BILL MITCHELL

Fostering Relationships for Developers and Lenders

by **Keith D. Picher**

William J. Mitchell, a founding member of **Meltzer, Purtill & Stelle LLC** who anchors its Chicago office, may be best known for assembling teams of commercial real estate developers, contractors, lenders, and even lawyers. Mitchell's experiences in tax increment financing and transit-oriented development, for instance, have helped to re-energize Chicago neighborhoods and changed the face of many Chicago suburbs.

But like many real estate lawyers, Mitchell's practice has changed lately. His recent work has come full circle to a point earlier in his career that was colored by the savings and loan crisis. Traditional secured real estate lending transactions account for only 10 percent of his practice now, with the other 90 percent split evenly between lender-side and developer-side workouts that involve remedies litigation and bankruptcy.

According to one client who has crossed disciplines from banking into development, Mitchell's entrepreneurial spirit stands out.

"Bill just has a different focus and a different knack than the other lawyers I've done business with," says James Chittaro, president and manager of Naperville-based J. Lawrence Homes. "He thinks more like an entrepreneur or a banker, as if he is dealing with his own money."

Chittaro met Mitchell about 15 years ago when the two engaged in lending and workouts that involved Cole Taylor Bank. "With his wealth of knowledge, Bill acted as a mentor to me in some ways when I was a young banker," Chittaro says, "showing me how to think about transactions."

Mitchell says the year he spent between college and law school managing a retail florist helped him learn and grow while honing his entrepreneurial skills. The company had just opened a new shop in North Arlington Heights, and Mitchell quickly found himself running nearly everything. "When I went to law school, I was a little more careful about my dollars," Mitchell says, "and I worked a little harder than I might have otherwise."

After John Purtill and Roger Stelle hired Mitchell as a summer associate, Brian Meltzer became his mentor at what then was the Schaumburg office of Keck, Mahin & Cate. Although Mitchell originally was assigned to litigation, Meltzer needed his assistance in the late '80s doing construction lending work for transactions involving savings and loans. Mitchell handled loan documents for both savings and loans and developers, who were borrowing mostly from those institutions.

Mitchell consciously chose to work at the firm's Schaumburg office not only because it was near his Arlington Heights home, but also because he sensed opportunities in the flourishing community. Those instincts proved true as his early work blossomed into more advanced lending work. Eventually, Mitchell dealt with troubled credits and matters involving the Resolution Trust Corporation when it took control of failed thrifts.

His firm began working with a new crop of developers with backgrounds in the trades, accounting, or finance. The developers would pick off the assets of failed lenders to start homebuilding and commercial loan companies.

"The difference then," Mitchell explains, "was that there was still demand for homes and you could actually turn over these types of assets that nobody wants right now."

In January 1996, one year after Mitchell made partner at Keck, he "left" with Meltzer, Purtill, Stelle and fewer than a handful of associates to found the new firm. In reality, the new firm never moved and continued to do business in the Schaumburg office.

There were many challenges associated with leaving a large national firm, especially since the Schaumburg office had always been a net exporter of work to other lawyers and offices at Keck. The lack of support from various large legal departments forced the firm to pick up attorneys in the areas of litigation, tax, labor and bankruptcy over time.

It also forced Mitchell to become quite adept at assembling the lawyers and other professionals he needed to form efficient and profitable teams. As Mitchell recalls, "we had the luxury of having very talented lawyers in all aspects of law at our fingertips one day and were searching for help the next."

Jon Gilfillan, an executive vice president who manages the commercial real estate group at Midwest Bank in Melrose Bank, first met Mitchell in 1989 during a transaction that involved a different lender. When Gilfillan moved to LaSalle Bank in 1992, Mitchell reached out to him. They continued their relationship before and after Meltzer, Purtill & Stelle was created. Mitchell's team has now documented more than 60 transactions for Gilfillan.

Although Mitchell is a talented technician who intimately grasps client relations and commercial real estate, Gilfillan says their relationship goes far beyond just getting deals done.

"Bill sees business as a part of life, so from my perspective he does not really separate family and business," he says. Mitchell understands how to protect banks in loan transactions, Gilfillan adds, but he is pragmatic and never allows trivial matters to threaten a deal.

"I try to foster relationships among people, and sometimes that includes lawyers, to work the best synergy for clients and for everyone else involved," Mitchell says. He believes that adding value in that way has helped him build a successful practice and develop relationships with some of Chicago's finest real estate and lending professionals.

A Needed Chicago Office

The success of Mitchell's practice with Chicago clients led him to open the firm's second office at 300 S. Wacker Drive in March 2006.

With the Schaumburg space bursting at its seams, Meltzer, Purtill & Stelle had strategic reasons for wanting to expand into Chicago. Many of the firm's clients who had fled the city years earlier were returning. Having a location near the Loop also made it easier to recruit some needed talent.

Moving Mitchell and his group downtown made sense strategically. Most of Mitchell's business already was there. Even though he had always been able to work with his lending and developer clients from Schaumburg, space in Chicago simplified matters. The firm, which now has 22 attorneys, also had the chance to add four new attorneys to the office.

Mitchell enjoys working at a firm where the leadership trusts each other and gets along because they have been together for so many years. "I've never worked anywhere else since law school."

Mitchell says the size of his firm also helps attorneys take on responsibility early in their careers and more effectively develop entrepreneurial and other professional skills.

Though lawyers long have faced pressure to become entrepreneurs, Mitchell thinks that aspect of a career should not immediately overshadow everything else.

"It's great to generate business, but you still have to learn how to be a good lawyer," Mitchell says, "because all the marketing in the world won't help if you cannot do a quality job."

He regrets how quickly new lawyers become expendable at many firms nowadays if they are not quick studies who can prove their value very rapidly.

Developing Suburban Streets

Mitchell has had a hand in the development of everything from suburban homes to Chicago high-rises to golf courses in Illinois and other states. He was involved in acquiring the Golf Club of Illinois in Algonquin, Black Hawk Golf Club in St. Charles, and the Eaglebrook County Club in Geneva. He also helped acquire and develop courses in Arizona, New Mexico, and in downtown Las Vegas.

He may be better known, at least in the western suburbs of Chicago, for his work in tax increment financing (TIF) and transit-oriented development. At Keck, Mitchell worked with early pioneers of TIF legislation.

"I was fortunate enough to have guys who drafted the TIF legislation and developers and lenders who needed that expertise to do infill developments," Mitchell recalls. So he took his development and finance experience and became a TIF lawyer who helped develop retail and residential properties.

His first deal was at the corner of Harlem Avenue and Lake Street in River Forest at the end of the Chicago Transit Authority's elevated Green Line. The River Forest Town Center replaced a burned-out Wieboldt's and an office building. A second, more complex phase of the project followed. Mitchell became involved with another district—which included apparel, home goods, retail shops, and a restaurant—across Harlem Avenue near the Oak Park Metra station. Redevelopment continued east along Lake Street to a location at the intersection of Euclid Avenue.

Similar transit-related work followed in Arlington Heights, River Grove, Elmwood Park, Evanston, Chicago, and in assorted close-in suburbs.

During these and other projects, Mitchell represented commercial developers and lenders. Mitchell uses separate legal teams for lending and development, although a few people cross disciplines from time to time. "One reason I think we have earned so much business," he says, "is that we are seen as a firm that understands both sides of the equation and has to perform on both sides of the closing checklist."

Mitchell says his firm has represented most of the national lenders, though it has shied away from such engagements in recent years because increasingly it confronts too many conflicts. The firm continues to represent local and regional banks, which Mitchell says have extremely talented management and lenders who make credit decisions based on each matter, not on sweeping policies like many of the larger financial institutions.

A Threatening Real Estate Forecast

The housing market was beginning to struggle in 2006 when Mitchell performed a few workouts. Some nice, custom homes on decent property in outlying areas were the first to be hit. The crisis was obvious to everyone by September 2008 when Fannie Mae and Freddie Mac were thrown into conservatorship.

Aside from performing workouts and restructuring the financing of troubled real estate deals since then, Mitchell represents those who want to re-use troubled real estate. "A number of our clients are very successful now assisting lenders in securing and finishing troubled real estate assets that lenders are taking control of," he says.

Companies that are run well and happen to be in a strong cash position are surviving. Other well-managed companies that were absorbed by their inventory and mortgages have been less fortunate.

Mitchell is more skeptical than others in his field about the prospects of meaningful construction lending anytime soon.

"There's a lot of inventory especially in the city that needs to be absorbed before new projects will be built," he says, "and new projects won't be built anyway because no one will lend."

Mitchell predicts that only unique, quality construction projects that serve the needs of large groups of people will likely be approved over the next two years.

One concern Mitchell raises is that residential lots are being sold en masse now in some Illinois locales for less than the cost of acquiring the real estate—let alone entitling it, zoning it, and developing it into finished lots. In the corn fields of some outlying communities, he says, the inventory of lots selling for as little as $6,000 or $7,000 may be five years deep. The supply of entitled land that is raw and undeveloped may be 10 years deep.

"People have to have jobs to buy houses, and there have to be loans," Mitchell says, "but the loan programs won't be anything like the loan programs before, when anyone could get a loan for any reason."

Because banks continue to hold plenty of troubled assets, Mitchell is waiting for the other shoe to drop. He points to the commercial mortgages coming due on assets over the next five years that are not anywhere close to appraising out.

"There's no cash to put into them," he says, "because retailers are losing their shirts and closing up shop."

Mitchell believes apartments are somewhat better off, even though many projects are on the market at very attractive cap rates.

"People who take reasonable positions, invest good amounts of cash, have staying power, and have reasonable lenders who do not face too much external pressure may do OK," Mitchell says, though he is convinced the near future will be worse. "Cash is king in this market," he says.

Finding Law and Having Fun

Mitchell was born in Pittsburgh, lived in St. Louis, and moved at age 8 to Arlington Heights. Except for his undergraduate and law school years, he has remained there.

He first entertained the thought of law school at Saint Vincent College in Latrobe, Pennsylvania. Mitchell's father insisted that his children study liberal arts.

"I think that was his backhanded way of forcing us to get master's and doctoral degrees," Mitchell says with a grin, before relating how his intellectual-leaning parents returned to school in their 60s to earn degrees, appropriately, in gerontology.

Mitchell's father was a chemist and later was self-employed in the biomedical and chemistry fields. His mother was a successful real estate broker with her own brokerage. She even managed an apartment complex for a man who eventually became one of her son's clients.

Mitchell married his wife, Teri, immediately after college. "I went to law school and Teri took care of everything else," Mitchell recalls. They have been married for more than 25 years and have four children.

When Mitchell gets a break from what has become a slower market in real estate and banking, he enjoys just about any sport that is fast. Mitchell always looks for people he can bring with him to see the Chicago Blackhawks. He loved the sport as a youth and played in college before coaching for several years. Mitchell skis and plays golf with family, friends, and clients and also enjoys "relaxing" on motorcycles. ■