



To the Mayor and Members of the City Council

May 7, 2024

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SUBJECT: WORKFORCE AND BUSINESS REPORTING FOR FEDERALLY FUNDED HOUSING AND COMMUNITY DEVELOPMENT PROJECTS

The purpose of this Informal Report is to explain the workforce and business reporting requirements associated with Section 3 of the Housing and Urban Development Act of 1968, certain changes in these requirements as promulgated in 2020, and how the City of Fort Worth can play a meaningful role in Section 3 reporting for federally funded housing and community development projects in which City funds are also involved.

What is Section 3?

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u, as amended) requires that economic opportunities generated by certain federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be given to low- and very-low-income persons, particularly those who are recipients of government assistance for housing, and to businesses that provide economic opportunities for these persons. Other federal programs covered by Section 3 are those that provide housing or community development assistance for housing rehabilitation, housing construction, or other public construction projects.

Section 3 residents include public housing residents as well as low- and very-low-income persons who live in the area where a federally assisted project is located. A Section 3 business is one that is owned by Section 3 residents, or employs Section 3 residents, or subcontracts with businesses that provide opportunities to low- and very-low-income persons. Low- and very low-income limits are defined in Section 3(b)(2) of the Housing Act of 1937 and are determined annually by the U.S. Department of Housing and Urban Development (HUD). These limits are typically established at 80 percent and 50 percent of the area median individual income. HUD income limits appear at <https://www.huduser.gov/portal/datasets/il.html>.

2020 Rule Changes for Section 3

These rule changes redefine a Section 3 business as one with the following characteristics:

- 51% or more owned by low- or very-low-income persons, and
- 75% or more labor hours are performed by low- or very-low-income persons, and
- 51% or more owned by current residents of public housing or Section 8 assisted housing.

The rules also redefine Section 3 residents as a YouthBuild participant, or a low- or very-low-income resident, or an individual employed by a Section 3 business.

Federal regulations require Section 3 residents to participate in pertinent projects as follows:

$$\frac{\text{Section 3 labor hours}}{\text{Total labor hours}} = 25\% \quad \text{AND} \quad \frac{\text{Targeted Section 3 labor hours}}{\text{Total labor hours}} = 5\%$$



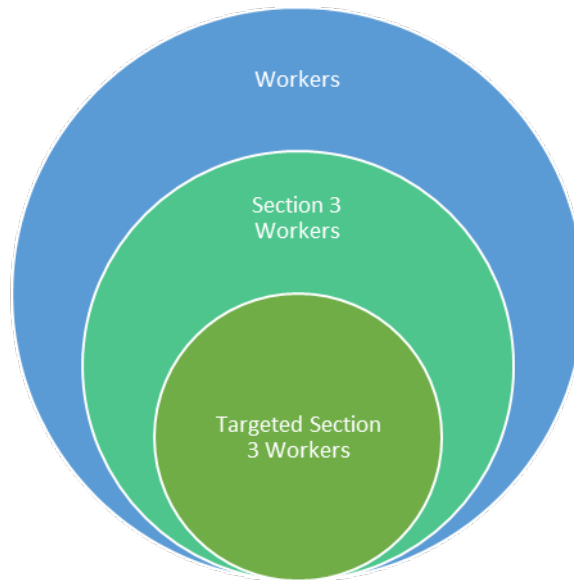
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A labor hour is a paid hour worked on a Section 3 assisted project. A “targeted” Section 3 worker is one employed by a Section 3 business, a Section 3 worker living in the project’s service area, a current YouthBuild participant, or current resident of public housing. The following diagram depicts this subset.



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. YouthBuild participants learn vocational skills in construction, as well as in other in-demand industries that include healthcare, information technology, and hospitality. Youth also provide community service through the required construction or rehabilitation of affordable housing for low-income or homeless families in their own neighborhoods. More information can be found here: <https://www.dol.gov/agencies/eta/youth/youthbuild>.

In Fort Worth, the Community Learning Center, Inc. (CLC, Inc.) serves as our local YouthBuild program partner. Mac Belmontes is the current YouthBuild manager and they are currently serving 74 active YouthBuild participants in our marketplace.

What can the City vendors report for Section 3?

Section 3 is a federal program. While the City of Fort Worth cannot directly enforce compliance with Section 3, we can ask our development partners to report one or more of the following data sets when City funds are also involved in a HUD funded project.

- Targeted Section 3 workers within the one-mile radius of the worksite that were hired and paid, including the rate of pay.



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- Other targeted Section 3 workers as defined above that were hired and paid, including the rate of pay.
- Low- and very-low-income workers residing within the service area or neighborhood of the project.
- Section 3 businesses that are subcontracted for work, the award amount, the amount paid, and the timeline for payment in compliance with the Texas Prompt Pay Act.

We intend to establish a robust relationship with CLC, Inc. to encourage YouthBuild participants to engage on Section 3 eligible City projects. We also intend, through our contracts, to require regular reporting of Section 3 outcomes on HUD-funded projects where City funds are also included.

If you have any questions about this information, please contact Christina Brooks, Director of Diversity and Inclusion (817) 392-8988.

David Cooke
City Manager