



**Section 3 Plan and Reporting Requirements for Projects  
Receiving HOME, HOME-ARP, or NHTF Funding**

## **Outline of Contents**

- I. Introduction**
- II. Purpose**
- III. Applicability**
- IV. Definitions**
- V. Summary of Requirements**
- VI. Safe Harbor Compliance**
- VII. Additional Requirements if Safe Harbor Not Met**
- VIII. Professional Services, Volunteer Labor, and Labor Hours on Section 3 Projects**
- IX. Additional Section 3 Requirements**
- X. Certification of Section 3 and Targeted Section 3 Workers**
- XI. YouthBuild**
- XII. Certification of Section 3 Business Concerns**
- XIII. Monthly Reporting Requirements**
- XIV. Completion Reporting Requirements**
- XV. KHRC Record Keeping and Reporting**
- XVI. KHRC Staff Contact for Section 3 Inquiries**
- XVII. Disclaimer**

### **Appendix I: Summary of Section 3 Forms and Reporting Requirements**

- Exhibit 1: Section 3 Acknowledgement**
- Exhibit 2: Section 3 Business Concern Certification**
- Exhibit 3: Section 3 Worker Self Certification**
- Exhibit 4: Section 3 Clause for Contracts**
- Exhibit 5: Section 3 Work Hours and Outreach Efforts**
- Exhibit 6: Section 3 Project Completion Spreadsheet**
- Exhibit 7: Section 3 Worker Certification Employer Certification**

### **Appendix II: Other Section 3 Resources**

## Appendix III: Posting Job Opportunities on KansasWorks Website

### I. Introduction

The Kansas Housing Resources Corporation (KHRC) administers certain Department of Housing and Urban Development (HUD) funding for housing development activities. In most instances, activities utilizing these funds must meet “Section 3” requirements.

“Section 3” refers to Section 3 of the Housing and Urban Development Act of 1968. Section 3 of the Act is codified at 12 U.S.C. § 1701u. The stated purpose of Section 3 is to:

“[E]nsure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very-low-income persons, particularly those who are recipients of government assistance for housing”.

HUD regulations found at 24 CFR § 75 (Subpart C) establish the requirements that must be followed to ensure the objectives of Section 3 are met. The reporting instructions contained herein were designed by KHRC to ensure that HOME, HOME-ARP, and HTF projects meet the requirements of Section 3 and the pertinent HUD regulations.

While this guide will go over some of the main requirements of Section 3 for projects utilizing HOME, HOME-ARP, or HTF funding, it is *not comprehensive* and does not discuss Section 3 requirements that may attach to projects or activities utilizing other sources of HUD funding. Readers utilizing other forms of HUD funding or utilizing funding that is not administered by KHRC should not rely on this document for guidance.

Furthermore, it is important that project sponsors that receive HOME, HOME-ARP, or HTF funding administered by KHRC read and understand the Section 3 regulations found at 24 CFR § 75 and in HUD Notice CPD-21-07 and do not rely solely on this guide for understanding Section 3 requirements.

### II. Purpose

The purpose of this document is to outline how KHRC will comply with HUD’s Section 3 requirements in implementing KHRC’s HOME, HOME-ARP, and HTF programs. KHRC will, to the greatest extent feasible, ensure that employment and other economic opportunities are directed to low- and very low-income persons (Section 3 workers and Targeted Section 3 workers) and to eligible businesses (Section 3 business concerns)<sup>1</sup>. KHRC will accomplish this by requiring project sponsors, project owners, and project

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<sup>1</sup> See Section IV of this document for the definition of Section 3 worker, Targeted Section 3 worker, and Section 3 business concern.

developers, as well as their contractors and subcontractors, to take steps to ensure that employment and other economic opportunities are directed toward Section 3 workers, Targeted Section 3 workers, and Section 3 business concerns. Project sponsors, owners, or developers will be required to submit certain reports to KHRC to demonstrate that these steps are being followed and that Section 3 goals are being met. These requirements are discussed in more detail below.

### III. Applicability

Section 3 requirements apply to projects receiving more than \$200,000 in funding from HUD programs that provide housing and community development financial assistance.<sup>2</sup> HOME, HOME-ARP, and the HTF programs are such programs and any project using a combined amount that exceeds \$200,000 in HOME, HOME-ARP, and HTF funding are subject to Section 3 requirements.

For example, if a project has over \$200,000 or more in HOME funding, but \$0 from HTF, then Section 3 requirements would apply to the project. Conversely, a project with more than \$200,000 in HTF funding, but \$0 from the HOME program, would be subject to Section 3 requirements. Likewise, a project with more than \$100,000 in HOME funding and more than \$100,000 in HTF funding would be subject to Section 3 requirements since the combined funding from both programs is greater than \$200,000.

Section 3 requirements **do not** apply to: 1) Material Supply Contracts, 2) Indian and Tribal Preferences, and 3) Other HUD assistance and other Federal assistance not subject to Section 3.

### IV. Definitions

The following definitions will be used throughout this guide<sup>3</sup>:

**1937 Act:** the United States Housing Act of 1937 (42 U.S.C. § 1437).

**Business concern:** a business entity formed in accordance with state law, and which is licensed under state, county, or municipal law to engage in the type of business activity for which it was formed.

**Contractor:** any entity entering into a contract with a recipient to perform work in connection with a Section 3 project.

**Low-income person:** means a person as defined in Section 3(b)(2) of the 1937 act. Income limits for metropolitan areas and non-metropolitan counties in Kansas are available on the KHRC website or via KHRC staff.

**Material Supplies Contract:** a contract for the purchase of products and materials, including, but not limited to, lumber, drywall, wiring, concrete, pipes, toilets, sinks, carpets, and office supplies. If a contract

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<sup>2</sup> 24 CFR § 75.3(a)(2)

<sup>3</sup> For a full list of definitions used in the HUD regulations on Section 3, please see 24 CFR § 75.5.

for the purchase of products also includes a service, such as installation, then it is not a material supplies contract and is subject to Section 3 requirements. For example, a contract to replace windows that includes the removal of existing windows and the installation of new windows would be covered due to the involvement of labor.

**Professional Services:** non-construction services that require an advanced degree or professional licensing, including, but not limited to, contracts for legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.

**YouthBuild programs:** YouthBuild program receiving assistance under the Workforce Innovation and Opportunity Act (29 U.S.C. § 3226).

**Labor Hours:** the number of paid hours worked by persons on a Section 3 project.

**Recipient:** any entity which receives Section 3 covered assistance, directly from HUD or, from another recipient. Project sponsors, developers, or owners that receive HOME, HTF, or HOME-ARP funding from KHRC are recipients.

**Section 3 business concern:** a business concern that meets one of the following criteria (documented in the last 6 months): 1) At least 51% owned and controlled by low-income or very low-income persons. 2) Over 75% of labor hours performed for the business over prior 3-month period are performed by Section 3 Workers (low or very low-income persons). 3) At least 51% owned and controlled by current residents of public housing or Section 8 assisted housing.

**Section 3 clause:** the contract provisions mandated by 24 CFR 75 that must be included in all Section 3 covered contracts. For Section 3 projects utilizing funds administered by KHRC, the specific contract clause required to be used in Section 3 covered contracts is found in Exhibit 4.

**Section 3 covered contract:** a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project. Section 3 covered contract and covered contract may be used interchangeably within this document. That is, the term “Section 3 contract” shall have the same meaning as “Section 3 covered contract” when used in this guide.

**Section 3 project:** the construction, reconstruction, conversion, or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance in an amount greater than \$200,000.

**Section 3 Worker:** any worker who currently fits or when hired within the past five years fit at least one of the following categories, as documented: 1) The worker’s income for the previous or annualized

calendar year is below the income limit established by HUD. 2) The worker is employed by a Section 3 business concern. 3) The worker is a YouthBuild participant.

**Section 3 Records:** Exhibits 2, 3, 5, 6, and 7, each of which are described in further detail below.

**Service Area :** within one mile of the Section 3 project, or if less than 5,000 people live within one mile of Section 3 project, the Service Area is an area within a radius centered around the Section 3 project site that contains 5,000 people.

**Targeted Section 3 Worker:** The proposed priorities are: (1) Employed by a Section 3 business concern, or currently meets or when hired, met at least one of the following categories as documented within the past five years (but on or after July 1, 2021); (2) Living within the service area of the neighborhood of the project; or (3) Is a Youthbuild participant. The ‘service area’ for Targeted Section 3 workers is a one-mile radius of the Section 3 project, provided, however that if fewer than 5,000 people live within that one mile radius, the circle may be expanded outward until that population is reached.

**Subcontractor:** any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the assistance or arising in connection with a Section 3 covered project.

## V. Summary of Requirements

A brief summary of the requirements placed on recipients by the regulations (under Subpart C) and KRHC is provided here. Each requirement is discussed in more detail later in the document.

### 1. Prioritization

To the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations, recipients, subrecipients, contractors and subcontractors shall ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 workers within the metropolitan area (or nonmetropolitan county) in which the project is located. Where feasible, priority for opportunities and training should be given to:

- 1) Section 3 workers residing within the service area or neighborhood of the project, and to
- 2) YouthBuild participants.

To the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations, recipients, subrecipients, contractors and subcontractors should ensure that contracting opportunities awarded in connection with Section 3 projects to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or metropolitan county) in which the project is located. Where feasible, priority for contracting opportunities should be given to:

- 1) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the project, and
- 2) YouthBuild programs.

2. Safe Harbor Numerical Benchmarks

To meet the safe harbor provision, the following numerical benchmarks must be met:

- A. 25% or more of all labor hours on a project must be performed by Section 3 workers
- B. 5% or more of all labor hours on a project must be performed by Targeted Section 3 workers

3. Qualitative Efforts

If the safe harbor numerical benchmark is not met, then recipients must have undertaken qualitative efforts to aimed at directing employment and other economic opportunities toward Section 3 and Targeted Section 3 workers.

4. Contract Clause

All section 3 covered contracts must include contractual language applying Section 3 requirements to the agreement.

5. Jobsite Signage

Although not required by the regulations, KHRC requires all recipients to advertise the Section 3 program on their project’s jobsite signage.

6. Reporting and Record Keeping Requirements

To encourage and track Section 3 compliance, KHRC requires recipients to make reports and provide records to KHRC on a monthly basis and at project completion.

## **VI. Safe Harbor Compliance**

### **A. Overview**

The HUD regulations at 24 CFR § 75 provide a “safe harbor”<sup>4</sup> provision where recipients will be considered to be in compliance with Section 3 requirements so long as certain criteria are met. There are two prongs to the safe harbor provision that recipients must meet in order to be considered in compliance with Section 3 requirements. These are:

1. Certify that Section 3 mandated prioritization efforts have been followed; and
2. Meet or exceed the HUD established Section 3 benchmarks for labor hours worked by Section 3 and Targeted Section 3 workers.

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<sup>4</sup> 24 CFR § 75.23(a)

## **B. Prioritization Efforts**

The HUD regulations on Section 3 require that, “[t]o the greatest extent feasible...recipients...shall ensure that employment and training opportunities arising in connection with Section 3 projects are provided to Section 3 workers within the metropolitan area (or non-metropolitan county) in which the project is located.” Furthermore, the regulations require that priority for the aforementioned opportunities, where feasible, should be given to:

1. Section 3 workers residing within the service area or neighborhood of the project; and
2. Participants in YouthBuild programs.

## **C. Labor Hours Numerical Benchmarks**

HUD establishes safe harbor Section 3 Benchmarks for Section 3 and Targeted Section 3 workers via the Federal Register. The benchmarks consist of two tests:

1. The number of labor hours worked by Section 3 workers divided by the total number of labor hours worked by all workers on a Section 3 project; and
2. The number of labor hours worked by Targeted Section 3 workers divided by the total number of labor hours worked by all workers on a Section 3 project.

Currently, the Section 3 benchmark for the Section 3 workers is 25%. On a Section 3 project, 25% or more of all labor hours worked must be performed by Section 3 workers in order to meet this benchmark.<sup>5</sup>

Currently, the Targeted Section 3 worker benchmark is 5%. To meet this benchmark, 5% or more of all labor hours worked on a Section 3 project must be performed by Targeted Section 3 workers.<sup>6</sup>

HUD establishes and updates these Section 3 benchmarks via the Federal Register not less frequently than once every three years. While KHRC will update this Section 3 guide when benchmarks are updated, it is important that recipients understand that the benchmarks are not static, and that recipients and others involved in a Section 3 project should make efforts to understand and respond to any changes in Section 3 requirements.

## **D. Reporting Frequency for Labor Hours**

In order to report on and meet the safe harbor benchmarks, it is necessary to report the total number of labor hours worked, the total number of labor hours worked by Section 3 workers, and the total number of labor hours worked by Targeted Section 3 workers.<sup>7</sup>

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<sup>5</sup> 85 FR 60907

<sup>6</sup> 85 FR 60907

<sup>7</sup> 24 CFR § 75.25(a)



KHRC requires that recipients report this information on a monthly basis using **Exhibit 5**. Additionally, cumulative labor hours, Section 3 labor hours, and Targeted Section 3 labor hours for the entirety of the project must be reported using the **Exhibit 6 Section 3 Completion Spreadsheet** at project completion. This spreadsheet must be submitted as an exhibit to the Kansas Rental Completion Report.

## **VII. Additional Requirements if Section 3 Benchmarks are Not Met**

### **A. Overview**

If the Section 3 safe harbor benchmarks discussed above are not met, then recipients or project sponsors must undertake and report “qualitative efforts”<sup>8</sup> that have been pursued in order to meet Section 3’s goals of ensuring, “that the employment and other economic opportunities generated by,” Section 3 projects are, “directed toward low- and very-low-income persons, particularly those who are recipients of government assistance for housing.” The HUD regulations provide a number of examples of such qualitative efforts, including but not limited to:

1. Engaged in outreach efforts to generate job applicants who are Targeted Section 3 workers;
2. Provided training or apprenticeship opportunities;
3. Provided technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching);
4. Provided or connected Section 3 workers with assistance in seeking employment including: drafting resumes, preparing for interviews, and finding job opportunities connecting residents to job placement services;
5. Held one or more job fairs;
6. Provided or referred Section 3 workers to services supporting work readiness and retention (e.g., work readiness activities, interview clothing, test fees, transportation, child care);
7. Provided assistance to apply for/or attend community college, a four-year educational institution, or vocational/technical training;
8. Assisted Section 3 workers to obtain financial literacy training and/or coaching;
9. Engaged in outreach efforts to identify and secure bids from Section 3 business concerns;
10. Provided technical assistance to help Section 3 business concerns understand and bid on contracts;
11. Divided contracts into smaller jobs to facilitate participation by Section 3 business concerns;
12. Provided bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns;
13. Promoted use of business registries designed to create opportunities for disadvantaged and small businesses;
14. Outreach engagement or referrals with the state one-stop system as defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.<sup>9</sup>

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<sup>8</sup> 24 CFR § 75.25(b)

<sup>9</sup> The one-stop system in Kansas is KansasWorks. Visit [kansasworks.com](http://kansasworks.com) for more information.

## B. Reporting Frequency

Any qualitative efforts undertaken to meet Section 3 requirements must be reported using **Exhibit 5**. Exhibit 5 is also used to report total labor hours, Section 3 labor hours, and Targeted Section 3 labor hours. Exhibit 5 must be submitted to KHRC on a monthly basis.

## VIII. Professional Services, Volunteer Labor, and Labor Hours on a Section 3 Project

### A. Professional Services and Labor Hours

Professional Services are defined in the regulations to be, “non-construction services that require an advanced degree or professional licensing.”<sup>10</sup> However, this exclusion does *not* cover *all* non-construction services. Examples of professional services given in the regulations include, “legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.”

Labor hours worked by Section 3 workers and Targeted Section 3 workers from professional services may be included in reporting for Section 3 and Targeted Section 3 labor hours. However, labor hours from professional services do not need to be included when reporting on total labor hours worked. That is, the labor hours from professional services do not have to be included in the denominator of either benchmark ratio.<sup>11</sup>

For contracts covering both professional services and other work, when labor hours from professional services are not reported, the labor hours under the contract that are not from professional services must still be reported.

As a reminder, “professional services” is defined in the regulations to mean, “non-construction services that require an advanced degree or professional licensing,” such as “legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services.”

### B. Volunteer Labor Hours

Volunteer labor hours do not count towards safe harbor benchmarks. Only financially compensated (paid) labor hours from applicable funding sources can be counted towards safe harbor benchmarks.<sup>12</sup> Labor hours are defined in the regulations, in relevant part, as “the number of paid hours worked by persons on a Section 3 project.” Thus, volunteer labor hours should be excluded from both the

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<sup>10</sup> 24 CFR § 75.5.

<sup>11</sup> 24 CFR § 75.25(a)(4)

<sup>12</sup> See HUD Exchange Section 3 FAQ, FAQ ID: 4196 at <https://perma.cc/AD2A-LRNR>.

numerator (labor hours worked by Section 3 or Targeted Section 3 workers) and denominator (total labor hours) for purposes of calculating the safe harbor benchmarks.

## **IX. Additional Section 3 Requirements**

Beyond meeting the safe harbor benchmark, or, failing that, undertaking adequate qualitative efforts to meet the goals of Section 3, the regulations require all recipients to, “include language applying Section 3 requirements in any...contract for a Section 3 project.”<sup>13</sup>

In addition to the actions required by the regulations and HUD guidance, KHRC requires Section 3 recipients to take specific steps to ensure that Section 3 requirements are met. KHRC requires Section 3 recipients, and their contractors and subcontractors, to acknowledge and certify that they have read the Section 3 regulations and this plan and will comply with the regulations and requirements of this plan. Additionally, KHRC requires all recipients to advertise the Section 3 program on their project’s jobsite signage. These requirements are discussed in more detail below.

### **A. Section 3 Contracts**

The HUD regulations on Section 3 require that contracts executed in association with the development of Section 3 projects include certain terms or provisions.<sup>14</sup> Specifically, the regulations provide that, “[r]ecipients must include language applying Section 3 requirements in any...contract for a Section 3 project.” In order to help recipients meet this goal, KHRC provides recipients a Section 3 clause that must be included in all Section 3 covered contracts. This clause is found in **EXHIBIT 4**.

Section 3 contracts do not apply to material supply contracts. That is, contracts that are for the purchase of products and materials. However, where such contracts include services such as installation of the product or material, then the contract is subject to Section 3 requirements. For example, a contract to purchase windows would not be subject to Section 3 requirements. However, a contract for the purchase and installation of windows would be subject to Section 3 requirements.

### **B. Section 3 Acknowledgement and Certification**

KHRC requires recipients and their contractors and subcontractors to acknowledge Section 3 requirements and to certify that they will comply with these requirements. This acknowledgement and certification is accomplished by the submission of a completed and signed **Exhibit 1**. Exhibit 1 should be submitted to KHRC for each recipient as well as each contractor and subcontractor working on a project.

### **C. Section 3 Job Signage**

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<sup>13</sup> 24 CFR § 75.27

<sup>14</sup> 24 CFR § 75.27

Recipients must advertise the Section 3 program on their jobsite signage. Recipients may meet this requirement by including either of the following logos on the signage:



SECTION 3



## SECTION 3

Recipients may request a digital image file of either logo by contacting KHRC at [housingdevelopment@kshousingcorp.org](mailto:housingdevelopment@kshousingcorp.org). The logo should be displayed in a manner that is conspicuous.

### X. Certification of Section 3 and Targeted Section 3 Worker

#### A. Section 3 Workers

For a worker to qualify as a Section 3 worker, the regulations require that certain documentation be maintained for that worker.

Under KHRC's plan, this documentation comes in the form of **Exhibit 3** or **Exhibit 7**.

**Exhibit 3** allows for a Section 3 worker to self-certify their Section 3 worker status. Exhibit 3 should be submitted to KHRC for every Section 3 worker. Exhibit 3 allows for a Section 3 worker to certify that they meet the definition of a Section 3 worker due to either the worker's income level, their employment by a Section 3 business concern, or their status as a YouthBuild Participant.

**Exhibit 7** allows for an employer to certify that a worker employed by the employer meets the definition of a Section 3 worker because the worker's income from that employer is at or below the Section 3 income limit when based on the employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis.

## **B. Targeted Section 3 Workers**

For a worker to qualify as a Targeted Section 3 worker, the regulations require that certain documentation be maintained for the worker. Under KHRC’s plan, this documentation comes in the form of **Exhibit 3** or **Exhibit 7**.

**Exhibit 3** allows for a Targeted Section 3 worker to self-certify their Targeted Section 3 worker status. Exhibit 3 allows for a Targeted Section 3 worker to certify that they meet the definition of a Targeted Section 3 worker due to either their employment by a Section 3 business concern, their status as a YouthBuild participant, or the fact that the worker is living within the service area or the neighborhood of the project. As a reminder, in order to qualify as a Targeted Section 3 worker, the worker must also meet the definition of a Section 3 worker.

**Exhibit 7** allows for an employer to certify that a worker employed by the employer is a Targeted Section 3 worker because they are employed by a Section 3 business concern if the employer meets the definition a Section 3 business concern. In cases where Exhibit 7 is used to certify that a worker is employed by a Section 3 business concern, KHRC will require that the employer has submitted an **Exhibit 2** certifying that the employer is a Section 3 business concern.

## **XI. YouthBuild**

As noted above in this document, a worker that is a YouthBuild participant meets the definition of a Section 3 worker. Additionally, a YouthBuild participant will also meet the definition of a Targeted Section 3 worker. The purpose of this section of the document is to explain what YouthBuild is for those who may be unfamiliar.

YouthBuild is a community-based pre-apprenticeship program that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school. The Division of Youth Services within the Employment and Training Administration’s Office of Workforce Investment at the U.S. Department of Labor administers the YouthBuild program. More information on the YouthBuild program can be found here: <https://www.dol.gov/agencies/eta/youth/youthbuild>.

## **XII. Certification of Section 3 Business Concern**

In order for a business concern to be classified as a Section 3 Business Concern, KHRC requires that a competent representative from the business concern certify that the business concern meets the definition of a Section 3 Business Concern. This can be accomplished by submitting **Exhibit 2** to KHRC for the business concern. As a reminder, a Section 3 Business Concern must meet one of the following criteria:

1. Be at least 51 percent owned and controlled by low-income persons;

2. At least 75 percent of the business' labor hours that were performed over the prior three-month period were performed by Section 3 workers; or
3. Be at least 51 percent owned and controlled by current residents of public housing or housing assisted with project-based or tenant-based Section 8 rental assistance.

### **XIII. Monthly Reporting Requirements**

#### **A. Overview of Monthly Reporting Requirements**

Each Section 3 recipient should submit the following to KHRC on a monthly basis:

1. **Exhibit 5** - This form should be submitted to KHRC on a monthly basis. Exhibit 5 is used to report Section 3 and Targeted Section 3 labor hours worked for the month, as well as any outreach efforts which the project sponsor or their contractors and subcontractors have undertaken during the month.
2. **Exhibit 3** - This exhibit should be submitted to KHRC along with Exhibit 5 whenever there is a need to certify a new Section 3 or Targeted Section 3 worker and Exhibit 7 is not being used to certify the worker.
3. **Exhibit 2** - This exhibit should be submitted to KHRC along with the monthly submission of Exhibit 5 whenever it is necessary to certify a Section 3 Business Concern.
4. **Exhibit 1** - This exhibit should be submitted to KHRC along with the monthly submission of Exhibit 5 whenever it is necessary for a contractor or subcontractor to certify that a contractor or subcontractor understands Section 3 requirements. Exhibit 1 should be submitted for every contractor or subcontractor working on a Section 3 project.
5. **Exhibit 7** - This exhibit should be submitted to KHRC along with Exhibit 5 whenever there is a need to certify a new Section 3 or Targeted Section 3 worker and Exhibit 3 is not being used to certify the worker.

#### **B. Submitting Forms for Monthly Reports**

Recipients (project sponsors, owners, and developers) should submit their monthly reports via their project's Procorem Workcenter. Forms should be uploaded no later than the 20<sup>th</sup> of the month for the prior month's activity.

If a project does not have a Procorem Workcenter then reports should be made via email to [housingdevelopment@kshousingcorp.org](mailto:housingdevelopment@kshousingcorp.org). Again, monthly reports made via email should be submitted no later than the 20<sup>th</sup> of the month for the prior month's activity.

### **XIV. Completion Reporting Requirements**

Exhibit 6 Section 3 project completion spreadsheet must be submitted to KHRC as an exhibit to the Kansas Rental Completion Report.

### **XV. KHRC Record Keeping and Reporting**

### **A. Reporting**

For purposes of Section 3 compliance, KHRC will follow the reporting requirements outlined in 24 CFR 75.25. 24 CFR 75.25 states that reporting for Section 3 projects must be made, “in a manner prescribed by HUD.” In CPD Notice 21-07, issued on July 15, 2021, HUD prescribed that reporting for Section 3 projects be made through the Integrated Disbursement and Information System (IDIS). KHRC will report Section 3 data and necessary qualitative efforts through the IDIS. If HUD prescribes a different method for reporting Section 3 data and qualitative efforts, then KHRC will report Section 3 data and qualitative efforts via the manner prescribed by HUD.

In accordance with CPD Notice 21-07, KHRC will report total labor hours worked, Section 3 labor hours worked, and Targeted Section 3 labor hours worked in IDIS. If the Section 3 project meets the numerical benchmarks required for safe harbor compliance, then KHRC will not report qualitative efforts to HUD. If either of the numerical benchmarks are not met, then KHRC will report on the qualitative efforts that were undertaken in effort to meet Section 3 requirements.

### **B. Recordkeeping**

KHRC will follow the recordkeeping requirements specified at 24 CFR 75.31. KHRC will maintain all Section 3 Records for the time period required for record retentions in accordance with applicable program regulations (HOME, HOME-ARP, and HTF). In the absence of applicable program regulations, KHRC will maintain Section 3 documentation in accordance with 2 CFR 200.

## **XVI. KHRC Staff Contact for Section 3 Inquiries and Comments**

KHRC’s Housing Development division serves as the central point of contact for Section 3 compliance for its recipients and their contractors and subcontractors. Recipients, contractors, subcontractors and others are encouraged to reach out to KHRC’s Housing Development staff with questions regarding Section 3 compliance. Staff contact information is listed below:

Email: [housingdevelopment@kshousingcorp.org](mailto:housingdevelopment@kshousingcorp.org)

## **XVII. Disclaimer**

This guide is meant only for recipients, and their contractors and subcontracts, that are receiving HOME, HOME-ARP, or HTF funding administered by the Kansas Housing Resources Corporation. Other sources of funding and other activities may be subject to Section 3 requirements. However, this guide does not address these sources of funding and activities or the Section 3 requirements that may be applicable to those sources of funding or activities. In particular, this guide does not discuss any requirements that attach to public housing financial assistance as that term is defined in the Section 3 regulations at 24 CFR

§ 75.3(a)(1). Section 3 requirements for such financial assistance may differ from requirements applicable to Section 3 projects.

In cases where Section 3 projects incorporate funding from HOME, HOME-ARP, and/or HTF funding and public housing financial assistance, KHRC, subrecipients, contractors, and subcontractors must follow the requirements of Subpart C for the HOME, HOME-ARP, and/or HTF funding. KHRC will work with public housing financial assistance project sponsors or subrecipients as appropriate in cases where a project utilizes public housing financial assistance and over \$200,000 in funding under HUD programs that provide housing and community development financial assistance.

Discussion of the regulations at 24 CFR § 75 in this guide is meant to provide a basic introduction to recipients receiving KHRC administered HOME, HOME-ARP, and HTF funding so that recipients may better understand the purpose behind the reporting requirements discussed above. It is important that all recipients and their contractors and subcontractors read and understand the regulations for themselves, independent of this guide. Nothing in this guide should be construed as legal advice or guidance.



## **Appendix I: Summary of Section 3 Forms and Reporting Requirements**

This section provides a summary of the forms that recipients must submit to KHRC.

There are five forms that will be used for reporting Section 3 information to KHRC. The purpose of each form and the time period for submitting each form is discussed below.

### I. Exhibit 1 – Acknowledgement of Section 3 Requirements

**Purpose:** This form is used by the project sponsor and their contractors and subcontractors to acknowledge that they have reviewed and understand the requirements for Section 3 and Section 3 reporting.

**Submission of Form:** This form should be submitted by the project sponsor when the award of funding is made. Contractors and subcontractors should review and sign the form as they come onto the project. The project sponsor should submit the form to KHRC for every contractor and subcontractor.

### II. Exhibit 2 – Section 3 Business Concern Certification

**Purpose:** This form is used to certify that a business is a Section 3 Business concern. The form should be filled and signed by a representative of the Section 3 Business concern and should be submitted to KHRC by the project sponsor.

**Submission of Form:** This form should be submitted as applicable. That is, whenever a contractor or subcontractor is a Section 3 business concern and where the business's status as a Section 3 business concern will cause its workers to be Targeted Section 3 workers.

### III. Exhibit 3 – Section 3 Worker Self-Certification

**Purpose:** This form is used where workers certify Section 3 and Targeted Section 3 worker status. This form should be filled out and signed by the Section 3 or Targeted Section 3 worker for whom the form is being submitted. This form should be submitted for every Section 3 and Targeted Section 3 worker where Exhibit 7 is not used to certify Section 3 or Targeted Section 3 worker status.

**Submission of Form:** Except in cases where Exhibit 7 is used to certify Section 3 or Targeted Section 3 worker status, the project sponsor should submit this form to KHRC for every Section 3 or Targeted Section 3 worker as applicable. Exhibit 3 forms may be submitted with Exhibit 5 during monthly reporting submissions.

### IV. Exhibit 4 – Section 3 Clause for Contracts

**Purpose:** KHRC provided Section 3 clause that must be included in all Section 3 covered contracts and subcontracts. Section 3 covered contracts are those contracts associated with a project that will receive \$200,000 or more in applicable Federal funds, regardless of the dollar amount of the individual contract or subcontract.

V. Exhibit 5 – Section 3 Work Hours and Outreach Efforts

**Purpose:** This form is used to report total number of labor hours worked on a project, the number of labor hours worked by Section 3 workers on a project, and the number of labor hours worked by Targeted Section 3 workers on a project. Additionally, the form is used to report outreach efforts.

**Submission of Form:** This form must be submitted to KHRC on a monthly basis. An Exhibit 3 should be submitted for all Section 3 and Targeted Section 3 workers reported on Exhibit 5 for which an Exhibit 3 has not already been submitted.

VI. EXHIBIT 6 – Section 3 Project Completion Spreadsheet

**Purpose:** This Microsoft Excel file is used to report total labor hours worked on a Section 3 project, hours worked by Section 3 workers, and hours worked by Targeted Section 3 workers throughout the life of a project until project completion.

**Submission of Form:** This form should be submitted at project completion.

VII. EXHIBIT 7- Section 3 Worker Certification Employer Certification

**Purpose:** This form is used where employers certify Section 3 and Targeted Section 3 worker status. This form should be filled out and signed by the an authorized representative of the employer that is employing the Section 3 or Targeted Section 3 worker. This form should be submitted for every Section 3 and Targeted Section 3 worker where Exhibit 3 is not used to certify Section 3 or Targeted Section 3 worker status.

**Submission of Form:** Except in cases where Exhibit 3 is used to certify Section 3 worker or Targeted Section 3 worker status, the project sponsor should submit this form to KHRC for every Section 3 or Targeted Section 3 worker as applicable. Exhibit 3 forms may be submitted with Exhibit 5 during monthly reporting submissions.

*All forms are available on the Kansas Housing Resources Corporation website: [kshousingcorp.org](http://kshousingcorp.org).*

## **Appendix II: Other Section 3 Resources**

This appendix contains a list of Section 3 resources that recipients and their contractors and subcontractors should consult:

1. Section 3 of the 1968 Housing and Urban Development Act (codified at 12 USC § 1701u)  
Link: <https://www.law.cornell.edu/uscode/text/12/1701u>
2. 24 CFR Part 75 – Economic Opportunities for Low- and Very Low- Income Persons  
Link: <https://www.ecfr.gov/current/title-24/subtitle-A/part-75>
3. Notice CPD-21-07: Section 3 of the Housing and Urban Development Act of 1968, as Amended by the Housing and Community Development Act of 1992, Final Rule Requirements for HOME and HTF projects  
Link: <https://www.hudexchange.info/resource/6416/notice-cpd2107-section-3-of-the-housing-and-urban-development-act-of-1968/>
4. HUD FAQ for Section 3  
Link: <https://www.hud.gov/sites/documents/11SECFAQS.PDF>
5. HUD Exchange Section 3 Resources and Tools  
Link: <https://www.hudexchange.info/programs/section-3/resources-and-tools/#section-3-tools>

### **Appendix III: Posting Job Opportunities on KansasWorks Website**

KansasWorks is the state of Kansas’ one-stop system as that term is defined in Section 121(e)(2) of the Workforce Innovation and Opportunity Act. KHRC encourages project sponsors and their subcontractors to utilize this website (<https://www.kansasworks.com/>) to help ensure that economic opportunities are directed toward low and very-low income individuals. Not only will this help project sponsors fulfill the numerical benchmarks required for safe harbor compliance, but engagement or referrals with the one-stop system can count as a qualitative effort if the safe harbor compliance numerical benchmarks are not met. When posting job opportunities with KansasWorks, project sponsors and their contractors and subcontractors should use the following language:

*This employment opportunity is funded by HUD assistance and is a Section 3 position. A preference for employment will be provided to applicants who can demonstrate that they meet the qualifications of the position and meet one of the following criteria:*

- *Income for the previous or annualized calendar year is below \$[INSERT SECTION 3 INCOME THRESHOLD AS PROVIDED BY KHRC]*
- *Is employed by a Section 3 business concern.*
- *Is a [YouthBuild](#) Participant.*

*For more information about Section 3, contact [PROJECT SPONSOR, CONTRACTOR, OR SUBCONTRACTOR CONTACT INFORMATION].*