



Texas Department of Agriculture  
Texas Community Development Block Grant Program  
PO Box 12847  
Austin, TX 78711

# POLICY ISSUANCE

## CDBG 20-01

Effective Date: July 1, 2021

Revised: September 13, 2021

### **SUBJECT: Federal Revisions for Section 3 Requirements**

The Texas Department of Agriculture announces an update to the TxCDBG Project Implementation Manual, implementing HUD's recent Section 3 Final Rule.

#### **BACKGROUND:**

HUD published a final rule updating requirements related to Section 3 of the Housing and Urban Development Act of 1968, as amended. HUD's regulations implementing the requirements of Section 3 had not been updated since 1994. On April 4, 2019, HUD proposed a new rule to update the Section 3 regulations. See [84 FR 13177](#). The final rule was published on September 29, 2020 and became effective on November 30, 2020. This final rule updates HUD's Section 3 regulations 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 that are covered by Section 3.

The final rule also includes a requirement that HUD set Section 3 benchmarks. If a CDBG Grant Recipient complies with the statutory priorities regarding effort and meets the outcome benchmarks, HUD will presume the recipient is following Section 3 requirements, absent evidence to the contrary.

Key changes in the new ruling and in HUD's implementation include:

- Focusing on key outcome metrics, such as the sustained employment of individuals in targeted populations.
- Crediting retention of low- and very low-income employees and successful sustained employment in the reporting metrics.
- Aligning Section 3 reporting with standard business practices and payroll tracking methods.
- Allowing for tailored outcome benchmarks for different geographies and/or different projects.
- Reducing reporting requirements for grantees who are meeting outcome benchmarks.
- Integrating Section 3 oversight into the work of the program offices who are in regular contact with the grantees.
- Promoting the newly created portal to connect low- and very low-income people, who need jobs most, with businesses who have Section 3 job opportunities in their area.

**ACTION:** The TxCDBG Project Implementation Manual is modified to read as follows:

- Chapter 10 Section 10.2.2 is replaced with the attached text, [as updated September 13, 2021](#);
- The following forms are deleted:
  - Form A1001 Equal Opportunity Guidelines for Construction Contractors,
  - Form A1002 Sample Section 3 Plan,
  - Form A1011 Section 3 Annual Report,

- Form A1012 Prime Contractor Section 3 Report; and
- The following forms are added:
  - Form A1021 Sample Section 3 Service Area,
  - Form A1022 Section 3 Status Summary Certification Form (optional),
  - ~~Form A1023 Certification as Section 3 Business (optional), and~~
  - Form A1024 Section 3 Sample Presentation to Local Community.

**APPLICABILITY/TRANSITION:**

These changes will apply to all TxCDBG contracts that have not submitted a Project Completion Report (PCR) prior to September 1, 2021.

Based on additional guidance and training from HUD, the following revised instructions for the transition are identified below:

**Requirements for TxCDBG Grants (regardless of the date of the grant award)**

<b>Date PCR Submitted</b>	<b>Sect 3- Pt 75 Map and Presentation (Group A &amp; B)</b>	<b>Sect 3- Pt 75 Employment Efforts (new rule)</b>	<b>Sect 3- Pt 75 Procurement Efforts (new rule)</b>	<b>Sect 3- Pt 75 Labor Hours Reporting (new rule)</b>	<b>Sect 3- Pt 135 Annual Report A1011 (old rule)</b>
Prior to September 1, 2021	Not Required	Not Required	Not Required	Not Required	Final Report due September 30, 2021
On or after September 1, 2021	Required	Required for opportunities hired on or after July 1	See next page	See next page	Final Report due September 30, 2021

**Requirements for Vendor / Service Provider contracts for TxCDBG Projects**

<b>Date Awarded by the local Governing Body:</b>	<b>Date Work Completed</b>	<b>Sect 3- Pt 75 Procurement Efforts (new rule)</b>	<b>Sect 3- Pt 75 Labor Hours Reporting (new rule)</b>	<b>Form A1011 - period for subcontracts / new hires / training (old rule)</b>
<b>Construction Contracts</b>	<b>COCC Final Inspection</b>			
Prior to November 30, 2020	n/a (any date)	Not Required	Not Required	October 1, 2020 to June 30, 2021
November 30, 2020 through June 30, 2021	November 30, 2020 to August 31, 2021	Not Required	Not Required	November 30, 2020 to August 31, 2021
November 30, 2020 through June 30, 2021	On or after Sept 1, 2021	Not Required	Report all hours on or after November 30, 2020	n/a
On or after July 1, 2021	n/a (any date)	Required	Report all labor hours	n/a
<b>Administration/ Services Contracts</b>	<b>PCR Submitted</b>			
Prior to November 30, 2020	n/a (any date)	Not Required	Not Required	October 1, 2020 to June 30, 2021
November 30, 2020 through June 30, 2021	November 30, 2020 to August 31, 2020	Not Required	Not Required	November 30, 2020 to August 31, 2021
November 30, 2020 through June 30, 2021	On or after Sept 1, 2021	Not Required	Report all hours on or after July 1, 2021	November 30, 2020 to June 30, 2021
On or after July 1, 2021	n/a (any date)	Required	Report all labor hours	n/a

The Grant Recipient shall take all appropriate action, including execution of a change order or addendum to the services contract as appropriate, to ensure compliance with the revised rule.

Grant Recipients that awarded construction and/or administration services contracts prior to July 1, 2021, and then submit closeout documentation after on or after September 1, 2021, must include the following in the Section 3 narrative portion of the closeout report:

*This report of Section 3 labor hours includes hours worked on or after December 1, 2020, only.  
All Section 3 efforts prior to this date were evaluated under 24 CFR 135.*

All Grant Recipients must submit a final Annual Section 3 Report Form A1011, using the guidance included in the 2020 TxCDBG Project Implementation Manual effective September 2020, **as the final step in compliance with the previous Part 135 Section 3 requirements.**

Thank you for your efforts to ensure compliance with all federal, state and program requirements. If you have any questions or if we can provide any further assistance, please contact me at [CDBGReporting@TexasAgriculture.gov](mailto:CDBGReporting@TexasAgriculture.gov).



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