**CHAPTER 20**

**SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968**

20-1 PURPOSE.

 This Chapter provides guidance for monitoring applicable Office of Community Planning and Development (CPD) program recipient’s compliance with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, 12 U.S.C. 1701u (Section 3). Section 3 contributes to the establishment of stronger, more sustainable communities by ensuring that, to the greatest extent feasible, employment and business opportunities generated by Federal financial assistance for housing and community development programs are directed to low-income and very low-income residents and business concerns located within areas assisted by such programs. The regulation, provided by the Section 3 Final Rule, became effective on November 30, 2020 and is codified at 24 CFR part 75.

20-2 APPLICABILITY.

 Section 3 requirements are applicable to housing rehabilitation, housing construction and other public construction projects receiving housing and community development financial assistance that exceeds the applicable threshold in 24 CFR 75.3 or as established in any Federal Register Notice updating the threshold. For the purposes of CPD programs, that financial assistance includes, but is not limited to, the following programs:

* Community Development Block Grant (CDBG)
* Community Development Block Grant CARES Act (CDBG-CV)
* CDBG Disaster Recovery (CDBG-DR)
* CDBG Mitigation (CDBG-MIT)
* Neighborhood Stabilization Program (NSP)
* Recovery Housing Program (RHP)
* Housing Trust Fund (HTF)
* HOME Investment Partnership Program (HOME)
* Neighborhood Stabilization Program (NSP)
* Section 108 Loan Guarantee Program
* Emergency Solution Grants (ESG) Program
* Housing Opportunities for Persons With Aids (HOPWA)

HUD may adjust funding thresholds or establish new benchmarks for determining compliance with Section 3 requirements (either a single nationwide benchmark or multiple benchmarks based on geography, type of assistance, or other variables) periodically as new information becomes available.

Section 3 requirements at 24 CFR part 75 apply to new grants, commitments, contracts, or projects funded on or after the November 30, 2020 effective date.

The HUD reviewer should not use this exhibit to review Section 3 compliance for projects funded prior to November 30, 2020. Such projects remain subject to the former 24 CFR part 135, and recipients are expected to maintain documentation demonstrating compliance with the prior regulations. If reviewing Section 3 compliance subject to 24 CFR part 135, use Exhibit 22-7, which can be found in Rev. 7 Chg.4 of this CPD Monitoring Handbook 6509.2. Please review program specific guidance for more specific information on applicability.

* 1. FILE SELECTION AND SAMPLING.

As described in Chapter 2, the risk analysis process will be used to determine which program participant’s activities, projects, and areas should be reviewed. Each program will use the file selection and sampling method that is used for the applicable CPD program(s). In addition to program-specific reviews, the HUD reviewer should review projects subject to Section 3 requirements for compliance with 24 CFR Part 75. To effectively monitor Section 3 compliance, the HUD reviewer should pull relevant reports from HUD’s reporting system(s) (i.e., MicroStrategy reports). Additionally, the HUD reviewer should request copies of the program participant’s (or its subrecipients’, contractors’, or subcontractors’) records, reports, and other supporting documentation demonstrating Section 3 compliance with the applicable Section 3 reporting and recordkeeping requirements. Supporting documentation may include:

* Recipient’s Section 3 reporting and recordkeeping policies and procedures
* Recipient’s internal Section 3 reports for tracking Section 3 labor hours
* Subrecipient agreement and/or contracts (per 24 CFR 75.27)
* Section 3 worker certifications (per 24 CFR 75.31(b)(1))
* Targeted Section 3 worker certifications (per 24 CFR 75.31(b)(2))
* Other relevant documents

20-4 LOCATION OF PROGRAM CHAPTERS.

Each program has a chapter which covers their specific program.  The HUD reviewer should use Exhibit 20-1 in conjunction with program-specific exhibits when reviewing recipient’s projects subject to Section 3 requirements **at 24 CFR 75**.HUD reviewers will need to review the information in these chapters to get additional background information on relevant program authorities and requirements and instructions on file selection and sampling methods.  The introductory text of each chapter provides specific, pertinent information to facilitate effective monitoring of the program.