



Section 3 Reporting Factsheet Series

Part 2: Section 3 Benchmarks

Community Development Block Grant Disaster Recovery (CDBG-DR) and Community Development Block Grant Mitigation (CDBG-MIT) grantees are required, to the greatest extent feasible and consistent with existing Federal, state, and local laws, to ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 workers. Grantees are also required to ensure that contracts for work awarded in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located.

Section 3 Benchmarks

The Section 3 regulations require grantees to track and report the labor hours on Section 3 projects ([24 CFR 75.25](#)). HUD established Section 3 benchmarks for Section 3 workers and targeted Section 3 workers through the “[Section 3 Benchmark Notice](#)” published in the Federal Register on September 29, 2020 (85 FR 60907).

In accordance with [24 CFR 75.25\(a\)](#), recipients of HUD funding must report the following labor hours (including total hours worked by all subrecipients, contractors, and subcontractors) for Section 3 projects:

- The total number of labor hours worked by all workers,
- The total number of labor hours worked by Section 3 workers, and
- The total number of labor hours worked by Targeted Section 3 workers.

**Section 3
Benchmark
Notice
(85 FR 60907)**

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In February 2026, HUD published an updated Section 3 Benchmark Notice that applies to projects assisted with Housing and Community Development financial assistance.

Per the Final Rule, HUD is required to perform benchmark updates every 3 years.

Updated
Section 3
Benchmark
Notice
(88 FR 69219)

[Read More](#)

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Benchmark 1: 25 percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by **Section 3 workers**.



2

Benchmark 2: Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by **Targeted Section 3 workers**.



Reporting Section 3 in DRGR

Grantees should group like projects together when reporting Section 3 accomplishments in DRGR. Grantees will report Section 3 data in DRGR at the activity level. There are three Section 3 related items grantees will be asked to report on.

1)Section 3 Applicability.

The grantee will indicate whether an activity is subject to Section 3 requirements on the Details tab of the Manage Activity screen for that activity. Refer to the [DRGR Guidance on Reporting Section 3 Hours Fact Sheet](#) for instructions on how to navigate to this screen and enter this information.

Reporting Section 3 in DRGR continued

2)Section 3 Performance Measures (Accomplishments).

This includes the “Number of Total Labor Hours,” “Number of Section 3 Labor Hours,” and “Number of Targeted Section 3 Labor Hours.” Projected Section 3 accomplishments will be entered on the Measures tab of the Manage Activity screen. Actual Section 3 accomplishments will be entered as part of the Quarterly Performance Report. The [DRGR Fact Sheet](#) provides instructions for how Section 3 performance measures should be entered.

3)Section 3 Qualitative Efforts.

If an activity has not met both Section 3 benchmarks, the grantee must enter a Section 3 Qualitative Efforts narrative on the Narratives tab of the Manage Performance Report-Activity screen. This narrative should describe the qualitative efforts the grantee made to try to meet the Section 3 benchmarks. The [DRGR Fact Sheet](#) provides instructions on how to enter this narrative.

How can you determine if you have met the Section 3 benchmarks?

DRGR will display an activity’s cumulative Section 3 accomplishments on the Measures tab of the Manage Performance Report-Activity screen. Grantees can also run a P35-QPR-Section 3 Hours Report to view cumulative Section 3 accomplishments for each activity. The [DRGR Fact Sheet](#) provides instructions on how to find Section 3 accomplishment information in DRGR and in the P35 Report.

Grantees should use the formula below to determine whether an activity has met the Section 3 benchmark

$$\frac{\text{Section 3 labor hours}}{\text{Total labor hours}} = 25\% \quad \text{AND} \quad \frac{\text{Targeted Section 3 labor hours}}{\text{Total labor hours}} = 5\%$$



What happens if a CDBG-DR grantee is unable to meet the Section 3 benchmark?

The CDBG-DR grantee must report on the qualitative efforts of its Section 3 compliance activities and those of its contactors, subcontractors, and subrecipients.

Qualitative efforts are those actions which help assist the target population (low- and very low-income individuals) with developing work ready skills and securing employment.

Examples of Qualitative Efforts

Qualitative efforts are not intended to supplant the labor hour benchmark requirements described in 24 CFR 75.23, but instead offered as a means for grantees to explain the efforts made to try to meet the benchmark requirements.

1 Engaging in outreach efforts to generate job applicants who are Section 3 and Targeted Section 3 workers.

- Reaching out to local social services agencies, food banks, local shelters, faith-based organizations, or other community agencies that serve low- and very-low income individuals to advertise job opportunities available for Section 3 or Targeted Section 3 workers.
- Partnering with your local Workforce Center or American Job Center, or non-profit organizations to advertise job openings available for low- and very low-income individuals.

2 Providing training or apprenticeship opportunities.

- Hiring entry level workers or workers without experience and offering to train those workers in the skills needed to perform the job duties.
- Referring job seekers to non-profit organizations, Workforce Centers, or American Job Centers to obtain training and/or certifications necessary to gain employment.

3 Providing technical assistance to help Section 3 workers develop skills to compete for jobs.

- Holding one or more clinics, at a convenient location and time, that would offer potential applicants essential employment ready soft skills training such as communication, teamwork, and time management to help individuals develop the skills and behaviors necessary for any job.

4 Connecting Section 3 workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities by connecting residents to job placement services.

- State Workforce Centers or American Job Centers, local public libraries, and local non-profit organizations offer free assistance with preparing resumes, mock interviewing, and job placement services.

5 Holding one or more job fairs.

- Organize a job fair held at the State Workforce Center or American Job Center in your area. These centers offer free services to both employers and job seekers to help connect unemployed and underemployed individuals with local employment opportunities.
- Partner with community agencies such as non-profits, faith-based organizations, shelters, or social services agencies to sponsor a job fair.

6 Providing or referring Section 3 workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care).

- Offer job seekers bus tickets, subway passes, or other paid transportation methods.
- Refer job seekers to non-profit organizations that provide free clothing for job interviews, and State Workforce Centers or American Job Centers for assistance with required testing fees.
- Refer job seekers to social services agencies for assistance with childcare expenses.

7 Providing assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training.

- The local Workforce Centers or American Job Centers have vocational and education counselors available that will help individuals with testing and applying to community colleges at no expense to the individuals.
- Reach out to the local Veteran Affairs office to assist veterans looking for employment. Veterans and their family members receive free educational and career counseling, resume support, and help with finding a training program or employment through these offices.

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Assisting Section 3 workers to obtain financial literacy training and/or coaching.

- Free financial literacy programs can be found in many places within a community. Check with local libraries, community colleges, Workforce Centers or American Job Centers, social services agencies, credit unions, and non-profit organizations for available classes.

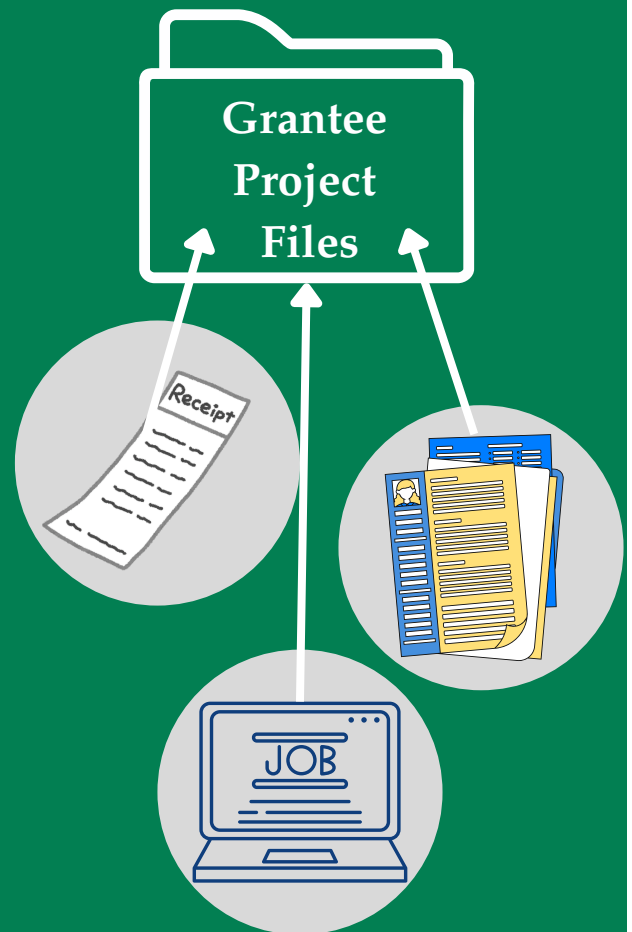
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Identify Section 3 business concerns looking to hire Section 3 workers.

- Use [The Small Business Administration's Dynamic Small Business](#) search to find local small businesses that could potentially qualify as a Section 3 business concern. (a Section 3 business concern is defined in 24 CFR 75.5).
- The [Section 3 Business Concern Certification Sample Form](#) is available on the HUD Exchange. The sample form can be used by grantees to certify and track Section 3 business concerns.

Required Documentation

Grantees must retain documentation in project files which demonstrates compliance with the [Final Rule](#). Documentation for qualitative efforts can include, but are not limited to: copies of employment referrals, flyers for sponsored job fairs, copies of outreach efforts, flyers for financial literacy programs offered to employees, copies of job postings for Section 3 Workers, and receipts for paid supportive services (i.e. transportation, childcare) for prospective employees.



Continued Learning Opportunities

Trainings

[Section 3 Final Rule Training](#) is available to help grantees understand the Section 3 requirements and learn how to implement the Section 3 regulations.

The [Section 3 Video Series](#) will equip Section 3 recipients with the basics needed to understand the Section 3 final rule requirements under 24 CFR Part 75 and learn implementation strategies to undertake qualitative efforts and meet the Section 3 benchmarks.

Tools and Resources

The [Section 3 Resource Hub](#) is a centralized platform that offers a filterable search for state-specific resources, making it easier for users to discover local opportunities for workforce and business development.

[CareerOneStop](#) centers, sponsored by the U.S. Department of Labor, provide employment and related resources for individuals and businesses.

[American Job Centers](#) are sponsored by the U.S. Department of Labor and supported by federal, state, and nonprofit agencies. These Job Centers offer programs and services to support individuals with job search, locate job related training, and answer other employment related questions.

