



Expanding Your Horizons

Launching new, out-of-state satellite offices requires careful planning. Find out what your firm needs to know.



ERIN BRERETON
Owner, Chicago Journalist Media

Fourteen-attorney firm Griesing Law has expanded its Philadelphia headquarters three times since opening in January 2010 — moving from an 800-square-foot office to a new 4,000-square-foot address, then to a 9,000-square-foot office in the same building.

So the firm, which branched out to New York in 2016, knew that when it decided to open a new location in Cincinnati earlier this year, the space it procured had to allow for growth.

“Opening satellite offices when you’re not acquiring another firm, you’re trying to build growth organically,” says Griesing Chief Operating Officer Jessica Mazzeo, an ALA member. “We took what we needed for now and have a short-term, two-year lease that allows flexibility about when we can add space.”

Because firms often don’t know what business will be like years from now when entering a new market, many try to negotiate an agreement that’s three to five years or less, according to Tiffany Winne, Executive Vice President and Branch Manager at commercial real estate firm Savills Studley.

“When a major law firm is opening up a new office in a city where it doesn’t have a presence, it’s trying to make bets about real estate from a risk mitigation perspective,” Winne says. “You don’t want it to take too much capital if it’s a pilot or experiment.”

“The process of securing space and negotiating flexible terms is not a quick one. So it’s better to kick the tires and start evaluating what your options look like as soon as possible — that’s time you can’t make up.”

Office square footage is just one element law firms need to consider when opening a new location in another state. Failing to address a number of other important aspects — ranging from local fees to the time it takes to set up utilities — can potentially cause delays that end up costing the firm a considerable amount of both time and money.

If you’re contemplating opening a satellite office outside of the state or region your firm is currently located in, the following suggestions may help prevent any unwanted — and potentially problematic — surprises.

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Land the right lease. Although subleases sometimes seem to make sense to firms because they’re typically shorter and less expensive, there are some advantages to having a direct lease relationship with a landlord, according to Winne.

Winne recently worked with a large firm opening an office in Los Angeles that initially considered subleasing, but ultimately decided to do a three-year direct lease. This proved beneficial a year and a half later when its new space was full. The landlord tore up the lease, and the firm was able to obtain larger space elsewhere in the landlord’s portfolio.

“If the firm had subleased, it wouldn’t have been able to get more space unless it moved and sub-subleased, which can be difficult,” Winne says. “You remain financially on the hook for the subtenant’s risk, and if issues come up, you have to take it to the company you subleased from, who has to take it elsewhere to get it dealt with.”

Investigate additional expenses. Many firms underestimate the cost of various office improvements, which can be

expensive, according to Luke Raimondo, Savills Studley Corporate Managing Director.

“I’ve seen costs between \$25–\$30 a foot on furniture; AV can be \$5–\$10 more a foot,” Raimondo says. “Those are costs some firms seem to underestimate. They’re not on the surface, so they can be missed initially.”

Allow ample setup time. Some items are fairly easy to purchase, but installation can cause major delays, according to ALA member Paul Boken, Chief Operating Officer at 23-location law firm Dinsmore & Shohl, which opened Washington, D.C., Philadelphia and San Diego offices in the past six years.

“Usually, technological equipment has a short lead time — you can get a new copier in a week or two,” Boken says. “The response times and responsiveness of telecommunications companies varies, and it always takes longer than everyone expects.”

If you find you haven’t allowed enough time to get phones set up before the office opens, you may be able to temporarily work around the issue.

“My IT department would never recommend this — it’s not as secure as a line from a phone company — but you can put a wireless node in an office, like turning a cell phone into a wireless hotspot, and use it to get up and running,” Boken says. If you are put in this situation, make sure you work with your IT department to ensure data is as protected as possible.

Order desks and other large items as early as possible. “Furniture can have a four- to six-week or longer lead time,” Boken says. “Other times, you may have an unexpected situation — the office doorframe can’t be installed until the Houston plant that stopped doing anything after [Hurricane] Harvey gets production back in line.”

Confirm local fees. Firms may need to pay regional taxes when they enter new areas.

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“Usually you have to register with the city, sometimes with the state; certainly, if it’s a new state, you’re going to be filing taxes in that state,” Boken says. “In New York, there’s a tax if you’re renting [a certain amount’s worth of commercial space]; some [costs] are obvious, some are less obvious.”

If online resources don’t offer enough information, he recommends reaching out for advice.

“Talk to another local firm in the city; I’d call my accountant to see what they know,” Boken says. “You typically find you need to do a little research to understand what the rules may be.”

Insist on systems training. Dinsmore has found a formal integration can help new firm members who work in satellite offices become familiar with its processes.

“Their preference might be to use the system they’ve always used,” Boken says. “We need them to use our document management system, as opposed to, for example, using the network drive to store data and documents.”

New Griesing hires come to the firm’s Philadelphia headquarters for training and orientation.

“It gives them tons of resources to take back to new offices,” Mazzeo says. “[And] once or twice a week for the first two months, we check in for over an hour, making sure they’re up and running and don’t have any questions.”

GROWING PAINS

In recent years, some firms have intensified the resignation period requirements included in partnership agreements, according to Law360. Some have reportedly enforced pre-existing requirements more strictly.

In 2010, Chicago law firm Wildman Harrold required six partners who were leaving for another firm to remain on board as part of a provision that they give 90 days’ notice, according to the *Chicago Tribune*.

In 2014, international firm Squire Sanders (which has since gone through a merger and name change) required four

health care partners who were moving to another firm to remain for 60 days, according to Law360, which noted the move was a relatively rare occurrence in BigLaw.

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The resulting uncertainty, coupled with fears an attorney may renege on plans to join the partnership, can be problematic for firms trying to expand to accommodate a new hire.

“The challenge is you need to open an office but don’t know the exact date people are coming,” Boken says. “Until they’ve made a commitment to you, it’s really difficult to sign for space.”

That said, to position the firm to be able to act quickly if and when it needs to, Raimondo recommends doing as much groundwork as possible after talks to hire a rainmaker begin.

“Make sure the partner is absolutely coming on board before making a financial commitment to some space, but do your due diligence early on, even if you don’t know for sure if it will happen, just so you’re not behind the eight ball if it does,” he says. “The process of securing space and negotiating flexible terms is not a quick one. So it’s better to kick the tires and start evaluating what your options look like as soon as possible — that’s time you can’t make up.” ■

ABOUT THE AUTHOR

Erin Brereton is a legal industry marketing consultant and freelance journalist who has written about the legal industry, finance, business and other topics for more than 50 legal associations, magazines, websites and other publications.

 breretonerin@gmail.com

 twitter.com/erbrer09

 www.chicagojournalist.com