

Dear HUBZone Entrepreneur,

Welcome to the 2021 Fiscal Year!

We would like to provide you with some important updates to the HUBZone program, including important information regarding continuing eligibility and Redesignated Areas.

### **COVID-19 Flexibilities**

In response to COVID-19, the HUBZone program issued flexibilities to HUBZone businesses effective March 13, 2020. Some flexibilities expired on September 30, 2020, and others were extended through March 31, 2021, as detailed below.

The following flexibilities **expired September 30, 2020**:

- Suspension of mandatory annual recertification requirement
- Flexibility related to the “Legacy” HUBZone employee rule for employees placed in unpaid status
- Flexibility related to the 35% HUBZone residency requirement for employees affected by student housing closures

The following flexibilities are being **extended through March 31, 2021**:

- Expedited certification for firms intending to bid on COVID-19-related solicitations
- Flexibility related to the principal office requirement for teleworking employees

For additional information, please see the [HUBZone COVID-19 Flexibilities Fact Sheet](#).

### **Mandatory Annual Recertification**

The HUBZone regulations now require all certified HUBZone firms to recertify annually that they remain in compliance with the program’s requirements as of the anniversary date of their initial certification. This new annual recertification requirement took effect December 26, 2019 as part

of a comprehensive revision of the rules governing the HUBZone program. 84 FR 65222 (Nov. 26, 2019).

### **When do firms need to recertify?**

A firm's recertification attestation must be submitted in HCTS within 30 days of the anniversary date of the firm's original HUBZone certification. The date of a firm's original HUBZone certification is the date specified in the concern's certification letter and reflected on the firm's profile in SBA's Dynamic Small Business Search (DSBS) database. A recertification notification email will be sent 30 days prior to the anniversary date. To remain certified, you must complete the recertification requirements within the period starting 30 calendar days prior to and ending 30 calendar days after the anniversary date, attesting to your eligibility as of the anniversary of your certification date.

### **What will firms be required to submit to complete the annual recertification?**

To complete the annual recertification, an authorized officer of the firm must log in to [GLS/HCTS](#) and review, verify, and certify, under penalty for perjury, that the firm meets all HUBZone eligibility requirements as of the anniversary date of its initial certification.

### **What can firms do to prepare?**

- Verify that the firm will meet **all** HUBZone eligibility requirements as of the anniversary date of its initial certification. See [HUBZone program qualifications](#).
- Verify that the firm's information is up to date in the [Dynamic Small Business Search \(DSBS\)](#) database because all notifications from the HUBZone Program will be sent to the email address of the point of contact listed there. Updates to your DSBS profile can be made through the SAM.gov SBA supplemental page, but please note that updates to your SAM profile (without visiting the supplemental page) will not transfer to DSBS and you must take the extra step to update DSBS as well. See guidance for making updates here: [SBA Supplemental Page Guidance](#)
- Make sure you are able to log into your [GLS/HCTS](#) account. Contact [gl@sba.gov](mailto:gl@sba.gov) if you need log-in assistance.
- Check your spam filter to make sure that you are receiving all SBA emails.

**What happens if a firm fails to complete the required annual recertification within the required timeframe?**

SBA will propose the firm for decertification.

**What should a firm do if it has not received a notification for annual recertification 30 days prior to the anniversary of the firm's initial certification?**

Please note that the automated SBA notification system will not send a notification more than 30 calendar days prior to the anniversary of the firm's HUBZone certification. Check your spam filter to ensure you are receiving SBA messages. Be sure that the email listed in DSBS is current and up to date—because that is where the system will send the notification and reminders. If you have done all of that and still have not received a recertification notification email, please contact the HUBZone Help Desk by sending an email to: [hubzone@sba.gov](mailto:hubzone@sba.gov).

**Program Examinations**

The HUBZone regulations now require all certified HUBZone firms to undergo a program examination at least every three years.

**What is a program examination?**

A program examination is an investigation by SBA officials to verify the accuracy of any certification made or information provided as part of the HUBZone application or recertification process.

**When are program examinations conducted?**

A program examination of each certified HUBZone small business concern will be conducted at least once every three years to ensure continued program eligibility. Firms with federal contracts may be reviewed every year. SBA will conduct a program examination as part of the recertification process at least three years after the concern's initial HUBZone certification or three years after the date of the concern's last program examination, whichever date is later.

**What is reviewed during a program examination?**

SBA will determine the location and scope of the examination and may review any information related to the concern's HUBZone eligibility including, but not limited to,

documentation related to the ownership of the concern and compliance with the 35% HUBZone residency and principal office requirements.

### **How will a firm be notified that it is subject to a program examination?**

If a firm is due for a program examination, it will receive an email notice within approximately 30 calendar days of completing the mandatory annual recertification. The email will include specific instructions for responding.

### **What are the options for responding to the program examination notice?**

A firm may proceed in one of three ways:

1. Respond to the notice within 30 calendar days of receipt by providing the documents requested in the notice.
2. Voluntarily withdraw from the HUBZone Program within 30 calendar days of receipt of the notice by submitting a Voluntary Decertification Agreement form.
3. Not respond. Note that SBA will draw an adverse inference from a concern's failure to cooperate with a program examination or to provide requested information and assume that the information that the HUBZone small business concern failed to provide would demonstrate ineligibility.

### **What are the possible outcomes of a program examination?**

1. If the program examination is conducted and SBA determines that the concern is eligible, SBA will send a written notice to the concern and the firm will maintain its certified HUBZone small business status in DSBS.
2. If SBA determines that the firm is not eligible, SBA will send a written notice to the concern and the firm will have 30 days to submit documentation showing that it is eligible. If the firm fails to demonstrate its eligibility by the last day of the 30-day period, it will be decertified. During the 30-day period, the concern may not compete for or be awarded a HUBZone contract.

### **How can a firm prepare for the program examination?**

A firm should have all documents gathered and ready to submit proving it met the eligibility requirements as of the current anniversary of its initial certification.

### **Redesignated Areas Update**

On March 20, 2020, President Trump began approving major disaster declarations for individual states and territories impacted by the COVID-19 pandemic. These individual declarations, like all major disasters declared by the President under 42 U.S.C. 5170, will be applied to the HUBZone Program for the purpose of identifying Qualified Disaster Areas (QDAs). A list of all major disaster declarations can be found here: <https://www.fema.gov/disasters/disaster-declarations>.

To be considered for QDA status, an area affected by a major disaster must be in a **nonmetropolitan county** or **census tract** that became a Redesignated Area within the five years leading up to the disaster declaration. 15 U.S.C. 657a(b)(3)(E).

SBA is currently in the process of identifying all QDAs resulting from major disaster declarations that were approved in 2020 to apply to the HUBZone map.

Most current Redesignated Areas that became redesignated after March/April 2015 will become QDAs under this authority. The only Redesignated Areas that will not become QDAs are those that were redesignated between December 2014 and March/April 2015.

QDAs may only maintain this status until the HUBZone Map is updated in accordance with the results of the 2020 census. 15 U.S.C. 657a(b)(3)(E)(ii). **Therefore, all communities designated as QDAs under the March/April 2020 declarations will lose this designation along with their Redesignated Area status on January 1, 2022, when the updated HUBZone Map takes effect. Those areas will cease to be treated as HUBZones at that time, unless the areas meet the definition of a Qualified Census Tract or Qualified Nonmetropolitan County.**

#### **What does this mean for firms located in a Redesignated Area that will also be designated as a QDA?**

Certified HUBZone firms located in areas that are currently Redesignated Areas and also become designated as QDAs may take advantage of the new provision in the HUBZone regulations that allows firms to purchase a building or enter into a long-term lease in a designated HUBZone and maintain their HUBZone status for up to 10 years depending upon the circumstances. 13 C.F.R. § 126.200(c)(1). This provision is not available to firms located in a Redesignated Area that is not also a QDA.

### **Education and Training Events**

The following events may be of interest to HUBZone firms:

- **Webinar:** HUBZone Continuing Eligibility and Program Updates; Tuesday October 20, 3pm EST. [Watch the live event here.](#)
- **Matchmaking Event:** Department of Veteran's Affairs and General Dynamics Information Technology Business Opportunity Session; Wednesday, October 21, 1:30pm EST. <https://www.vetbiz.va.gov/events/EventDetail/50211?page=1>.

Please note: *SBA does not endorse General Dynamics IT or its products or services, and SBA cannot attest to the accuracy of information provided by a third party.*

Please direct any questions about items in this letter to: [hubzone@sba.gov](mailto:hubzone@sba.gov) or join our weekly call at **every Thursday from 2-3pm ET via toll free number: 1-202-765-1264; access code 63068189#.**

I thank you in advance for your patience as our team implements these new continuing eligibility requirements in the coming months. I hope you agree that we will all benefit from the stronger focus on small business compliance with the rules of the program.

On behalf of the entire HUBZone Team, please accept our warmest wishes for a successful new fiscal year!

Warm Regards,

*Lori Gillen*

Director, Office of the HUBZone Program