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LAW FIRM BUSINESS

Regional firm capitalizes on deep local roots

Rutan & Tucker plans to expand while remaining true to local ties

By Alexandra Schwappach
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Six months into his new position as managing partner, Kim D. Thompson of Costa Mesa-based Rutan & Tucker LLP is tasked with two objectives: retain his law firm's deep roots in the Orange County legal community and meet current and future challenges head-on.

Half a year into the job, Thompson takes an optimistic view of the legal market and his law firm's place in it.

"To a certain degree, we're seeing a little bit of a shift to regional firms like ours," Thompson said. "That's a niche that we believe we can take advantage of."

Since his March 1 promotion, Thompson has been partner in the firm's real estate department, where he advises clients in commercial real estate transactions. His work includes the acquisition, leasing, development and sale of shopping centers, office buildings, residential developments, industrial buildings and commercial ground leases.

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Layne H. Melzer, one of the three partners on the firm's executive committee and one who has worked with Thompson since he began practicing law in 1987, said Thompson's strong management skills and head for diplomacy will make him a success at Rutan.

"He has everyone's respect, and he's calm under fire," Melzer said. "And that is important if you are going to be successful in this business. It's a challenging time right now, and you have to be forward thinking. If you're not attuned to that, you can be caught on your heels. Thompson will help protect our reputation for having excellent lawyers."

Thompson calls real estate a "relationship industry," which has helped his firm's practice in that area remain steady.



Rutan & Tucker managing partner Kim D. Thompson.

Alexandra Schwappach / Daily Journal

Peter D. Zeughauser, Newport Beach-based legal consultant at Zeughauser Group, said real estate is a strengthening market that will tighten up over time, leaving firms like Rutan & Tucker in favorable positions.

"It's advantageous to them, because they know the local players, and the local players know them," Zeughauser said. Real estate remains a key component of the Orange County economy, he said.

Rutan's long-standing community presence makes it trustworthy for an increasingly more sophisticated client base: Clients are more likely to hire different firms for different kinds of work based on market rates, Zeughauser said.

"Growing and enhancing practice areas, choosing what areas seem the most beneficial to build — most firms struggle with that," Zeughauser said of the current legal market. "Lead with your strongest suits."

Under Thompson's leadership, that's just what Rutan plans to continue doing. It hopes to grow its real estate, public law and litigation practices into the Sacramento area sometime in the next one to two years. Thompson said many real estate clients are active in Sacramento and that it would be beneficial to have "boots on the ground" there.

Rutan, long a staple of Orange County's legal market, was recently ranked No. 38 on California Lawyer Magazine's list of the largest law firms in the state for 2012 based on the number of attorneys in the firm. At the time of the survey, Rutan had a total of 144 attorneys practicing in its Costa Mesa and Palo Alto offices.

"We have a very robust real estate [practice] along with the government and regulatory law practice here [in Costa Mesa]," Thompson said. "It has made up the core of this firm going way back."

What Thompson said he doesn't think would benefit the firm is merging with a larger, national firm. He sees several issues with a national merger, such as a "harsher" billing structure. Over the past decade, Thompson said Rutan & Tucker has been able to pick up a lot of clients that just couldn't afford the billing rates of national law firms.

"A lot of Orange County clients don't want to pay \$1,000 an hour for a real estate attorney," he said.

Thompson also said he expects Rutan's billing rates to increase moderately and relative to the market when the firm revisits its billing structure next year. He declined to comment on its current billing structure.

But the firm is not without challenges. Legislation passed last year essentially put a stop to any new community real estate developments by shutting down redevelopment agencies statewide. The state Supreme Court upheld the legislation and allowed the state to funnel \$1.7 billion in redevelopment funds into its general fund.

Jeffrey M. Oderman, partner in the firm's Government and Regulatory Law Section, said the dissolution of redevelopment agencies has presented a challenge to Rutan attorneys who represented those agencies.

"The [legislation] eliminated a considerable amount of activity for those of us who formerly represented those agencies," he said. "Transitioning the activities that these successor agencies — former redevelopment agencies — had in place is what is keeping our attorneys busy."

As a result of the dissolution, many cities have been left without the funds they lent to their redevelopment agencies as seed money for certain projects. Except for loan agreements made in the agency's first two years, the legislation does not recognize such loans to be enforceable obligations.

"It's a huge source of concern on the part of the local government," he said. Rutan attorneys are busy with clients trying to find out if those loans will be paid back and under what circumstances.

The amount currently in controversy for one city, the name of which Oderman declined to mention, is more than \$60 million. And that amount is by no means the largest, he said. The state also prohibited successor agencies from using the proceeds of bonds they issued before the redevelopment agency shutdown, freezing millions of dollars, in the case of some clients, Oderman said.

"Our attorneys are involved in all of those activities, and rather than spending our time helping redevelopment agencies create new projects for the community, we are engaged in this kind of trench warfare with the bureaucrats in Sacramento who are trying to pull out this local money to help the state cover its budget deficit," he said.

Thompson agrees that helping cities deal with that void has been a challenge, but not the worst-case scenario.

"The aftermath isn't necessarily the dol-

drums," he said. "It's just a lot of work and a lot of chaos."

As Rutan's partners get older and reach retirement age, the firm will face a different challenge: retaining its clients. Thompson said Rutan will need to find ways to comfortably transition them to new attorneys. Legal recruiter Gregg Ziskind of Ziskind Greene & Shea, a lawyer placement group in Los Angeles, says that same trend is prevalent in all personal service businesses. Law firms that are successful in the transitions are usually the ones who have prepared for it, Ziskind said.

"It behooves law firms to have a transition plan in place that's been vetted with the partners, well thought through, and consistently well-executed," he said. "That way, the firm can deal with the issue long before the retirement of the senior lawyer is imminent."

As for Thompson, he said that while the firm always looks at ways to grow into other markets, its primary focus continues to be its current client base.

"Keeping the clients that we have happy and maintaining their relationship is the most important thing to us right now."