

# What We'll Be Talking About

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- ✓ Events leading to creation of HUBZone
- ✓ Purpose of the HUBZone Program
- ✓ Qualifications to get in
- ✓ Federal contract goals
- ✓ Contract Options
- ✓ Latest Developments for 2001





# HUBZone Empowerment Contracting Program

A community-based economic development program to stimulate:

- ✓ Job creation
- ✓ Capital Investment

-- in distressed localities

# Quick History

In 1992, A Presidential panel issues report with phrase “Historically Underutilized Businesses,” or HUBs to replace ‘disadvantaged businesses.’

In 1996, President Clinton signed Executive Order for “Empowerment Contracting.” Sought price evaluation credit to encourage business activity by large or small firms in areas of “general distress.”



# Quick History PLUS Concept

In 1996, U.S. Senator Christopher ‘Kit’ Bond, Chairman of the Small Business Committee, crafts legislation to link preferences for award of Federal contracts to small businesses located in economically dormant areas (HUBZones).

Feels JOBS, not more job training, is what’s needed to promote long-term economic viability.



# Quick History: HUBZone Becomes Law

In 1997, Congress passed and the President signed into law the “Small Business Reauthorization Act of 1997,” which contained the HUBZone provision.

In 1998, the U.S. Small Business Administration moves final rules to create the

*HUBZone Empowerment  
Contracting Program*





## HUBZone Empowerment Contracting Program

From outset, designed as a virtual  
program always available at:

***[www.sba.gov/hubzone](http://www.sba.gov/hubzone)***

# Purpose of the HUBZone Program

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Provide Federal contracting assistance to qualified small businesses located in distressed areas, or HUBZones. Why?

- ✓ Increase employment opportunities
- ✓ Stimulate capital investment in those areas
- ✓ Empower communities through economic leveraging and the “multiplier effect”



# Qualified Areas



Three categories -- Urban, Rural, Native American

- ✓ **Urban** = Metropolitan Area Census Tracts (HUD) - 7,000
- ✓ **Rural** = Non-metropolitan Counties - 900
  - Median household income is less than 80% of the non-metropolitan state level (Census)
  - Unemployment rate that is not less than 140% of the state-wide average (BLS)
- ✓ **Native American** = All federally recognized Indian reservations as defined by external boundary



# How Do You Qualify as a HUBZone Small Business Concern?

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## FOUR REQUIREMENTS:

- ✓ Must be a small business by SBA standards;
- ✓ Business must be owned and controlled *only* by U.S. citizen, Community Development Corporations or Indian tribes;
- ✓ The *principal office* of the business must be located in a HUBZone; and
- ✓ At least 35% of the firm's employees must reside in a HUBZone.



# The Certification Process

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NEW -- *Entirely revamped online application available since Jan. 1, 2001*

- ✓ Processing time - 30 days maximum
- ✓ SBA decision in writing
- ✓ All participants added to SBA's PRO-Net database with special HUBZone designation at: **<http://pro-net.sba.gov>**



# What are the Government-wide HUBZone Goals?

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All Federal agencies now are subject to annual HUBZone fiscal year goals.



The government-wide goals are:

- \*FY2001--- 2% (roughly equals \$4 billion)
- \*FY2002 --- 2.5%
- \*FY2003 --- 3%

...and for each year thereafter (about \$6 billion annually)

# Types of Contract Assistance Available to HUBZone Firms

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- ✓ Set-aside awards
- ✓ Sole source awards
- ✓ Awards through full and open competition using the price preference mechanism provided just for HUBZone businesses
- ✓ Subcontracting



# HUBZone Set-Aside Procedures

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- ✓ HUBZone set-asides to be considered before HUBZone sole-source awards or small business set-asides
- ✓ Contract officer *may* set-aside acquisitions exceeding the Micro Purchase and below the Simplified Acquisition Threshold
- ✓ If contract officer declines set aside for HUBZone above \$100K, then SBA procurement staff can launch appeal process

# HUBZone Sole Source Contract Awards



- ✓ Anticipated award price, including options will not exceed:
  - \$5 million - manufacturing
  - \$3 million - all other NAICS Codes
- ✓ Two or more qualified HUBZone firms are not likely to submit offers
- ✓ A HUBZone firm is a responsible contractor to perform the proposed contract

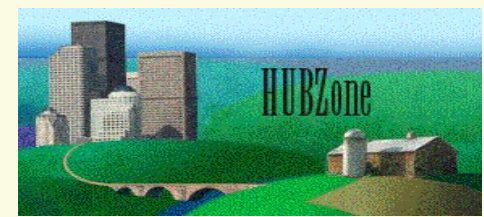
# Full and Open Competition Price Evaluation Preference

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- ✓ A HUBZone firm can displace the apparent low offeror (other than another small business) if its price is not more than 10% higher than the otherwise lowest, responsive and responsible offeror



# Subcontracting Requirements



- ✓ There is no specified HUBZone goal for subcontracting, however...
- ✓ For most large contracts (over \$500,000 or \$1 million construction), large business contractors must create a subcontracting plan reflecting HUBZone firm participation
- ✓ Factors into the firm's 'Past Performance' analysis on future contracting actions





# HUBZone Empowerment Contracting Program

Recent developments resulting in  
major program changes:

- ✓ Final Rule in Federal Register
- ✓ SBA 2000 Reauthorization Act

# Final Rule (Amendments)

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- ✓ Appeared in Federal Register on Jan. 18th, became effective Feb 20th:



# Effects of HUBZone Law

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- ✓ Makes clear that HUBZone Program does not apply to contracts awarded by state and local governments, since HUBZone Act only applies to the Federal government.
- ✓ Also says state and local governments that have programs similar to HUBZone program free to use SBA's list of qualified HUBZone SBCs to identify such concerns.



# Defines 'Principal Office'

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- ✓ Previous rule defined "principal office" to mean location where greatest number of concern's employees at any one location perform their work.
- ✓ For services or construction operations, new rule says principal office is location where greatest number of employees perform work, *but excluding those who perform work at job-site locations to fulfill specific contract obligations.*



# Removes limits on affiliation

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- ✓ Previous regulations permitted qualified HUBZone SBC to have affiliates only if affiliates were qualified HUBZone SBCs, participants in SBA's 8(a) Business Development Program, or woman-owned businesses
- ✓ New rules eliminate the existing restrictions on affiliation and allow qualified HUBZone SBC to have affiliates as long as it, when combined with its affiliates, is still small pursuant to SBA's size regulations.



# More for resellers, retailers

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- ✓ Non-manufacturer HUBZone concerns are no longer required to prove they can provide products manufactured by HUBZone SBCs.
- ✓ Allows them to use any manufacturer, including a large business, for HUBZone contracts at or below \$25,000 in total value.
- ✓ Contracts above \$25,000 will still require that HUBZone non-manufacturer provide product of a HUBZone manufacturer.

# SBA Reauthorization Act 2000

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- ✓ Signed by President in Dec. 2000 containing.



# Three-Year Grandfathering

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- ✓ Permits areas that lose HUBZone designation to extend area participation for three years after change in status
- ✓ This allows for return-on-investment for owners willing to invest in HUBZones
- ✓ Known as ‘redesignated areas’





# Clarification on Tribal Ownership

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- ✓ Original intent of legislative authors was to make HUBZone available to Native American community.
- ✓ Tribal ownership structure appeared to counter ownership by ‘natural person.’
- ✓ Resolved by SBA General Counsel, ratified by this legislative fix.



# Expansion to Indian Country

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- ✓ Expansion of original definition to maximize participation by Native Americans.
- ✓ Will include Indian Trust Lands
- ✓ Details on specific locations and mapping will be posted on Internet once finalized.



# Eligibility with CDC Ownership

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- ✓ Again, original regulations required ownership by ‘natural persons’ who are U.S. citizens.
- ✓ Problem is that CDC not a natural person, but ownership goals for local community twin with HUBZone objectives.
- ✓ Expansion seemed reasonable.



# Current Program Status

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- ✓ Total Applications Received: 5000+
- ✓ Total Applications Approved: 3000+
- ✓ Certified firms represent all 50 states, Washington, D.C., P.R & the Virgin Islands
- ✓ Largest HUBZone Contracts Recorded with SBA to date:
  - Dept. of Veterans Affairs - \$4 million
  - Dept. of the Army - \$4.3 million



# WEB SITE: [www.sba.gov/hubzone](http://www.sba.gov/hubzone) - Home Page

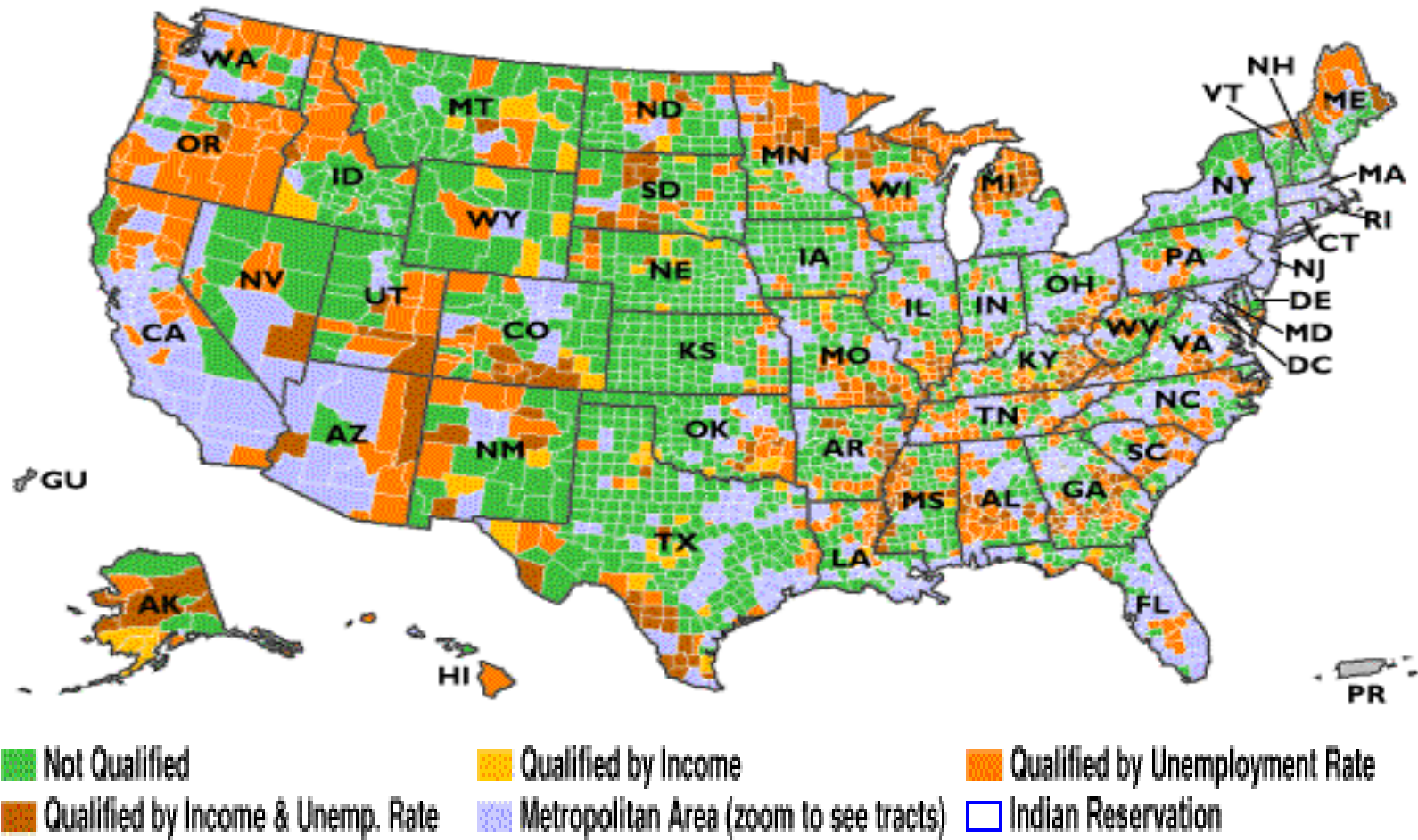
The screenshot shows the SBA HUBZone Empowerment Contracting Program website. At the top, the SBA logo is on the left, and the text "HUBZone Empowerment Contracting Program" is on the right. Below this is a navigation bar with links: "SBA Home", "GC/BD Home", "Search", "Comment", "NEWS", "Regulatory Update", "Glossary", "PRO-Net", "TEXT-ONLY", and "Home".

The main content area features a large banner with the text "Community based: Empowerment Employment Enterprise" and "with an all new Look 'n Feel". To the right of the banner is a list of links: "Complete your application online and get certified quickly", "Are you in a HUBZone?", and "Looking for a HUBZone".

On the left side of the main content area, there is a vertical menu of buttons: "Contracting Officer Resources", "What's New", "Who We Are", "Frequently Asked Questions", "Library & Resources", "Contacts", "Are You In a HUBZone?", and "Certified HUBZone Concerns".

Below the banner, there is a diagram showing a yellow diamond-shaped sign with a stylized "H" and "Z" inside. To the left of the sign are three yellow boxes: "HUBZone Electronic Application", "Contracting Officer's HUBZone Gateway", and "HUBZone Contracting Opportunities". To the right of the sign is a text box that reads: "The HUBZone Empowerment Contracting Program was opened to the public in March 1999. Certified firms receive preferences on Federal contracts. Nationally, HUBZones are located in more than 7,000 urban census tracts, in 900 rural counties and in those areas meeting the definition of 'Indian Country.'"

# National Perspective - Qualified HUBZones



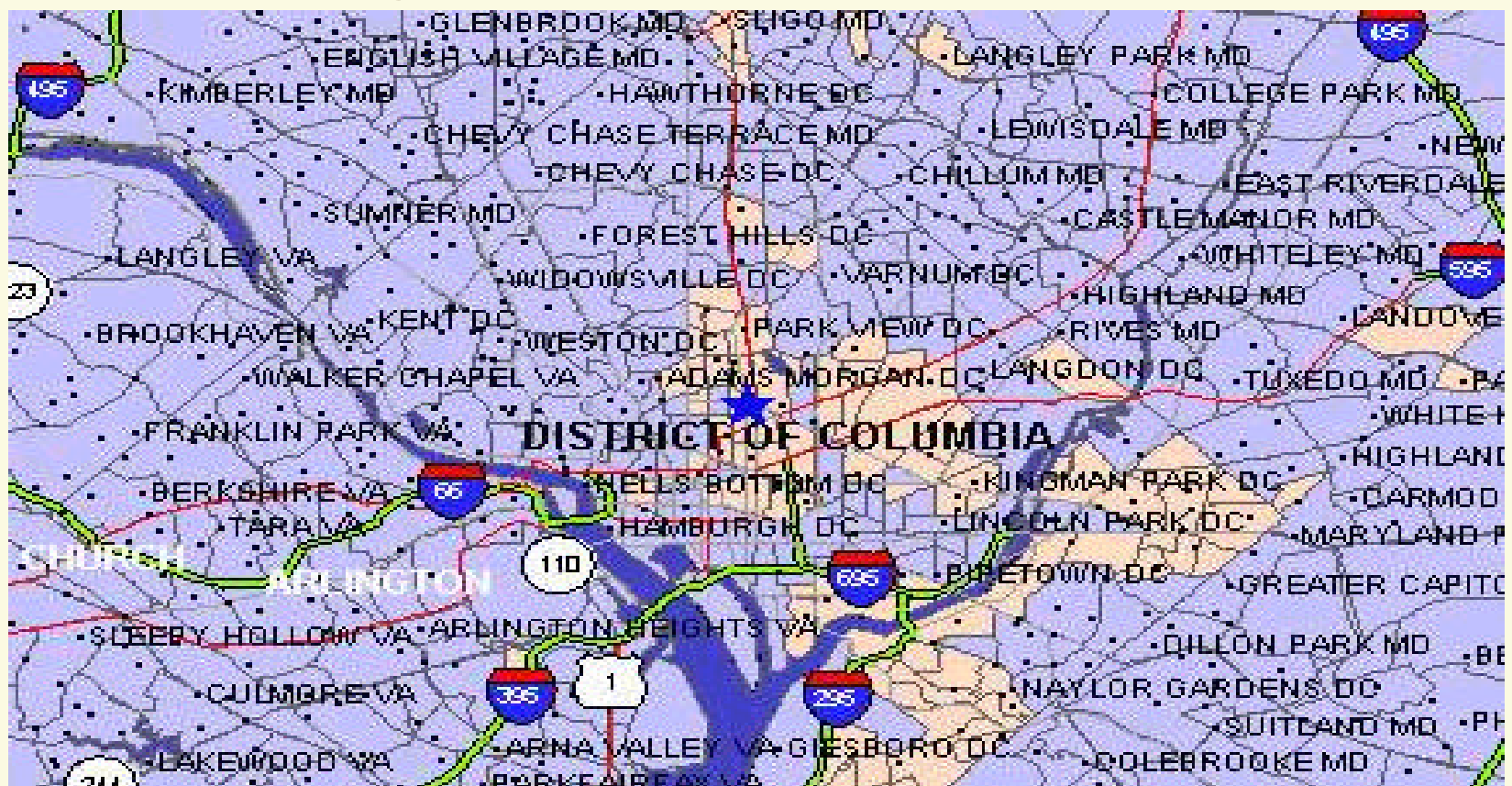
## *\*\* Customizing Maps for Specific Localities \*\**

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- ✓ The following maps can be customized for a specific locality through a simple cut and paste process.
  - Minimize PowerPoint page containing inappropriate graphic.
  - Open mapping system from HUBZone web link titled “Are You in a HUBZone.” Get to locality desired, then minimize web page.
  - On PowerPoint page, place cursor on graphic and select “Cut.” The phrase ‘Click to add text’ appears. Minimize PowerPoint.
  - On web page, place cursor on graphic and select “Copy.” Close mapping system.
  - Back to PowerPoint, place cursor over area reserved for graphic and select “Copy.” The new map will now fill space and, if needed, adjusted for size.



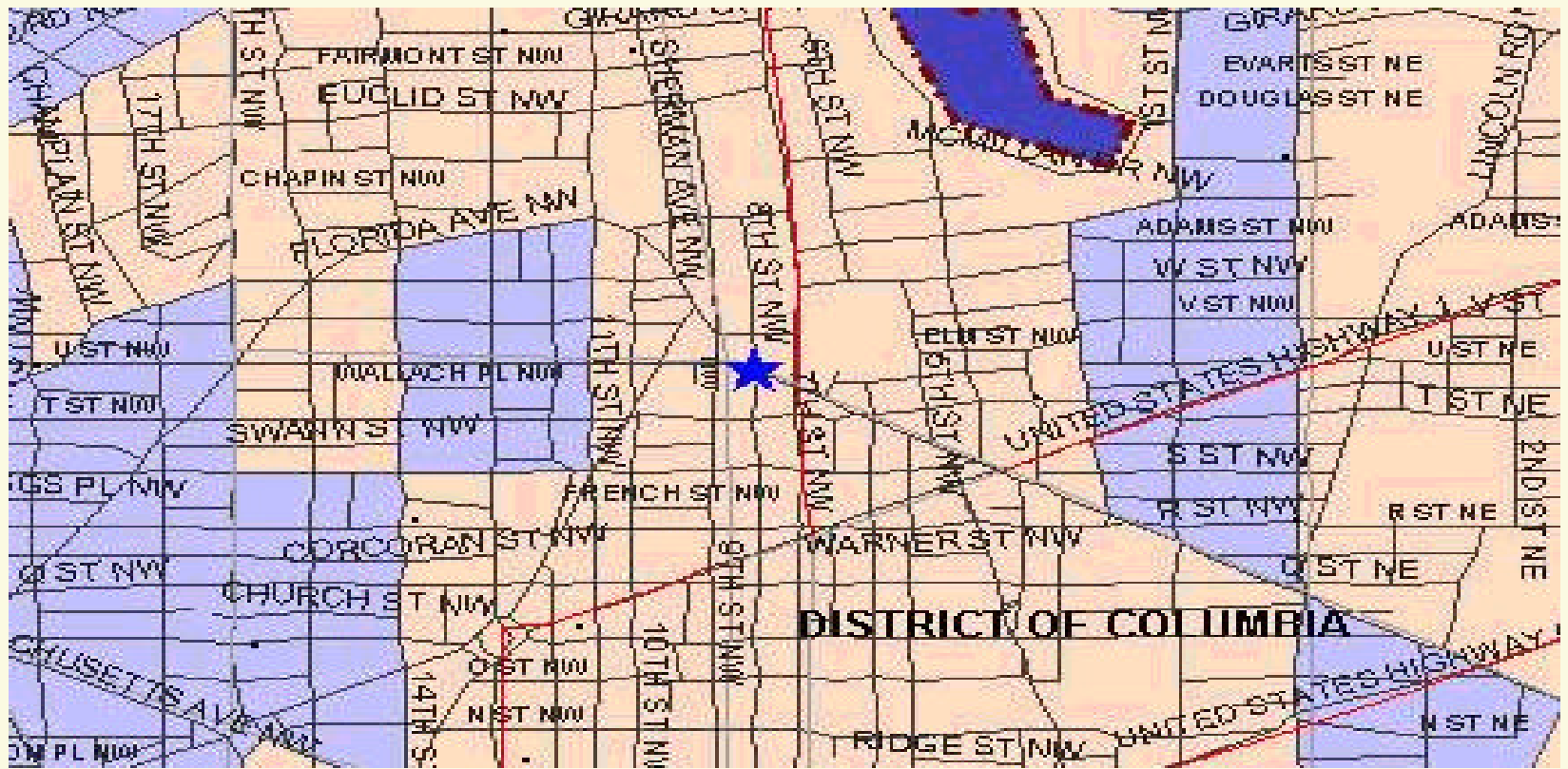
# Washington, DC Qualified HUBZones



- Not Qualified
- Qualified by Income
- Qualified by Unemployment Rate
- Qualified by Income & Unemp. Rate
- Unqualified Census Tract
- Qualified Census Tract
- Indian Reservation

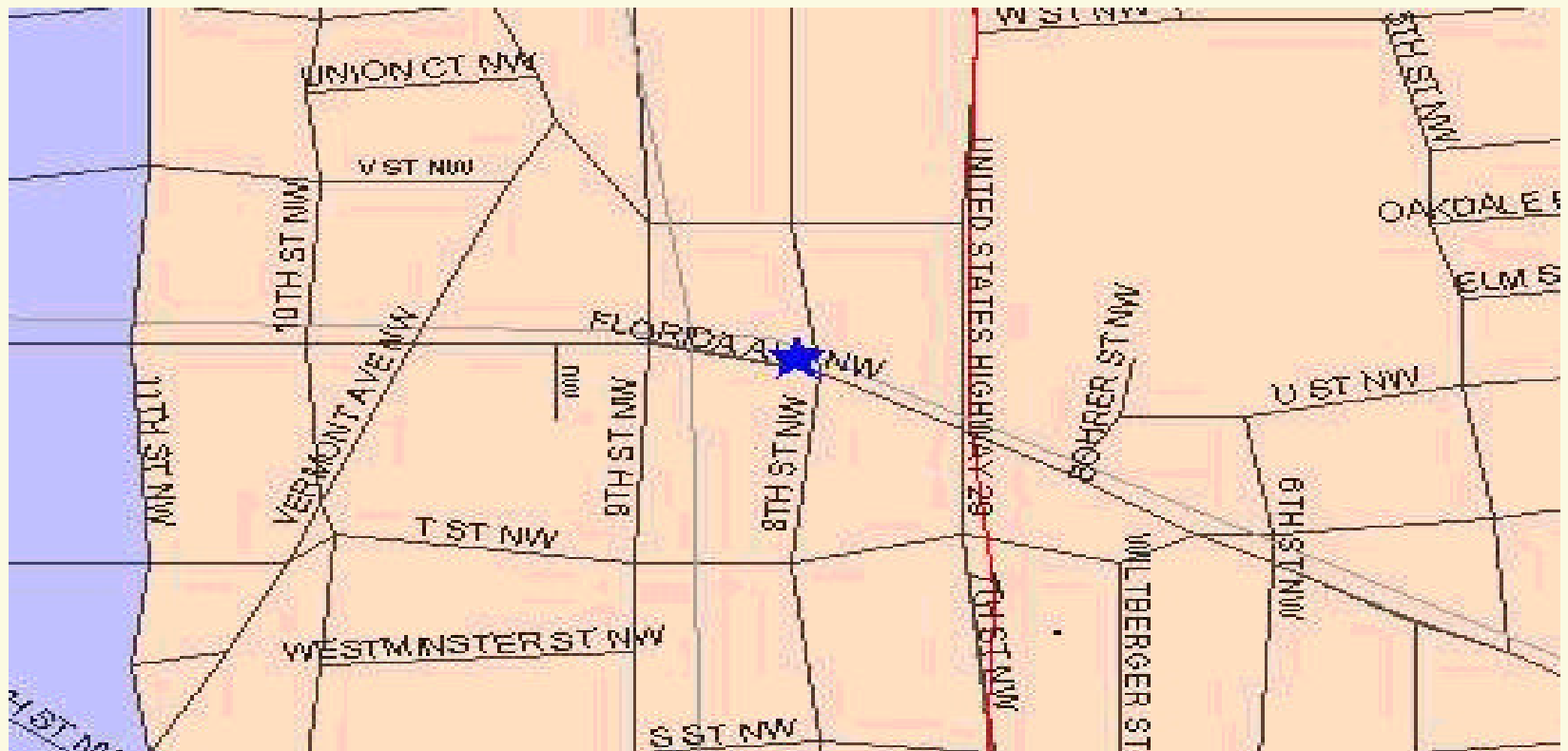


# Qualified Census Tracts in Florida Ave. area



- Not Qualified
- Qualified by Income
- Qualified by Unemployment Rate
- Qualified by Income & Unemp. Rate
- Unqualified Census Tract
- Qualified Census Tract
- Indian Reservation

# Zoom-in View for Florida Ave. NW Washington, DC



- Not Qualified
- Qualified by Income
- Qualified by Unemployment Rate
- Qualified by Income & Unemp. Rate
- Unqualified Census Tract
- Qualified Census Tract
- Indian Reservation

## For Additional Information - Contact

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- ✓ Michael P. McHale - AA/HUB
- ✓ Betty Toulson -Deputy AA/HUB
- ✓ Teresa Artis - Area Director, East Coast
- ✓ D.J. Caulfield - Area Director, US West

-- Web: [www.sba.gov/hubzone](http://www.sba.gov/hubzone)

-- e-mail: [hubzone@sba.gov](mailto:hubzone@sba.gov)

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The **HUBZone** Empowerment  
Contracting Program



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“Rebuilding  
America’s  
Communities  
One Small Business  
At A Time”