

Harris County CSD Section 3 Final Rule Notice 24 CFR 75

HUD published the Section 3 Final Rule for 24 CFR 75 (formerly 24 CFR 135) in the Federal Register on September 29, 2020 [Section 3 Final Rule HUD posting](#).

The effective date began November 30, 2020, and compliance with the new rule began on July 1, 2021.

The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted developments covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, including persons who are recipients of HUD assistance for housing, with preference for both targeted workers living in the service area or neighborhood of the Development and YouthBuild participants, as defined at 24 CFR Part 75 ("**Section 3 Regulations**").

The 2020 Final Rule shifts the focus from "new hires" to "labor hours worked." Reporting will show percentages of total project labor hours performed by Section 3 workers. These percentages may count existing employees (having qualified as Section 3 workers when hired, within the past five years), as well as new hires. HUD's requirements for hourly time records allow for standards used for Davis-Bacon, but does not require expensive upgrades for those not currently tracking hours for Davis-Bacon compliance. The new rule encourages contracting with Section 3 businesses, but only as a means of increasing Section 3 labor hours worked. Program oversight shifts from Fair Housing and Equal Opportunity (FHEO) to reside with the program-administering HUD offices. The final rule can be found at the following link: [Final Rule](#).

Section 3 applies to all Harris County projects utilizing HUD Section 3-covered funds that allow any construction, demolition, or rehab and meet the \$200,000 project threshold. These programs include HOME Investment Partnerships (usually multi-family), Lead Based Paint Abatement (LBA), Neighborhood Stabilization Program (NSP), Emergency Solutions Grants (ESG), Special Needs Assistance Program (SNAP), and Community Development Block Grant (CDBG).

Because of anticipated, periodic updates, HUD publishes the reporting "Benchmarks" separately. Find the current Section 3 Benchmark notice at: [Benchmark notice](#).

Awardees of Harris County contracts under these HUD programs may want to study the new Part 75 regulations in HUD's Self-Paced Training for Section 3 (24 CFR 75), found at: [HUD Training Curriculum](#)

More guidance will follow as obtained from HUD: [HUD Section 3 Portal](#).