



U.S. Small Business  
Administration



# **Historically Underutilized Business Zone (HUBZone) Program**

**First Wednesday Virtual Learning  
Series 2020**

## Hosts

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# Welcome to “SBA Virtual Learning 2020”

1. Questions answered during the final 10 minutes.
2. Technical problems: Contact the moderator with a note or call AT&T Support Desk at 301-250-7202.
3. Page numbers stated for those working off hard copies of the program.
4. We cover the “**SBA Quick Reference**” as time allows.
5. For more SBA training visit the SBA Learning Center website <https://www.sba.gov/tools/sba-learning-center/search/training>

# Association of Procurement Technical Assistance Centers (APTAC)

Procurement Technical Assistance Centers are a vital resource partner.

- APTAC posts past “First Wednesday” programming at this link: <http://www.aptac-us.org/for-contracting-officers-sba-webinar-library/>
- Contracting officer resources: “How PTACs partner with federal agencies”: <http://www.aptac-us.org/federal-partners/>
- Find your nearest Procurement Technical Assistance Center at <http://www.aptac-us.org>

# FIRST WEDNESDAY VIRTUAL LEARNING SERIES

## FY 2020 SCHEDULE

**1:00 to 2:00 PM Central Time**

<b>FY 2020</b>	<b>Date</b>	<b>Topic</b>
1	October 2, 2019	Size & Affiliation
2	November 6, 2019	Understanding the Non-Manufacturer Rule
3	December 4, 2019	Subcontracting Plans
4	January 8, 2020	Surveillance Reviews
5	February 5, 2020	Historically Underutilized Business Zone (HUBZone) Program
6	March 4, 2020	Certificate of Competency (COC)
7	April 1, 2020	Procurement Center Representative (PCR) functions
8	May 6, 2020	Market Research
9	June 3, 2020	Regulation Updates
10	July 1, 2020	Woman Owned Small Business (WOSB) Program
11	August 5, 2020	All Small Mentor Protégé Program

The program schedule is for information only and is subject to change.

## One Continuous Learning Point

- Self-service: Using the PowerPoint that was sent with your invitation for this training event, fill in your name on the certificate slide and save. Download the certificate and print for your records. You submit your request for training credit IAW your agency policy, i.e. FAITAS.
- Phoning in only: If you listen in groups and you want all attendees to be included on the future mailing list, send email addresses of participants in an excel document to [sbalearning@sba.gov](mailto:sbalearning@sba.gov).

## “SBA 1st Wednesday Virtual Learning 2020”

This Certificate is awarded to

**Insert Your Name Here**

For completion of

# Historically Underutilized Business Zone (HUBZone) Program

This training seminar may be credited towards “Continuous Learning Points” as described in OFPP Policy Letter 05-01. Recommendation of One CLP.



Pamela J. Beavers  
Director, Area IV  
SBA Office of Government Contracting

02/05/2020

DATE



# Today's Speakers

**Lori Gillen**  
**Director, Office of the HUBZone Program**  
**Office of Government Contracting and Business Development**  
**U.S. Small Business Administration**

**Bruce Purdy**  
**Deputy Director, HUBZone Program**  
**Office of Government Contracting and Business Development**  
**U.S. Small Business Administration**

**Alison Amann**  
**Attorney Advisor**  
**Office of General Counsel**  
**U.S. Small Business Administration**



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# HUBZone Program

**Fueling Small Business Growth and Community  
Development through Federal Procurement**

# HUBZone Program Purpose

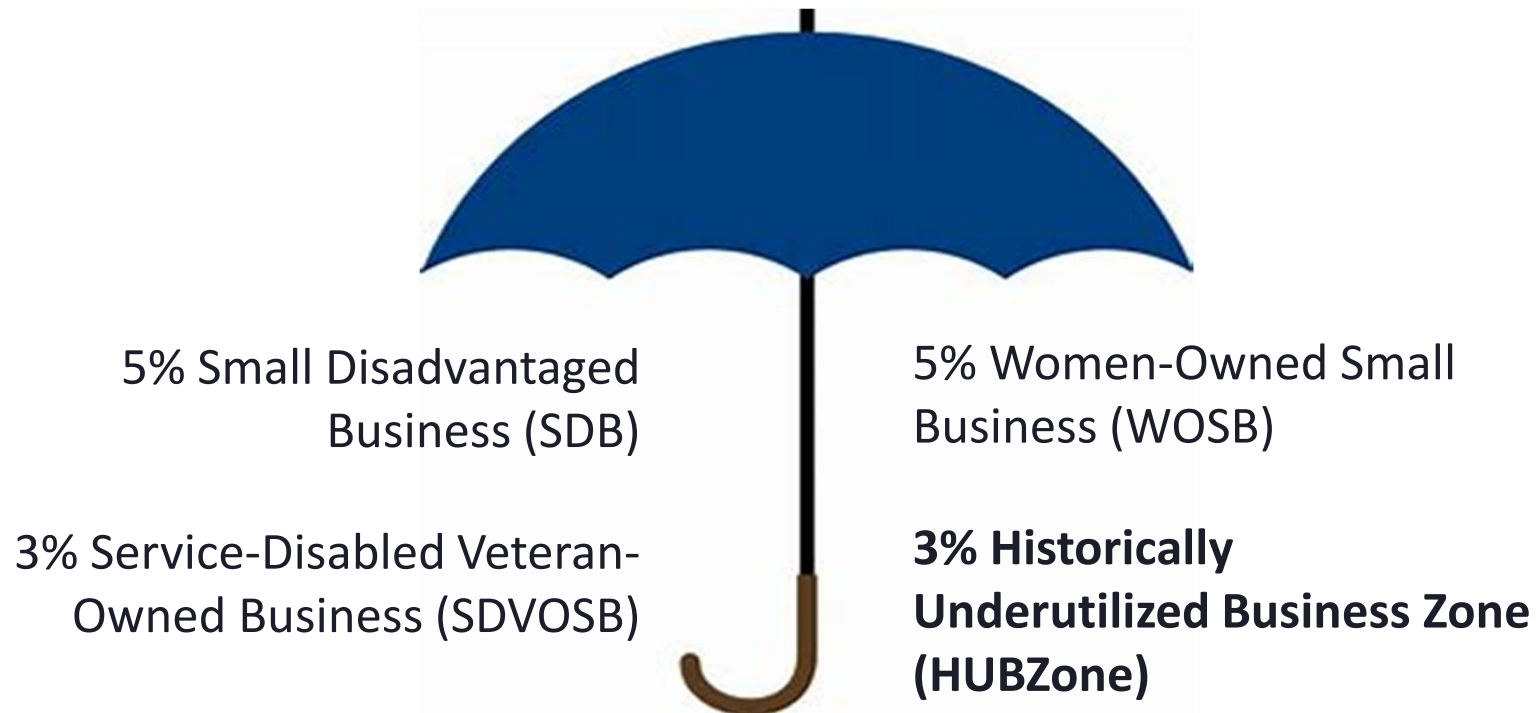
- Historically Underutilized Business Zone (HUBZone)—established 1997
- Fuels economic development in distressed areas by facilitating small business access to federal government procurement

- ✓ **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.



# HUBZone Federal Contracting Mechanism

Contracts for goods and services are targeted by Agencies to HUBZone CERTIFIED small businesses via:

- Set-asides (including Multiple Award Contracts—MACs)
- Sole-source awards
- Price Evaluation Preference: 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)

# HUBZone Program Challenges

- **Small businesses were unable to maximize participation in the program because they encountered:**
  - 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
- **Many Federal Agencies were unable to meet their 3% goal due to:**
  - 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 perceived mixed results because:**
  - The fluidity of the program made it difficult for economic development officials to leverage
  - Eligibility requirements that failed to recognize the unique characteristics of rural distress may have neglected some deserving communities from participation

# HUBZone Program Improvements

Effective in 2020, the HUBZone Program will be:

- **Expanding and securing the footprint** by adding distressed rural locations and freezing the maps to further empower communities
- **Stabilizing eligibility** by eliminating or reducing restrictive requirements to encourage small business participation and investment in communities
- **Improving the customer experience** by accelerating and streamlining the application and recertification processes to make it easier for small businesses to obtain and maintain eligibility

# Expanding and Securing the Footprint



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# HUBZone Designation

- HUBZones are located across the U.S. and its territories
- Determined by a combination of unemployment, income, and/or events
- Categories include:
  - Qualified Census Tracts\*
  - Qualified Non-Metropolitan Counties\*, including Difficult Development Areas
  - Redesignated areas (additional 3 transition years for expiring zones)
  - Qualified Indian reservations
  - Former military bases closed by the Base Realignment and Closure Act (BRAC)
  - Qualified Disaster Areas
  - Governor-Designated Areas (beginning 2020)

\*Determined every 5 years, effective starting 2021, and currently frozen until then

# HUBZone Program Governor-Designated Covered Areas

## Background:

- Beginning **January 1, 2020**, governors may petition SBA's administrator to designate covered areas for HUBZone status to expand the program into additional rural areas.
- “Covered area” means an area:
  - Is located outside of an urbanized areas (as defined by Census);
  - Has a population of 50,000 or less;
  - The average unemployment rate is at least 120 percent of the average unemployment rate for the US/state (lowest).

# HUBZone Program Governor-Designated Covered Areas

## Criteria:

In reviewing a petition, SBA may consider:

- **Potential for job creation and investment** in the covered area;
- Demonstrated **interest of small business concerns** in the covered area;
- How state and local government officials have incorporated the covered area into an **economic development strategy**; and
- If the covered area was previously a HUBZone, the **impact** on the covered area **if the administrator did not approve** the petition.

Opportunity Zones not already in HUBZones may be considered if they qualify.

# HUBZone Governor-Designated Covered Areas

## Petition Submission:

- Governor prepares and signs a petition including list of areas requested that meet definition and explanation of how request meets criteria
- Petition submitted electronically to [HZGovernors@sba.gov](mailto:HZGovernors@sba.gov).
- The Governor shall, **at least annually**, submit data to the Administrator certifying that each Governor-designated covered area continues to meet the definition of a covered area.
- Governors may request one covered area designation **each year**.
- The total number of covered areas included in each petition may not exceed 10% of the total number of the covered areas in the State.

# Securing the Footprint

- HUBZone maps (for Qualified Census Tracts and Non-Metropolitan Counties) are **frozen through 2021** and then will be updated every **five years**.
- Small businesses will continue to maintain HUBZone eligibility status for a **three-year transition period** following expiration of HUBZone Qualified Census Tracts and Qualified Non-metropolitan Counties, known as a **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 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.)
- SBA is exploring ways to leverage and maximize small business participation in Opportunity Zones (**70% of Opportunity Zones are located in HUBZones.**)

# Stabilizing Eligibility Requirements



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## Eligibility Improvements: Residency Requirements

- 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 such time, 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.**

\*This provision addresses a challenge HUBZone businesses encountered whenever one of their qualifying HUBZone employees chose to move out of a HUBZone or if the HUBZone they lived in lost its eligibility. Prior to this change, the company had to decide whether to fire/replace the HUBZone employee or risk losing their certification.

## Eligibility Improvements: 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 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.

\* Prior to this change, in order to win a federal contract, firms had to prove eligibility at BOTH time of offer and award, lengthening the procurement process for HUBZone firms uniquely among all small businesses—and serving as a disincentive for federal agencies to contract with HUBZone companies



## Eligibility Improvements: Certification for 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.

## Eligibility Improvements: Annual Recertification

- Recertification will now be required every year with full documentation required every three years
- Firms with active federal contracts may be subject to full documentation review every year

\*Prior to this change, HUBZone firms re-certified every three years; this change will make it easier for federal agencies to verify eligibility and will strengthen the integrity of the program.

## 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.

\* Firms who receive a federal contract may need to ramp up hiring quickly which could temporarily place them out of compliance with the requirements of the HUBZone Program if fewer than 35% of the workforce does not live in a HUBZone. This change provides clarity regarding the definition of attempting to maintain compliance while performing on a federal contract.

# Improving the Customer Experience



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## Customer Experience: Application Processing

- Starting January 1, applications will be processed within 60 days of a complete application
- A new pre-screening process will ensure that submissions are complete before qualifying as an application
- The application and re-certification process will move to SBA's user-friendly and streamlined Certify system in 2020

## Customer Experience: Early Support

- HUBZone will be expanding its 'Early Engagement Initiative' which currently mobilizes 92 partners in 48 states to assist HUBZone firms with the application process enabling expedited approval (i.e. SBA District Offices, Procurement Technical Assistance Centers, Women's Business Centers and Small Business Development Centers.)
- Educational materials will be revised to align with new requirements and will point prospective and re-certifying HUBZone businesses to tips and resources to help them succeed in government procurement

# Specific Contract Provisions and References



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## SBA Administers the HUBZone Program

- **Status as a HUBZone small business concern (SBC) is determined by SBA,** pursuant to 13 CFR part 126
- A firm **must apply to SBA for HUBZone certification** (13 CFR 126.300 to 126.309)
- If SBA determines that a concern is a HUBZone SBC, **SBA will issue a certification to that effect and will add the concern to the List of Certified HUBZone Small Business Concerns** at [http://dsbs.sba.gov/dsbs/search/dsp\\_searchhubzone.cfm](http://dsbs.sba.gov/dsbs/search/dsp_searchhubzone.cfm)
- **Only firms on the List are Certified HUBZone SBCs and eligible for HUBZone contracting preferences and awards**



## 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**
- **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

## 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)**;
- 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.

## Status as a HUBZone Small Business Concern

- To be eligible for a HUBZone contract, a concern **must be a certified HUBZone SBC at the time it submits its initial offer**. Once SBA certifies a concern as eligible to participate in the HUBZone program, the concern will be treated as a certified HUBZone small business concern 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 one-year period, or the concern is performing a HUBZone contract and fails to attempt to maintain the minimum employee HUBZone residency requirement (see § 126.103).
- 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.

# How to Locate HUBZone Contractors Using the Dynamic Small Business Search (DSBS)

The screenshot displays the SBA Dynamic Small Business Search (DSBS) website. At the top, there is a navigation bar with the SBA logo, the text 'DSBS', and links for 'Skip Navigation', 'Accessibility Options', 'Mobile View', 'Print', 'Exit', and 'Help'. A 'Ready' status indicator is visible in the top right corner. Below the navigation bar, a welcome message reads 'Welcome to the Dynamic Small Business Search'. A central message states: 'All search form hotlinks open a new browser window. All form fields that require typing in data have "tooltips" with data format information.' A red starburst icon highlights 'NEW FEATURES FOR MOBILE USERS: Phone number hotlinks can be used to dial the number on mobile phones. Address hotlinks can be used to show the address in Google Maps.' A red warning box follows: 'This is generally a self-certifying database. The SBA does not make any representation as to the accuracy of any of the data included, other than certifications relating to 8(a) Business Development, HUBZone or Small Disadvantaged Business status. The SBA strongly recommends that contracting officers diligently review a bidder's small business self-certification before awarding a contract.'

The 'Location of Profile' section contains a 'States:' dropdown menu with the following options: (any state), AL - Alabama, AK - Alaska, AA - American Atlantic (APO/FPO), AE - American Europe (APO/FPO), AP - American Pacific (APO/FPO), AS - American Samoa, AZ - Arizona, AR - Arkansas, and CA - California. A link '(How to make multiple selections.)' is provided below the list. To the right, the 'Searching within a State:' section includes a text input field for 'Congressional District:' with a 'Help' link, and a 'County:' dropdown menu with the instruction 'Select 1 State, then press Lookup' and a 'Lookup Help' link. Below these are four input fields for 'Area Code or Phone Number Initial Fragment', 'Metropolitan Statistical Area' (with a 'Help' link), 'SBA Servicing Office' (with a 'Help' link), and 'Zip Code or Zip Code Initial Fragment'.

The 'Government Certifications' section at the bottom left shows the text 'Last modified: 07/13/2004 12:00:00 AM'. The bottom center features a breadcrumb trail: '> FirstGov > E-Gov > Regulations.gov > White House' followed by links for '\* Privacy & Security', '\* Information Quality', '\* FOIA', '\* No Fear Act', and '\* ADA'. The bottom right corner displays 'SBA Processing: 0.197 seconds Version: SBSS 8.1.1' and 'Session timeout in 59 minutes.'

# DSBS – How HUBZone Certification is Displayed

Each firm's DSBS profile has two fields relevant to HUBZone certification:

- "HUBZone Certified? [ ] Yes [ ] No"
  - "HUBZone Certification Date"
- 
- "HUBZone Certified? [X] Yes [ ] No" - indicates the firm is currently HUBZone certified. The date in the HUBZone Certification Date field is the date the firm was certified and became eligible for HUBZone awards.
  - "HUBZone Certified? [ ] Yes [X] No" - indicates the firm is NOT currently HUBZone certified. The dates in the HUBZone Certification Date field is the date the firm was originally certified and the date the certification ended. This firm is not currently eligible for HUBZone Awards.
  - "HUBZone Certified? [ ] Yes [X] No" with N/A next to "HUBZone Certification Date" means that the firm was never HUBZone certified

## **NOTE:**

- "HUBZone Certification Date" indicates the initial date of certification and does not reflect the dates of any recertification process, which are internal to SBA
- An approval or recertification letter is **NOT valid evidence** that a firm is currently HUBZone certified, because the firm may have been decertified since the notice was issued.

# DSBS example: Currently Certified HUBZone Small Business

**SBA** SBA Profile [Mobile View](#) [Exit](#) [Back To Profile List](#) Ready

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**8(a) Certification:**  
SBA 8(a) Case Number:  
SBA 8(a) Entrance Date:  
SBA 8(a) Exit Date:

**Small Disadvantaged Business Certification:**  
SDB Entrance Date:  
SDB Exit Date:

**HUBZone Certification:**  
HUBZone Certified?:  Yes  No  
HUBZone Certification Date: 11/05/2009

**8(a) Joint Venture Certification:**  
8(a) JV Entrance Date:  
8(a) JV Exit Date:

**DBE Certifications (and State):**  
(none)

**Non-Federal-Government Certifications:**  
CA PUC - WBE  
SB

Last modified: 07/22/2013 12:00:00 AM

[> FirstGov](#) [> E-Gov](#) [> Regulations.gov](#) [> White House](#)  
\* Privacy & Security \* Information Quality \* FOIA \* No Fear Act \* ADA

SBA Processing: 2.284 seconds Version: SBSS 8.1.1  
Session timeout in 49 minutes.

# DSBS example: Decertified HUBZone Small Business

The screenshot shows a web browser window displaying an SBA profile page. The browser's address bar shows the URL: `dsbs.sba.gov/dsbs/search/dsp_profile.cfm?RequestTimeout=60&DUNS=608215117`. The page header includes the SBA logo, "SBA Profile", and navigation links for "Mobile View", "Exit", and "Back To Profile List". A "Ready" status indicator is visible in the top right corner.

The main content area is divided into several sections:

- 8(a) Certification:** Lists SBA 8(a) Case Number, Entrance Date, and Exit Date.
- Small Disadvantaged Business Certification:** Lists SDB Entrance Date and Exit Date.
- HUBZone Certification:** Shows "HUBZone Certified?" with a radio button for "Yes" and a checked radio button for "No". Below it, it states "Previously HUBZone certified: From 09/27/2002 through 05/08/2008".
- 8(a) Joint Venture Certification:** Lists 8(a) JV Entrance Date and Exit Date.
- Non-Federal-Government Certifications:** Shows "(none given)".
- Products & Services:** A yellow box with a black border containing the text "Products & Services".
- Capabilities Narrative:** Lists various textile products: "CUT AND SEW SWEATSHIRTS & PANTS, JACKETS, PLACKET SHIRTS, T-SHIRTS, BLANKETS, RUGS, EXERCISE SUITS, CHILDREN'S CLOTHES, PATIENT GUARDS TO PREVENT BEDSORES, WRIST BRACE FOR CARPAL TUNNEL SYNDROME, Duffle Bags, Sleeping Bags AND other misc. textile items."
- Special Equipment/Materials:** Lists "300 MULTIPLE TYPE SEWING MACHINES, MODERN CUTTING EQUIPMENT & TABLES, AUTOMATED PACKING MACHINES, HANDLING EQUIPMENT, CLEANING DEPT, SPECIAL ATTACHMENTS, BRAIDING MACHINES."

At the bottom of the page, there is a footer with the text: "Last modified: 03/03/2017 12:00:00 AM" on the left, and navigation links for "FirstGov", "E-Gov", "Regulations.gov", and "White House" in the center. On the right, it says "SBA Processing: 2.493 seconds Version: SBSS 8.1.1" and "Session timeout in 59 minutes".

# DSBS example: Non-HUBZone Small Business

Skip Navigation Accessibility Options  
Mobile View Exit  
Back To Profile List

SBA Profile Ready

**8(a) Certification:**  
SBA 8(a) Case Number:  
SBA 8(a) Entrance Date:  
SBA 8(a) Exit Date:

**Small Disadvantaged Business Certification:**  
SDB Entrance Date:  
SDB Exit Date:

**HUBZone Certification:**  
HUBZone Certified?: [ ] Yes [X] No  
HUBZone Certification Date: N/A

**8(a) Joint Venture Certification:**  
8(a) JV Entrance Date:  
8(a) JV Exit Date:

**DBE Certifications (and State):**  
(none)

**Non-Federal-Government Certifications:**  
(none given)

**Products & Services**

Last modified: 07/22/2013 12:00:00 AM

[> FirstGov](#) [> E-Gov](#) [> Regulations.gov](#) [> White House](#)  
\* Privacy & Security \* Information Quality \* FOIA \* No Fear Act \* ADA

SBA Processing: 2.237 seconds Version: SBSS 8.1.1  
Session timeout in 59 minutes.



## 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 SET-ASIDES AND SOLE SOURCE AWARDS



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## 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

## 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)

# 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*

# SET ASIDE OF ORDERS



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# 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): Set-Aside and Orders

- 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.

# HUBZONE PRICE EVALUATION PREFERENCE (PEP)



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## **Price Evaluation Preference 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	<b>\$100</b>
Small	\$97	Small	\$106.7
<b>Large</b>	<b>\$95</b>	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.

# LIMITATIONS ON SUBCONTRACTING AND NONMANUFACTURER RULE (NMR)



U.S. Small Business  
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# 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"><li>• <b>Spend no more than 50% of the value of the prime contract</b> on subcontractors that are not HUBZone SBCs</li></ul>	Supplies (from a manufacturer) <ul style="list-style-type: none"><li>• <b>Spend no more than 50% of the value of the prime contract</b> on subcontractors that are not HUBZone SBCs</li></ul>
General Construction <ul style="list-style-type: none"><li>• <b>Spend no more than 85% of the value of the prime contract</b> on subcontractors that are not HUBZone SBCs</li><li>• Cost of materials are excluded</li></ul>	Special Trade Construction <ul style="list-style-type: none"><li>• <b>Spend no more than 75% of the value of the prime contract</b> on subcontractors that are not HUBZone SBCs</li><li>• Cost of materials are excluded</li></ul>

**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?

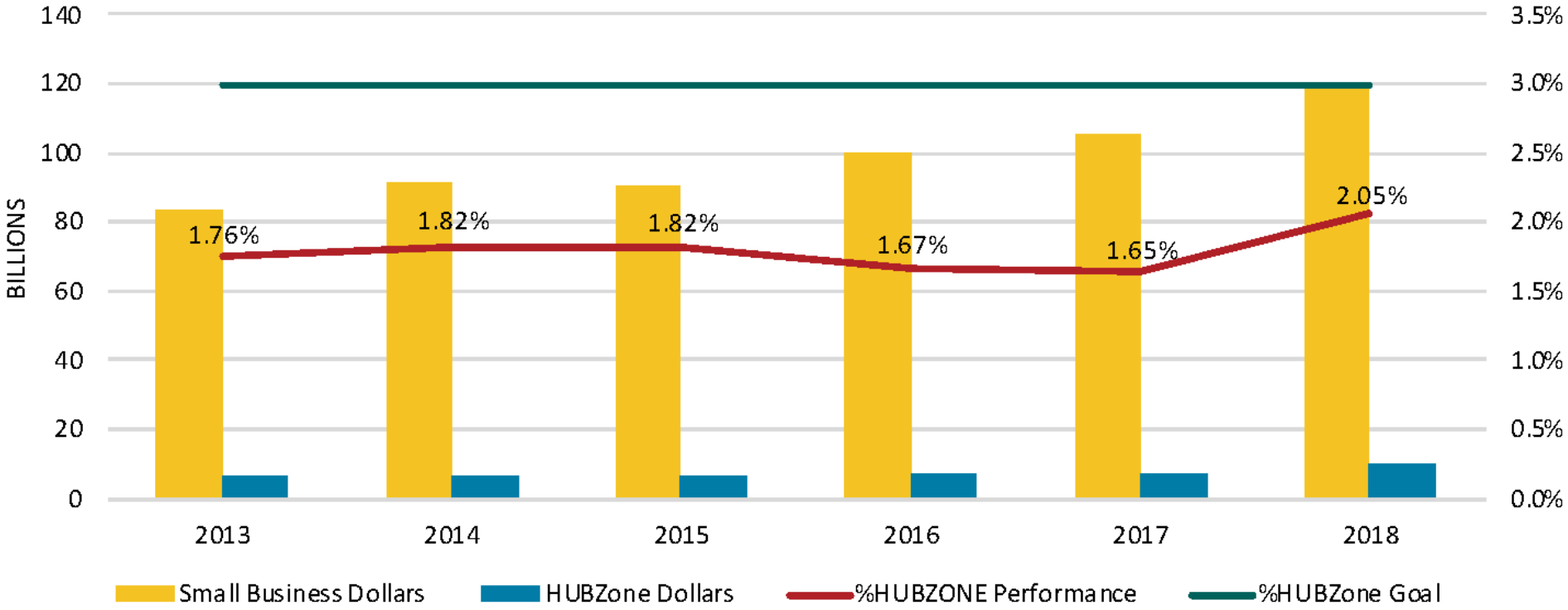
- Set aside (full or partial): Base term and each subsequent option period
  - HOWEVER, CO may require concern to meet the LOS or NMR for each order
- Order set-aside under F&O: Term of order

# Resources and References



U.S. Small Business  
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# Federal Procurement to HUBZone Certified Firms



# 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 Help

- HUBZone website and checklists: [www.sba.gov/hubzone](http://www.sba.gov/hubzone)
- View the map: [www.maps.certify.sba.gov/hubzone/maps](http://www.maps.certify.sba.gov/hubzone/maps)
- Email specific questions: [hubzone@sba.gov](mailto:hubzone@sba.gov)
- Join our Help Desk Conference Call—every Thursday at 2pm: 202-765-1264; Access code: 63068189#

# 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



## HUBZone Impact

*When brothers Samuel and Saul Maldonado first founded SAM Engineering & Surveying (SAMÉS) 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.*



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