



CITY OF HOUSTON
Legal Department

Interoffice
Correspondence

To: City Council and Controller
via Marty Stein, Agenda Director

From: Annise D. Parker
Mayor

Date: April 21, 2010

Subject: RFP for Delinquent Tax Collection
Contract

The Administration, through the Legal Department, is in the process of reviewing and assessing proposals for delinquent tax collection services to recommend that Council approve a contract. You are undoubtedly aware of this process from communications by the two firms that submitted proposals and others on their behalf.

Since July 1, 2005, the City has been operating under a contract with the law firm of Linebarger, Goggan, Blair & Sampson (Linebarger) for the collection of delinquent ad valorem taxes. The contract will expire by its own terms on June 30, 2010.

Drafting the RFP

The City Attorney sought input from firms that had expressed an interest in the contract. Two firms had done so, both local, and in September 2009, the City met with representatives of Linebarger and Greenberg Traurig/Perdue, Brandon, Fielder, Collins & Mott (GT/Perdue) to discuss the scope of delinquent tax collection services and solicit input. The City also provided documents and information requested about these collection services in the past. The City circulated a draft RFP and proposed contract to both Linebarger and GT/Perdue for comments in February 2010. A second draft of both documents was circulated in March.

The RFP Process:

On March 29 the City issued a Request for Proposal. It posted the RFP on the SPD website. Additionally, it posted the request on the Legal Department website. As a courtesy, it also informed the two firms that had indicated interest in such a contract of the RFP. This process fully complies with the law. Proposals were due on April 14, 2010, and only the two law firms/joint ventures identified above had submitted proposals. Proposals were submitted to Sameera Mahendru, an attorney in the Legal Department and will be reviewed by: The City Attorney; Susan Taylor, Deputy City Attorney; Lan Nguyen, Assistant City Attorney and Sameera Mahendru, Assistant City Attorney. Sylvia Shaw, a representative from the Finance Department will also review the proposals. The City Attorney will ask the Administration to seek Council action before the end of May to allow for a transition period, if necessary. The new contract will go into effect on July 1.

The RFP and Contract Terms

In addition to specific requests, the RFP includes a proposed contract. The term of the new contract would be July 1, 2010 until June 30, 2013, with three one year renewal options

exercisable by the City. The proposed new contract also provides additional services to the City at no additional cost. Both the existing contract and the proposed new contract call for the City to impose an additional 20% penalty on delinquent tax accounts as funding for the contract, a procedure authorized under Sections 33.07, 33.08 and 33.11 of the Texas Tax Code. The rationale behind these statutory provisions is that the cost of a delinquent tax collection program should be borne by delinquent taxpayers, not by citizens who pay their taxes on time.

The basic obligation of a law firm under the new contract is to collect delinquent property taxes, either by demand letter, lawsuit, or other means. The new contract would provide the following additional services at no cost to the City:

1. Making a claim for all existing recorded City liens in all delinquent tax suits, such as demolition, paving, and weed cutting liens;
2. Providing a collection service, outside of a law suit, for all City health and safety liens, such as weed cutting and demolition liens;
3. Providing administrative services for the collection of the above liens, which administrative services would otherwise be performed by the Department of Finance;
4. Assisting with the City's Land Assemblage Redevelopment Project or "LARA" Project and Project "Houston Hope" and providing all legal services necessary to obtain properties for LARA, including the foreclosure on certain tax delinquent properties each year of the contract, if such properties are so designated by the City and the other participating local governments;
5. Ensuring that any property ultimately conveyed to LARA will have insurable title;
6. Attending meetings as requested by the City throughout the duration of the "LARA" Project and Project "Houston Hope";
7. Providing title reports upon request from the City on properties having dangerous buildings and owing delinquent taxes; and
8. Making all title work purchased or prepared by the firm relating to City tax accounts available to the City at no additional charge.

The selected firm also will provide other legal services, not included in the contract, as requested by the City Attorney, conditioned upon the City's notice of a supplemental allocation. The MWBE participation goal for this contract is 24 percent.

There will be adequate time to discuss the Administration's proposal and process after it is placed on the agenda. I ask that you refrain from contacting City employees on this topic and to refrain from having any contact with the two firms involved until it is on the agenda. The Legal Department has asked the two law firms to refrain from contacting City officials and employees, directly or indirectly, until this matter has been placed on the agenda in order that we may maintain complete integrity in the process. Thank you for your cooperation in this important process.