



**BALTIMORE
HOUSING**

CATHERINE PUGH
Mayor

MICHAEL BRAVERMAN
Acting Executive Director, HABC
Acting Commissioner, HCD

MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Michael Braverman, Acting Commissioner

Date: April 10, 2017

Re: **City Council Bill 17-0008R - Investigative Hearing - Late Payments to Subcontractors on City Contracts**

The Department of Housing and Community Development (HCD) has reviewed City Council Bill 17-0008R, for the purpose of calling on representatives from the Finance Department, the Office of Civil Rights and Wage Enforcement, the Minority and Women's Business Opportunity Office, and the Departments of Public Works, General Services, and Transportation to appear before the City Council to discuss problems with late payments to subcontractors on City contracts, and what steps the City can take to ensure that these problems do not endanger the ability and willingness of subcontractors to work on City projects.

HCD considers timely payments to our contractors important for establishing and continuing a strong relationship with those entities and monitors payments to contractors on a monthly basis to ensure they are processed within 30 days or less. On a monthly basis, HCD processes approximately 1000 payments to vendors. To assist with timely processing of these requests, HCD has moved from paper processing of construction contracts to an electronic process which provides for analyzing the timing of payments and accountability of personnel responsible for payment approval. During the course of a project the Department's project staff members are responsible for ensuring that contractors are completing the work according to the contract. Often, there are written requirements that must be completed in their entirety, before payments are released as in the case of Demolition.

Demolition contracts require that once the building has been demolished, the contractors are not entitled to be paid in full until the lot is completely cleared, grass seed has been applied and the final inspection has been completed. If the demolition requires a stabilization wall to be constructed, the contractor is not paid until the wall has been completed and the final inspection has been accomplished. The time between the actual demolition and final lot preparation or wall construction and the final inspection is at times months. However, this payment process is stated in the contract and once the final inspection has been completed the payments are processed within 30 days or less.



HCD has a strong subcontractor payment history and will continue to work towards maintaining this standard and are always exploring ideas for improved customer services wherever possible.

The Department of Housing and Community Development looks forward to participating in the Investigative Hearing on April 27, 2017 to answer any questions about our payment history to subcontractors.

MB:sd

cc: Ms. Karen Stokes, *Mayor's Office of Government Relations*
Mr. Kyron Banks, *Mayor's Office of Government Relations*