



TALKING WITH STEVE MONROE

RECESSIONARY COUNSEL

BY JACK GARSON

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When Jack Garson attended the first meeting of state Comptroller Peter V.R. Franchot's business advisory council Monday in Annapolis, he was impressed with the turnout.

"There were people from banking, retail, manufacturing, professional services, a good cross-section of businesses. You could tell Peter did his homework and did a good job in getting people to come out," said Garson, founder and principal of Bethesda law firm, Garson Law LLC.

"The common theme was there are a few bright spots out there, but there's an awful lot of pain. A lady from a food distribution company was there, who said her sales were way down across the state that restaurants were doing terrible closing down and cutting back."

Garson, who has made a niche for himself as a strategic adviser to businesses over the years as well as providing legal guidance, was selected for the Maryland Comptroller's Business Council, among other business leaders around the state, to provide Franchot (D) with input as he oversees the state's finances. Garson was also recently named to an economic advisory council organized by Montgomery Council Executive Isiah Leggett (D).

His experience includes negotiating thousands of commercial transactions worth many millions of dollars, from the purchase and sale of multimillion-dollar businesses to the structuring of complex construction contracts and the sale and leasing of commercial properties throughout the country.

On Leggett's stimulus bill for county businesses, which includes regulatory, permitting and taxation measures, Garson, 48, who grew up and lives in Montgomery County, has his own thoughts.

"I would have liked to have seen something more aggressive," Garson said of the proposal, now working its way through the county council. "I think there's been some frustration in the business community that, from what's been coming out of the council, there's a perception of an anti-business mood, that a lot of taxation [on businesses] is being considered as a solution and the perception many times is that business is at best a means to an end, as opposed to something that needs to be supported."

The Business Gazette talked to Garson recently about his law firm, which represents all types and sizes of businesses, including Clark Construction, BAE Systems and the Peterson Cos., and his advisory role for businesses and now county and state governments.

When we talked a while back about an earlier version of President Obama's stimulus bill, you said it could have used more for construction and infrastructure programs. What do you think about the final version?

Well, they did put some more of that back in the final bill, and I think there are some good things in doing that we have deferred maintenance on infrastructure that we need to spend money on, it's very important, and it creates jobs. Other things in the bill, I don't think it needed.

The credit for new homebuyers I don't think we've been suffering from problems of people not being able to buy houses; the problem is that it's been too easy to buy a house. And we've had plenty of tax cuts the last eight years, so I don't think those are going to get us out of this problem. I think there could be more put in it to make it more meaningful, to make more jobs, and hopefully we'll see that.

On being pro-business, you think the state can do more?

A lot of people have the tendency to look at business as the enemy. I think Maryland needs to be more pro-business both in appearance and in reality. We need to find ways, without giving up the discipline our government has shown in tackling severe budget problems whether it's expedited permits or other things. There are people who can't get a permit, to build out space in a building, for eight months and if it were quicker, they could put a business in quicker and they'd be paying taxes quicker.

Which clients of yours have had the most trouble in the recession?

The first ones to get hit were the mortgage people they got decimated. People who were mortgage brokers, people who did closings, title searches, the whole area that was centered around financing and refinancing residential purchases. And we don't do residential work, but we represent people who did residential work.

For example, the mortgage industry is governed by a lot of complex regulations like RESPA, the Real Estate Settlement Procedures Act, with laws that regulate your ability to get kickbacks and referral fees very controversial. But there are ways to set up certain types of joint ventures that are legally compliant if you follow the right regulations. So [clients] come to us and ask us, "What's legal? What's not legal? And tell us how to make it work." So we would guide people in those areas.

So the entire refi market and ability to get a loan plunged many of them first tried shrinking their companies, and then the luckiest ones were acquired by other companies. And then once people couldn't get their loans, people in the home construction industry got hit that took in surveyors, your architects, construction companies, the people selling the land, the people doing the permits for the

land. Architects who you had to have an appointment with to have a phone call, were all of a sudden finding their projects just falling out of their calendar.

What's the outlook now what are you advising clients?

Real estate people are in pure survival mode. If you're a homebuilder, for example, you have to restructure your obligations and your overhead so you can survive. Their sales are very slow if they've got a lot of contracts on land, they should liquidate those and take their losses. Because if they're carrying a lot of land it's going to drag them under. They unfortunately need to get their staff down to a level so it's a skeleton crew and look for opportunities to make money where they can but they just have to go into survival mode, that's the reality for them.

What about people doing affordable housing projects or units? Are they doing better?

Not really, regarding moderately priced and work-force housing, because most of those are incorporated into larger projects and they are subsidized by the larger project, so unless the larger project will work, they won't work.

There are some niche products there are some people doing micro-housing right now, really small housing units apartments or condos of 300 square feet or very small houses so maybe if you're in that niche We have a client thinking of building an entire building filled with small one-bedroom apartments that would be great for either singles or a startup couple would be very affordable, would be near Metro that could be some of the wave of the future.

You have green building clients, and you mentioned the ESPC program. What's ESPC?

An energy savings performance contract. We're helping a client do that. That's a program, and I think it will get some [momentum] from the stimulus bill, where a private party, a contractor, can go to a government facility and say we can make you more energy-efficient, we'll pay for the energy-efficiency measures and you will pay us out of the savings you make for paying for less for utilities.

So let's say you have an old building and have a bunch of old toilets, 2 gallons per flush, and you can go to 0.9 gallons per flush. You could say, "We'll replace all the toilets here and you're going to save a ton of money on water and it's going to cost us \$3 million for all the new toilets and all the work but you're going to save \$10 million over the next 10 years, so we want you to give us \$8 million of the \$10 million. So you're going to save money, have a more environmentally friendly building and we're going to get back our \$3 million, plus profit, plus the interest we had to pay on the loan to borrow the money to do the work."

So [contractors] go to buildings and put in new thermostats, new light bulbs, new toilets, more energy-efficient air conditioning and heating systems. And so it is a great government program because it doesn't cost the government anything, all the risk is borne by the contractor.

For a builder, though, doesn't green building cost more?

In some ways more, in some less if you're building something that's energy-efficient upfront it may be more going in, but in the long run you are going to save more. In some cases they say you should use bamboo flooring materials because it's less expensive than hardwoods. Because bamboo is plentiful, it grows rapidly, it's replenishable quickly. So you can cut down a forest of bamboo and it will regrow in a couple of years, whereas if you cut down a forest of mahogany, it might take a hundred years to grow back.

You said your dad was a scientist, but you knew early on you wanted to be a lawyer?

Yes, as a kid I wanted to be a writer because I loved comic books, then all kinds of books. I loved reading everything. But at a very young age I realized that there were a lot of starving artists, and so at 13 I decided I wanted to be a lawyer. And then I think it was, probably, that I was that talkative, argumentative kid who people said, "You'd be a good lawyer" [laughs].

After you started your own firm, how did the advisory niche start?

It was mostly regular clients who just asked for advice. It started with them asking me, "Should we acquire this company? Get out of this business line?" things like that. "What should our compensation structure be for our salespeople?" So I help with business plans, hiring, strategic decision-making.

And I help them with life goals. Do they want to turn this into a lifestyle company that is going to be a business for them and when they retire it goes away? Or are they going to build it into something that someone would want to buy it from them? At the present time I'm interviewing [prospective] employees for companies, for their executive employees.

And it led to the book that I'm writing because I always say to people, and I don't know if this is appropriate for a tape, but doctors get to see the naked people; lawyers get to see the secrets people have and I have seen all of the things that work and don't work in business and it has helped me to discover the rules of success and failure in business, how you grow a business and how you sell it successfully.

What is your firm's revenue?

Typically each attorney in a law firm bills between \$300,000 and \$500,000 per year. Large downtown firms will bring in more; smaller suburban firms less. Our revenue is confidential, but we certainly fall into that range.

Jack Garson

- Position: Founder and principal of Garson Law LLC, a Bethesda business, development and litigation law firm. Legal adviser for numerous local and national companies in both specific areas of the law and strategy regarding legal and business matters, and as a strategic adviser and negotiator for many clients. The firm, with 11 lawyers, provides legal guidance in areas including business, commercial real estate and development, construction and employment law, and has a lobbying group.
- Previous position: Chairman, real estate department, Rockville law firm Stein, Sperling, Bennett, De Jong, Driscoll & Greenfeig.
- Education: Bachelor's in English and economics, University of Maryland; law degree, National Law Center, George Washington University.
- Residence: Potomac.
- Family: Wife, Marcy Lynn Garson.
- Councils and boards: Maryland Comptroller's Business Council; Montgomery
- County Economic Advisory Council; Metropolitan Washington Airports Authority Board of Directors.
- Professional organizations: American Bar Association, Maryland Bar Association, District of Columbia Bar Association; member, inaugural class of Leadership Montgomery, 1991.
- Publications: Articles for the Urban Institute's Multifamily Trends, Washington Business Journal, and Baltimore Business Journal; first book, "How to Build the \$100 Million Business and Sell It!" to be published by St. Martin's Press, New York City, early 2010.
- Hobbies: Reading, writing, weightlifting, running.

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