

## Section 3 & Labor Standards/ Federal Cross-Cutting Requirements

### Background:

In addition to applicable standards and requirements for MN Housing funded projects, there are federal cross cutting requirements for projects receiving federal funds. All projects receiving federal funding shall meet the Section 3, the Davis-Bacon Act, Contract Work Hours & Safety Standards Act, the Copeland Act, and Fair Labor Standards Act requirements noted below.

Projects receiving Housing Tax Credit (HTC) program allocation/ funding are not considered federally funded projects. Therefore, the requirements noted herein are not applicable to HTC allocated/ funded projects.

Contact MN Housing if you have questions regarding these requirements, the remaining federal cross cutting requirements and/or if you are unsure whether or not your project would be considered a federally funded project.

### Purpose:

To direct employment towards low and very low income persons, to assure payment of prevailing wages rates for construction, to assure overtime payment is made, to avoid wage kickbacks, to assure minimum wages are paid, and to assure child labor laws are enforced.

### Requirements:

#### SECTION 3

Section 3 is a provision of the Housing and Urban Development Act of 1968. The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Each contract subject to Section 3 requirements must contain the necessary Section 3 forms. These documents must be bound into the contract specifications. Please contact Minnesota Housing to determine if your project is required to meet the Section 3 requirements and for the necessary forms for the bid package Go to the [MN Housing's Multifamily Program Guides](#) web page for more information on Section 3 compliance.

#### THE DAVIS-BACON ACT (DBA).

The Davis-Bacon Act requires the payment of prevailing wage rates (which are determined by the U.S. Department of Labor) to all laborers and mechanics on Federal government and District of Columbia construction projects in excess of \$2,000. Construction includes alteration and/or repair, including painting and decorating, of public buildings or public works.

Go to [HUD Program Labor Relations](#) page for more information on the Davis-Bacon Act.

- Go to the applicable program administrator manual at the [MN Housing's Multifamily Program Guide](#) web page for more DBA information specific to program funding.

Construction contract provisions. Each contract subject to Davis-Bacon labor standards requirements must contain labor standards clauses (HUD-4010) and a Davis-Bacon wage decision. These documents must be bound into the contract specifications. Please contact Minnesota Housing to determine if your project is required to meet the Davis-Bacon labor standards requirements.

The Contract Work Hours and Safety Standards Act (CWHSSA) CWHSSA requires time and one-half pay for overtime (O/T) hours (over 40 in any workweek) worked on the covered project. The CWHSSA applies to both direct Federal contracts and to indirect Federally-assisted contracts **except** where the assistance is solely in the nature of a loan guarantee or insurance. CWHSSA violations carry a liquidated damages penalty (\$10/day per violation). Intentional violations of CWHSSA standards can be considered for Federal criminal prosecution.

The Copeland Act (Anti-Kickback Act) The Copeland Act makes it a Federal crime for anyone to require any laborer or mechanic (employed on a Federal or Federally-assisted project) to kickback (i.e., give up or pay back) any part of their wages. The Copeland Act requires every employer (contractors and subcontractors) to submit weekly certified payroll reports (CPRs) and regulates permissible payroll deductions.

The Fair Labor Standards Act (FLSA) The FLSA contains Federal minimum wage rates, overtime (O/T), and child labor requirements. These requirements generally apply to any labor performed. The Department of Labor (DOL) has the authority to administer and enforce FLSA. HUD will refer to the DOL any possible FLSA violations that are found on HUD projects.

End of Section 3 & Labor Standards/ Federal Cross-Cutting Requirements