

Texas Community Resiliency Program (CRP)

Section 3 and Project Construction Guidance

REVISED: February 2, 2024

A. Section 3 Compliance Overview

Threshold for contract applicability is \$200,000.

Section 3 of the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, economic opportunity generated by CDBG-CV funds and other HUD assistance, most importantly employment, is directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, as well as residents of the community in which the federal funds are spent.

Section 3 also requires that businesses and employers working on the HUD funded project must **demonstrate** “good efforts” to the greatest extent feasible was made to train and employ low- and very low-income individuals living in the local area, and also with local businesses who are owned by or employ low- and very low-income residents

Further, HUD established benchmarks for Section 3 goals and expects the CDBG-CV program to cumulatively report worker labor hours as follows:

- 25% of the total labor hours for grant-assisted projects each year as performed by eligible Section 3 workers; and
- 5% of targeted eligible Section 3 total labor hours worked
 - Employed by Section 3 Business Concern (see below)
 - Low- or very low-income workers who reside within the neighborhood or project service area
 - YouthBuild participants

Section 3 Business Concern

A business that meets at least one of the criteria (in the last six months)

- Low-income owner has 51% interest in company
- Company is owned and controlled by low-income or very low-income persons
- Over 75% of labor hours performed for the business over **the prior** three-month period are performed by Section 3 workers
- At least 51% of the company is owned and controlled by current residents of public housing or Section 8-**assisted** housing

Failure to achieve these benchmarks requires additional justification by the state, which may necessitate additional information from Grant Recipients. HUD’s regulations for implementing Section 3 mandates can be found at [24 CFR Part 75](#).

B. Section 3 Subrecipient Compliance Requirements Prior to Construction Start

Subrecipients **must** meet the following Section 3 thresholds and documented in the contract file to be considered compliant with new Section 3 requirements:

- Service Area Map – A copy of the service area map should be submitted to TDHCA that adheres to

guidelines described in 24 CFR Part [75.5](#) prior to first Administration draw (with Group A documents);

- Contract Procurement and Selection of Contractor – Documentation that verifies bidding outreach efforts were made to eligible Section 3 [businesses](#) at least 10-days prior to bid opening;
- Open Public Meetings of the governing body prior to the first publication for a construction bid process – Documentation that verifies (e.g., Agenda) Section 3 goals were presented and included in meeting highlighting employment opportunities to eligible low-income residents or individuals in the service area to be submitted with Group B documents;
- Texas or Local Workforce Offices – Documentation that supports outreach efforts were made to offices announcing Section 3 job opportunities to eligible low-income individuals in service area;
- Contractor Compliance – All contracts (regardless of contractor tier level) include Section 3 compliance provisions.

C. Section 3 Contractor Compliance during Construction Phase

All hired contractors must document [total](#) labor hours performed by [all workers](#) and eligible Section 3 employees and certify low-income status. Required documentation includes, but is not limited to the following:

- Certified Payrolls – DBRA weekly payrolls may serve as verification of Section 3 labor worked hours only if payroll is supported by documentation that verifies worker low or very low income eligibility;
- [Section 3 Status Summary \(Form S304\)](#)
- Backup documentation for each Section 3 worker’s status must be retained including a worker’s self-certification for income verification ([sample self-certification](#)), public housing/Section 8-assisted housing, or [HUD Section 3 Employer Certification Form \(HUD Form 4736A\)](#).
- Section 3 Reporting Form ([Form S301](#)) completed by/for each contractor to be submitted to LSO and maintained by the subrecipient to complete the Summary Section 3 Final Cumulative Summary report ([Form S302](#)). These forms will capture the labor hours to determine if the Section 3 benchmarks have been met and allow the contractor and subrecipient to identify qualitative efforts to meet Section 3 benchmarks. (TDCHA may request and spot-check the S301 during the early stages of construction).

D. Section 3 Subrecipient Reporting Requirements

- Upon completion of project, complete and submit **Section 3 Final Cumulative Summary Report ([Form S302](#))** to assigned staff. Receipt and approval of the Report is tied to release of last project draw.

Note: If Section 3 required benchmarks for designated area are not met, justification must be supported by documentation that demonstrates appropriate steps and actions were taken. In this case, seek CDBG-CV guidance prior to project completion.

E. Section 3 Subrecipient Record Keeping Responsibilities

- Documentation that supports efforts to provide opportunities and/or contract with Section 3 Businesses
- Documentation that support Section 3 Workers and Targeted Section 3 Workers have the opportunity to benefit from employment at the CDBG-CV project
- Documentation examples include
 - Outreach efforts - advertisement or documentation that supports outreach to the local Texas Workforce Office
 - Training or apprenticeship opportunities – Only if the apprentice program is approved by the DOL Employment Training Administrative office

- Technical assistance to Section 3 Workers (multiple types)
- Technical assistance to Section 3 Business concerns
- Job fairs
- Divide contracts into smaller jobs
- Bonding assistance
- Other Business Registries Section 3