

# ATTACHMENT 9-M: SEMI-ANNUAL INDIVIDUAL CONTRACTOR'S SECTION 3 DATA REPORT (INSTRUCTIONS)

## Instructions for Grantee:

The Grantee must provide each Contractor working on the CDBG project with the *Semi-Annual Individual Contractor's Section 3 Data Report* form (Attachment 9-M) or a similar form for collecting the same information. The Section 3 data for all Contractors and the Grantee (and subrecipient(s), if applicable) are then added to be added together and reported on the Grantee's *Semi-Annual CDBG Data Report* that is due to DEHCR. Prior to giving the *Semi-Annual Individual Contractor's Section 3 Data Report* form to the Contractor, complete the following:

1. Enter the "Grantee's Name" and the "DEHCR Grant Agreement/Contract Number" fields found at the top of the form on the page 1.
2. Refer to the CDBG Award Letter for the project (specifically, the date issued) to answer the "Grant Awarded BEFORE or AFTER 11/30/2020" field. HUD issued new Section 3 reporting requirements as of 11/30/2020. The date of the CDBG Award for the project will determine what Section 3 information that will be required to collect and report.

## Instructions for Contractor:

Complete the *Semi-Annual Individual Contractor's Section 3 Data Report* for each semi-annual reporting period in which the Contractor is working on the project and submit the report to your contact for the project (e.g., prime contractor, Grantee's Labor Standards Officer, etc.) each reporting period. Upon completing work on the project, submit a final semi-annual report to report the data for the semi-annual reporting period in which the Contractor completed work on the project.

Complete the form fields for #3-#5 on page 1 of the form and Part 6-Part 9 of the form following the instructions on pages 1-4 of this document.

3. Beneath the "Grantee/UGLG Name" field, identify the 6-month timeframe for which data are being reported. Type an "X" into the appropriate Oct.-March or April-Sept. reporting period, and then fill-in the "Year" associated with either the March 31<sup>st</sup> or September 30<sup>th</sup> selection.
4. In the fields designated, enter the Preparer's Name, Title, Phone Number and Email.
5. Enter Contractor's company/organization/firm name and the date the report is being completed.

The image below depicts the entry fields for items #1-#5 referenced above.

Individual Contractor's Semi-Annual Section 3 Data Report (Semi-Annual CDBG Data Report - Supplement) Page 1 of 3

### INDIVIDUAL CONTRACTOR'S SEMI-ANNUAL SECTION 3 REPORT (9-M)

Grantee/UGLG Name:  Grant AWARDED to UGLG Before or After 11/30/2020? Not Answered DEHCR Grant Agreement/Contract Number:

Reporting Period (Choose ONE):

	X	Year
<input type="checkbox"/>	October 1 - March 31	<input type="text"/>
<input type="checkbox"/>	April 1 - September 30	<input type="text"/>

Contractor's Name:

Date Completed:

Preparer's Name:

Preparer's Title:

Preparer's Phone No.:

Preparer's Email:

## **PART 6: SECTION 3 – NEW HIRING** (Only Applicable to CDBG projects **awarded PRIOR to 11/30/2020.**)

Part 6 should only appear on the form for Contractors working on a CDBG project that was awarded grant funds prior to 11/30/2020. Federal regulation 24 CFR 135 requires the Grantee (i.e., Unit of General Local Government (UGLG), Non-Profit, Housing Authority, etc.) **and each** of its contractors/subcontractors/service providers that receives or are contracted for a CDBG or other HUD funded project that is funded in whole or in part with CDBG or other HUD funds must collect new hiring data and complete and submit Section 3 reporting information.

6(a)-6(m): Report the number of **new full-time hires** and **trainees** (working full-time in permanent, temporary or seasonal positions) hired/trained for or in connection with the HUD/CDBG funded project during the specified reporting period. For each Job Category listed in the table [6(b) – 6(m)], enter the number of employees in each Job Category who are:

- New Hires (which are new employees hired for or in connection with the HUD/CDBG funded project during the specified reporting period);
- Section 3 Residents (which are New Hires who are low- and moderate-income (LMI) with an annual family income that does not exceed the applicable HUD CDBG LMI 80% median income threshold (for their family size and county of residence), and who live in the county where the project is located), hired during the specified reporting period; and
- Section 3 Trainees (which are new employees who are trainees of a formal HUD/CDBG funded jobs program/project who qualify as Section 3 Workers based on their income level and county of residence, and started training during the specified reporting period).

If there were no new full-time hires or trainees hired for or in connection with the HUD/CDBG funded project during the reporting period, enter “0” (zero) in the spaces. If the New Hire(s) or Trainee(s) does/do not fall into the pre-populated list of Job Categories, then enter the job title(s) in the two “Specify Job Type Here” field(s) [6(l) and 6(m)] and report the number of new hire(s) and trainee(s) for each.

#### **PART 7: SECTION 3 – WORKER HOURS ON THE CDBG PROJECT** (Only Applicable to CDBG projects **awarded ON or AFTER 11/30/2020.**)

Part 7 should only appear on the form for Contractors working on a CDBG project that was awarded grant funds on or after 11/30/2020. Contractors must report the labor hours by all employees, Section 3 Workers, and Targeted Section 3 Workers who have worked on the CDBG project (i.e., performed billable work hours on the project) during each 6-month reporting period (while the Contractor is working on the project).

#### **Overview of Section 3 Requirements of 24 CFR 75:**

Federal regulation 24 CFR 75 requires the Grantee (i.e., Unit of General Local Government (UGLG), Non-Profit, Housing Authority, etc.; and includes subrecipients) **and each** of its prime contractors and service providers, and all subcontractors that receive or are contracted for a CDBG project that is funded in whole or part with CDBG or other HUD funds must complete and submit Section 3 reporting information.

Exceptions (under 24 CFR 75 for projects awarded on or after 11/30/2020 only) include:

- CDBG projects for which the CDBG and any other HUD funds awarded to the project total (added together) no more than \$200,000 are not subject to any of the Section 3 requirements and reporting.
- CDBG projects that do not have any construction, demolition or rehab in any part of the scope of work for the project are not subject to any of the Section 3 requirements and reporting.
- **EXCEPTION:** The UGLG/Grantee and subrecipients, prime contractors, subcontractors and service providers of the project, as employers are not required to track and report the labor hours and Section 3 and Targeted Section 3 status of employees for any labor hours that are for **professional services completed by employees in positions that require an advanced degree or a professional license** (including but not limited to legal services, financial consulting, accounting services, environmental assessment, architectural/engineering services, etc.). It is **optional** for the employer to report their hours and not required. The employer may consider reporting these employees’ hours if the employees qualify as Section 3 Workers, which helps the employer demonstrate efforts for meeting the HUD Section 3 “safe harbor”/labor hour goals.

For each employee who works on the CDBG project, it will be necessary to determine their Section 3 and Targeted Section 3 status. The Section 3 Worker’s status is to be determined (and certified using the *Section 3 Employee Income Certification* form (Attachment 9-K(2)), which involves basing the employee’s Section 3/Targeted Section 3 status on information when the employee first started work on the CDBG project; **OR** the employer has the option of basing the employee’s Section 3/Targeted Section 3 status on information on the employee’s hire date (if they were hired on or after 11/30/2020). For employees who were hired prior to 11/30/2022, their Section 3/Targeted Section 3 status must be determined based on the employee’s information on the date the employee began working on the CDBG project. Refer to the instructions within the *Section 3 Employee Income Certification* form (Attachment 9-K(2)) for additional guidance.

**Definitions:**

**Section 3 “Safe Harbor” Goals:**

The Section 3 “safe harbor” goals were established by HUD for implementing and tracking accomplishments, per the requirements of the 24 CFR 75 Section 3 regulations, including having to the greatest extent feasible:

- At least 25% of all labor hours on a HUD/CDBG funded project completed by Section 3 Workers; and
- At least 5% of all labor hours on a HUD/CDBG funded project completed by Targeted Section 3 Workers.

**Section 3 Workers** are those individuals that currently fit (when starting work on the project), or when hired fit (if hired on or after 11/30/2022) at least one (1) of the following categories as documented:

- Employed by a Section 3 business concern, OR
- A low- or very low-income resident (i.e., a person having an annual individual income that does not exceed the Low (80%) HUD CDBG Income Limit for the county in which they live), OR
- A YouthBuild participant.

**Targeted Section 3 Workers** are Section 3 Workers who:

- Are employed by a Section 3 business concern, OR
- Currently fit (when starting work on the project) or when hired fit (if hired on or after 11/30/2020) at least one (1) of the following categories as documented:
  - Living within the Section 3 service area or the neighborhood of the project (as defined in 24 CFR 75.5), OR
  - A YouthBuild participant.

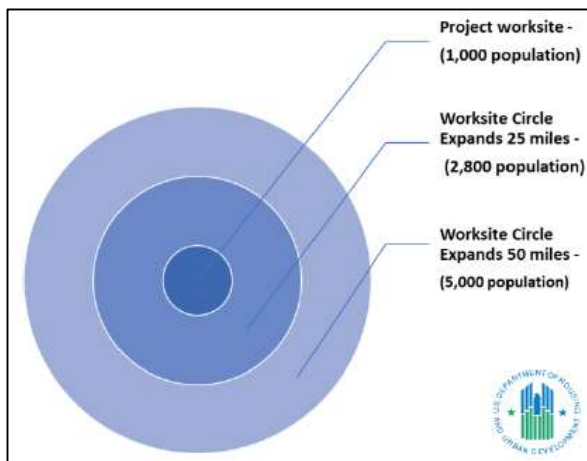
A **Section 3 business concern** is a business that fits at least one (1) of the following categories:

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

The **Service Area** (as defined in 24 CFR 75.5) is:

- An area within one (1) mile of the Section 3 project’s location (i.e., street address),  
OR
- An area within a circle centered around the Section 3 project site that encompasses 5,000 people [if less than 5,000 people live within a one (1) mile radius of the Section 3 project site].

The images below depict the Service Area criteria for qualifying a Section 3 Worker as a Targeted Section 3 Worker (*only applicable to CDBG projects awarded grant funds on or after 11/30/2020*).



**Guidance for Completing PART 7 – Items 7(a)-7(d):**

A Contractor may have two options when entering employee data in Part 7 on the *Individual Contractor’s Section 3 Data Report* (Attachment 9-M) form, depending on whether the Contractor has not reported individual employees’ names and labor hours on a separate official record; **or** if the Contractor has reported individual employees’ names and labor hours on a separate official record, such as on certified weekly payroll records (e.g., for Davis-Bacon labor standards compliance) and/or a document generated from their payroll system with their employees’ names and their labor hours on the CDBG project listed individually for the specific reporting period.

The Contractor is to report employees’ names, labor hours and Section 3 data for the reporting period following the guidance in OPTION 1 below if they have not reported their employees’ names and labor hours on a separate official record. The Contractor may follow the guidance in *either* OPTION 1 *or* OPTION 2 on the pages that follow if they have reported their employees’ names and labor hours on a separate official record.

**OPTION 1:** If the Contractor has not reported individual employees’ names and labor hours on a separate official record, such as on certified weekly payroll records and/or a document generated from your payroll system with your employees’ names and their labor hours on the CDBG project listed individually for the specific reporting period, then complete 7(a)-7(d) as follows:

- a) In 7(a), list all employees *individually* who worked on the CDBG project during the reporting period, as shown in the example within the form and additional examples depicted in the image on the next page:

PART 7. SECTION 3 - WORKER HOURS ON THIS CDBG PROJECT	
7(a) <i>IMPORTANT: Refer to the Instructions for how to enter data if the Contractor submitted weekly certified payroll records (for Davis-Bacon labor standards compliance). For Employees not recorded on certified payroll records, list ALL employees individually who have worked on (i.e. performed billable work hours on) the project during the 6-month reporting period (# of work hours may be based on "good faith assessment").</i>	
<i>EXAMPLE: Susan J. Smith</i>	
1	Jane Doe
2	Daniel Miller
3	Cristel Rodriguez
4	John Smith
5	Timothy Wilson

- b) In 7(b), for each employee, enter the total number of hours they worked on the CDBG project during the reporting period.
- c) In 7(c), for each employee, select “Yes” or “No” from the drop-down options to indicate if the employee is or is not a Section 3 Worker. The “Total Hours Worked as a Section 3 Worker” field will auto-populate with the calculation based on the “Yes” or “No” response selected in 7(c).
- d) In 7(d), for each employee, select “Yes” or “No” from the drop-down options to indicate if the employee is or is not a Targeted Section 3 Worker. The “Total Hours Worked as a Targeted Section 3 Worker” field will auto-populated with the calculation based on the “Yes” or “No” response selected in 7(d).

The Section 3 and Targeted Section 3 status of each employee must be determined and documented on the *Section 3 Employee Income Certification* form (Attachment 9-K(2)), which must be completed and submitted for each employee who works on the CDBG project (*unless the employee qualifies for the professional services exemption*).

The image below depicts entries in PART 7 for five individual employees who worked on the CDBG project:

PART 7. SECTION 3 - WORKER HOURS ON THIS CDBG PROJECT		7(b)	7(c)	7(d)
7(a)		Total of ALL Hours Worked by this Individual on the CDBG Project During the Reporting Period	Is this a Section 3 Worker? (Yes or No)	Total Hours Worked as a SECTION 3 Worker on this CDBG Project
<i>IMPORTANT: Refer to the Instructions for how to enter data if the Contractor submitted weekly certified payroll records (for Davis-Bacon labor standards compliance). For Employees not recorded on certified payroll records, list ALL employees individually who have worked on (i.e. performed billable work hours on) the project during the 6-month reporting period (# of work hours may be based on "good faith assessment").</i>				
<i>EXAMPLE: Susan J. Smith</i>		45	Yes	45
1	Jane Doe	320.00	No	0.00
2	Daniel Miller	120.00	Yes	120.00
3	Cristel Rodriguez	480.00	Yes	480.00
4	John Smith	480.00	No	0.00
5	Timothy Wilson	80.00	Yes	80.00

**OPTION 2:** If the Contractor **has not** reported individual employees’ names and labor hours on a separate official record, such as on certified weekly payroll records and/or a document generated from your payroll system with your employees’ names and their labor hours on the CDBG project listed individually for the specific reporting period, then you may follow the guidance in OPTION 1 on the previous page, OR have the option of following the guidance below and on the next page, only entering the ‘totals’ for employees in the three categories [**1. Employees who are not Section 3 and Targeted Section 3 Workers, 2. Employees who are Section 3 Workers, and 3. Employees who are Targeted Section 3 Workers**], instead of listing each employee and their labor hours individually in 7(a)-7(d). Your certified weekly payroll records or other official record generated from your payroll system will serve as the supporting documentation (in addition to the *Section 3 Employee Income Certifications*) for the calculated ‘totals’ entered in 7(a)-7(d) in accordance with OPTION 2.

The guidance for OPTION 2 (entering ‘totals’) in 7(a)-7(d) is as follows:

- a) Entries in 7(a) for rows #1, #2, and #3:
  - In 7(a) #1: enter the words, “Employees EXCLUDING Section 3 and Targeted Section 3 Workers (*[enter #]* employees)””; and
  - In 7(a) #2, enter the words, “Section 3 Workers EXCLUDING Targeted Section 3 Workers (*[enter #]* employees)””; and
  - In 7(a) #3, enter the words, “Targeted Section 3 Workers (*[enter #]*) employees”.

The image below depicts the entries to be made when reporting totals (for employees for which hours were already individual reported/submitted on certified weekly payroll records):

PART 7. SECTION 3 - WORKER HOURS ON THIS CDBG PROJECT	
7(a)	<p><i>IMPORTANT: Refer to the Instructions for how to enter data if the Contractor submitted weekly certified payroll records (for Davis-Bacon labor standards compliance). For Employees <b>not</b> recorded on certified payroll records, list <b>ALL</b> employees <u>individually</u> who have worked on (i.e. performed billable work hours on) the project during the 6-month reporting period (# of work hours may be based on "good faith assessment").</i></p> <p><b>EXAMPLE:</b> <i>Susan J. Smith</i></p>
1	Employees EXCLUDING Section 3 and Targeted Section 3 Workers (10 employees)
2	Section 3 Workers EXCLUDING Targeted Section 3 Workers (5 employees)
3	Targeted Section 3 Workers (2 employees)
4	
5	

- b) Entries in 7(b) for rows #1, #2, and #3:
  - #1: Enter the total # of hours worked by all employees on the project during the reporting period, EXCLUDING those worked by Section 3 Workers and Targeted Section 3 Workers.
  - #2: Enter the total # of hours worked by all Section 3 Workers on the project during the reporting period, EXCLUDING those worked by Targeted Section 3 Workers; and
  - #3: Enter the total # of hours worked by all Targeted Section 3 Workers on the project during the reporting period.
- c) Entries in 7(c) for rows #1, #2, and #3:
  - #1: Select “No” from the drop-down menu to indicate the employees **do not** qualify as Section 3 Workers;
  - #2: Select “Yes” from the drop-down menu to indicate the employees **do** qualify as Section 3 Workers; and
  - #3: Select “Yes” from the drop-down menu to indicate the employees **do** qualify as Section 3 Workers.

The “Total Hours Worked as a Section 3 Worker” field will auto-populate with the calculation based on the “Yes” or “No” responses selected in 7(c).

d) Entries in 7(d) for rows #1, #2, and #3:

- #1: Select “No” from the drop-down menu to indicate the employees **do not** qualify as Targeted Section 3 Workers;
- #2: Select “No” from the drop-down menu to indicate the employees **do not** qualify as Targeted Section 3 Workers; and
- #3: Select “Yes” to indicate the employees **do** qualify as Targeted Section 3 Workers.

The “Total Hours Worked as a Targeted Section 3 Worker” field will auto-populate with the calculation based on the “Yes” or “No” responses selected in 7(d).

The Section 3 and Targeted Section 3 status of each employee must be determined and documented on the *Section 3 Employee Income Certification* (Attachment 9-K(2) form), which must be completed and submitted for each employee who works on the CDBG project (*unless the employee qualifies for the professional services exemption*).

The image below depicts the entries to make in 7(a)-7(d) when the hours worked on the CDBG project by the Contractor’s employees were reported on a separate official record (e.g., certified weekly payroll records or document generated from their payroll system) and the Contractor is only reporting totals for non-Section 3/non-Targeted Section 3 workers, totals for Section 3 Workers, and totals for Targeted Section 3 Workers on the *Individual Contractor’s Section 3 Data Report* form:

PART 7. SECTION 3 - WORKER HOURS ON THIS CDBG PROJECT					
7(a)	7(b)	7(c)	7(d)	7(d)	7(d)
IMPORTANT: Refer to the Instructions for how to enter data if the Contractor submitted weekly certified payroll records (for Davis-Bacon labor standards compliance). For Employees <b>not</b> recorded on certified payroll records, list <b>ALL</b> employees <b>individually</b> who have worked on (i.e. performed billable work hours on) the project during the 6-month reporting period (# of work hours may be based on "good faith assessment").	Total of <b>ALL</b> Hours Worked by this Individual on the CDBG Project <b>During the Reporting Period</b>	Is this a <b>Section 3</b> Worker? (Yes or No)	Total Hours Worked as a <b>SECTION 3</b> Worker on this CDBG Project	Is this a <b>Targeted</b> Section 3 Worker? (Yes or No)	Total Hours Worked as a <b>TARGETED SECTION 3</b> Worker
EXAMPLE: Susan J. Smith	45	Yes	45	Yes	45
1 Employees EXCLUDING Section 3 and Targeted Section 3 Workers (10 employees)	800.00	No	0.00	No	0.00
2 Section 3 Workers EXCLUDING Targeted Section 3 Workers (5 employees)	400.00	Yes	400.00	No	0.00
3 Targeted Section 3 Workers (2 employees)	160.00	Yes	160.00	Yes	160.00
4	0.00	Not Answered	0.00	Not Answered	0.00
5	0.00	Not Answered	0.00	Not Answered	0.00

**Estimating Work Hours for Non-Construction Employees:**

Contractors and UGLGs (units of general local government) providing non-construction related work and services may base their employees’ labor hours and Section 3 and Targeted Section 3 status on internal payroll and personnel records. They are to make a "good faith assessment" of the number of labor hours a full-time or part-time employee spends on the project, and whether the employee meets the income criterion for Section 3 status and residential locality criterion for Targeted Section 3 status based on the salary/wages (annualized) that the employer pays the employee and the employee’s address on record. They are **not** required to submit payroll records to DEHCR for employees, if not otherwise required by other applicable federal regulations (e.g., construction contractors subject to the federal labor standards are required to submit weekly certified payroll records with daily and weekly labor hours and wage + fringe hourly rates to the Grantee’s Labor Standards Officer for a CDBG funded project; and UGLGs seeking to cover Force Account work costs with CDBG funds or to count the Force Account work costs as ‘Matching funds’ for a CDBG project are required to submit a breakdown of employees who worked on the project, the hours worked each day, and the employees’ wage + fringe hourly rates (as the UGLG’s Force Account ‘invoice’) when submitting a CDBG Payment Request to DEHCR; etc.).

**Calculations for Percentage of Labor Hours by Section 3 and Targeted Section 3 Workers:**

The HUD Section 3 “safe harbor” goals include having at least 25% of all labor hours on a CDBG project being completed by Section 3 Workers, and at least 5% of all labor hours on a CDBG project being completed by Targeted Section 3 Workers. Once the Contractor’s data for employees are entered in PART 7 – items 7(a)-7(d), the hours totals appear at the bottom of the columns for 7(b)-7(d) and the percentages of hours worked by Section 3 and Targeted Section 3 Workers on the project for the reporting period will automatically be calculated and appear at the bottom of PART 7 in the “Section 3 “Safe Harbor” Benchmarks” section as shown in the image below:

Section 3 "Safe Harbor" Benchmarks:					
1	25% or more of <b>ALL</b> labor hours must be worked by Section 3 Workers.				
	Percentage all labor hours worked by Sec3 = <b>41%</b>	Total(s):	1360.00	560.00	160.00
2	5% or more of <b>ALL</b> labor hours must be worked by Targeted Section 3 Workers.				
	Percentage all labor hours worked by Targeted Sec3 = <b>12%</b>				

*Semi-Annual Individual Contractor’s Section 3 Data Report*

If the Contractor has not met the Section 3 “safe harbor” benchmarks during your work on the project, then you are expected to at minimum, demonstrate “best efforts”/qualitative actions taken in attempting to meet the goals, and record them in PART 8 of the report.

### **PART 8: SECTION 3 – OUTREACH/PROMOTION & BEST EFFORTS**

Based on when the project was awarded, it is required to indicate which applicable Outreach/Promotion & Best Efforts have been completed as qualitative actions to support the providing employment and contracting opportunities to Section 3 Residents (for projects awarded prior to 11/30/2020) or Section 3 Workers and Targeted Section 3 Workers (for projects awarded on or after 11/30/2020) and Section 3 Business Concerns in conjunction with the HUD/CDBG funded project.

Place an “X” next to each action that your company/firm/organization during the reporting period.

The Contractor **must** retain supporting documentation to confirm completion of the selected Outreach/Promotion & Best Efforts, which must be available for review upon request.

**TIP:** Hover over or right click on the red triangles in the upper right corners of cells within Part 8 on the CDBG Data Report form for guidance on common “best efforts” that are typically demonstrated on CDBG projects.

### **PART 9: COMMENTS**

Use the space provided in the “Comments” box to provide additional information or explanations for the data reported, as needed.