



U.S. Small Business
Administration

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HUBZone Program Purpose

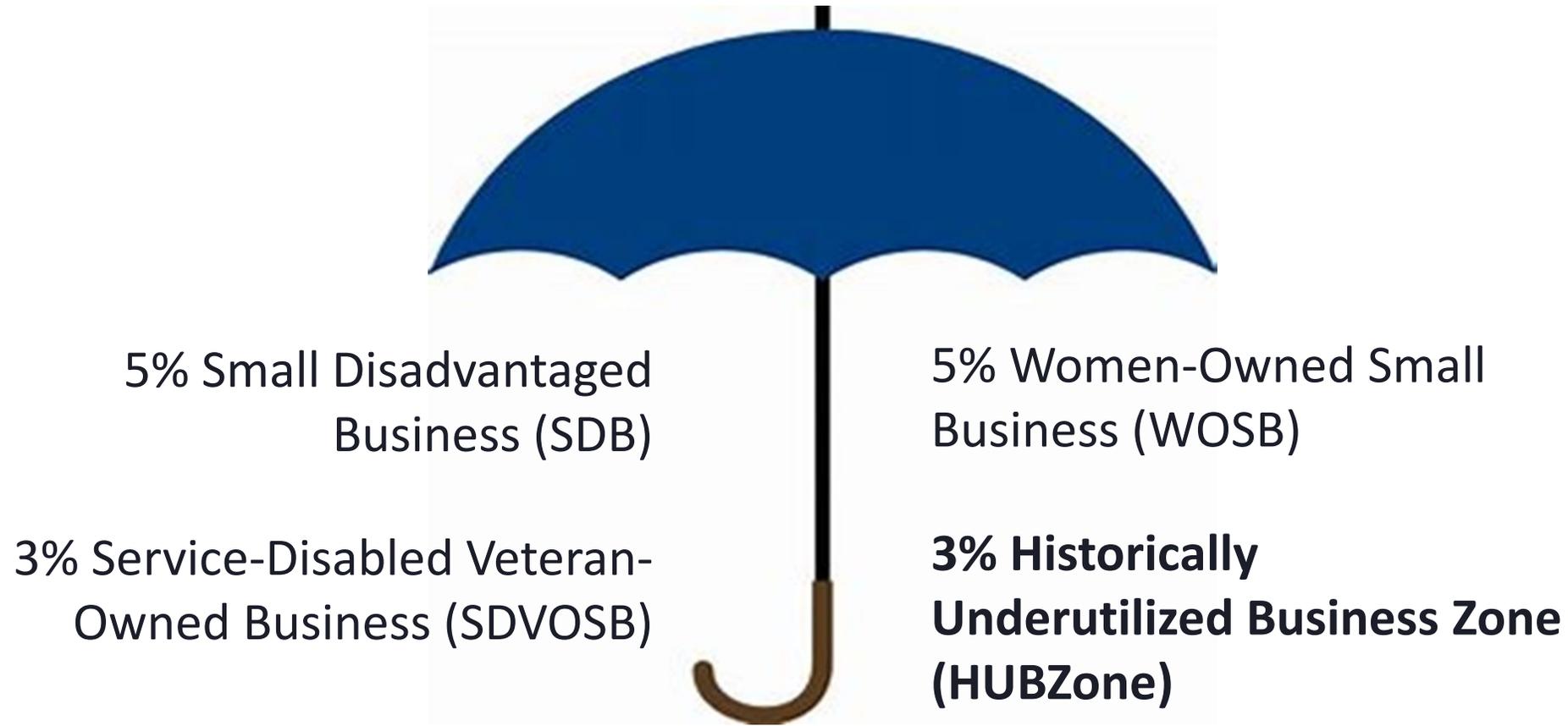
- Historically Underutilized Business Zone (HUBZone)—established 1997
- Fuels economic development in distressed areas by facilitating small business access to federal government procurement

- ✓ **Federal agencies** set aside contracts for HUBZone-certified small businesses
- ✓ **Small businesses** invest in and hire from qualified HUBZones
- ✓ **Distressed Communities** benefit from job opportunities and investment

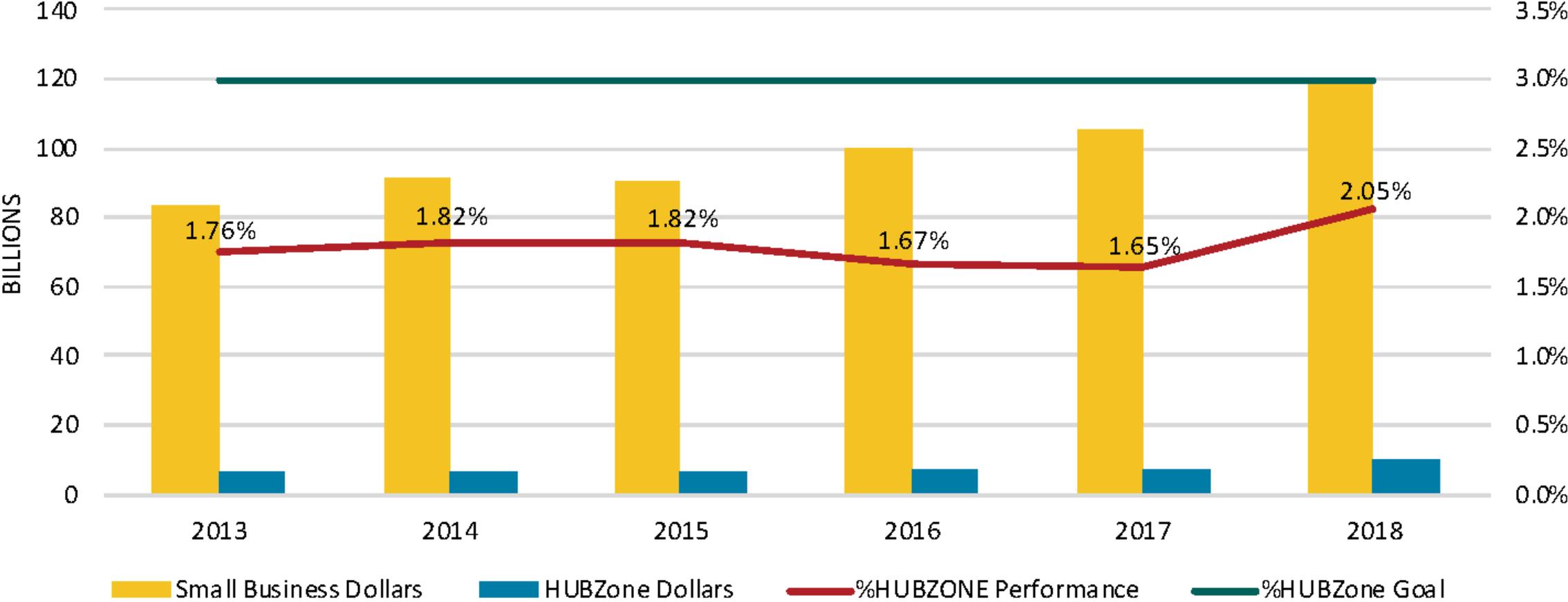


Contracting Incentive

23% of all federal purchasing is set aside for small businesses.



Federal Procurement to HUBZone Certified Firms



HUBZone Program Challenges

Small businesses found the program difficult

- Instability regarding geographic eligibility (i.e. maps changed too often which served as a disincentive to investment in HZ communities)
- Confusing and burdensome requirements for maintaining certification
- Lengthy and cumbersome application and recertification processes

Federal Agencies failed to meet 3% goal

- Difficulty finding qualified HUBZone firms who could maintain eligibility
- A unique and arduous requirement to verify eligibility twice (which lengthened the procurement process for HZ firms and served as a disincentive)

Communities experienced mixed results

- The fluidity of the program made it difficult for communities to leverage
- Eligibility requirements that failed to recognize the unique characteristics of rural distress may have neglected some deserving communities from participation

HUBZone Program Changes



Improve the customer
experience



Expand and stabilize the
HUBZone footprint



Increase program utilization

Improve the Customer Experience



Faster Certification: within 60 days of a complete submission



Streamlined Platform: Transitioning to a user-friendly interface.



Early Support: Expansion of Early Engagement Initiative and weekly conference call.

Expand and Stabilize HUBZone Footprint



Stable Maps: HUBZone maps are **frozen through 2021 and will be updated every five years; plus three-year transition period for expiring** of HUBZone Qualified Census Tracts and Qualified Non-metropolitan Counties



Rural Areas: New category added for Governor's Designated Areas—rural communities with unemployment of 120% the state/US average.



Long-term Investment: Small businesses that **invest in HUBZones** by purchasing a building or entering a long-term lease (of 10 years or more), may maintain HUBZone eligibility for a total of 10 years if the office location no longer qualifies as a HUBZone.

Increase Program Utilization



Residency requirement: An employee who resided in a HUBZone for at least **six months** at the time of certification or recertification, and continues to reside in a HUBZone for at least six months after, may continue to be considered a HUBZone resident so long as employed by the firm, **even if he/she moves to a non-HUBZone area, or if the area of his/her residence loses HUBZone geographical eligibility.**



Recertification: Once certified, a firm would be eligible for all HUBZone contracts for which the concern qualifies as small, **for a period of one year** from the date of its initial certification or recertification, unless the concern acquires, is acquired by, or merges with another firm during that period. Full documentation reviews will be required every three years.



Contract verification: If a firm is certified **at the time of initial offer** it will be generally considered a HUBZone small business concern throughout the life of that contract and must **attempt to maintain 20%** employment of HUBZone residents.

HUBZone Program Impact



+/- **22,000** HUBZones across US and territories



+/- **6,000** certified HUBZone enterprises



Construction, Manufacturing, Professional and Technical Services



\$9.9 billion in federal procurement in FY2018 supporting an estimated **52,000** jobs



100+ HUBZone Mentor Protégé Agreements via ASMPP



70% of Opportunity Zones are in HUBZones

HUBZone Success Story

When brothers Samuel and Saul Maldonado first founded SAM Engineering & Surveying (SAMES) Inc. in 2008, they employed three people in their community and generated \$400,000 in yearly sales.

By participating in the HUBZone program, they have grown their business to 55 employees and more than \$4 million in sales.

Additional Information

Eligibility and Application Requirements

HUBZone Small Business Certification Eligibility

Firm must:

- Be small, by reference to small business size standards;
- Be at least **51% owned by U.S. citizens, an Indian Tribal Government, an Alaska Native Corporation (ANC), a Native Hawaiian Organization (NHO)**, a Community Development Corporation, or an agricultural cooperative;
- Have its ***principal office***—the single location at which the greatest number of its employees perform most of their work—located in a HUBZone; and
- Have **at least 35%** of its employees HUBZone residents.

HUBZone Certification Application Process

Register in SAM.gov

Gather required documents:

- Payroll/proof of residency
- Proof of ownership
- Proof of principal location

Apply through
www.sba.gov/hubzone

Submissions are not considered an application until ALL required documents have been received.

HUBZone Help

For support with government contracting and growing your business visit one of SBA's resource partners (SCORE, SBDCs, WBC, VBOC, and PTAC): <https://www.sba.gov/local-assistance>

For support with your HUBZone application:

- **Visit** the HUBZone website: sba.gov/hubzone
- **View** location eligibility: maps.certify.sba.gov/hubzone/maps
- **Email** our Help Desk with specific questions: hubzone@sba.gov
- **Call** our staff via our weekly conference call—every Thursday at 2pm ET: 202-765-1264; Access code: 63068189#

Procurement Tips for HUBZone Firms

- 1. Get up to speed:** Start with a visit to the SBA website for tutorials, referrals and information.
- 2. Get Help:** Reach out to a Resource Partner for help (PTAC, SBDC, WBC, SCORE, VBOC, District Office).
- 3. Do Your Homework:** Learn about the opportunities and consider starting with Government purchase card orders, Subcontracting, and Joint Ventures to gain experience.
- 4. Secure a Mentor: All Small Mentor Protégé Program** offers HUBZone firms an opportunity to develop their government contracting capabilities by entering a formal Mentor Protégé Partnership with an experienced government contractor.
- 5. Leverage your small business status:** If you are SDB or DSVOSB or WOSB—consider gaining HZ status; already in a HZ—get certified!

Additional Information

Contracting Details

HUBZone Program References

- **Statutory authority:** Small Business Act, 15 U.S.C. 632(p), 657a
- **HUBZone Program Regulations:** 13 CFR Part 126
- **Size Regulations:** 13 CFR Part 121
- Recent rulemakings:
 - **Governor-Designated Covered Areas**
 - Direct Final Rule: 84 FR 62449 (Nov. 15, 2019)
 - Effective Jan. 1, 2020
 - **HUBZone Program Improvements**
 - Final Rule: 84 FR 65239 (Nov. 26, 2019)
 - Effective Dec. 26, 2019

Relationship Among Small Business Programs (FAR 19.203)

- SBA's small business socioeconomic programs include:
 - 8(a) Program
 - HUBZone Program
 - Service-Disabled Veteran-Owned (SDVO) Small Business Program
 - Women-Owned Small Business (WOSB) Program
- There is **no order of precedence among these programs**
- In determining which socioeconomic program to use, the contracting officer should consider, at a minimum—
 - **Results of market research**
 - **Agency progress in fulfilling small business goals**

HUBZone Contracts (13 CFR 126.600)

HUBZone contracts are contracts awarded to certified HUBZone small business concerns, regardless of the place of performance, through any of the following procurement methods:

- **Sole source awards**
- **100% HUBZone set-aside awards** and partial set-asides
- **Full and open competition**, where the **HUBZone price evaluation preference is applied** (application of a 10% price evaluation preference applied in full and open competition only applies if initial low offer is from a large business, not if low bidder is a small business)
- **Reserves** for HUBZone SBCs under Multiple Award Contracts (MAC)
- **Orders set-aside** for HUBZone SBCs against a MAC, where the MAC was awarded in full and open competition

HUBZone and Simplified Acquisition (13 CFR 126.607, FAR 19.1305)

- At or Below SAT CO **MAY** award via HUBZone set-aside or sole source award
- Above SAT CO **shall** first consider a set-aside before a HUBZone sole source award or setting aside the requirement as a small business set-aside
- SAT=\$150,000—proposed to increase to \$250,000;
- Micro-purchase threshold=\$3,500—proposed to increase to \$10,000

HUBZone Sole Source Awards (13 CFR 126.612, FAR 19.1306)

- CO **may award a sole source contract to a HUBZone SBC** (before considering a small business set-aside) **if—**
 - CO does not expect to receive offers from at least 2 HUBZone SBCs
 - Anticipated price of the contract (including options) will not exceed—
 - \$7 M for a requirement assigned a manufacturing NAICS code; or
 - \$4 M for all other requirements
 - The requirement is not currently being performed by an 8(a) participant and has not been accepted as an 8(a) requirement by SBA
 - The HUBZone SBC has been determined to be a responsible contractor with respect to performance
 - Award can be made at a fair and reasonable price

SBA has the right to appeal CO's decision not to make a HUBZone sole source award

Note: This exclusion of FAR 19.1306 was removed: The acquisition is greater than the SAT

HUBZone Set-Aside (FAR 19.1305(c))

- **To award via HUBZone set-aside, CO must have a reasonable expectation that—**
 - Offers will be received from at least 2 HUBZone SBCs; and
 - Award will be made at a fair market price

If the CO receives—

- **only one acceptable offer** from a certified HUBZone SBC
the CO should make an award to that concern
- **no acceptable offers** from HUBZone SBCs
the CO should withdraw the HUBZone set-aside and set the procurement aside for small business concerns, as appropriate (see FAR 19.203)

Set-Aside of Orders

- A CO may—
 - **Set-aside an order placed against a multiple-award contract** for HUBZone SBCs (FAR 19.5) and no justification for this exception to fair opportunity is required (FAR 16.5)
 - **Set-aside part(s) of a multiple-award contract** for HUBZone SBCs (FAR 19.5)
 - **Reserve one or more contract awards** for HUBZone SBCs **under full and open multiple-award procurements** (FAR 19.5)
 - **Set-aside orders & BPAs under the GSA Schedule** (FAR 8.4)

Set-Aside of Orders – FAR Part 19 Applies

FAR 16.505(b)(2)(i)(F): When setting aside orders for small business concerns:

- The specific small business program eligibility requirements identified in part 19 apply.

FAR 8.405-5(a)(2): When setting aside orders and BPAs against the GSA Schedule:

- The specific small business program eligibility requirements identified in part 19 apply.

What does this mean? Examples:

- HUBZone joint venture requirements apply
- HUBZone limitations on subcontracting apply

Multiple Award Contracts (MAC)

- If a MAC is set-aside for HUBZone firms, a firm that is HUBZone certified at the time of initial offer for the MAC will be considered so certified for each order issued against the MAC;
- If a MAC is issued under full and open competition, and a procuring agency sets aside an order as a HUBZone award, a firm must be HUBZone certified (and so appear in DSBS) at the time it submits its offer for the order – ***except for Federal Supply Schedule (FSS) contracts;***
- For all FSS contracts, a firm that is HUBZone certified at the time of initial offer for the FSS contract will be considered so certified for each order issued against the FSS contract.

Price Evaluation Preference (PEP) For HUBZone SBCs (13 CFR 126.613, FAR 19.1307)

- The HUBZone price evaluation preference (PEP) shall be used in acquisitions conducted using full and open competition
- The preference shall NOT be used—
 - Where price is not a selection factor (e.g., Architect/Engineer acquisitions)
 - Where all fair and reasonable offers are accepted (e.g., the award of multiple award schedule contracts)

Applying the HUBZone PEP

- The CO shall apply the HUBZone PEP in F&O competition, **when the lowest, responsive, responsible offeror is a large business**
- **The PEP is applied by adding a factor of 10% to—**
 - The otherwise lowest, responsive, responsible offer from a large business (AKA the large business that is the apparent successful offeror)
 - Offers from HUBZone SBCs that have waived the PEP
 - Offers from small business concerns that are not the apparent successful offeror
- **NOTE: Apply PEP first, then do best value analysis**

Price Evaluation Preference – Examples

OFFER:

HUBZone \$113

Small \$103

Large \$100

PEP APPLIED (*10%):

HUBZone \$113

Small \$113.3

Large \$110

- Before PEP applied, the large business is the lowest, responsive and responsible offeror.
- After applying the 10% PEP, the large business is still the lowest, responsive and responsible offeror.
- In this example, the application of the PEP does not benefit the HUBZone SBC.

NOTE: If price equal → Award to the HZ SBC

Price Evaluation Preference – Examples

OFFER:		PEP APPLIED (*10%):	
HUBZone	\$100	HUBZone	\$100
Small	\$97	Small	\$106.7
Large	\$95	Large	\$104.5

- Before PEP applied, the large business is the lowest, responsive and responsible offeror.
- After applying the 10% PEP, the large business is no longer the lowest, responsive and responsible offeror.
- In this example, the application of the PEP does benefit the HUBZone SBC.

Price Evaluation Preference – Examples

OFFER:

HUBZone \$100

Small \$95

Large \$97

PEP NOT APPLIED

- Before PEP applied, the small business is the lowest, responsive and responsible offeror.
- Since lowest offeror is not a large business, the HUBZone PEP is not applied.

Requirements to Bid on HUBZone Contract (13 CFR 126.601)

At the time a certified HUBZone SBC submits its initial offer (including price) on a specific HUBZone contract, it must certify to the CO that:

- It is a **certified HUBZone SBC that appears on SBA’s List (DSBS)—dsbs.sba.gov**;
- It is a **small business** under the NAICS code assigned to the procurement; and
- It **will “attempt to maintain”** having at least 35% of its employees residing in a HUBZone during the performance of a HUBZone contract. (13 CFR 126.200(e))
- It will comply with the applicable limitations on subcontracting during performance of the contract, as set forth in 13 CFR 125.6, 126.200(f) and 126.700.

Note: The requirement to notify SBA of a material change was removed with the Regulations published on 12/26/2019.

Eligibility Improvements: Attempt to Maintain

- A firm will be eligible to compete for HUBZone set-aside awards while attempting to maintain compliance with the 35% HZ residency requirement, so long as at least 20% of its employees reside in a HUBZone.
- HUBZone firms that are performing on a HUBZone contract at the time of their recertification must have at least 20% of their employees residing in a HUBZone to recertify.
- HUBZone firms that are not performing on a HUBZone contract at the time of recertification must have at least 35% of their employees residing in a HUBZone to recertify.

* When firms receive a federal contract they often need to ramp up hiring quickly—which in the case of HUBZone threatened to temporarily place them out of compliance with the requirements of the program if fewer than 35% of the workforce did not live in a HUBZone. This change provides clarity regarding the definition of attempting to maintain compliance while performing on a federal contract.

Joint Venture

- A HUBZone SBC may joint venture with one or more other small business concerns or its SBA-approved mentor for the purpose of submitting an offer for a HUBZone contract. (13 CFR 126.616)

Note: The joint venture itself need not be certified as a qualified HUBZone SBC.

Limitations on Subcontracting (LOS)

Final Rule published at 81 FR 34243 – Effective June 30, 2016

A HUBZone SBC prime contractor may subcontract part of a HUBZone contract, provided the HUBZone SBC meets the following requirements:

Services (except construction) <ul style="list-style-type: none">• Spend no more than 50% of the value of the prime contract on subcontractors that are not HUBZone SBCs	Supplies (from a manufacturer) <ul style="list-style-type: none">• Spend no more than 50% of the value of the prime contract on subcontractors that are not HUBZone SBCs
General Construction <ul style="list-style-type: none">• Spend no more than 85% of the value of the prime contract on subcontractors that are not HUBZone SBCs• Cost of materials are excluded	Special Trade Construction <ul style="list-style-type: none">• Spend no more than 75% of the value of the prime contract on subcontractors that are not HUBZone SBCs• Cost of materials are excluded

NOTE: Subcontractors that are also HUBZone SBCs are referred to as “similarly situated entities”

Nonmanufacturer Rule (NMR) (13 CFR 126.601, FAR 19.1303)

- **A HUBZone SBC may submit an offer for supplies as a nonmanufacturer if it meets the requirements of the NMR set forth at 13 CFR 121.406(b)(1)**
 - In 2016, SBA eliminated the requirement that the manufacturer also be a HUBZone SBC (81 FR 34243)
- Under SBA regulations, a CO may now request a waiver of the NMR for a HUBZone contract
 - Class waivers also apply to HUBZone contracts
- As a result, the HUBZone program's treatment of the NMR is now consistent with SBA's other socioeconomic programs

Compliance With LOS & NMR

When do the HZ LOS and NMR apply?

- HUBZone set-asides
- Partial HUBZone set-asides
- HUBZone reserves
- Orders set-aside for HUBZone SBCs
- Awards to HUBZone SBCs under F&O after HZ PEP applied

What is the compliance period?

- Set aside (full or partial): Base term and each subsequent option period
 - HOWEVER, CO may require concern to meet the LOS or NMR for each order
- Order set-aside under F&O: Term of order



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