



A national non-profit, non-partisan trade association supporting the HUBZone Empowerment Contracting Program

The **Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Program** encourages small businesses to locate in and hire employees from economically disadvantaged areas of the United States. Small firms participating in the program can receive competitive advantages in winning federal contracts. **Most federal agencies have a goal to award at least three percent (3%) of their contracting dollars to HUBZone-certified firms.**

The **HUBZone Empowerment Act** was enacted into law as part of the Small Business Reauthorization Act of 1997. The U.S. Small Business Administration (SBA) regulates and implements the program, determines which businesses are eligible to receive HUBZone contracts, maintains a list of qualified HUBZone businesses that federal agencies can use to locate vendors, and adjudicates protests of eligibility to receive HUBZone contracts.

## Types of HUBZone Contracts

### Competitive Set-Aside

HUBZone contracts can be awarded if a 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.

See FAR 19.1305 on page 2 for more information.

### Sole-Source

HUBZone contracts can be awarded if a contracting officer determines that (a) just one qualified HUBZone firm is able to fulfill the contract; (b) two or more qualified HUBZone firms are not likely to submit offers; and (c) 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.

See FAR 19.1306 on page 2 for more details.

### Full & Open

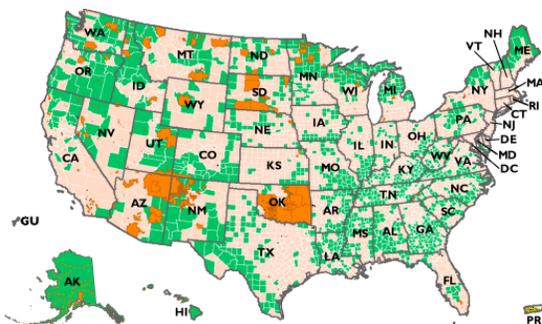
Competitive contracts can be awarded with a price evaluation preference.

The offer of the HUBZone firm must not be more than 10 percent higher than the offer of a non-HUBZone small SBC.

See FAR 19.1307 on page 2 for more details.



## HUBZone Program Certification Requirements



A business must meet the following criteria to become HUBZone-certified:

- The firm must be a 'small business' based on the SBA's size standards based on the North American Industry Classification System (NAICS).
- The firm must be at least 51% owned and controlled by citizens of the United States.
- The firm's principal office (where the greatest number of employees perform their work, excluding contract sites) must be located in a designated HUBZone area.
- At least 35% of the firm's total workforce must reside in a designated HUBZone area.

## FEDERAL ACQUISITION REGULATIONS (FAR) – HUBZone Program (Part 19.13)

*Abridged Version: See official FAR for complete regulations.*

### Sec. 19.1305 - HUBZone Set-Aside Procedures

(a) A participating agency contracting officer may set aside acquisitions exceeding the simplified acquisition threshold for competition restricted to HUBZone small business concerns when the requirements of paragraph (b) of this section can be satisfied. The contracting officer shall consider HUBZone set-asides before considering HUBZone sole source awards (see 19.1306) or small business set-asides (see subpart 19.5).

(b) To set aside an acquisition for competition restricted to HUBZone small business concerns, the contracting officer must have a reasonable expectation that -- (1) Offers will be received from two or more HUBZone small business concerns; and (2) Award will be made at a fair market price.

(c) A participating agency may set aside acquisitions exceeding the micro-purchase threshold, but not exceeding the simplified acquisition threshold, for competition restricted to HUBZone small business concerns at the sole discretion of the contracting officer, provided the requirements of paragraph (b) of this section can be satisfied.

(d) If the contracting officer receives only one acceptable offer from a qualified HUBZone small business concern in response to a set aside, the contracting officer should make an award to that concern. If the contracting officer receives no acceptable offers from HUBZone small business concerns, the HUBZone set-aside shall be withdrawn and the requirement, if still valid, set aside for small business concerns, as appropriate (see subpart 19.5).

### Sec. 19.1306 - HUBZone Sole-Source Awards

(a) A participating agency contracting officer may award contracts to HUBZone small business concerns on a sole source basis without considering small business set-asides (see subpart 19.5), provided -- (1) Only one HUBZone small business concern can satisfy the requirement; (2) The anticipated price of the contract, including options, will not exceed \$5,000,000 for a requirement within the North American Industry Classification System (NAICS) codes for manufacturing; or \$3,000,000 for a requirement within any other NAICS code; (3) The requirement is not currently being performed by a non-HUBZone small business concern; (4) The acquisition is greater than the simplified acquisition threshold (see part 13); (5) The HUBZone small business concern has been determined to be a

responsible contractor with respect to performance; and (6) Award can be made at a fair and reasonable price.

(b) The SBA has the right to appeal the contracting officer's decision not to make a HUBZone sole source award.

### Sec. 19.1307 - Price Evaluation Preference for HUBZone SBCs

(a) The price evaluation preference for HUBZone small business concerns shall be used in acquisitions conducted using full and open competition. The preference shall not be used -- (1) In acquisitions expected to be less than or equal to the simplified acquisition threshold; (2) Where price is not a selection factor so that a price evaluation preference would not be considered (e.g., Architect/Engineer acquisitions); (3) Where all fair and reasonable offers are accepted (e.g., the award of multiple award schedule contracts).

(b) The contracting officer shall give offers from HUBZone small business concerns a price evaluation preference by adding a factor of 10 percent to all offers, except -- (1) Offers from HUBZone small business concerns that have not waived the evaluation preference; (2) Otherwise successful offers from small business concerns; (3) Otherwise successful offers of eligible products under the Trade Agreements Act when the acquisition equals or exceeds the dollar threshold in 25.403; and (4) Otherwise successful offers where application of the factor would be inconsistent with a Memorandum of Understanding or other international agreement with a foreign government (see agency supplement).

(c) The factor of 10 percent shall be applied on a line item basis or to any group of items on which award may be made. Other evaluation factors, such as transportation costs or rent-free use of Government facilities, shall be added to the offer to establish the base offer before adding the factor of 10 percent.

(d) A concern that is both a HUBZone small business concern and a small disadvantaged business concern shall receive the benefit of both the HUBZone small business price evaluation preference and the small disadvantaged business price evaluation adjustment (see subpart 19.11). Each applicable price evaluation preference or adjustment shall be calculated independently against an offeror's base offer. These individual preference and adjustment amounts shall both be added to the base offer to arrive at the total evaluated price for that offer.

## About the HUBZone Contractors National Council

The HUBZone Council provides the entire HUBZone business community, including its member companies, other HUBZone-certified firms, prime contractors, federal agency contracting officers, and regulatory and legislative officials with information about the HUBZone Program in an effort to promote, maintain, and improve the program to help economically-challenged areas develop and decrease unemployment and homelessness.

**For more information about the HUBZone Program or the HUBZone Council, please contact:**



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