

FAQs: Section 3

NEW SECTION 3 RULE

What is the new rule and when did it take effect?

As of November 2020, HUD has changed the Section 3 rule for the first time since the 1960's.

The major change is that contractors are now required to satisfy Section 3 compliance through a **percentage of labor hours** rather than sub-contracting and percentage of new hires.

HUD's benchmark for this new rule is that 25% of labor hours must be performed by Section 3 eligible (S3 Business and individuals) with 5% of those hours performed through Targeted Section 3. There are new definitions for S3 Businesses and individuals.

CHA is required to follow this rule and started counting hours on January 1 2022.

What are the new definitions for a Section 3 business?

A business meeting at least one of the following criteria, documented with the last six-month period:

1. At least 51% owned and controlled by low or very low-income persons
2. Over 75% of labor hours performed for the business over the prior three-month period are performed by Section 3 workers
3. At least 51% owned and controlled by current public housing residents or participant who currently receive assistance through HCV

Why did HUD make this change?

HUD made the rule change to help promote employment retention. CHA applauds this change and supports opportunities for Section 3 businesses to earn contracts.

Section 3 and Targeted Section 3 Workers

How do I know if I am considered a Section 3 Worker?

Any worker who currently fits or when hired within the past five years fit at least one of the following categories:

1. The worker's income for the previous or annualized calendar year is below the income limit established by HUD (*note: now individual income not household*). **The current income limit is \$52,200.**
2. The worker is employed by a Section 3 business
3. The worker is a Youthbuild participant

What is a Targeted Section 3 Worker?

1. A worker employed by a Section 3 business: OR
2. A worker who currently fits or when hired fits at least one of the following categories as documented within the past five years:
 - a. A resident of public housing or housing choice voucher

- b. A resident of other public housing projects or HCV managed by the PHA that is providing the assistance; OR
- c. A Youthbuild participant

I am a job seeker. How can I participate in Section 3?

If you are currently seeking employment you can learn of opportunities through the Workforce Opportunities portal (formerly Section 3 portal). If you are not yet registered, click [here](#) or visit <https://www.thecha.org/residents/workforce-opportunity-resource-center>. For assistance please call 773-342-WORC (9672).

CHA Vendors

As a contractor, is there still a hiring requirement?

Under the new Section 3 rule the requirement that 30% of all new hires must be Section 3 workers is eliminated as well as the requirement to subcontract to a Section 3 business. However, in order to meet the labor hour requirement, contractors will need to hire eligible individuals.

Further, CHA has decided to retain a requirement for contractors to subcontract to Section 3 businesses through its Special Considerations policy.

As a contractor, how can I hire Section 3 workers or businesses?

The WORC portal enables contractors to input their hiring or sub-contracting opportunities. To register your business and list your employment or sub-contracting opportunities please click [here](#) or visit <https://www.thecha.org/residents/workforce-opportunity-resource-center>. For assistance, please call 773-342-WORC (9672).

I have an existing contract with CHA, am I under the new or old rule?

Existing contracts prior to November 2020 are under the old rule until they end or execute an option year. Option years and new contracts will follow the new rule. If you have an existing contract, you will not change your compliance documents, but you will be required to track and document labor hours.

I am about to execute a new contract-am I under the new rule?

Yes. All new contracts will be required to demonstrate 25% of the labor hours were performed by Section 3 businesses and workers.

As a contractor, how can I determine 25% of my labor hours?

As a rule, a full time equivalent represents 2,080 of labor hours annually. For example, if you had 10 FTE's working all year that would represent 20,800 hours for the year. 25% of those hours equals 5,200 hours which is approximately 2.5 FTE of Section 3 workers or S3 businesses with workers. 5% of those hours would be required to be filled through Targeted Section 3.

[How can I certify my workers as Section 3?](#)

As a non-Section 3 contractor, you will need to hire through CHA's Workforce Opportunities portal (formerly S3 portal) as all eligible participants will be in the portal. Similarly, Section 3 businesses available for sub-contracting opportunities are also in the portal.

If you believe you meet the 25% requirement without the need for hiring and sub-contracting, you will be required to demonstrate this through CHA's Compliance department.

[How will I report labor hours?](#)

Contractors that utilize B2G Now will soon report labor hours into this system. Contractors that utilize LCP Tracker will use this system. Until they are available, Contractors will submit monthly hours of work along with Section 3 and Targeted Section 3.

[What if I do not have a need to hire under my CHA contract?](#)

The Section 3 rule no longer places emphasis on hiring. However, all contractors must meet the 25% labor hour requirement.

As mentioned, CHA has made changes to its Special Conditions Policy/Plan which requires all contractors whose award is more than \$200,000 to subcontract to Section 3 businesses.

Section 3 Business

[I am a Section 3 Business Concern but no longer meet the new definition. Am I still able to obtain Section 3 Business opportunities?](#)

If you no longer meet the definition of a Section 3 business, you will not be able to identify your business as such and you will be removed from the portal registry. We encourage all current S3 businesses to work with the staff at the Workforce opportunities Resource Center for assistance.

However, all existing contractors in the prequalified pool will retain their S3 designation until September 30, 2022.

[How do I register as a Section 3 business?](#)

Please register your business in the Workforce Opportunities portal (formerly Section 3 portal). You will be required to upload your business license, articles of incorporation and other documentation.

[Will CHA be given preferences to Section 3 Business?](#)

Under the new rule, Section 3 Business can no longer receive IFB Bid preference. However, under CHA's Special Consideration policy, in addition to a M/W/D BE requirement, all contractors will have a S3 business subcontracting requirement.

Section 3 Assistance

What happened to the Section 3 Field Office? Is it closed?

The Section 3 Field Office is now called **Workforce Opportunities Resource Center (WORC)**. The team is available to assist Section 3 job seekers, businesses, and contractors as well as residents/HCV participants who wish to start their own business. Visit www.thecha.org/residents/WORC for more information on services available or call 773-342-WORC (9672).

Did CHA get rid of the JOC program?

No! CHA values the role that Section 3 businesses play in helping us deliver quality, affordable housing, and we continue working with these businesses to ensure they have access to business opportunities. For the first time in many years, HUD changed the requirements around how PHAs comply with Section 3. As CHA rolls out its plan to comply with these new Section 3 requirements, we continue to affirm our commitment to strengthening workforce development and economic opportunities for low-income workers, particularly public housing residents and housing choice voucher holders, while also supporting Section 3 businesses.

We are also improving our portal to reflect the new Section 3 rules and make it easier for workers and businesses to connect with opportunities. In addition, CHA is promoting additional opportunities for Section 3 businesses through the Professional Property Management companies as well as will institute a subcontracting requirement for all CHA contracts under its Special Considerations policy.