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Candice: Welcome and thank you for joining today's live SBA Web conference. Before we begin, please ensure you are in the WebEx event and have opened the chat panel by using the associated icon located at the bottom of your screen. You are welcome to submit written questions during the presentation and these will be addressed during Q and A. To submit a question, select all panelists from the drop-down menu in the chat panel. Enter your question in the message box provided and press enter to send note that all audio connections are muted at this time and that this conference is being recorded. If you require technical assistance, please send a check to the event producer. With that I'll turn the conference over to Chris Eischen. Chris, please go ahead.

Chris: Thank you, Candice. Hello everyone and welcome to the fifth session of SBA's first Wednesday Webinar series for fiscal year 2020. On to slide two for today's session we'll be focusing on the HUBZone program and by the end of the program you should have a better understanding of this topic as well as resources available to you. If you are new to our event, this is a webinar series that focuses on getting subject matter experts on specific small business topics such as the HUBZone program and having them provide you with valuable information you can use in the performance of your job.

We appreciate you taking the time to participate in the FY 20 program, and we hope that you benefit from today's session. On to Slide three as Candace mentioned, my name is Chris Eischen and I work as a procurement center representative or PCR and I'm located in Kansas City, Missouri. Additionally, Mr. Charles Mason who is also a PCR is located in Omaha, Nebraska. He will be reading your questions submitted during the program for our speaker to address at the end of today's session. We both work in government contract in area four and slide three includes our information. Slide four, please note that all lines are on mute however you may submit questions or technical issues in the chat box on your screen.

Your questions may be submitted anytime during today's session by entering them into the chat box and these questions will be addressed at the end of our speaker's presentation. To make sure your question doesn't get overlooked, please ensure it is addressed to all panelists on the drop-down menu and not just one individual. As most of you know we have transitioned to WebEx and I've been informed that some users may experience issues such as a blocked Web site or other error

messages when attempting to access the conference log in from their computer. If you are affected by this issue, please make sure you dial in and follow along with the slides provided an email.

We will ensure the page numbers are clearly stated so you can follow along. Now if you are having any other technical issues please call the AT&T support desk at the following number 301-250-7202. This telephone number is also included in the email invitation for today's program and on slide four of the PowerPoint presentation. For additional SBA small business program training or other resources, please visit the SBA Learning Center at www.sba.gov. On to slide 5, did you know that the Association of Procurement Technical Assistance Centers or APTAC hosts a web site where they post the first Wednesday programs? Since these sessions are being recorded you can re-listen to this program as well as previous sessions by visiting their website which is provided here on slide five.

Additionally, Procurement Technical Assistance Centers or PTACs are a great resource and partnering with your local PTAC for an industry day, sharing RFI notices or sources and announcement or simply referring small business concerns to PTAC are just a few reasons why they are such a useful resource for acquisition personnel. Please contact your local PTAC for additional information. Slide six is the program scheduled for fiscal year 2020 and today's session on the HUBZone program is the fifth topic in the series for this fiscal year.

You will see that we have added some new topics draw program list and improve on other topics that have been presented in the past. The participation continues to grow each month and the positive word of mouth is greatly appreciated. Slide seven, I'm sure many of you will want to receive credit for today's training so you'll be glad to know that today's session is worth one CLP. On the following slide, which is slide eight, you will find the training certificate and I will go over the instructions at that time. Now several of you may have received this information for the training from a friend or colleague but if you want to receive an email directly from us notifying you of upcoming first Wednesday webinar events, just send us an email to sbalearning@sba.gov.

In the subject line, please enter the words add to list and we'll ensure your added to the distribution list. On to slide eight, slide eight is the actual certificate for today's session. First you will need to access the PowerPoint presentation that was emailed to you. Then you will

manually fill in your name where it states, "Insert your name here." Next within the print settings you will select print current slide which will allow for only the certificate to be printed. Once this is done you can coordinate the CLP achievement through your training program. And another reminder SBA does not track your CLPs or communicate with your training program regarding your CLP achievements.

On to Slide nine, today's training session has been assembled to educate you on the Hub Zone program and we'll also provide you with additional SBA resources available for your use. Our speakers have graciously accepted our invitation and they will be directing me to continue onto the next slide. As mentioned earlier, if you are unable to access WebEx please follow along with the PowerPoint presentation that was included in the email for today's training. We will identify the page number so you can follow along. Also please note that some viewers may experience a delay as a slide changes on your screen.

Now I am pleased to introduce today's speakers to you Miss Laurie Galan, who is the director of the HUBZone Program, Mr. Bruce Purdy, who is the deputy director of the HUBZone Program and Miss Allison Amman who is the attorney advisor with the Office of General Counsel for the U.S. Small Business Administration. We appreciate that you could all meet with us today and I'll turn the program over to you now.

Female Speaker:

Well, thank you. Thank you so much to my colleagues in GCBD, to our friends in PTACs we appreciate your support and any other resource partners that are out there. We appreciate the support that you provide to the prospective HUBzone companies all year long, so. And to our friends in other agencies, thank you. Thank you for joining us because 2020 is an exciting year. It's really a milestone year for the hub zone program because we are going to SBA's rolling out some of the most comprehensive changes to the program in its 20-year history.

The changes that we—these have been a long time coming and hopefully some of them address concerns that you've raised along the way their design to make the program easier for small businesses to join the hub zone program and to maintain their eligibility and to benefit from the program. The changes are also designed to make it easier for federal agencies to utilize the program. The goal of the HUBZone program which is to generate job opportunities and investment in economically depressed communities by reserving a share of federal procurement purchases for small businesses located in those communities is still relevant and important today especially when you

think about the small businesses that are struggling to grow in government contracting arena and for communities that are still struggling to compete in a global marketplace. Unfortunately, the federal government, as a whole, has not yet met the three percent goal that was established for HUBZone small business set aside. \

Although I am excited to say that the trajectory is moving in the right direction so we hope that you can be part of that positive momentum and contribute to the exciting changes ahead by utilizing the program and serving as a champion. If this is your first introduction to the HUBZone program, welcome. If you're already familiar with the program there has never been a better time to take another look and get up to speed with the many changes that we hope, you'll agree we'll make it easier for you and your agency to use. Before I hand it over, I want to thank you again and look forward to applauding your next year as we finally... I hope we finally break that three percent goal.

So, you are in good hands this morning. I will turn it over to the deputy director of the HUBZone program, Bruce Purdy and our attorney adviser Allison Amman who both will be presenting and answering questions today to, so thank you.

Bruce:

Well, good afternoon, everyone. Let's go ahead and move on to the next slide. So, we are on slide 11 and as Laurie started to allude to, we'll talk a little bit about the purpose of the program, talk a little bit about the challenges of the program and then we'll get into the nitty-gritty of the changes that have happened in the program and then how it affects you. So, we're currently on slide 11 and some of these first slides we do have a really long slide deck here. So, I may go through them fairly quickly but there will certainly be time for questions at the end. So, as Laurie we mentioned, the purpose of the HUBZone program is really to fuel economic development in distressed areas by facilitating small businesses to access federal government procurement.

It works by federal agencies setting aside contracts for hubs, uncertified firms, small businesses investing in and hire from qualified HUBZones and then the just distressed communities benefit from job opportunities and the investment. Let's go into the next line slide. Slide 12, so as Laurie mentioned, there is a three percent goal for the HUBZone program. We have not made that, but we are hopeful and optimistic that we are moving in the right direction to get there. Let's move on to slide 13. So, what are the mechanisms for the HUBZone program? Contracts for goods and services are targeted agencies to HUBZone

certified in small businesses via three ways. Set-aside including multiple award contracts, sole source awards and price evaluation preference. And the price evaluation preference only applies if the initial low offer is from a large business, not if the low bidder is a small business. Let's move on to slide 14.

So, as I mentioned there have been a lot of challenges with the program over the years and we're going to talk about things that we are doing in ways that we have fixed the program and are reintroducing the program. So, first of all, small businesses who are unable to maximize participation in the program because of instability in the geographic areas, the maps changed regularly, you may have been in a HUBZone and then the map changed. You are no longer eligible because you're no longer in a HUBZone.

The requirements for maintaining certification have been confusing and burdensome and we sometimes we'll get firms that will just say, "This is too much. It hasn't benefited me, and we'll leave the program." And the application process has been lengthy and cumbersome, and the recertification process has been on a three-year cycle which firms will miss because they haven't logged in a few years and then become ineligible and have to go back through the process to restart. Agencies too are unable to meet the three percent goal for a number of reasons. There was difficulty in finding qualified HUBZone firms who could maintain eligibility.

There are just over 6,000 firms nationwide which may seem like a lot but when you break that down on a district level that comes down to about 117 firms per state or SBA district area. And then when you start looking at the next code that gets even smaller. So, it is challenging with the population to find eligible firms. And the requirements, unique requirements, to verify eligibility twice just made it, it was a disincentive to use the program. Finally, communities had mixed results. There was—the program was very fluid which made it difficult for economic development officials to leverage the program and the eligibility requirements failed to recognize the unique characteristics of rural distressed communities which may have neglected some of the deserving communities from participation.

Now that we've talked about all of all the challenges, let's talk about how we're fixing some of those things. Let's move on to slide 15. So effective in 2020 that HUBZone program will be expanding the footprint and securing the footprint and we'll go into each of these in a little more

detail as we move to the presentation. Part of that will be by freezing the maps. The maps are currently frozen through 2021 and that gives opportunities for businesses to invest in those communities and maintain that their ability to stay a HUBZone certified while those maps are frozen. We'll go into that in a little more detail here in a moment. Stabilizing the eligibility by eliminating or reducing restrictive requirements to encourage small business participation and investment in the communities.

Some of the changes we're going to talk about are very innovative and really leverage the intention of the program which is to invest in those communities and invest in individuals in those communities through job creation. And we're also improving the customer service by accelerating and streamlining the application process and the recertification process and making it easier for small businesses to obtain and maintain eligibility. Next slide please. Okay. This is just an introductory slide, so slide 16 we'll move on to slide 17.

So HUBZone designations, the HUBZones are located across the U.S. and its territories. They're determined by a number of factors including unemployment, income and or events. So, as an example there are now seven categories there used to be six. These are qualified census tracts, qualified non-metropolitan counties re designated areas. These are transition areas that where HUBZone that is expiring and there's a three-year transition period for those expiring HUBZone. Qualified Indian reservations-based realignment closure areas, qualified disaster areas and the newest of the list is the governor designated areas and that's where we'll start talking about next. Let's move on to slide 18.

So, beginning January first, Governors may petition the SBA administrator to designate covered areas for HUBZone status to expand the program into additional rural areas. Covered areas mean an area that is located outside of an urbanized area, as defined by the census, has a population of 50,000 or less and has the average unemployment rate is at least 120% of the average unemployment rate of the U.S. or the state whichever is lowest. Let's move on to slide 19.

In reviewing the petition, SBA will consider among a number of factors the potential for job creation investment in the covered area, a demonstrated interest to small business concerns in that covered area, how state low in local government officials have incorporated that covered area into an economic development strategy and if the covered area was previously HUBZone the impact on the covered area— If the

administrator did not approve the petition. Opportunity zones not already in hub zones may be considered if they qualify, slide 20 please.

So, for the governor's petitions, here's the process. The governor prepares and signs a petition including the list of areas requested that meet definitions and an explanation of how governor's requests meets the criteria. Now there is not a set format for this petition. We're not expecting master's theses here but certainly we want to understand what the basis is. What are the areas and how those areas qualify? These are submitted to us electronically through an email address HZgovernors@sba.gov. The governor shall at least annually submit data to the administrator certifying that each of the governor's designated covered areas continues to meet the definition of covered areas.

This is to ensure that those areas can maintain that eligibility. Governors may request one covered area designation each year. Now what this means is not one, just one area they can do one petition to SBA each year for the covered areas, but the covered areas cannot exceed 10% of the total number of covered areas in the state. So, this gives the governors an opportunity to identify areas where there is potential that are currently not covered as HUBZones to help expand the map. Let's move on to slide 21.

Also, in securing the footprint, we talk about the maps. Maps have been an area of consternation for businesses and industry and government alike. So, for the qualified census tracts in non-metropolitan counties, the maps are currently frozen through 2021. After 20— after we get the 2020 census data and we update the maps, the maps will be frozen for a five-year period and then updated every five years. What this does is creates more stability in the communities for businesses who want to invest in those communities as well as for contracting officers who know that if a business is located in that area that map is not going to change on that.

Small businesses will continue to maintain HUBZone eligibility for three-year transition periods following the expiration of a HUBZone area. This is known as their re-designated area. Small businesses that invest in HUBZones by purchasing a building or entering a long-term lease of 10 years or more may maintain the HUBZone eligibility for 10 years even if at some point the office location no longer qualifies as a HUBZone as long as the business continues to meet the HUBZone residency and other requirements of the program. Now this is a big change because it's an incentive to get businesses to really make a long-term investment

into that community through the purchase of a building or through a long-term lease.

And again, as long as they meet the other qualifications even if the map changes during that time period, they still have that extended period in which they would be eligible and qualified as an eligible certified business. SBA is also looking at ways to expand and maximize participation in opportunity zones. Currently about 70% of opportunity zones are located in HUBZones and so we think that under the governor's initiative, many governors may look to at those opportunity zones that are not currently HUBZones as a way of designating those to create better continue to overlap and expand the opportunities for both programs.

Let's move on to slide 22. So, stabilizing the eligibility requirements. Move on to 23 please. So, this is another area that is a big improvement, an employee who resided in a hub zone 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 such time, may continue to be considered a HUBZone resident so long as they are employed by the firm even if he or she moves to a non-HUBZone area or if the area under his residence loses HUBZone geographic eligibility. Now, this is also a big change for the program and a big benefit for businesses because to maintain that 35% requirement if an employee moved, you may have lost that that 35%.

This gives you the opportunities to still count those employees as long as they meet that criteria of being in the HUBZone in six months prior to certification and six months after that those employees may still be eligible as long as they maintain employment with the firm. What this really does is helps the businesses to continue to invest in their employees, in those communities, even if they, the map changes, they're not going to get penalized for that. Let's move on to slide 24 please.

Another area that is a big improvement is the proof of certification. 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. Once certified, a small firm would be eligible for all HUBZone contracts for which this concern qualify as small for a period of one year from the date of its initial certification or recertification unless the concern is acquired by or merges with another firm during that period. So, this is a big change. Prior to this in order to win federal contracts, firms had to

prove eligibility at both time of offer and award lengthening the procurement process for HUBZone firms and for federal contracting officers.

So, this changed as well provides more flexibility in the program and more stability. Let's move on to slide 25, also certification for multiple award contracts. If a MAC is set aside for HUBZone firm, a firm and that is HUBZone certified at the time of the 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 set aside in order as a HUBZone award, a firm must be HUBZone certified as it appears in DSBS at the time it submits its offer for the order except for the federal supply schedule contracts.

For all federal supplies schedule contracts are 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 that FSS contract. Slide 26 please, annual certification, up until the new rules went into effect December 26 of this past year. So, these are brand new rules. Recertification happened every three years. Now, recertification will be required every year with full documentation required every three years. So, what this does is allows us to better have oversight of the program, ensure that firms are maintain that eligibility, maintain that certification more regularly as opposed to a three-year block in between and every three years we'll have that full documentation to do verification and validation as well.

Now firms with active federal contracts may be subject to full documentation reviews every year based on program review site visits etc. But this requirement to change to annual recertification with a full fullback every three years will help us have better integrity in the program. Next slide. We're on slide 27, attempt to maintain, another big change in the program. A firm will be eligible to compete for HUBZone set-aside awards while attempting to maintain compliance with a 35% residency. So long as at least 20% of its employees reside in a HUBZone.

Now previously, the definition was 35% with an attempt to maintain was not defined. So, the 20% is now become a floor for that residency. 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.

So, in essence, if you're a HUBZone firm there is a benefit to competing for and winning those HUBZone contracts because your attempt to maintain... you have some flexibility there in the program. Let's move on to slide 28 please.

Improving the customer experience, so let's move on to slide 29. So, starting January first, applications will be processed within 60 days of a complete application. Now, let me pause here for a moment. I knew one of the areas that folks have always had concern about is the time it takes to process an application. Applications often have come in incomplete, missing documents and that slows down the process. But beginning January first we have made a commitment that we will process applications within 60 days of a complete application. As part of the process we have a new screening process that will ensure that applications are complete before qualifying and so this will actually save time for the analysts who are reviewing the applications and allow us to move through the application faster.

I can say that already within this year, applications that have been processed and approved have been well under that 60-day time period and that is moving very, very well. We are also moving through a backlog of applications using this prescreening process that is helping us to reduce that and move the applications faster. And finally, the application recertification process will move to SBA's user friendly streamlined certified system later this year in 2020. This process will allow us to streamline the application process, get documents at the time of application versus sending after the fact and allow us to move the applications through to a screening and analyze a lot faster knowing that all the documents have been submitted in a timely fashion.

Let's move on to slide 30, HUBZone, we'll also be expanding our early engagement initiative which currently mobilizes 92 partners in 48 states to assist HUBZone firms with the application process enabling expedited approval and this means we're talking about our district offices, procurement technical assistance centers, women's business centers and small business development centers. Educational materials will be revised to align with the new requirements, and we'll point prospective and recertifying HUBZone to tips and resources to help them succeed in the government procurement process.

With the Early Engagement Initiative, we really focus on those firms that are not only submitting their applications, helping them to complete those applications but ensuring that those applications are, or those

applicants are procurement ready. This allows us to actually move those applications through the process in a more expedited fashion. Let's move on to slide 31, please. So, now we get into the nitty-gritty and specific contract provisions and references. Slide 32, please. So, some of the information that we'll go through we'll take specific links. We've tried to add in citations for easy reference so that you'll have this as a reference material after this presentation.

So, status of a small business concern is determined by SBA pursuant to 13 CFR Part 126. A firm must apply to SBA for HUBZone certification. If an SBA determines that a concern is a HUBZone, small business concern SBA will issue certification to that effect and will add this concern to the list of certified HUBZone businesses at DSBS. And you have that website there we'll walk through that here in a moment. Only firms that are on the list are certified HUBZone small business concerns and eligible for HUBZone contracting preferences and awards. So, if a firm tells you, "Yes they are but they're not on the list", they're not certified. Let's move on to slide 33.

HUBZone contracts are contracts awarded to certified HUBZone small businesses regardless of place and performance through any of the following procurement methods, sole source awards, a 100% HUBZone set-aside awards and partial set-asides full and open competition where the HUBZone price evaluation preferences applied reserved for HUBZone small business concerns under multiple award contracts an order set aside for HUBZone small business concerns against a MAC. Let's move on to slide 34. Requirements to bid on the HUBZone contract, let me walk through these as well. Again, it must be a certified HUBZone small business concern that appears on SBA's list DSBS. It must be a small business under an ex-carriage assigned to the procurement and it will mean attempt to maintain at least having 35% of its employees residing in a HUBZone during the performance of a HUBZone contract.

We'll also comply with applicable limitations on subcontracting during the performance of a contract. The requirement to notify of SBA material changes was removed from the regulations so there are still a few items where if a company merges or is merged or is acquired or acquires another business they will need to notify us of those changes. But all of the... many of the other changes that were there, that were burdensome before, no longer did they need to notify us of those changes. Let's move on to slide 35. So again, the firm must be a certified

HUBZone small business concern at the time of it submits its initial offer.

Once SBA certifies concern as eligible to participate in the HUBZone program, that concern will be treated as a certified HUBZone small business concern eligible for all HUBZone contracts for which they've 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 one year period or the concern is performing a HUBZone contract and fails to attempt to maintain the minimum employee HUBZone residency requirement.

Now, a HUBZone small business concern made joint venture with one or more other small businesses concerns or its SBA approved mentor for the purpose of submitting an offer for a HUBZone contract. Note, the joint venture itself need not be certified as a qualified HUBZone small business concern. Let's move on to slide 36. So, again, I mentioned the DSBS, so the Dynamic Small Business Search, I want take you through a few screens to show you what that looks like and how to use that. So, this is just the opening screen for DSBS and there is a link within the presentation to get you there.

Let's move on to slide 37. Once you actually identify a firm, you look up a firm, you will see that there is a display whether they are certified or not. So, I'll walk you through this and then we'll give you some screenshots to get you more details. So, you have two questions that you really are looking at. HUBZone certified, yes or no? And a HUBZone certification date. If the HUBZone certified is marked yes, that means that the firm is currently HUBZone certified. The date in this HUBZone Certification Date Field is a date the firm was certified and became eligible for HUBZone awards.

If its marked no, it indicates the firm is not currently certified. The date in the HUBZone certification field is the date that— there might be two dates there if there are two dates there the first date would be the original certification date, the second date would be the date that certification ended and that means they are not eligible for a HUBZone award. And if there is a no with an N/A next to the date that means the firm has never been HUBZone certified. So, let's move on to the next slide to show you... show here. So, in this example here, the HUBZone, it shows that they are certified, yes, and their certification date was November 5th, 2009.

Let's move on to slide 39. On this slide we're showing you an example that the HUBZone certified, no, that means they are not currently certified, and you see two dates there. So, they were originally certified as of September 27th, 2002 but no longer certified as of May eight, 2008. Let's move on to the next slide and in this case, you see the example of that they are not certified, and the date is N/A which means they have never been certified. Let's move on to the next slide, please. This is slide 41. So, let's talk about the relationship among the small business programs. There are multiple programs, you have 8(a) program, you have the HUBZone program, the service **[00:35:07 inaudible]** program and the Women-owned small business program. There is no order of preference among these programs.

In determining which associate and economic program to use, the contracting officer would consider at a minimum the results of market research and the agency progress in fulfilling the small business goals. Slide 42 please. We'll talk a little bit about set-asides and sole source awards. Let's move on to next slide please. So, under this simplified acquisition, if the acquisition is at or below the simplified acquisition threshold, a contracting officer may award via HUBZone set-aside or sole source award.

If it's above this the set, the contracting officer shall first consider a set-aside before a HUBZone sole source award or before setting aside the requirement as a small business set-aside. Slide 44 please, to award via HUBZone set-aside, contracting officer must have a reasonable expectation that offers will be received from at least two HUBZone small business concerns and the award will be made at a fair market price. If the contracting officer receives only one acceptable offer from a certified HUBZone small business concern, the contracting officer shall make an award to that concern.

If no acceptable offers from HUBZone small business concerns are received, the contracting officer should withdraw the HUBZone set-aside and set the procurement aside for small business concerns as appropriate. Slide 45 please, a contracting officer may award a sole source contract to a small business HUBZone small business concern before considering small business set-aside, if it meets the following conditions. Contracting officer does not expect to receive offers from at least two HUBZone small business concerns, the anticipated price of the contract including options will not exceed seven million for a requirement assigned manufacturing next code or four million for all the requirements, the requirement is not currently being performed by

8(a) participant and has not been accepted as an 8(a) requirement by SBA, the HUBZone small business concern has been determined to be a responsible contractor with respective performance and the award can be made at a fair and reasonable price.

SBA does have the right to appeal the contracting officer's decision not to make the HUBZone sole source award. Let's move on to slide 46 please. Set aside of orders, slide 47, thank you. So, contracting officer may set aside an order placed against a multiple award contract for HUBZone small business concerns and no justification for this exception to fair opportunity is required. Set-aside can be a part of a multiple award contract for HUBZone small business concerns, it can also have reserve for one or more contract awards for HUBZone small business concerns under full and open multiple award procurements and their set-aside award orders and BPA is under the GSA schedule.

Slide 48 please. So, here we're going to go into the specific FAR parts that apply. FAR 16.505, when setting aside orders for small business concerns the specific small business program eligibility requirements identified in part 19 apply. And FAR 8.405 when setting aside orders for BPA against the GSA schedule. Again, the specific small business program eligibility requirements identified in part 19 apply. So, what are examples when we're talking about HUBZone joint ventures? You have requirements that apply HUBZone limitations on subcontracting also apply.

Slide 49 please, if a MAC is set-aside for HUBZone firm, a firm that its HUBZone certified at the time of initial offer for the MAC will be considered so certified for each order against issued against the MAC as we mentioned earlier. If a MAC is issued under full and open competition and a procuring agency sets-aside an order for a HUBZone firm, the firm must be a HUBZone certified and appear in DSBS at the time it submits its offer for the order except for federal supply contracts. Again, I won't go back into whole point about the FSS contracts we talked about before and we'll just move on to slide 50.

The price evaluation preference. This will go through and talk a little bit and show you a couple of examples of how this works. Next slide please. So, the HUBZone price evaluation preference shall be used in acquisitions conducting using open and full competition. This shall not be used where price is not a selecting factor or we're all fair and reasonable offers are accepted. Slide 52 please, contracting officer shall apply the HUBZone price evaluation preference in full and open

competition when the lowest responsive and responsible offer 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 also known as the large business that an apparent successful offer, offers from HUBZone small business concerns that have waived PEP and offers from small business concerns that are not apparent successful offer. Note, you would apply the PEP fee first and then do the best value analysis.

Let's move on to slide 53. So, here are a couple of examples. In this example the HUBZone offers for 113, the small business offer us for 103, the largest 100. When the PEP is applied, the HUBZone is 113, the smallest 113.3 and the largest 110. After applying the 10%, the large business is still the lowest in responsive and responsible offer. So, in this example the application of the PEP does not benefit the HUBZone SBC. If the prices would have been equal, you would award to the HUBZone small business concern. Next slide please, 54. An example the HUBZone is a 100, the small is 97, large is 95.

Before you apply the PEP, the large business is the lowest responsive and responsible offer. After applying the 10%, the large business is no longer the lowest responsive and responsible offer and in this example the PEP does benefit the HUBZone small business concern. Slide 55 please. Now in this example, the large is not the lowest, the small business is the lowest still lower than the HUBZone firm and in this case, you would not apply to the PEP and it would award to the small firm. Move to slide 56 please. So, let's talk a little bit about subcontracting in the non-manufacturer rule and then we will move on to some questions as I see we're getting close to the end of our time.

Slide 57. So, there are some limitations on subcontracting, and I don't want to spend a lot of time going through each of these specifics but giving you this slide, you have a good reference point on how the subcontracting rules apply and what the specific requirements are. Slide 58 please, on for the Non-Manufacturer Rule, a HUBZone small business concern may submit an offer for supplies as a Non-Manufacturer. If it meets the requirements of the Non-Manufacturer Rule. In 2016, as we eliminate the requirement to [00:43:15 inaudible] that the manufacturer also be a HUBZone small business concern.

Under SBA regulations, the contracting officer now may now request a waiver of the Non-Manufacturing Rule for a HUBZone contract. Class waivers also apply to the HUBZone contracts. As a result, the HUBZone programs tribute to the Non-Manufacturing Rule is now consistent with

SBA's other socio-economic programs. Slide 59 please. So, when did the HUBZone limits on the NMR apply? Apply for HUBZone set-asides, partial HUBZone set-asides, HUBZone reserves, order set-aside for HUBZone small business concerns, awards for HUBZone small business concerns under fair and open after HUBZone PEP is applied.

And let's finally move on to the last slide, [00:44:11 believe] resources and references and just give you some quick stats as you can see the small business dollars compared to HUBZone dollars, HUBZone performance and the goal. Our trajectory is, is that we are moving closer to the goal and we believe that there is a great opportunity to get there but we're not there yet. The next slide 62 please, this is just a quick guide for eligibility for firms so they must be small by reference to the small business size standards, it must be at least 51% owned and by U.S. citizens, Indian tribal government, Alaska Native Corporation, Native Hawaiian Organization, Community Development Corporation or an agricultural cooperative, have its principal office which is where the single the single location has the greatest number of its employees perform most of their work, located in a HUBZone and, again, at least have 35% of its HUBZone employees hubs be HUBZone residents.

Slide 63 please, here just a couple of resources that can help you out. Our website, the maps are for better and certify that they are up-to-date maps. If there are questions, this is our Help Desk, the HUBZone@SBA.gov. We have staff that man that daily and answer questions and then we also have a conference call every Thursday at 2:00 p.m. for technical questions for businesses who are seeking questions on applying for the program, they can call in and get answers on that.

The next slide, this just gives you the some of the references for the program as far as the statutory authority, the regulation size regulations and the specific new rules that have been put in place, I'd like to say, "The program is so nice, we made the rules twice this year with the governor's designated areas and the HUBZone program improvements." The next slide please. Now this is the last slide that we have here in the [00:46:17 Decken]. Part of the reason we want to include this is just to show you the kind of impact that this program really does have. When these two brothers first founded SAM Engineering and Surveying in 2008, they employed three people in their community and generated 400,000 in the early sales.

By participating in the HUBZone program, they now have grown the business to 55 employees and more than four million in sales. This is one business, one impact but that impact definitely has benefits not only those that business but the 55 employees that they are now employing and the revenue and the community development in their community. So, we hope that more folks will take a look at the new and improved HUBZone program, leverage that for use and we hope that we will meet that three percent goal this year.

So, let's move on to some of the questions and we'll start I'm going to switch over to a speakerphone so that Allison can join me in answering some of your questions here.

Male Speaker:

Okay, great Bruce, thanks for that information. Charles, I'll turn it over to you and all the questions I've seen come in. So, if you're ready, we'll start.

Charles:

Okay. So, we do have a few questions and the first one is in reference to slide 17 and it says, "So all Indian reservation are not HUBZones anymore? What qualifies a tribe?" So, it's saying what qualifies an Indian reservation to be considered a HUBZone.

Allison:

So, there's an echo and we'll pick up the phone and take it on speaker. There's no change to the qualification of Indian reservation. All Indian lands are HUBZones **[00:48:20 under the rugs]**. So, there isn't a distinction between some that are qualified, and some aren't. I can understand how the language you're seeing may make you think that but that that rule has not changed. It continues to be lands within the boundaries of reservation are HUBZones and so that's determined by the Bureau of Indian Affairs and that information comes to us when there are new Indian lands added to the maps or that need to be added to the maps then we do that. So again, there's no distinction between certain reservations are qualified and others aren't.

Charles:

Okay. Thank you. So, the next question says, "When a small business is notified, they are a HUBZone certified that they are HUBZone certified, how long will it take to show in their DSBS profile?"

Bruce:

That's a great question. Generally, we tell folks that it's up to 24 hours, but I have seen, once I hit the approved button, I see you have gone over the DSBS a few minutes later and actually seen it showing in DSBS. So, we tell folks up to 24 hours just because technology can sometimes go on the cork and things can slow down a little, but it should be almost

instantaneously from the time we approve that it goes over and it updates DSBS.

Charles: Okay, so the next question is, “The HUBZone map does not reflect declared disaster areas. Is there a mechanism that will cause the HUBZone map to update? If not, how should companies handle their application if the map does not show designated areas that were impacted by declared disasters within two years of losing designation?”

Bruce: That's a great question. I can tell you that the map currently does have designated disaster areas on there. However, there have been some disasters more recently that have not been updated there and we have been working with our I.T. folks to try to make sure that those are reflected there. There have been a few challenges on that side in updating those and we are looking at trying to make sure that that is the case. If a business is in a disaster area and it's not reflected there, there is a box within the application where when they're basically reviewing against the map and saying that they're not in a HUBZone.

If they dispute that fact, they can put their dispute in that box to say in specifically say that you know, “I'm in a disaster area. This was the disaster declared” and so forth. And that way when the application comes through, we will then go back and verify that information against the data to make sure that it's there. So, we do know that some of the sometimes on the old maps that are in the application versus the maps that are uncertified, are not reflected on that application. So, we have that mechanism for folks to be able to say, “We disagree with this on the map and here's why” and then those applications will be moved through for processing.

Allison: One thing I would add, and it sounds like from the question maybe this is understood but I think it's not all declared disaster result in HUBZone. It is a qualified disaster area; they're defined as areas that are impacted by disasters but also that recently lost to their HUBZone designation. So, if an area was never previously a HUBZone and its hit by a disaster, under the current statute and regulations it would not become a qualified disaster area unless a HUBZone.

Charles: Okay, so there is a question and this one reads, “The price preference is also added to the small business that offered as long as the lowest priced offer is and other than small business.”

Allison: Yes, that's correct. The FAR and the SBA regs differ a little in this regard and who you talk to. It might be change slightly but the outcome should

be the same. The FAR indicates that you should apply the preference to the offer of a small business that's not otherwise the successful offer. So, if they're not first in line you apply it according to the FAR... We have advised that you essentially ignore the offer of the small business if that they're not the low bidder and then you're really doing analysis that's comparing the low... the bid of the large business that's number one in line, that's the low bidder against the HUBZone businesses offer.

And if after applying 10%, the HUBZone business is the lowest offer then they would be the awardee. So again, whether you're applying the 10% to the small business or ignoring the small business altogether, the outcome is the same because you... if the small business is not first in line then they're not going to get the award regardless of the price evaluation preference.

Charles:

Okay, so the next question is in reference to slide 62. It says, "At some point, ownership also included a corporation. Is this still true?"

Allison:

Actually, until recently, outside of what's listed here, there is no additional ownership options. It either had to be directly owned by U.S. citizens or owned by one of these other entities listed meaning an Indian tribe, ANC, NHO, CDC or Record Cultural Cooperative. As of a couple of years ago, I don't recall the date, we did change the rules to allow for indirect ownership of firms by U.S. citizens meaning there could be a holding company between the US citizen and the HUBZone applicants. In that way or there could be some other corporate structure that meant that the HUBZone firm is owned by a business but then that business is ultimately owned by at least 51% U.S. citizens.

So, the answer is yes it can be owned by a business, I think that was the word that we used I can't recall but again the ultimate owner has to be a U.S. citizen or one of these other entities.

Charles:

Okay. The next question states, "If HUBZone is the lowest best value all for under a full and open competition and no PEP applied and award is made to that company. Do they have to remain compliant as a HUBZone entity throughout the life of the contract?"

Allison:

No. It would not be considered a HUBZone contract if the PEP is not applied, if they've chosen to waive it so they wouldn't have to meet the limitations on subcontracting or there's other requirements. I will also add that under these new regulations there are—It used to be that a firm had to remain compliant at all-time once it's certified and then always and then the caveat to that was if they were awarded a

HUBZone contract, they had to attempt to maintain compliance with 35% residency requirement that's 35% and started at [00:56:24 **inaudible**] to maintain requirement is still in place meaning that if a firm is awarded a HUBZone contract they have to continue to attempt to maintain compliance at 35% and we have revised the definition of attempt to maintain to indicate that if they fall below 20% they would be out of compliance.

So, all that to say if they're awarded at a HUBZone contract, they have to be at least 20% HUBZone residency. Their principal office, however, can come out of that HUBZone during performance as long as they're back in a HUBZone by the time they're re-certifying. But if an example we give they've waived the PEP, the HUBzone PEP, then it wouldn't be a HUBZone contract and they would not be held to the requirement that they attempt to maintain compliance with 35%. So that was kind of a complicated answer. I want to follow up with an email. I'm happy to go into it more

Charles:

Okay. So, the next question is, "What methods are suggested in terms of helping to improve HUBZone percentages if an agency is required to follow the rule of two or in other words is required to provide preference to service-disabled veteran-owned small businesses and veteran-owned small business vendors?"

Allison:

It's a good question and one that we're often asking ourselves. There are a couple reports that came out recently that discusses best practices of other agencies that do better at HUBZone contracting than the general population and I'm not as familiar with their findings, but we can follow-up this conversation with some of those finding. What we've been doing however is essentially just promoting the program. These new rules hopefully will allow for more HUBZone firms to come into the program meaning they'll be a larger base for contracting officers to choose from and a more qualified based.

We're hoping that the or the purpose rule changes is also to make that less confusing for contracting as well as firms. So hopefully, contracting officers will be more inclined to use the program on the basis that the rules are easier to follow and they won't have to deal with hopefully as many HUBZone protests given that we've eliminated the requirement that firms be eligible at [00:59:05 **inaudible**] of award as well as time of offer. So, all these changes are meant to do that, to help agencies get to three percent and it's just a work in progress.

Charles: OK, so the next question is, “Will governor designated areas also have a re-designation period of three years if the annual supporting documentation is not submitted by the governor?”

Allison: I'm very impressed with these question frankly, if you are definitely listening and paying attention and seem to understand the program there will not be three-year re-designated period. And the reason is simply that the statute—if there's any sort of kind of transition period it won't be called re-designation. Re-designated areas are defined in the statute. So, we can't expand that definition on our own without Congress authorizing it. By statute, re-designated areas are only areas that were previously qualified census tracts are qualified non-metro counties and only those two types of designations become re-designated areas for three years after they expire.

We're kind of still working on how governor designated areas will work and I think we could potentially work in the [01:00:34 Rugs] or add to the [01:00:35 Rugs] that if they lose their designation, there's some sort of grace period, we haven't got to that point yet or address that issue. But again, it wouldn't be re-designated area as the term is currently defined because it would have to be something separate from what the statute currently says.

Charles: Okay, so this is the next question is, “Does SBA have any plans to update the DSBS site and integrated with beta SAM integration between DSBS and SAM?” Okay, I'm sorry. “Does the SBA have any plan to update the DSBS site and integrate it with beta SAM?”

Allison: That's a more of a question for like higher GCBD or CIO, beyond just HUBZone. My understanding is that there's not a specific plan to do that. I know their general plans to replace DSBS with something more modernized and maybe that would be integrated into the certified platform but I'm being totally kind of offhand on that. I don't have specific knowledge.

Charles: Okay. “If a state is considering submitting a governor's petition for HUBZone inclusion. Can they speak with someone in the HUBZone office on specific questions before they submit the petition package to the email?”

Bruce: Absolutely. This is Bruce Purdy. The best way to have them to reach out to me via email so we can set up a time to talk and my email is Bruce, B-R-U-C-E, . Purdy, P-U-R-D-Y, @SBA.gov. We've already had a number of

these types of conversations and been able to help. Give advice and guidance to states as they are looking at this.

Charles: Okay, so the next question is, "Can you share the prescreening method you used for considering an application complete?"

Bruce: Sure. I'll give you the high level prescreening method and you know what that is, is we have for each type of entity whether it's a corporation LLC partnership etc., we have a checklist of documents that the firm must provide in order for us to validate that they meet the eligibility requirements and so the print screeners are basically going through that checklist to make sure that the firm has submitted those documents. If those documents are lacking, they will reach back out to the firm to say these are the missing documents and give them a time period to actually provide those documents.

That way when the application or the submission is moved on to an analyst, they have all the documents in front of them to do the analysis to determine eligibility.

Charles: Okay, next question is, "Can you explain HUBZone versus opportunity zone versus distressed area?"

Bruce: So, that is probably a much longer question than the time we have to allow. There are differences in the programs and what we'd happy to do is to try to include some references after this to help explain that a little bit better because there are differences but there are the overlap between the programs do allow mutual benefit for areas that they overlap. So, we'll be happy to follow up on that one.

Charles: Okay, the next question is, "If a company purchases a building in a BRAC HUBZone. Could their certification extend past the BRAC expiration?"

Allison: Yeah. So, some are asking about this new rule that allows firms that have purchased a building or made a long-term investment to remain certified for 30... for 10 years assuming they meet the other requirements like the 35% residency requirement. And that would be the case with a firm that buys a building in a BRAC even if the BRAC expires, they would continue on for their full 10 years. That's part the purpose of that provision is to allow businesses to invest in areas that are currently HUBZones even though they might become non-HUBZones in the future. We don't want them to have to immediately jump out of those areas.

- Bruce:** Charles we— I'm sorry.
- Allisson:** Yes, I just want to add that it will not apply to re-designated areas that will be the only exception. So, any other type of HUBZone area it will apply.
- Bruce:** Okay, thanks for that Allison. Charles, we are over on time, we'll have one more question and then I'll give some instructions after that if there's any unanswered questions. So, Charles, one last question please.
- Charles:** Okay, and this is a reference to slide 35 and it says, "HUBZone Small Business Concern may JV with one or more other small business concerns or its Small Business Administration approved mentor. What are the conditions under which this would be considered a HUBZone JV?" And then it says, "51% ownership performance or percent of profit requirement."
- Allison:** I think I understand the question and we can follow-up an email if we need to. Usually the rule allows a HUBZone firm to joint venture with another small business or another HUBZone firm or its mentor and the joint venture would be considered small. As long as the partners to the joint venture are individually small other than make assigned to the contract with the exception of the mentor protégé example because in that example only the protégé would be required to be small. And then if that's how they're submitting their offer on the contract, then all of the HUBZone contract then all of the HUBZone joint venture requirements in either to 126 16 or 616 or 619 and is giving me right now which one all those requirements and our regs would apply meaning there would be a limit on how much profit could be received by the non-HUBZone partner, their requirements on what the— the HUBZone partner has to do like that project manager has to be an employee of the HUBZone partner becomes a partner has to be the manager managing Ventura. So, all of those requirements would apply to that type of award if they're going after it as a HUBZone joint venture.
- Male Speaker:** Thank you for that, Allison. Laurie, Bruce and Allison all thank you so much for all of your input today, and Charles thanks for getting those questions fielded. As we'd mentioned earlier. There are still a couple of outstanding questions so if you'd like to follow-up, here's the HUBZone links, email. If you have specific questions, feel free to send it to the HUBZone at sba.gov. Also, you could also reach out to us at SBA learning at sba.gov. With additional questions. So, slide 63 includes the

information for HUBZone. I also want to remind you of next month's program, March fourth, with the certificate of competency. That'll be a great program as well. We appreciate everyone being able to participate and thanks for the great presentation HUBZone. Have a great weekend and thank you very much.

Speakers: Thank you.

Candice: That concludes our conference. Thank you for using event services. You may now disconnect.

[END OF TRANSCRIPT]