



HUBZone

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1. HUBZone Qualifications

The qualifications for HUBZone are the following

1. 35% of the employees of the firm must reside within a Federally Designated HUBZone Area. The employees need to have lived at their HUBZone address for six months. (note the employees do not have to reside in the same HUBZone)
2. The primary business location, the location where the greatest number of employees work must be located within a HUBZone.
3. If the firm attempting to qualify for HUBZone is deemed by the SBA to be affiliated with another entity then the combined entity must meet the rules for HUBZone.
4. The firm must be classified as a small business based upon the SBA Size standards.

2. Affiliation

General Principle of Affiliation: Affiliation exists when one business controls or has the power to control another or when a third party controls or has the power to control both businesses. Control may arise due to any of the following interactions between the two firms: ownership, management, or other relationships.

Most Common Affiliations

1. Stock ownership
 - a. Control of more than 50% of the voting stock.
 - b. Control of less than 50% but large compared to other shareholders.
 - c. Widely held stock, then the board of directors and CEO or President are deemed to have control.



- d. Stock options are deemed to be fully executed for the purposes of control and affiliation.
 - e. Merger of the firm with another is a stated objective of the two firms or an agreement to merge is in place.
2. Common Management
- a. Officer, director, managing member or general partner have the power to control one firm and also control another firm.
3. Identity of Interest, sharing any of the following
- a. Directors
 - b. Employees
 - c. Office Space
 - d. Equipment
 - e. More than 25% of revenue (possibility)
 - f. More than 25% of supplies/subcontracting (possibility)
 - g. Loan between the businesses that is not arm's length
 - h. Certain franchise agreements

3. Eight HUBZone Misconceptions

Here are a few of the most widely held misconceptions about the HUBZone certification.

1. MISCONCEPTION: You can only do work in the HUBZone location in which your business resides.

ACTUALITY: If your firm is HUBZone certified you can do work for the federal government anywhere in the United States regardless of whether the contract location is inside a HUBZone.

2. MISCONCEPTION: All of your employees must reside in the same HUBZone that your firm is located in order to be eligible for HUBZone certification.

ACTUALITY: Your employees can reside in any HUBZone as long as greater than 35% of your employees reside within a HUBZone.

3. MISCONCEPTION: I only have to meet the HUBZone requirements once every three years.

ACTUALITY: Your firm must continually meet the HUBZone requirements or your firm must decertify from being a HUBZone. The majority of HUBZone audits occur as a result of a HUBZone firm winning a bid and a competitor launching a bid protest. These audits are rare; however, it is recommended a HUBZone firm do a quick analysis before each bid in order to make sure there have not been any material changes affecting the firm's HUBZone eligibility. A HUBZone firm must formally recertify every three years.



4. MISCONCEPTION: An employee must work 40 hours per week in order to be classified as an employee for HUBZone purposes.

ACTUALITY: In order for an employee to be counted for HUBZone purposes they must work 40 hours per month, not per week. Also employees working for a staffing or employment agency are also counted towards the firms HUBZone headcount.

5. MISCONCEPTION: It takes well over a year to get HUBZone certified.

ACTUALITY: The average processing time for a HUBZone application is approximately 110 days. This misconception is mainly from the 2011 – 2013 when the SBA was extremely slow in processing applications.

6. MISCONCEPTION: The HUBZone process is a self-certification process.

ACTUALITY: The HUBZone application process was changed in 2012 and now the SBA does a formal review of all documents submitted as part of the HUBZone application process.

7. MISCONCEPTION: The 3% target of Federal Procurement is not enough money to make obtaining the HUBZone certification worthwhile.

ACTUALITY: 3% of Federal Procurement is approximately \$9.6 billion in spending. This is spread over approximately 5,100 HUBZone firms for a target of over \$1 million annually in Federal Spending per firm.

8. MISCONCEPTION: HUBZone spending has been in a decline recently due to the 2010 census which re-aligned the HUBZone Areas.

ACTUALITY: If we look at a location like Guam, which was both a designated HUBZone location before and after the census. The roughly 170 HUBZone firms on that Island are receiving approximately the same amount of federal spending per firm, at around \$1 million each as they were after the census re-alignment. The reason for the decline in HUBZone spending is due to less HUBZone firms and lack of knowledge of HUBZone opportunities with firms located in the new HUBZone locations.

4. 91 Top HUBZone Industries

Listed below are the Top Industries in terms of federal contracting dollars for HUBZone certified firms that have obtained the certification in the past three years. Some Industries have significantly higher averages than others. This list is helpful in two ways:



1. For a firm attempting to make a determination as to whether they should go through the effort of becoming HUBZone certified they can see how well competing firms are performing in the federal marketplace.
2. It is also useful for firms that are already HUBZone certified in order to determine if they are achieving their full potential in the HUBZone program.

See List Below:

Rank	Average per HUBZone firm total federal sales	NAICS Code	Industry Description
1	\$63,391,846	611512	Flight Training
2	\$59,981,725	611699	All Other Miscellaneous Schools and Instruction
3	\$45,313,947	488190	Other Support Activities for Air Transportation
4	\$43,357,256	423430	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers
5	\$40,266,755	561492	Court Reporting and Stenotype Services
6	\$23,708,015	237310	Highway, Street, and Bridge Construction
7	\$23,389,461	336992	Military Armored Vehicle, Tank and Tank Component Manufacturing
8	\$22,566,583	326111	Plastic Bag and Pouch Manufacturing
9	\$22,185,589	237990	Other Heavy and Civil Engineering Construction
10	\$20,922,654	541513	Computer Facilities Management Services
11	\$18,016,120	541712	Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)
12	\$17,704,583	337214	Office Furniture (Except Wood) Manufacturing
13	\$15,792,212	621111	Offices of Physicians (except Mental Health Specialists)
14	\$14,897,911	485999	All Other Transit and Ground Passenger Transportation
15	\$10,706,165	532411	Commercial Air, Rail, and Water Transportation Equipment Rental and Leasing
16	\$10,448,194	561720	Janitorial Services



17	\$9,230,807	541350	Building Inspection Services
18	\$7,822,555	561730	Landscaping Services
19	\$6,664,782	236220	Commercial and Institutional Building Construction
20	\$5,986,958	334418	Printed Circuit Assembly (Electronic Assembly) Manufacturing
21	\$5,880,303	811310	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance
22	\$5,694,674	237110	Water and Sewer Line and Related Structures Construction
23	\$5,210,092	333314	Optical Instrument and Lens Manufacturing
24	\$5,184,461	517410	Satellite Telecommunications
25	\$4,389,742	488490	Other Support Activities for Road Transportation
26	\$3,697,337	321991	Manufactured Home (Mobile Home) Manufacturing
27	\$2,596,463	238160	Roofing Contractors
28	\$2,538,418	236115	New Single-Family Housing Construction (except Operative Builders)
29	\$2,517,735	423840	Industrial Supplies Merchant Wholesalers
30	\$2,472,654	541511	Custom Computer Programming Services
31	\$2,315,667	541512	Computer Systems Design Services
32	\$2,253,949	541519	Other Computer Related Services
33	\$1,975,596	236210	Industrial Building Construction
34	\$1,937,795	333911	Pump and Pumping Equipment Manufacturing
35	\$1,915,576	541410	Interior Design Services
36	\$1,706,908	541930	Translation and Interpretation Services
37	\$1,702,144	541620	Environmental Consulting Services
38	\$1,647,245	561320	Temporary Help Services
39	\$1,628,372	561920	Convention and Trade Show Organizers
40	\$1,534,505	541611	Administrative Management and General Management Consulting Services
41	\$1,520,708	561210	Facilities Support Services
42	\$1,387,086	334111	Electronic Computer Manufacturing
43	\$1,289,689	541370	Surveying and Mapping (Except Geophysical) Services



44	\$1,259,490	238910	Site Preparation Contractors
45	\$1,154,435	238320	Painting and Wall Covering Contractors
46	\$983,384	541690	Other Scientific and Technical Consulting Services
47	\$977,926	541330	Engineering Services
48	\$955,602	325998	All Other Miscellaneous Chemical Product and Preparation Manufacturing
49	\$873,113	561990	All Other Support Services
50	\$786,302	493110	General Warehousing and Storage
51	\$667,896	423690	Other Electronic Parts and Equipment Merchant Wholesalers
52	\$599,578	238990	All Other Specialty Trade Contractors 13
53	\$594,834	561612	Security Guards and Patrol Services
54	\$593,755	541990	All Other Professional, Scientific, and Technical Services
55	\$417,170	236118	Residential Remodelers
56	\$408,489	562910	Remediation Services
57	\$394,069	237130	Power and Communication line and Related Structures Construction
58	\$391,743	424320	Men's and Boy's Clothing and Furnishings Merchant Wholesalers
59	\$389,729	541613	Marketing Consulting Services
60	\$370,229	561611	Investigation Services
61	\$355,540	423610	Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers
62	\$334,026	115310	Support Activities for Forestry
63	\$317,577	221320	Sewage Treatment Facilities
64	\$280,883	238210	Electrical Contractors and Other Wiring Installation Contractors
65	\$208,032	423440	Other Commercial Equipment Merchant Wholesalers
66	\$198,038	425120	WHOLESALE TRADE AGENTS AND BROKERS
67	\$188,353	442110	FURNITURE STORES
68	\$161,149	541870	Advertising Material Distribution Services
69	\$141,141	531311	Residential Property Managers
70	\$132,979	424920	Book, Periodical, and Newspaper Merchant Wholesalers



71	\$132,737	541618	Other Management Consulting Services
72	\$109,176	611430	Professional and Management Development Training
73	\$96,607	335931	Current-Carrying Wiring Device Manufacturing
74	\$58,463	337215	Showcase, Partition, Shelving, and Locker Manufacturing
75	\$56,910	424120	Stationary and Office Supplies Merchant Wholesalers
76	\$50,863	238390	Other Building finishing Contractors
77	\$40,792	561110	Office Administrative Services
78	\$30,972	541614	Process, Physical, and Logistics Consulting Services
79	\$28,986	512110	Motion Picture and Video Production
80	\$28,336	423510	Metal Service Centers and Other Metal Merchant Wholesalers
81	\$24,458	334419	Other Electronic Component Manufacturing
82	\$20,000	484230	Specialized Freight (except Used Goods) Trucking, Long-Distance
83	\$19,600	315990	Apparel Accessories and Other Apparel Manufacturing
84	\$18,688	541430	Graphic Design Services
85	\$13,868	332710	Machine Shops
86	\$5,988	611710	Educational Support Services
87	\$5,380	334417	Electronic Connector Manufacturing
88	\$4,711	314994	Rope, Cordage, Twine, Tire Cord, and Tire Fabric Mills
89	\$4,435	333618	Other Engine Equipment Manufacturing
90	\$3,120	334310	Audio and Video Equipment Manufacturing
91	\$1,785	423860	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers

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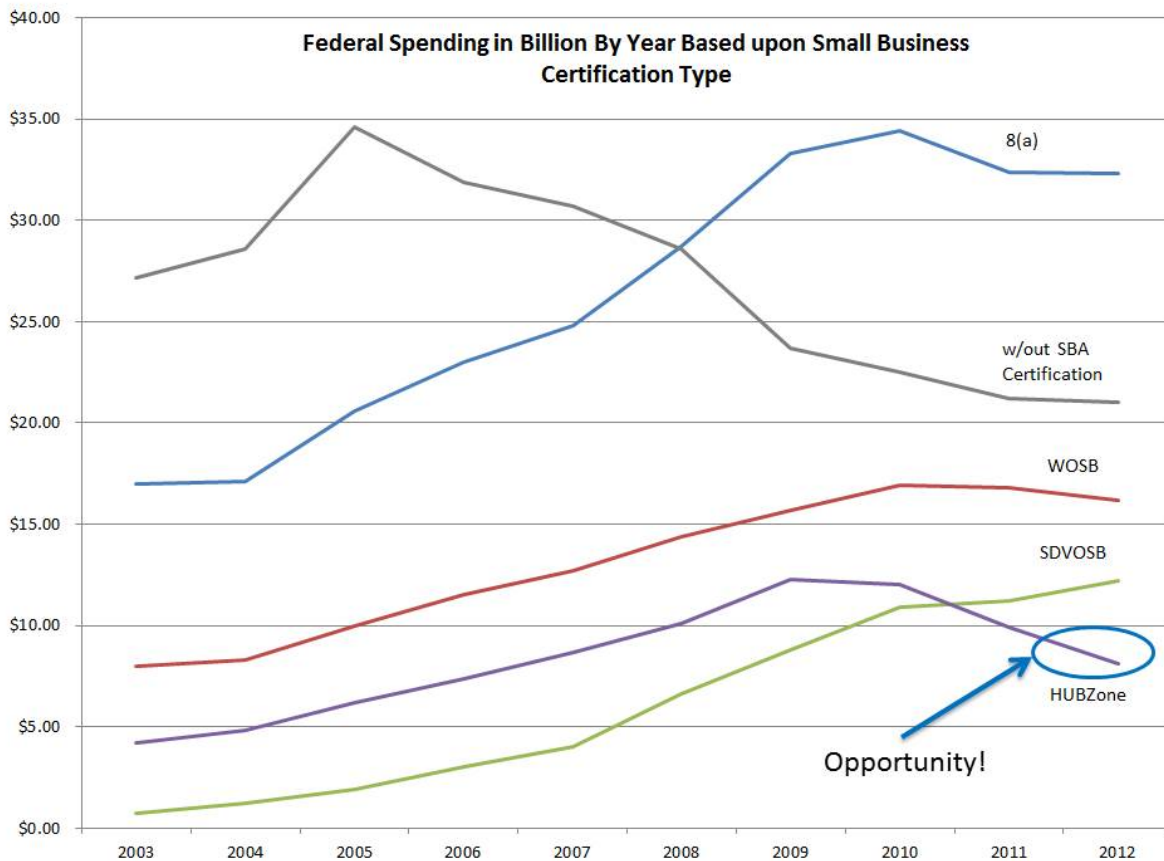
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5. 2010 Census Effect on HUBZone firms

The 2010 Census caused a decertification of 37% of all HUBZone firms moving the number from 8,141 companies to 5,166 firms. The Federal percentage spending target for HUBZone remains at 3% for all Federal Agencies. This has created a challenging environment for procurement officers attempting to meet the HUBZone target. This reduction effectively changes the amount of Federal Revenue per HUBZone firm from \$1.5M to \$2.0M.





6. Comparison between HUBZone and other Federal Certifications

Below is a list of the four SBA Certifications and how each compares with the HUBZone Certification.

2012	<u>HUBZone</u>	<u>SDVOSB</u>	<u>WOSB</u>	<u>8(a)</u>
Number of Firms	5,100	8,900	16,500	8,000
Target percentage of Federal Budget	3%	3%	5%	5%
Annual Federal Spending	\$8.1 Billion	\$12.2 Billion	\$16.2 Billion	\$32.3 Billion
Federal Spending Per Firm	\$2.0 Million	\$1.2 Million	\$1.0 Million	\$3.7 Million
Ownership	US Citizen	US Citizen	US Citizen	US Citizen
Size Standard	Must be classified as a small business	Must be classified as a small business	Must be classified as a small business	Must be classified as a small business
Eligibility	Business located in a qualified census tract, 35% of employees must reside within a HUBZone	0% or greater rated service connected disabled veteran owning/controlling 51% or more of the firm.	51% or more of the firm owned and controlled by a woman.	51% or more of the firm owned and controlled by a person who is both socially disadvantaged (examples: Hispanic including Iberian Peninsula, African American, Subcontinent Asian, Asian Pacific Islander, Native American Indian, and in some cases Caucasian Women and in some cases SDVOSB > 30%
Economic Status	N/A	N/A	WOSB – None EDWOSB – AGI less than \$350,000	AGI less than \$250,000 on average for the past



			on average for the past 3 years. Net worth less than \$750,000 excluding (residence, IRA, business) All assets must be less than \$6M	3 years. Net worth less than \$250,000 excluding (residence, IRA, business) All assets must be less than \$4M
Benefits	10% price evaluation in full and open contract opportunities as well as subcontracting opportunities, Competitive and sole source contracting.	Sole source Contracts under \$5.0M for manufacturing and \$3.0M for all other requirements. Set Aside contracts as long as at least two SDVOSB will submit offers.	Sole source Contracts under \$6.5M for manufacturing and \$4M for all other requirements. Set Aside contracts are available as long as two WOSB firms submit offers.	Sole source Contracts under \$6.5M for manufacturing and \$4M for all other requirements. Set Aside contracts are available.