section-3-benchmarks-for-creating-economic-opportunities-for-low--and-very-low-income-persons-and#h-13>
- <https://www.govinfo.gov/content/pkg/FR-2020-09-29/pdf/2020-19183.pdf>

How can businesses or residents pursue an alleged violation of Section 3?

You can file a written complaint with the Office of Field Policy and Management and/or Community Planning & Development **local HUD Field Offices** or directly with the HUD Chicago Regional Office of Field Policy and Management.

A written complaint should contain:

- Name and address of the person filing the complaint
- Name and address of subject of complaint (HUD recipient, contractor or Subcontractor)
- Description of acts or omissions in alleged violation of HUD Section 3
- Statement of corrective action sought i.e. training, employment, or contracts

Local Office:

U. S. Department of Housing and Urban Development - Detroit Field Office
McNamara Federal Building - 477 Michigan Avenue, Floors 16 & 17, Detroit, Michigan 48226
(313) 226-7900 ext. 8013, Fax: (313) 226-3887, TTY: (313) 226-6899

Office of the Field Office Director

<https://www.hud.gov/states/michigan/working/fodstaff>

Community Planning & Development

<https://www.hud.gov/states/michigan/working/localpo/cpd/localcontacts>

Section 3 Point of Contact – Detroit (Region V)

<https://www.hud.gov/sites/dfiles/FPM/documents/Sec3PointsContact.pdf>

Regional Office:

Chicago Regional Office of Field Policy and Management

U.S. Department of Housing and Urban Development

Ralph H. Metcalfe Federal Building - 77 West Jackson Boulevard, Room 2101, Chicago, Illinois 60604-3507

(312) 353-7776 ext. 2453, 1-800-765-9372, TTY (312) 353-714

Email address - Complaints_office_05@hud.gov