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## GENERAL NEWS

### HUD Issues Prepublication Copy of Section 3 Final Rule

The Department of Housing and Urban Development ([HUD](#)) has released the [prepublication copy](#) of its final rule on Section 3 of the Housing and Urban Development Act of 1968. As you know, [Section 3](#) requires that recipients of certain types of HUD financial assistance provide training, employment, contracting, and other economic opportunities to low and very low-income individuals—and to businesses that provide economic opportunities to such persons—to the greatest extent possible.

The final rule, which contains few changes from the [proposed rule](#), updates and streamlines the Section 3 regulations, which have not changed since 1994. Highlights of the new rule include the following:

- Section 3 regulations have been removed from 24 CFR Part 135, which was previously under HUD's Office of Fair Housing and Equal Opportunity ([FHEO](#)), and have been replaced with a new 24 CFR Part 75, which is under the Office of the Secretary. This effectively shifts the responsibility for Section 3 oversight into the program offices responsible for funding the program that triggers Section 3, such as Public and Indian Housing ([PIH](#)) or Community Planning and Development ([CPD](#)). Some commenters on the proposed rule had expressed concern that this shift eliminates any formal Section 3 complaint process. While the regulatory language in the final rule does not specifically address complaints, HUD asserts in its response to public comments that it will provide guidance on complaint handling and routing, and that the Office of Field Policy and Management ([FPM](#)) will be taking a greater role at the field level by filtering complaints to the corresponding office.
- The new rule opts for a "labor hours worked" standard over a "new hires" standard. While the proposed rule included an "Alternative 2" that would have allowed some PHAs to continue using the "new hires" standard, the final rule requires the tracking of labor hours for all Section 3 outcomes to implement a more impactful Section 3 standard across all HUD outcomes and avoid reporting complications that could arise from the use of different metrics.

- The rule establishes a \$200,000 threshold per project before a contractor or subcontractor would have to comply with Section 3. However, per public comments from the proposed rule stage, the final rule establishes a threshold of \$100,000 where the assistance is from Lead Hazard Control and Healthy Homes programs.
- Rather than *Section 3 resident*, the new rule creates the term *Section 3 worker*, which would include more than just public housing residents. This includes any worker who fits any one of the following categories: 1) Their income for the previous annualized calendar year is below the income limit established by HUD; 2) They are employed by a Section 3 business concern; or 3) They are a YouthBuild participant.
- The rule also creates the term *targeted Section 3 worker*. A *targeted Section 3 worker* can be a worker employed by a Section 3 business concern, or a worker who is a resident of public housing or Section 8-assisted housing, a resident of other public housing projects or Section 8-assisted housing managed by the PHA providing the assistance, or a YouthBuild participant.
- The rule states that HUD will create benchmarks that will be updated not less than every three years (down from five in the proposed rule), which HUD will publish in the *Federal Register*. Section 3 benchmarks will consist of the following two ratios: 1) The number of labor hours worked by *Section 3 workers* divided by the total number of labor hours worked by all workers funded by public housing financial assistance in the PHA's or other recipient's fiscal year; and 2) the number of labor hours worked by *targeted Section 3 workers* divided by the total number of labor hours worked by all workers funded by public housing financial assistance in the PHA's or other recipient's fiscal year.
- In reporting, PHAs and other recipients must report the total number of labor hours worked, the total number of labor hours worked by *section 3 workers*, and the total number of labor hours worked by *targeted Section 3 workers*. Further extensive reporting requirements are detailed in the final rule.

[The rule](#) is slated to be published in the *Federal Register* tomorrow, September 29. Public housing financial assistance recipients are expected to be in compliance with the new regulations and reporting requirements starting with the first full fiscal year after July 1, 2021, and the regulations are applicable to Section 3 projects for which assistance or funds are committed on or after July 1, 2021.

### HUD Awards Lead and Health Hazard Grants

In a [press release](#) last Friday, HUD announced the recipients of more than \$165 million to protect children and families from lead-based paint and home health hazards. Grants were awarded to 44 state and local government agencies under the [Lead Based Paint Hazard Reduction Program](#). These grants also include more than \$17 million from HUD's [Healthy Homes supplemental funding](#) to help with housing-related health and safety hazards in addition to lead-based paint hazards.

A state-by-state list of recipients is included in the press release. Click [here](#) for a project-by-project description of the programs for which grants were awarded.



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