



# Section 3 Reporting Factsheet Series

## Part 1: Section 3 Regulations

Section 3 contributes to the establishment of stronger, more sustainable communities by ensuring that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible and consistent with existing Federal, state, and local laws and regulations, directed toward low- and very low-income persons.

### Section 3 Final Rule

On September 29, 2020, HUD published the Section 3 Final Rule and the [Section 3 Benchmark Notice](#) in the *Federal Register* notice (85 FR 60907). The regulation, provided by the Final Rule, became effective on November 30, 2020 and is codified at [24 CFR part 75](#).

#### Section 3 Final Rule

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The regulation simplified the Section 3 requirements and established that Section 3 requirements apply to housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development assistance when the total amount of assistance to the project exceeds the \$200,000 funding threshold.

Section 3 requirements apply to the entire project, not just the HUD-financed portion of the project. If a housing rehabilitation, housing construction, or other public construction project receives more than \$200,000 of HUD funding, then Section 3 requirements are triggered and apply to all employment and training opportunities and contracts for work arising in connection with the project, including efforts that are financed by other, non-HUD sources of funds. Grantees must make all recipients, contractors, and subcontractors aware of the need to comply with Section 3 requirements.

# Section 3 Project Threshold Updates

On February 13, 2026, HUD published an update to the project threshold amount in a *Federal Register* notice. Section 3 now applies to Housing and Community Development projects where the amount of assistance to the project exceeds a threshold of \$300,000 (effective March 1, 2026).

Section 3  
Project  
Threshold  
Update  
Notice  
(91 FR 6752)

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The Final Rule's focus on labor hours seeks to measure total actual employment and the proportion of the total employment performed by low- and very low-income workers.

**24 CFR 75.25** requires grantees to report the total labor hours for three categories of workers on the project:

- all workers
- Section 3 workers, and
- Targeted Section 3 workers

# Key Terminology to Know

## Section 3 Worker

As defined at [24 CFR 75.5](#) is a worker who currently fits or when hired within the past five years fits at least one of the following categories:

1. Is a low- or very low-income worker that fell below HUD income limits for the previous or annualized calendar year. Low- and very-low-household income limits may be obtained from: <http://www.huduser.org/portal/datasets/il.html>
2. Is employed by a Section 3 business concern
3. Is a YouthBuild participant. YouthBuild is a community-based pre-apprenticeship program administered by the U.S. Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school.

## Targeted Section 3 Worker

A Targeted Section 3 worker for Housing and Community Development financial assistance is a worker who meets the definition of a Section 3 worker, plus one of the following:

1. A worker employed by a Section 3 business concern (defined below), 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:
  - a. Living within the service area or the neighborhood of the project.
  - b. A YouthBuild participant.

## Section 3 Business Concern

A Section 3 business concern is defined in [24 CFR 75.5](#) as a business that meets at least one of the following criteria, documented within the last six-month period:

1. At least 51 percent owned and controlled by low- or very low-income persons,
2. More than 75 percent of the labor hours performed for the business over the previous 3-month period are performed by Section 3 workers, or
3. At least 51 percent owned and controlled by current residents of public housing or Section 8-assisted housing.

# EMPLOYMENT, TRAINING, AND CONTRACTING PRIORITIZATION

## Section 3 Worker Prioritization

Pursuant to [24 CFR 75.19\(a\)](#), grantees must, to the greatest extent feasible, ensure Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the Section 3 project is located are provided with employment and training opportunities arising in connection with the project. Where feasible, a grantee and its recipients should give priority for opportunities and training to:

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

## Section 3 Business Prioritization

Where feasible, a grantee and its recipients should give priority for contracting opportunities 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.

## Section 3 Resources

[Section 3 Resources and Tools](#) page contains resources and sample tools for implementing the Section 3 final rule at [24 CFR Part 75](#).

[Section 3 Guidebook](#) contains guidance on Section 3 requirements, and tools and resources for implementing and applying Section 3 to HUD funded projects and activities.

[Section 3 FAQs](#) provides answers to frequently asked questions about Section 3.

[CPD Notice CPD-21-09](#) provides guidance to Community Development Block Grant Disaster Recovery (CDBG-DR) and Community Development Block Grant Mitigation (CDBG-MIT) grantees by outlining the key changes made in the Section 3 Final Rule and suggestions for tracking and reporting compliance with the new requirements established in the New Rule.

[Section 3 Resource Hub](#) is a centralized platform that offers a filterable search for state-specific resources. The hub connects workers with resources needed to obtain employment and training in their state and local community, businesses with state and local resources needed to start or grow their business and compete on government contracts, and recipients of HUD funding with resources to understand Section 3 requirements as well as business development, workforce development, and contracting opportunities to support business and workers.