

Is getting certified worth it? Part 3: HUBZone



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This is the third of our 5-part series to help small business owners evaluate whether federal certification is right for their business. You can read previous installments from the series by clicking on the links below.

[Part 1: 8\(a\) Business Development](#)

[Part 2: Disadvantaged Business Enterprise](#)

Does attracting potentially millions of dollars' worth of new business interest you? With government contracting work, you can open the doors to additional business that larger companies are not eligible to receive. For instance, government agencies and corporations that do business with the government are mandated by law or corporate policies to spend approximately 20 percent of their budget with small, disadvantaged companies.

Many federal, state, and city contracts that are set aside for certified small businesses go unclaimed because those businesses do not know how to be recognized as a small business. Certification is a review process designed by the certifying agencies to ensure that the business is actually owned, controlled, and operated by applicants that are an underserved group such as women, minorities, or veterans. Each program, however, comes with unique rules and compliance hurdles.

Be cautioned that the Small Business Administration (SBA), the agency responsible for approving four of the five programs we will discuss in this series, denies a large percentage of the applications it receives. For example, the SBA rejects approximately 70 percent of applications under the 8(a) Business Development Program. If your application is rejected, all of the programs require that you wait a mandated time period before reapplying, in many cases one full year. Moreover, once you do reapply, your application will likely receive closer scrutiny the second time around. To have the best chance of getting certified, your application must be fully and correctly completed, with all proper documentation accompanying the application.

Below is the third of five main federal certification programs we will discuss in this small business series.

HUBZone

The Historically Underutilized Business Zone (HUBZone) Empowerment Contracting program, which was enacted into law as part of the Small Business Reauthorization Act of 1997, provides federal contracting assistance and opportunities for qualified small businesses located in distressed historically underutilized business zones, known as "HUBZones." A HUBzone is an area of high unemployment (unemployment of 14 percent of state's average) or low income (no more than 80 percent of the nonmetropolitan state median household).

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Only the HUBzone program specifically promotes business opportunities in distressed communities as it allows small firms located in HUBZones to qualify for sole source and other types of federal contract benefits. For instance, the government strives to award 3 percent of prime contracting dollars to HUBzone firms. That's approximately \$15 billion annually.

To qualify for the HUBZone program, a business must meet the following four requirements:

1. It must be a small business,
2. It must be owned and controlled only by U.S. citizens,
3. The principal office must be located in a "historically underutilized business zone"; and
4. At least 35 percent of its employees must reside in a HUBzone.