



U.S. Small Business Administration

# HUBZone

Historically Underutilized Business Zone

## What is a HUBZone?

A Historically Underutilized Business Zone, otherwise known as a HUBZone is an area that is located in one or more of the following:

- **A qualified census tract:** Developed in conjunction with the U.S. Department of Housing and Urban Development (HUD), the Internal Revenue Service (IRS) provision defines Qualified Census tracts for the low income housing tax credit program.
- **A qualified “non-metropolitan” county:**
  - An area (based on the most recent data compiled by the U.S. Census Bureau) in which the median household income is less than 80% of the median household income for the “non-metropolitan area of a state and/or any “non-metropolitan” county as a whole.
  - An area (based on the most recent data from the Bureau of Labor Statistics) has an unemployment rate that is not less than 140% of the state or the national average unemployment rate.
  - **A difficult development area:** Similar to the Qualified Census Tract, this area is based on an IRS provision and developed in conjunction with HUD for the low income housing tax credit program.
- **A qualified Indian reservation:** Federally designated lands established and used by the Bureau of Indian Affairs.
- **A former military base:** Former military bases closed by the Base Realignment and Closure Act (BRAC).
  - -Five-year qualification status begins from the date of formal closure.

## What is the HUBZone Empowerment Contracting Program?

Administered by the U.S. Department of Commerce’s Small Business Administration, the HUBZone Empowerment Contracting Program, in accordance with the United States’ Congress, resulted from a provision of the Small Business Reauthorization Act of 1997.

The HUBZone Program promotes economic and employment development in distressed areas and provides access to more Federal contracting preferences to small businesses. These preferences go to HUBZone certified small businesses employing staff that lives in a designated HUBZone. The SBA also requires the small business to maintain a “principal office” in one of the HUBZone designated areas.

- **Basic goal of HUBZone:** To rebuild America’s communities, one small business at a time by following the principles of community-based empowerment, employment and enterprise.
- **Greater purpose of HUBZone:**
  - To provide federal contracting assistance for qualified small business concerns located in historically underutilized business zone.
  - To Increase employment opportunities:
    - ✓ Stimulate capital investment in those areas
    - ✓ Empower communities through economic leveraging and the “multiplier effect.”

## What are the benefits for small business?

Generally, the program offers two levels of benefits. The first directly concerns Federal contracts while the second entails specialized assistance.

### Federal Contract Benefits

There are four categories 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 granted at a fair market price.
- **Full and open:** These 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.
- **Sole-source:** HUBZone contracts can be awarded if the contracting officer establishes that:
  - only one qualified HUBZone 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 Systems (NAICS) codes
    - ✓ \$3 million for a requirement within all other NAICS codes
- **Subcontracting:** All subcontracting plans for a large business, Federal contractors must include a HUBZone subcontracting goal.



### 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

## RESOURCES

### U.S. Small Business Administration

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

### HUBZone Contractors National Council

[www.hubzonecouncil.org](http://www.hubzonecouncil.org)

### U.S. Department of Housing and Urban Development- Procurement Opportunity Program

[www.hud.gov](http://www.hud.gov)