



HUBZone Empowerment Contracting Program

Developments resulting in major program changes:

- ✓ Final Rule in Federal Register (1/01)
- ✓ SBA 2000 Reauthorization Act (12/00)
- ✓ SBA Procedural Notice 8000-553 (10/01)

Effects of HUBZone Law

- 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.

Final Rule



Defines 'Principal Office'

- 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.*

Final Rule



Removes limits on affiliation

- 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.

Final Rule



More for resellers, retailers

- 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.
- No waiver of non-manufacturing rule.

Final Rule

Three-Year Grandfathering

- ✓ 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’

2000 Authorization



Clarification on Tribal Ownership



- ✓ 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.
- ✓ Tribal/ANC ownership authorized
2000 Authorization

Expansion to Indian Country

- ✓ 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.

2000 Authorization



Eligibility with CDC Ownership

- ✓ 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.

2000 Authorization



Contract Decision

HUBZone -- 8(a)

- ✓ SBA's interpretation of the Small Business Act provides for parity between the HUBZone and 8(a) programs, with the CO using his/her best discretion. This decision should factor-in your level of goal achievement.
 - Documented in SBA Procedural Notice 8000-553, dated October 10, 2001
 - SBA plans to amend its regulations to clarify this policy.

SBA General Counsel

