

# PAUL KELLEY

## Gracious Approach to Work in Industrial Real Estate Arena

by Dustin J. Seibert

Mere minutes of a conversation with Paul Kelley reveal that he's soft-spoken and in possession of an air of warmth—traits not normally associated with his profession—that makes being around him a cathartic experience.

That warmth contributes to his immaculate reputation as a real estate attorney with 32 years under his belt. A partner at Taft Stettinius & Hollister LLP, Kelley spends about 80 percent of his work in industrial real estate on a national level.

Kelley has overseen the erection of countless projects throughout the country. When traveling through Chicago, it's almost impossible not to encounter at least one project he's had his hands on. Among others, he's helped negotiate the Metra Market under Ogilvie Transportation Center, the New City project in Lincoln Park, various hotels including a new Aloft hotel opening in November in the Streeterville neighborhood.

He is also very active within Taft Stettinius' strong gaming practice, helping to sell casinos nationwide annually. Additionally, Kelley has worked on matters involving Taco Bell franchises throughout the Chicago area, downstate Illinois and Dayton, Ohio.

His reputation has earned him respect from even opposing counsel, like Shepard Gould of Gould Law Office P.C., who represented Bridge Development Partners in a negotiation against Kelley for two large industrial properties in 2018.

"These were two difficult deals with a lot of hair on them and many different issues," Gould says. "But Paul was also very practical and easy to work with, and when difficult issues arose, we didn't fight, we were reasonable about it. He represents a large institutional client, and their lawyers often aren't that reasonable. His smarts, combined with a practical approach and his ability to compromise, get the job done."

### PURE SERENDIPITY

Kelley was born on the North Side of Chicago, the first of two children to Paul and Yvonne, and raised in Chicago (his younger sister, Elizabeth, is a schoolteacher).



He attended Carthage College in Kenosha, Wisconsin, where he double-majored in marketing and business administration, and graduated *summa cum laude*.

Law school was not at all premeditated, he says, it was completely happenstance. His physician dad and homemaker mom didn't push him in a particular direction. But the expectation, when he graduated in 1982, was that he would most likely go into the management track at S.C. Johnson Wax, as was the case with lots of Carthage graduates.

"The economy wasn't very good at the time, and people sort of questioned me for not going to work for the company," he says. "I didn't always want to be a lawyer. It was just something I decided to do at the time."

When Kelley enrolled in The John Marshall Law School, he knew he wanted to practice law on the business side.

"Litigation did not interest me whatsoever," he says. "It had to be some type of transactional work. That was the area I found most interesting. Lawsuits can drag on for a long

time, but transactions are a lot faster."

### LOTS OF PROFESSIONAL MOVES

Kelley's early career was punctuated by a lot of shifts to different firms that he insists were merely coincidental. "Opportunities presented themselves, and I took them," he says.

He started his career in Phoenix at mid-to-large firm Gust Rosenfeld P.L.C., where he did financing work almost exclusively for three years. He then moved back to Chicago and joined what was then Lord Bissell & Brook (now Locke Lord), doing financing work there for six years.

In 1998, Kelley came to Shefsky & Froelich, which merged with Taft in 2014, to continue his financing career. It was a time when he worked on a lot of Collateral Mortgaged Backed Securities (CMBS), which were all the rage in the late 1990s.

"It was the first standardized set of documents that required some type of basic commonality to be sold in the securities market," he says. "You couldn't have one borrower doing one set

while another does a different set. There had to be a homogenous loan product that could be sold into the securities market. Every borrower had to use the same underlying documents.”

Kelley’s first few years in the business involved a much different technological age than exists today. “Computers were just coming out. We were using IBM Selectric typewriters and fax machines were a hot thing. All the developers had the big Motorola DynaTAC phones,” he says.

“Everything moves a lot faster now—timing compression on deals, investigating properties and documenting transactions are just lightning fast now,” he says. “You get on a transaction, you do it and it’s over.”

The ramped-up speed that accompanied technological advances made him also love the speed that naturally accompanies industrial transactions.

“It’s a tilt-up construction method where they bring up the concrete panel walls, tilt them up, weld them in, and you can put a 300,000 square foot wall up in about two weeks or less,” he says. “You can drive by the construction site one weekend and the following weekend, the walls are up. It’s that fast, and they are really fun to watch.”

Tim Walsh, partner and chief acquisition officer at Dermody Properties, says Kelley’s dedication to speed separates him from a lot of his peers. He’s been Kelley’s client for about 25 years, having worked with him on numerous industrial buildings in the Chicago area.

“The speed with which he approaches these transactions gives him a competitive advantage,” Walsh says. “He also acts like an in-house general counsel in that the best interest of the firm is always foremost in his mind. Lots of attorneys behave that way, but it comes to Paul naturally.”

#### THE LOVE OF IT

Kelley has what he calls a “very national” practice. He works on about six or seven projects at any given time, but very few of them are in the Chicago area these days. He completes a lot of transactions in California, Pennsylvania and Florida.

“It’s rare that I find myself working on an industrial project in Illinois,” he says. “The clients look at areas that are hot, and that’s where the buildings get built. There’s usually a demand connected to population and easy access to expressways.

“I have several clients with projects that are literally blocks apart, so I suppose there’s some type of peer validation that they’re working in the correct location,” he says.

The intellectual aspects of his work keep

Kelley coming back, chief among them the math that goes into the economics of a transaction.

“You get an Excel spreadsheet of all the terms and how the client wants the economics of the deal to work,” he says. “You then need to transfer the spreadsheet into a written document. It’s very formulaic, and there’s a lot more math than people think that goes into creating those formulas. Depending on how complex the transaction, it can be daunting to get it all right.”

Kelley also enjoys looking for the “negative space” in the documents of his plans and surveys—what he calls the information that’s not readily apparent.

“Everyone can see what’s there, but it’s trying to figure out what’s missing that I find interesting,” he says. “That’s where I provide a lot of value to my clients.”

The technical aspect of the transactions is a “game of inches,” similar to football, he says.

“Let’s say you’re subdividing the property

right away he was very knowledgeable and experienced, which set him apart because I do a lot of commercial real estate and deal with a lot of lawyers. It was clear he was at the top of the pile,” Durrenberger says.

“He also goes about his business in a very laid-back and easy-going way. Real estate work can be very confrontational. You get people who take negotiations too personally, let egos get in the way, and things get nasty. But it was clear from day one he wouldn’t be that way. He’s very polite and non-confrontational, which is extremely unusual when you consider his technical savvy.”

#### FOR THE LONG HAUL

Kelley is busier than ever and says he has no designs whatsoever on retiring. He’s spent a long time developing and maintaining the relationships required to be successful at what he does. He insists on maintaining a sterling reputation for the remainder of his practicing days.

“The industrial sector is very, very small,” he says. “Clients build mere blocks from one another, you’re going to constantly run into the same people again and again, as they are going to buy buildings from each other. So, it’s important to have a good reputation.

“When my name is brought up and people know I’ll be working on the transaction, it’s important to me that people will feel comfortable that yes, this transaction is going to get done and won’t be hung up for any reason.”

Even when he’s dealing with opposing counsel during a transaction, Kelley always takes a team approach.

“I don’t look at my opponent from an adversarial lens. I just have the intention of getting the deal done well,” he says. “If anyone approaches a deal with gamesmanship and things of that nature, it will bog the transaction down, and it becomes readily apparent to everyone involved.

That approach is a large part of the reason why Carey Herrlinger, vice president of investments at Boston-based Cabot Properties, Inc., has used Kelley almost exclusively. He’s their go-to attorney for every industrial development transaction Cabot works on.

“Everyone relies on Paul because of how thorough he is,” Herrlinger says. “His level of organization is superior. He focuses on the details, and he’s very good at knowing what’s really important and what isn’t since we’re doing many transactions at once.”

“He also works harder than anyone I know. He’s always in the office and always reachable. Even though I’m on the East Coast, he’s always in the office in the morning when I need to reach him.” ■

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and changing the lot lines,” he says. “If you have to dedicate a portion of the street, the lot line gets moved, and there’s a setback line you have to move back. Then you have to move the parking area back, and between the parking lot and the building is a drive aisle that needs to be moved.”

“If you cut maybe two feet or three feet off the property line, and you move all that up, then you cut three feet off your building. But it’s not just three feet, it’s three feet on a building that’s probably over 1,000 feet long, and that starts to add up. Then when you pencil it out, the numbers may or may not work anymore. You have to keep all that in mind.”

Bill Durrenberger of Sugar Grove-based Durrenberger Law Office worked opposite Kelley on a large commercial transaction in Chicago about a decade ago, and they’ve maintained personal and professional communication ever since.

“When we started working, it was apparent