New York Law Journal

Hofheimer Gartlir Closes After 135-Year Run

Christine Simmons, New York Law Journal

June 30, 2014

A Manhattan law firm with roots dating back to the 19th century will close its doors after merger talks sputtered, partners were pulled in different career directions and the firm faced economic pressures.

Partners in the 24-attorney Hofheimer Gartlir & Gross voted May 31 to dissolve the general practice firm and close by Aug. 31, said managing partner Gerald Morganstern. The 135-year-old firm, known for its real estate transactional work, has counted M&T Bank, E*Trade Financial Corp., Dollar Tree and the late real estate developer Aaron Diamond among its clients.

Morganstern said some of Hofheimer's lawyers are retiring, some are heading to Romer Debbas or Schnader Harrison Segal & Lewis, and others have not yet decided their next step. Morganstern, 71, who arrived at Hofheimer in 1967 after law school, is joining Goetz Fitzpatrick as a partner.

The firm traces its roots to 1879, when it was founded by Henry Morgenthau Sr. and two partners. Morgenthau went on to become U.S. ambassador to the Ottoman Empire. His son, Henry Morgenthau Jr., was treasury secretary under President Franklin D. Roosevelt; and his grandson, Robert Morgenthau, became U.S. Attorney for the Southern District and held the post of Manhattan District Attorney for 35 years.

By 1906, Henry Morgenthau and other partners had departed, leaving behind then-associate Henry Hofheimer. Named partner Bernard Gartlir died last year and Norman Gross retired about a decade ago.

The pressures faced by Hofheimer Gartlir are common to small firms in this economy.

Before voting to dissolve, the firm's 13 partners spent about a year exploring mergers with other firms. But talks failed because of clashing cultures or the desire by the other firms to "cherry pick" Hofheimer lawyers, which Morganstern said was not acceptable at that time.

With a merger not happening, the partners' individual decisions took them in different directions, Morganstern said. For instance, one decided to work at a national law firm to bolster his practice, another planned to go in-house to a client's legal department, one wanted to join a litigation firm and another planned to retire.

"Everybody had different ideas of where they wanted to be in five years," Morganstern said. "And when we talked about it, the answer was, 'Why are we waiting five years to do what we wanted to do?' You can't keep on losing important partners when you don't have that many."

When lawyers start talking about leaving a small firm, "it has a significant impact," he said. "It really affects the bottom line."

Finances were a concern. Rent became "a big burden" when the office was not going to be fully occupied, Morganstern said. The firm, which signed its office lease at 530 Fifth Ave. in early 2008, didn't benefit from reduced post-recession commercial rental rates and will surrender that lease, he said.

The pressure on firms of all sizes to reduce billing rates also took its toll. "It's been a push from clients to keep rates down," Morganstern said, noting the hourly billing rates for partners, in the low $500s, were lower than large firms.

Morganstern said Hofheimer's clients are loyal and have built up relationships with individual attorneys, who will be taking most of that work to their new firms. "Unlike a lot of firms, we don't have the typical pyramid with a lot of associates and a couple equity partners," he said.

"We have clients who are often high net-worth individuals" who want to know their attorneys are personally involved, he said. "I think that's harder and harder to do when at the same time, you're worried about what you can charge," he said.

Hofheimer's practice includes commercial leasing, co-op and condo offerings and representing lenders in mortgage financing and re-financing. The firm represented Diamond in affordable housing developments on Roosevelt Island and in the Rockaways. More recently, it represented United Cerebral Palsy in its $135 million sale of its headquarters in Gramercy Park.

The firm also handled commercial and real estate litigation as well as trusts and estates matters.

Morganstern said he was upset about the closing. "I thought it would go on forever," he said.

It is not uncommon for law firms with fewer than 50 lawyers to break up, said Ed Poll, a law firm consultant. Speaking generally, he said small firms face more pressures when office leases expire and when partners seek an "exit strategy" or a mid-career move. In addition, attorneys in small firms often see themselves as de facto solo practitioners whose clients are less likely to pay for multiple attorneys and more likely to stay with an attorney who moves to a new firm.

Craig Weiner, a former Hofheimer partner who recently joined Robins, Kaplan, Miller & Ciresi, said Hofheimer had high-quality lawyers, but he left for a broader platform, noting the legal market has become much more competitive in recent years. "A lot of traditional services are getting outsourced," he said.

Sharon Zimmer, a Hofheimer partner who will join seven-attorney Romer Debbas with several other partners and paralegals, has been at Hofheimer for more than 40 years. "It's been home, not just a law firm," she said.

"People come to smaller firms because they expect lower billing rates, and as a partner in a smaller firm, we are much more effective and efficient," she continued. "Yet by getting lower fees, that doesn't mean our rent is any lower. The pressure ends up on both ends."

But Zimmer said she has no desire to work at a large firm. At a smaller firm, "you don't make [large firm] money, but you have the life," she said, noting that at Hofheimer, she could still meet her family in the evening for dinner. "That's the choice I'd make any day."

@|Christine Simmons can be reached at csimmons@alm.com. Twitter: @chlsimmons.
