

To: Vendors, Contractors, Consultants of the Housing Authority of the City of Seattle

Re: Updates to HUD’s Section 3 Regulations

As you are probably aware, Section 3 is a federally mandated program of the U.S. Department of Housing and Urban Development (HUD).

Under Section 3 of the HUD Act of 1968, federal funds invested in housing and community development shall provide contracts, employment, training, and other economic opportunities to low- and very low-income persons in the local jurisdiction, referred to as “Section 3 Workers;” and to businesses that employ such persons, referred to as a “Section 3 Business Concern.”

HUD’s regulations implementing the requirements of Section 3 were updated in 2020 to create more effective incentives for employers to retain and invest in their low- and very low-income workers, streamline reporting requirements by aligning them with typical business practices, provide for program-specific oversight, and clarify the obligations of entities (including SHA) that are covered by Section 3. SHA complies with Section 3 within its own operations and ensures the compliance of its vendors, contractors, and consultants.

The updated rule establishes these benchmarks:

1. Twenty-five (25) percent or more of the total number of labor hours worked by all workers employed with public housing financial assistance in the Public Housing Authority’s or other recipient’s fiscal year are Section 3 Workers;
2. Of which Five (5) percent or more are Targeted Section 3 Workers.

The updated rule includes the following definitions:

1. Section 3 Worker means any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented:
2. The worker’s income for the previous or annualized calendar year is below the income limit established by HUD. HUD’s income limits can be obtained from: <http://www.huduser.org/portal/datasets/il.html>.
3. The worker is employed by a Section 3 Business Concern.
4. The worker is a YouthBuild participant.
5. For Section 3 projects, a Targeted Section 3 Worker means a Section 3 worker who:
6. Is employed by a Section 3 Business Concern; OR
7. Currently fits or when hired fit at least one of the following categories, as documented within the past five years.
8. A resident of public housing or Section 8-assisted housing;
9. A resident of other public housing projects or Section 8-assisted housing managed by the Public Housing Authority that is providing the assistance; OR
10. A YouthBuild participant.
11. Section 3 Business Concern means a business concern meeting at least one of the following criteria, documented within the last six-month period:
12. It is at least 51 percent owned and controlled by low or very low-income persons; OR
13. Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers: OR
14. It is at least 51 percent or more owned and controlled by current residents of public housing or Section 8-assisted housing.

The following forms are to be used for reporting Section 3 compliance:

* Section 3 Business Concern Certification for Contracting (This form is for any business to use to self-certify, if applicable, as Section 3 Business Concern.)
* Section 3 Worker and Targeted Section 3 Worker Self-Certification (This form is for individuals to use to self-certify as a Section 3 or Targeted Section 3 Worker.)
* Section 3 Quarterly Reporting Form for SHA Contracts (This form is to be completed quarterly by the prime consultant / contractor and sent to [purchsing@seattlehousing.org](mailto:purchsing@seattlehousing.org) by not later than 30 days after end of the quarter. The form lists the total hours worked by all for that quarterly period for the contract and show how many of those hours were by Section 3 or Targeted Section 3 Workers.) (Note: This is a new form.)

The new HUD Rule went into effect in November 2020 and requires the tracking of Section 3 hours starting July 1, 2021.

Please compile the data needed to report hours from July 1, 2021 through December 31, 2021. If you have not previously done so, please put this information on an Annual Reporting Form and send to [purchasing@seattlehousing.org](mailto:purchasing@seattlehousing.org) within 30 days of your receipt of this letter.

Also, as noted above, we ask that you use another Annual Reporting Form to report hours from January 1, 2022 through December 31, 2022, and send to [purchasing@seattlehousing.org](mailto:purchasing@seattlehousing.org) within 30 days of your receipt of this letter.

After that, as noted above, please report hours in January 1, 2023 and thereafter on a quarterly basis, using a Quarterly/Annual Reporting Form, and sending to [purchasing@seattlehousing.org](mailto:purchasing@seattlehousing.org) by no later than 30 days after end of the quarter.

Please contact [purchasing@seattlehousing.org](mailto:purchasing@seattlehousing.org) if you have questions.

Thank you,

Housing Authority of the City of Seattle