



Rental Housing Development (RHD) Program

Section 3 & MBE/WBE Reporting

Introduction

Congratulations on entering into a contract with the Rental Housing Development (RHD) Program administered by the Wisconsin Department of Administration's Division of Energy, Housing and Community Resources (DEHCR). As a recipient of funding provided by the U.S. Department of Housing and Urban Development (HUD) through the HOME Investment Partnership Program (HOME), you are required to comply with [24 CFR § 75](#) (Section 3) and [24 CFR § 92.508\(a\)\(7\)\(ii\)\(B\)](#) (MBE/WBE).



What is Section 3?

Section 3 is a provision of the HUD Act of 1968 that requires recipients of \$300,000 or more in HUD housing and community development financial assistance (e.g. HOME, CDBG, HTF) to the greatest extent feasible, provide construction-related training, jobs, and contracting opportunities to low- and very-low income individuals. Recipients must track labor hours and must show prioritization of effort and good-faith outreach to Section 3 and Targeted Section 3 Workers.

Who qualifies as a **Section 3 worker**?

A worker qualifies if they meet **one or more** of the following:

- Has income below HUD's [income limit](#) for the prior calendar year.
- Is employed by a Section 3 business concern.
- Is a YouthBuild participant.

Who qualifies as a **Targeted Section 3 worker**?

A Targeted Section 3 Worker is a section 3 worker who meets (or met within the last 5 years) at least one of the following:

- Lives in the project's service area.
- Employed by a Section 3 business concern.
- Is a YouthBuild participant.



What is a **Section 3 business concern**?

A business qualifies if it meets **one** of the following:

- At least **51% owned and controlled** by low- or very low-income individual.
- Over **75% of labor hours** performed by Section 3 Workers over a 3-month period.
- At least **51% owned and controlled** by public housing or Section 8 residents.

Looking for information on registered Section 3 businesses, visit: <https://wisdp.wi.gov/Search.aspx>

Labor Hour Benchmarks

Recipients must attempt to reach labor hour benchmarks for both Section 3 Workers and Targeted Section 3 Workers. If the benchmarks below are not met, the recipient must show documentation of best efforts and outreach to recruit and hire eligible workers.

Category	% of Total Labor Hours
Section 3 Workers	25%
Targeted Section 3 Workers	5% (included in the 25%)

Example: If your project logged **25,000 total labor hours**, you must report:

- At least **5,000 labor hours** by Section 3 Workers, and of that 25%;
- At least **1,000 labor hours** by Targeted Section 3 Workers.

Tip: Benchmarks are calculated using total labor hours on the Section 3 project (not only HOME-assisted units).

Recordkeeping Requirements

Recipients (and contractors/subcontractors) must maintain documentation that verifies worker eligibility, tracks labor hours by category (Section 3 Workers and Targeted Section 3 Workers), demonstrates outreach, promotion and hiring efforts. Acceptable documentation that demonstrates that a worker meets the Section 3 or Targeted Section 3 definitions, includes:

- Self-certification of income
- Self-certification of participation in public housing or Section 8
- YouthBuild self-certification
- Certification from a PHA or housing administrator
- Employer certification of income or business concern status

Recipients must be able to show that they have performed outreach and promotional efforts in reaching Section 3 and Targeted Section 3 Workers. Recipients (and contractors/subcontractors) may choose to develop a Section 3 plan that outlines how they plan to meet benchmarks and what type of outreach/promotional efforts they will enact in an attempt to provide construction-related training, jobs, and contracting opportunities to low- and very-low income individuals. HUD monitors Section 3 compliance and must have access to records demonstrating that workers met the definitions at hire or the first reporting period.

What is MBE/WBE?

Recipients are required to proactively assure that minority-owned (MBE) and female-owned (WBE) businesses have equal opportunity to obtain or compete for contracts and subcontracts. As part of MBE/WBE, recipients must make proactive attempts to utilize the State certified MBE and WBE businesses. Recipients may access the State of Wisconsin [Supplier Diversity Program](#) online. Recipients are to keep documents on outreach efforts and racial/ethnic or gender character of each business entity receiving a contract or subcontract of \$25,000 or more.

How do I report Section 3 and MBE/WBE information?

Recipients will be required to complete a [Semi-Annual Data Report](#) that will collect Section 3, MBE/WBE, and labor standards data during the performance period, that is outlined in your contract. The **Semi-Annual Data Report must be submitted twice annually, with deadlines on March 25th and September 25th** of each year. Reporting obligations begin once the contract performance period commences.

Tips for Completing the Semi-Annual Data Report

- Report data on the entirety of the project; not only HOME-assisted units.
- Complete all colored sections of the report.
- Enter “None” in Parts 2-5, if you have no data to report.
- Consider completing the report as you go for each 6-month period and ensure clear communication between recipient and prime contractor/subcontractors.
- When entering the street address for prime contractors and subcontractors, be sure to enter a physical street address and not a P.O. Box.
- When entering race/ethnicity data, be sure to report on the racial majority of the prime contractor and/or subcontractors’ businesses, as applicable.
- Enter construction related data into Part 2 and Part 3, then enter non-construction data in Part 3. Construction related data may be related to contract work for concrete, framing, roofing, plumbing, electrical, drywall, painters, masonry/brickwork, landscaping, paving, etc. Non-construction related data may be related to contract work for architects, civil engineers, surveyors, legal, environmental consultants, accountants, etc.
- When completing Part 8, indicate all outreach/promotional efforts performed by contractors and/or subcontractors, as applicable.
- When completing Part 9, include information that would clarify why benchmarks were or were not obtained, as applicable.

Resources

For more information about Section 3 visit the [Section 3 Resource Hub](#) on the HUD Exchange website. You may also find a Section 3 Guidebook and Tools, Section 3 Training and Section 3 Video Series on the HUD Exchange under the [Section 3 Program](#).

Who do I contact if I have further questions?

For you have further questions regarding the Section 3 or MBE/WBE, please feel free to submit your question directly to HUD Exchange by using the [Ask A Question](#) website. If you have additional questions, you may contact the RHD Program at RHDCompliance@wisconsin.gov.

Note: Federal regulations may change; this guide will be updated as needed. DEHCR, its recipients, contractors and subcontractors must comply with Section 3 and MBE/WBE regulations in effect at the time of, or after, publication of this guide.