



Frequently Asked Questions (FAQ's)

Q1. What is the HUBZone Empowerment Contracting Program?

The HUBZone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification in part by employing staff who live in a HUBZone. The company must also maintain a “principal office” in one of these specially designated areas. *[A principal office can be different from a company headquarters, as explained later in this document.]* The program resulted from provisions contained in the Small Business Reauthorization Act of 1997.

Q2. What's the easiest way to find the location of a HUBZone in my area?

Simply log onto the web at <http://www.sba.gov/hubzone> and select the option 'Find Out If You Are in a HUBZone.' You can search the system using several designations, including a specific address, a county or a full state.

Q3. How does a firm qualify for this program?

To qualify for the program, a business must meet the following criteria:

- It must be a small business by SBA size standards;
- Its principal office must be located within a HUBZone, which includes lands on federally recognized Indian reservations;
- It must be owned and controlled by one or more U.S. citizens (N.B. – this means any level of ownership in an applicant small business by another company would result in a decline). Approved ownership can also be by a Community Development Corporation or Indian tribe; and
- At least 35% of its employees must reside in a HUBZone.

Q4. If I own the company applying for HUBZone certification, should I include myself when calculating the number of employees?

Yes. You count regardless of whether you serve in a paid or unpaid status, so long as you consider yourself to be a principal employee of the firm and spend full-time equivalent hours devoted to the business.

Q5. How does SBA define the term "reside" in reference to the residency requirement?

The term reside means to live in a primary residence at a place for at least 180 days, or as a currently registered voter, and with intent to live there indefinitely. Employers should be aware that it makes no difference which HUBZone their employees reside in. An employee can reside in one HUBZone and work in another and meet the standards for this residency requirement.

Q6. How does SBA define the term "principal office?"

It's the location where the greatest number of employees at any one location actually perform their work, except for construction and service industries, which have exemptions based on their occasional need to assign employees at the contract location **(more details – see 'Regulatory Amendments' that follows).**

Notice that the 'principal office' definition can mean something very different from a company's headquarters. It could happen that a small business might have a headquarters in a non-HUBZone location and establish a principal office within a HUBZone locality and still qualify legitimately for program participation.

Q7. I understand that some regulatory amendments became effective Feb. 20, 2001. What's changed?

Those amendments to our rules appeared in the *Federal Register* on Jan. 18, 2001. The amendments impact four areas:

-- Clarification on applicability to state and local governments

- This makes clear that the HUBZone program does not apply to contracts awarded by state and local governments, since the HUBZone Act only applies to the federal government.

-- Definition of 'principal office'

- The amended rule says that for concerns whose primary industry is services or construction (i.e., other than manufacturing), the principal office would be the location where the greatest number of the concern's employees perform their work, *but excluding those employees who perform their work at job-site locations to fulfill specific contract obligations.*

-- Rules on affiliation

- Before the amendment, regulations permitted a qualified HUBZone SBC to have affiliates only if those affiliates are qualified HUBZone SBCs, participants in the 8(a) Business Development Program, or woman-owned businesses (WOBs). But this was all seen as overly restrictive.

- Accordingly, SBA eliminated these restrictions on affiliation and allows a qualified HUBZone SBC to have affiliates as long as it, when combined with its affiliates, is still small pursuant to SBA's size regulations.
- In addition, the removal allows SBCs in non-HUBZone areas to establish new business ventures in HUBZones. This is especially critical due to the historical lack of investment capital in HUBZones and the need for such capital to establish new businesses that will promote economic development and create jobs.

-- Procurement requirements for non-manufacturers

- SBA amended the provisions concerning non-manufacturers.
- Under the amended rule, non-manufacturer HUBZone concerns no longer are required to demonstrate that they can provide product or products manufactured by qualified HUBZone SBCs.
- SBA now allows a qualified HUBZone SBC to use any manufacturer, including a large business, for HUBZone contracts at or below \$25,000 in total value. This provision encourages the participation of small business non-manufacturers that are located in HUBZones.
- Contracts above \$25,000 will still require that the HUBZone non-manufacturer provide the product of a HUBZone manufacturer.

Q8. If my small business has several offices and one is qualified as a 'principal office' that serves as the basis for a HUBZone designation, can all my offices claim HUBZone certification?

Yes, HUBZone is a status that applies to the entire business. This designation will remain in effect as long as any of the firm's locations meet the test for and are certified as a "principal office" for HUBZone certification (assuming all other eligibility requirements are similarly maintained).

Q9. What benefits are small businesses receiving under this program?

Generally speaking, there are two levels of benefit. The first relates directly to Federal contracts, while the second involves specialized assistance.

Federal Contract Benefits --

There are four types of HUBZone contract opportunities:

- **Competitive:** Contracts can be set-aside for HUBZone competition when the contracting officer has a reasonable expectation that at least two qualified HUBZone small business concerns (SBCs) will submit offers and that the contract will be awarded at a fair market price.

- **Sole-source:** HUBZone contracts can be awarded if the contracting officer determines that:
 - ◆ only one qualified HUBZone SBC is responsible to perform the contract,
 - ◆ two or more qualified HUBZone SBCs are not likely to submit offers and
 - ◆ the anticipated award price of the proposed contract, including options, will not exceed:
 - \$5 million for a requirement within the North American Industry Classification System (NAICS) code for manufacturing or
 - \$3 million for a requirement within all other NAICS codes
- **Full and open** competitive contracts can be awarded with a price evaluation preference. The offer of the HUBZone small business must not be 10 percent higher than the offer of a non-small business.
- **Subcontracting:** All subcontracting plans for large business Federal contractors must include a HUBZone subcontracting goal.

Other Specialized Assistance –

- Eligible HUBZone firms can qualify for higher SBA-guaranteed surety bonds on construction and service contract bids.
- Firms in Federal Empowerment Zones and Enterprise Communities (EZ/EC) can also benefit from employer tax credits, tax-free facility bonds, and investment tax deductions.

Q10. Can HUBZone certified firms receive any special loans, grants or tax credits through the HUBZone Program?

No, the Federal benefits are limited to those listed above.

Q11. I've submitted a HUBZone application, but haven't heard anything yet. How can I check the status?

The application system available on the web (<http://www.sba.gov/hubzone>) has a built-in function that allows an applicant to check the status at any time. Just activate the certification function on the opening page and select the "Check Application Status" operation.

Q12. Does this program only apply to small businesses that are currently located in HUBZones, or can firms move to these areas and then become eligible to participate?

This program applies to firms that are currently located within HUBZones and can include any start-up business that chooses to start operation in a HUBZone. An existing small business that chooses to relocate to a HUBZone can also become certified provided it meets the remaining criteria outlined earlier.

Q13. Where is there a list of all HUBZone certified companies?

A state-by-state listing is available on the HUBZone web page, but a more comprehensive search capability is offered through the SBA's PRO-Net database, which now contains more than 210,000 small businesses that have expressed an interest in working with the Federal government or teaming with other small businesses. If you're searching for one or more HUBZone certified firms, just indicate that in your search criteria. That listing is available at <http://pro-net.sba.gov>.

Q14. Now that I'm HUBZone certified, what should I do next?

Market your firm's products and services to the appropriate Federal agencies, perhaps with the assistance and guidance of the SBA employee most responsible for being your advocate, the Procurement Center Representative. Identify your local PCR through this document link:

<http://www.sba.gov/GC/contacts.html>. Look at the third entry, which also includes an option for downloading this list as a PDF (Adobe) file.

Q15. Does a business that attempts to qualify for the HUBZone Program based upon its location on an Indian reservation have to be Indian owned?

No. As long as the principal office of the business is located on an Indian reservation and meets all other eligibility criteria, it can earn the HUBZone designation.

Q16. The HUBZone Program is based on a geographical designation. Are there differences in these geographical assignments and approximately how many current locations are there for each?

The statute establishing the HUBZone Program directs the SBA to rely upon definitions provided by other Federal agencies to determine which areas qualify as HUBZones. Generally speaking, these determinations are arrived at after the collection of either income or employment data, and that data forms the basis for the calculations cited below.

A HUBZone may be one of the following:

1. **A qualified census tract.** The definition for Qualified Census Tract is based on an Internal Revenue Service provision for the low income housing tax credit program that is developed in conjunction with the U.S. Department of Housing and Urban Development (HUD). The Secretary of HUD designates Qualified Census Tracts by a notice published periodically in the Federal Register. The most recent notice based on the results of the 2000 census data collection appeared December 12, 2002, and were represented on the HUBZone mapping system on May 19, 2003. (11,600 TOTAL in U.S.)

Information on how data is compiled for the Qualified Census Tracts designation is available on the web at <http://qct.huduser.org>

2. **A qualified county.** The definition for qualified county is any county that, based on the most recent data available from the U.S. Census Bureau, is not located in a

metropolitan statistical area and in which the median household income is less than 80 percent of the median household income for the entire non-metropolitan area of a state and/or any non-metropolitan county that, based on the most recent data available from the Bureau of Labor Statistics (BLS), has an unemployment rate that is not less than 140 percent of the statewide average unemployment rate. (1,200 TOTAL in U.S.)

Information on decennial census data used to determine the household income is available on the web at <http://www.census.gov/main/www/cen2000.html>

Information in the local employment data used to determine the unemployment element is available on the web at <http://www.bls.gov/lau/home.htm#data>

3. A qualified Indian reservation. The definitions for qualified Indian reservations, which include lands covered by the phrase 'Indian Country,' are those established and used by the Bureau of Indian Affairs. There is one exception, which applies to portions of the state of Oklahoma where HUBZone is using a definition arrived at by the Internal Revenue Service. (EXCEEDS 340 TOTAL in U.S.)

Information on Native American reservations and related information is available on the web at <http://www.doi.gov/bureau-indian-affairs.html>

Information on the Internal Revenue Service description for former Indian Reservations in Oklahoma is available on the web at <http://www.irs.gov/newsroom/article/0,,id=99491,00.html>.

Q17. How often can these designations change?

Urban is concurrent with the census (*change is every ten years*).

Rural reflects employment and income adjustments (*employment levels determined annually*).

Native American involves Federal recognition and boundary changes (*no fixed time*).

Q18. Will small businesses participating in the SBA's 8(a) Business Development Program that are already in or relocate to a HUBZone area be eligible to receive both 8(a) and HUBZone contracting opportunities?

Yes. This dual status can be quite beneficial, so a firm that has one designation and legitimately qualifies for the other is strongly urged to obtain both.

Q19. How can a firm's eligibility as a HUBZone participant be challenged?

The specific process for challenging a firm's eligibility as a HUBZone participant is detailed in the SBA's operating regulations. Generally, these regulations allow an interested party to challenge the accuracy of an existing certification based on allegedly falsified applicant information or substantive changes that might have occurred since certification was first obtained. The SBA will have final authority in this regard.

Q20. Which agencies participate in the HUBZone program and where are these contract opportunities posted for general public review?

As of Oct. 1, 2000, all Federal buying agencies must abide by the HUBZone Program requirements and many of these contracts are posted in the *Commerce Business Daily*, a publication that has a no cost, on-line version that can be accessed at www.sba.gov/GC/library.html.

Q21. Can the SBA protest a contracting officer's decision not to award a contract opportunity to a qualified HUBZone small business?

Yes. The SBA's Administrator may file a written request for re-consideration of the contracting officer's decision with the Secretary of the Department, or Agency head.

Q22. What is the SBA's responsibility under the program?

SBA is responsible for formulating regulations to implement and administer the program. SBA is also required to submit a report no later than March 2002 to the Small Business Committee concerning the degree to which the HUBZone Program has resulted in increased employment opportunities and investment in HUBZones. Further, SBA is required to periodically examine and verify participant eligibility and investigate challenges to HUBZone certification.

Last Modified: May 2001