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**CITY COUNCIL APPROVES MEASURE TO ALLEVIATE FINANCIAL BURDEN
ON CONSTRUCTION SUBCONTRACTORS**

Eliminates practice of taking retainage from contractors on certain construction projects

City Council today approved an ordinance introduced by Mayor Rahm Emanuel and Alderman Carrie Austin that amends the Municipal Code to relieve a financial burden placed on subcontractors based on a common practice in many construction projects.

"Over the past few years, we've made reforms to ensure small, minority and women-owned businesses can compete and win City contracts," said Mayor Emanuel. "This change complements that effort and is designed to help small firms thrive by eliminating an onerous practice that can have a significant negative impact on these businesses."

Retainage is a portion of the contract price that may be withheld until work is substantially complete to assure that the contractor or subcontractor will satisfy their obligations. Currently, the City takes retainage from prime contractors, who are permitted to take retainage from their subcontractors. However, many subcontractors are smaller firms, so this practice often causes a substantial financial burden.

"Receiving feedback from our local small business community is crucial to our operations," said Chief Procurement Officer Jamie L. Rhee. "This change will allow us to alleviate the burden on subcontractors by eliminating retainage withheld from primes."

Going forward, the City will no longer take retainage from prime contractors on most City contracts, and will include a provision in these contracts that prohibits prime contractors from taking retainage from subcontractors.

Because damages are often taken out of retainage, the City would maintain vendor accountability by continuing to monitor and enforce EEO, CRO, and MBE/WBE obligations. Primes that are assessed damages in those areas or who fail to perform can be subject to a finding of non-responsibility, prohibiting them from bidding in the future.

In addition to helping subcontractors, the elimination will also streamline City operations, as City employees will no longer need to track and manage retainage payments.

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