



## SBA PROCEDURAL NOTICE

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**TO:** SBA Headquarters, District Directors (DDs),                    **CONTROL NO.: 8000-583**  
Deputy District Directors (DDD), Area  
Directors (ADs), Procurement Center  
Representatives (PCRs), Assistant  
District Directors for Business  
Development (ADD/BDs) and Business  
Opportunity Specialists (BOSSs)

**SUBJECT:** Application of the HUBZone                    **EFFECTIVE: 11-04-2002**  
Price Evaluation Preference

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The Office of Government Contracting and Business Development is issuing this notice to clarify procedures for applying the HUBZone Price Evaluation Preference (PEP) to qualified HUBZone small business concerns (SBC).

There are three types of contracting mechanisms to increase contract opportunities to qualified HUBZone SBCs under the HUBZone Program, they are: set-asides, sole source awards and price evaluation preferences in full and open competition. Federal agencies must also submit a goal for subcontracts to be awarded by prime contractors to certified HUBZone SBCs under subcontracting plans.

In accordance with section 126.613 of Title 13 of the Code of Federal Regulations (CFR), “How does a price evaluation preference affect the bid of a qualified HUBZone SBC in full and open competition?” and Federal Acquisition Regulation (FAR) §19.1307(b), when evaluating offers in full and open competition under the HUBZone Program, contracting officers must apply a factor of 10 percent to all offers, except offers from other small businesses. In addition, according to 13 CFR §126.613, if the offer of the HUBZone SBC is not more than 10 percent higher than the offer of a non-small business, the contracting officer must deem the qualified HUBZone SBC’s offer as lower than the offer of the non-small business. Conversely, if the HUBZone SBC’s offer is more than 10 percent higher than the non-small business’ offer, the PEP would not be applied. Finally, a small business concern that is not a qualified HUBZone SBC can not benefit from the application of the HUBZone PEP to gain the award of a contract.

This notice provides examples of the application of the price evaluation preference and detailed explanations on how the answers were derived.

### EXAMPLE #1:

	<u>Base Offer</u>	<u>HZ PEP</u>	<u>Evaluated Offer</u>
HUBZone*	\$100	n/a	<b>\$100</b>
Small	\$102	n/a	\$102
Large	\$104	n/a	\$104

- The HUBZone small business concern is the lowest, responsive and responsible offeror; consequently, it is the apparent successful offeror.
- Therefore, the HUBZone price evaluation preference is not applicable.

### EXAMPLE #2:

	<u>Base Offer</u>	<u>HZ PEP</u>	<u>Evaluated Offer</u>
HUBZone	\$113	n/a	\$113
Small	\$103	n/a	\$103
Large*	\$100	\$10	<b>\$110</b>

- The large business is the lowest, responsive and responsible offeror.
- The HUBZone small business concern's offer is more than 10 percent higher than the large business' offer. After applying the 10% PEP; to the large business, the large business is still the lowest, responsive and responsible offeror.
- In this example, the application of the PEP does not benefit the HUBZone SBC.
- In addition, the application of the PEP cannot be used to benefit the non-HUBZone SBC.
- The base offer is therefore used and the large business is the apparent successful offeror.

### EXAMPLE #3:

	<u>Base Offer</u>	<u>HZ PEP</u>	<u>Evaluated Offer</u>
HUBZone*	\$102	n/a	<b>\$102</b>
Small	\$104	n/a	\$104
Large	\$100	\$10	\$110

- The HUBZone SBC's offer is not more than 10 percent higher than the lowest responsive and responsible offeror, the large business.
- Consequently, in accordance with 13 CFR 126.613 and FAR §19.1307(b), a factor of 10 percent is added to the offer of all non-small businesses to determine the lowest responsive and responsible offeror.
- As a result, the HUBZone small business concern displaces the large business as the apparent successful offeror.

(\* Indicates the apparent successful offeror)

#### **EXAMPLE #4:**

	Base <u>Offer</u>	HZ <u>PEP</u>	Evaluated <u>Offer</u>
HUBZone*	\$104	n/a	<b>\$104</b>
Small	\$102	n/a	\$102
Large	\$100	\$10	\$110

- The HUBZone small business concern's offer is not more than 10 percent higher than the lowest responsive and responsible offeror, the large business.
- A factor of 10 percent is added to the offer of all non-small businesses to determine the lowest responsive and responsible offeror.
- As a result, the price of the HUBZone SBC is deemed to be lower than the price offered by the large business.
- The HUBZone small business concern displaces the large business as the apparent successful offeror. Although the small business concern's offer is lower than the HUBZone SBC's offer, a non-HUBZone small business cannot benefit from the application of the PEP and therefore, does not prevent the HUBZone small business concern from becoming the apparent successful offeror.

#### **EXAMPLE #5:**

	Base <u>Offer</u>	HZ <u>PEP</u>	Evaluated <u>Offer</u>
HUBZone	\$113	n/a	\$113
Small*	\$100	n/a	<b>\$100</b>
Large	\$103	n/a	\$103

- The small business is the lowest, responsive and responsible offeror.
- The price evaluation preference is not applied when the otherwise successful offer is from another small business concern.
- As a result, the non-HUBZone small business concern remains the apparent successful offeror.

#### **HUBZone or SDB STATUS:**

Any preference a small business concern receives under the HUBZone program does not eliminate the benefits another small business concern would receive under any other program designed to promote the development of small, small disadvantaged, or women-owned small businesses. Therefore, if a firm is a small disadvantaged business (SDB), it is entitled to the price evaluation adjustment (PEA) in accordance with 13 CFR §124.1015 and FAR Subpart 19.11.

(\* Indicates the apparent successful offeror)

SDBs are eligible for PEAs of up to 10 percent when bidding on federal contracts in the eligible North American Industry Classification System Industry Subsectors as determined by the Department of Commerce. Currently, the SDB PEA is 10 percent.

When an offer is received from a SDB concern or a firm that qualifies as both a HUBZone and SDB concern, the SDB PEA is applied first in order to establish the lowest, responsive and responsible offeror. If the contracting officer applies the HUBZone PEP first, the SDB PEA would effectively negate the HUBZone PEP.

**EXAMPLE #6:**

	Base Offer	SDB PEA	SDB Evaluated Offer	HZ PEP	HZ Evaluated Offer	Total Evaluated Offer
HUBZone*	\$102	\$10.2	\$112.2	n/a	<b>\$102</b>	\$112.2
SDB	\$111	n/a	\$111	n/a	\$111	n/a
Large	\$100	\$10	\$110	\$10	\$110	\$120

- First, the SDB PEA is applied in order to establish the lowest, responsive, and responsible offeror.
  - A factor of 10 percent is added to the offer of all non-SDB concerns.
  - The SDB concern does not benefit as a result of the application of the PEA.
  - The large business' offer remains the lowest, responsive and responsible offer.
- Second, the HUBZone PEP is applied to all non-small business offerors.
  - In accordance with the 13 CFR and FAR, a factor of 10 percent is added to the offer of all non-small businesses. For evaluation purposes, the offer of the large business becomes \$120 after applying the HUBZone PEP.
- Consequently, the HUBZone SBC becomes the lowest responsive and responsible offeror; thereby, displacing the large business as the apparent successful offeror.

**EXAMPLE #7:**

	Base Offer	SDB PEA	Evaluated Offer
HUBZone	\$100	\$10	\$110
SDB*	\$101	n/a	<b>\$101</b>
Large	\$102	\$10.2	\$112.2

- The SDB PEA is applied to establish the lowest, responsive, and responsible offeror.
  - A factor of 10 percent is added to the offer of all non-SDB concerns.
  - As a result, the SDB concern becomes the lowest responsive and responsible offeror.
- The HUBZone PEP is not applied, because another small business concern is the lowest, responsive and responsible offeror.
- The SDB concern is the apparent successful offeror.

(\* Indicates the apparent successful offeror)

### EXAMPLE #8:

	<u>Base Offer</u>	<u>SDB PEA</u>	<u>Evaluated Offer</u>
HUBZone	\$105	\$10.5	\$115.5
8(a)*	\$102	n/a	<b>\$102</b>
Small	\$101	\$10.1	\$111.1

- First, apply the SDB PEA to establish the lowest responsive and responsible offeror.
  - A factor of 10 percent is added to the offer of all non-SDB concerns.
  - As a result, the 8(a) firm (which automatically qualifies as an SDB concern) becomes the lowest responsive and responsible offeror.
- The HUBZone PEP is **not** applied, because all offerors are small businesses.
- As a result, the 8(a) firm is the apparent successful offeror.

### DUAL HUBZONE/SDB STATUS

A concern that is both certified as a HUBZone SBC and an SDB must receive the benefit of both the HUBZone PEP and the SDB PEA. Each applicable price evaluation preference or adjustment shall be calculated independently against an offeror's base offer. These individual preference and adjustment amounts shall both be added to the base offer to arrive at the total evaluated price for that offer.

### EXAMPLE #9:

	<u>Base Offer</u>	<u>SDB PEA</u>	<u>Evaluated Offer</u>	<u>HZ PEP</u>	<u>Evaluated Offer</u>
HUBZone	\$110	\$11	\$121	n/a	\$121
HZ/SDB*	\$113	n/a	\$113	n/a	<b>\$113</b>
SDB	\$112	n/a	\$112	n/a	\$112
Small	\$102	\$10.2	\$112.2	n/a	\$112.2
Large	\$100	\$10	\$110	\$10	\$120

- First, the SDB PEA is applied to all non-SDB offerors to establish the lowest responsive and responsible offeror.
  - A factor of 10 percent is added to the offer of all non-SDB concerns.
  - The SDB concern does not benefit as a result of the application of the PEA.
  - The large business' offer remains the lowest, responsive and responsible offer.
- Second, apply the HUBZone PEP to the base offer of all non-small businesses.
  - In accordance with 13 CFR and FAR §19.1307(b), a factor of 10 percent is added to the offer of all non-small businesses.
- As a result of its dual status, the HUBZone/SDB SBC becomes the apparent successful offeror. Although the SDB concern's offer is lower than the

(\* Indicates the apparent successful offeror)

HUBZone/SDB concern's offer, a non-HUBzone SBC cannot benefit from the application of the HUBZone PEP.

These examples are not all inclusive. If there is a specific situation that is not addressed in this notice, questions may be directed to the HUBZone Program office at (202) 205-8885 or via e-mail at [hubzone@sba.gov](mailto:hubzone@sba.gov).

This notice is effective immediately. Any questions pertaining to the notice may be addressed to Teresa Artis, Office of Policy, Planning, and Liaison on (202) 619-1624 or via e-mail at [teresa.artis@sba.gov](mailto:teresa.artis@sba.gov).

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(\* Indicates the apparent successful offeror)