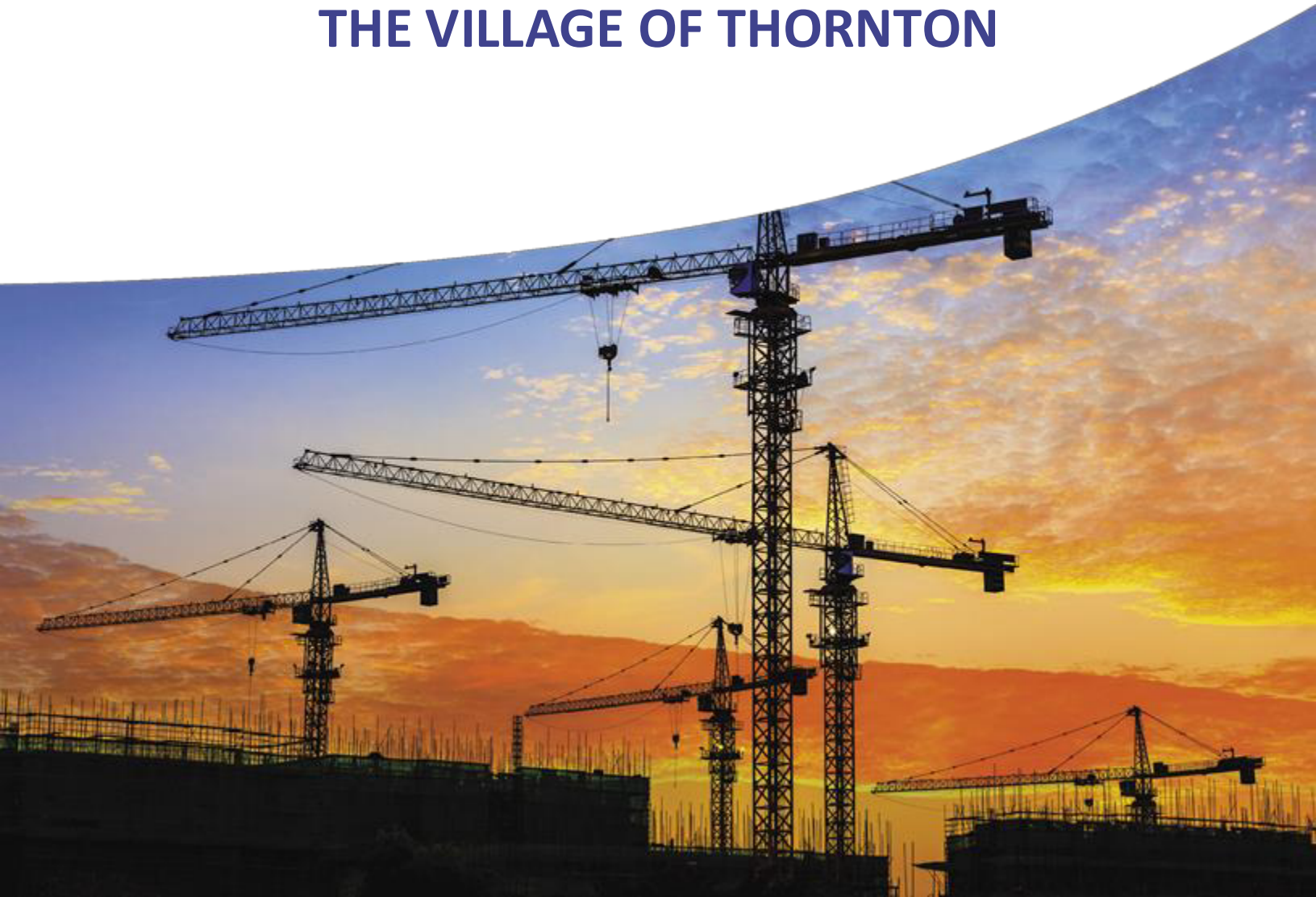




# Southland Development Authority

Driving Growth in Greater Chicago

## **SOUTHLAND HOUSING INITIATIVE LLC REDEVELOPMENT PROPOSAL *for* THE VILLAGE OF THORNTON**



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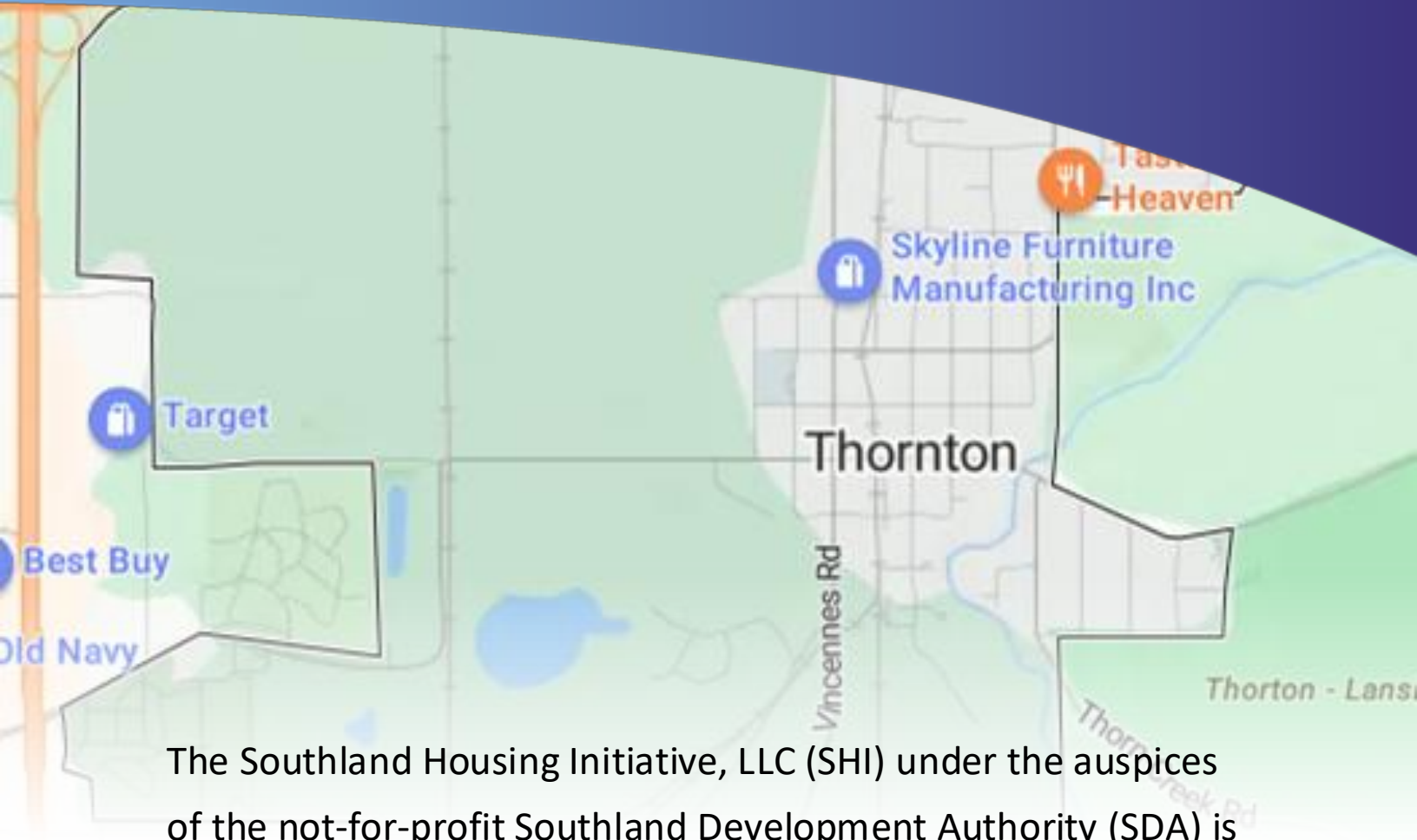


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# I. Your Project



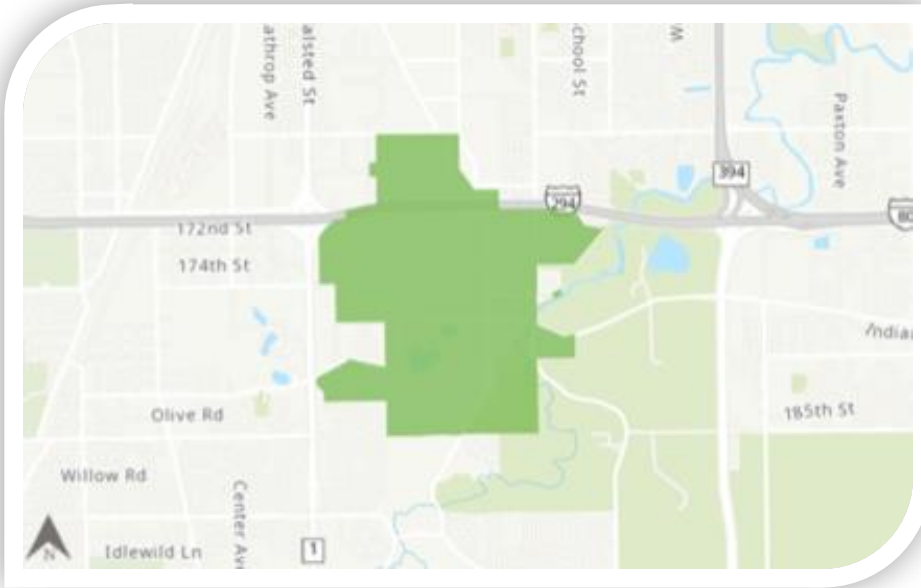
The Southland Housing Initiative, LLC (SHI) under the auspices of the not-for-profit Southland Development Authority (SDA) is pleased to submit a proposed joint venture to redevelop a vacant site within the Village of Thornton located at 110 E. Margaret Street. As indicated below, the services will be delivered in accordance with a proven process based on a comprehensive, prudent and collaborative approach, adapted to the specific community context in Thornton. Using this approach, we are confident that it will result in an outcome bolstering the Village of Thornton's long-term efforts to revitalize the central business district.





## A. Approach to Economic Development

**Community Context.** The Village of Thornton is one of the most vibrant communities in the Southland, with a robust mix of industrial, commercial and residential uses. It is located in the heart of the Southland region, as shown below.



As noted in the SDA “Look Book,” the Village of Thornton (“Thornton”), incorporated in 1900, is part of the Northeast sub-region within the greater Southland area. Thornton is approximately 1,537 acres and is accessible by Interstate 294 and Illinois Route 1. As of year-end 2022, the population within Thornton was 2,360 persons, capturing 2% of the population within the Northeast Region as a whole. In addition, there were 1,050 total housing units within Thornton comprising 2% of the total housing units within the Northeast Region as whole during this same time frame.

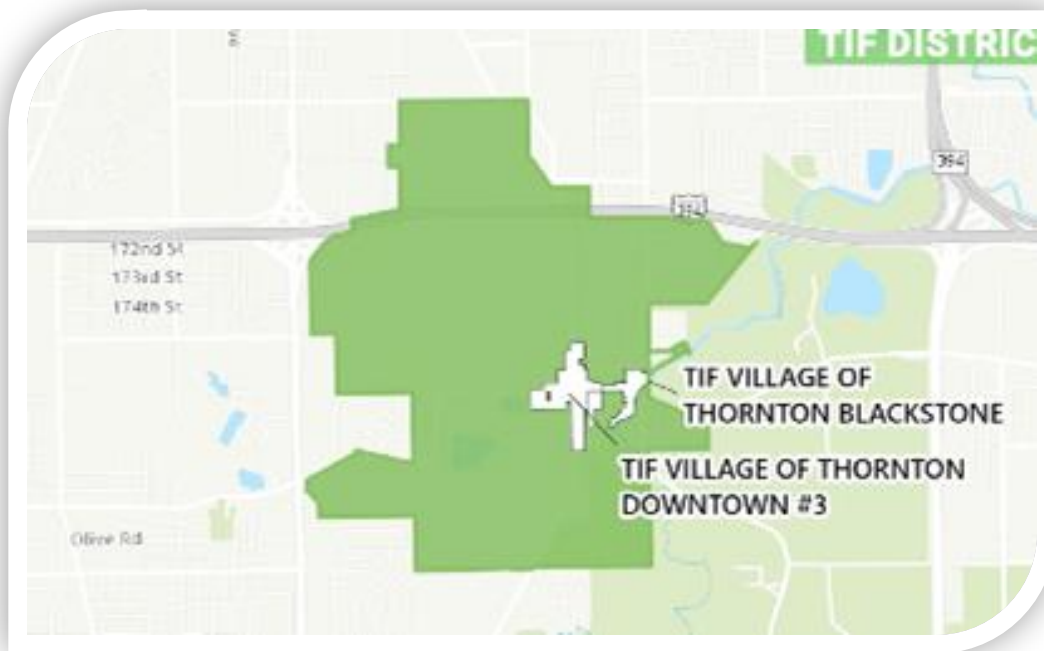
Although Thornton is relatively small, the area boasts a strong approach to economic development with a particular eye to long-term and community-oriented development. There are a variety of incentive programs which are successful, attracting new businesses to the area and helping incumbent businesses grow. One notable project recently completed within Thornton is the Thornton Distillery.



As of year-end 2022, there were 100 total businesses within Thornton, employing over 1,960 employees. Total employment within Thornton comprised 4% of the total employees within the Northeast Region as a whole. The major industries within Thornton consisted of manufacturing services, construction services, retail trade, educational services, and public administration.

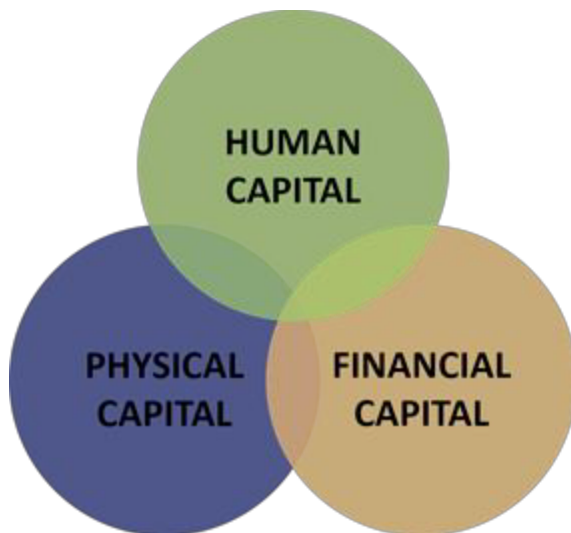
Thornton encompasses 80 rental units, capturing only 1% of the rental unit supply within the Northeast Region as a whole as of year-end 2022. During this same time frame, Thornton comprised 71,550 square feet of retail space, 5,340 square feet of office space, and 876,040 square feet of industrial/flex space, capturing 1%, 0.3%, and 8% of the retail, office, and industrial/ flex space, respectively, within the Northeast Region as a whole.

**Utilization of TIF.** The Village has been judicious in the use of tax increment financing. As shown below, only targeted portions of the Village are currently in TIF Districts.



**Framework for Redevelopment Projects.** SDA and SHI follows certain principles in its approach to managing economic development projects. These principles are founded on an understanding that redevelopment projects should be comprehensive, prudent, and collaborative in their execution.

- *Comprehensive.* The SDA understands that the most successful cities and villages utilize a comprehensive array of assets to move its economic development program forward. In economic development terms, this involves leveraging physical assets (the built environment), financial assets (economic incentive programs and private financing tools supported by the incentive programs), and human assets (i.e., a skilled workforce available to area employers).



Furthermore, a comprehensive approach means that a specific strategy should tie back to the broader community vision — usually encompassed in a city or village Comprehensive Plan. Accordingly, the services proposed herein will be a bridge between the broader community vision/overarching goals and the ultimate economic development outcomes.



- *Prudent.* SDA understands that every city and village operates in a “fishbowl” with constant need to be accountable to a variety of stakeholders - residents of course, but also major anchor businesses, elected officials, County funders, other taxing districts and many other actors as well. Accordingly, the process has to be transparent and data-driven. For example, the TIF boundaries must carefully reflect Village economic development needs, accounting for the support it must provide for business retention.

Prudent fiscal administration also is supported by post-project implementation, understanding and following best practices as laid out by state and national organizations that the Village can benchmark against (e.g., Government Finance Officers Association or International Economic Development Council recommended practices).

- *Collaborative.* One of the unique attributes of SDA is its collaborative approach. First and foremost, it intends to closely collaborate with Village officials using regular status update meetings and other regular communication channels. Further, it will endeavor to work with the business community and residents at key points in project schedules — in particular, clear communications at any required public hearings or other forums.



## B. Project Overview

The Southland Housing Initiative LLC (“SHI”), a development partner of the Southland Development Authority NFP, proposes to work in partnership with the Village of Thornton to perform a full rehabilitation and reactivation of 110 E. Margaret Street in the Village’s center across from Village Hall, returning the property to productive use and returning it back on the tax rolls. With approximately 4,000 square feet of usable space on the first floor and 2,000 square feet upstairs, SHI proposes to restore the high quality market-rate housing on the second floor, and occupy the first floor with 3,000 square feet of café/family restaurant space and 1,000 square feet of business incubation space toward the back, ideally for purposes of outdoor recreation-related businesses.

The restaurant space will be themed as “Happy Trails Family Restaurant” (or similar outdoor themed naming), powered by a successful local café/restaurant operator. This restaurant would aim to attract:

- outdoor recreation enthusiasts
- trail riders (bicyclists, pedestrian, day hikers, local tourists) and
- current residents and employees seeking an additional restaurant option.

The restaurant concept would be structured as a retail business incubator, providing a supportive environment for newer investors (sharing characteristics with retail business incubator programs in Berwyn and Batavia).

Improvements	Summary
Upstairs - Residential	2,000 square feet market rate housing Market: “Missing middle households” with average incomes (to compete with other units on the market
Downstairs - Commercial	4,000 square feet commercial Potential for 1 larger or 2 smaller tenants, one of which would operate a cafe restaurant





## C. Project Detail

The Southland Housing Initiative proposes forming a joint venture with the Village of Thornton. Because traditional private sector redevelopment approaches have not been successful in the past decade, SHI is proposing a joint venture between a municipal entity (the Village) and a not-for-profit entity (SHI) that enables both parties to contribute unique attributes that allow the project to be financed and built, which will result in a mixed use structure which is revitalized and placed back on the property tax rolls.

It should be stressed that traditional private sector approaches have simply not worked. The ordinary sale of an “aging out” family owned business/property to new investors and later a traditional redevelopment agreement (when the Village attempted to incentivize a craft distillery) have not been successful to date.

Strategically, the project positions the Village over time to become an outdoor recreation mecca. Essentially, it would leverage existing natural assets to become a “Trail Town,” in tandem with the restaurant opening and build-out of trail-friendly biking and outdoor recreation assets (using future grant opportunities and partnerships with the Forest Preserve). Unique in all of northern Illinois, the Village is surrounded on three sides by thousands of acres of natural space in Forest Preserves and Illinois Nature Preserves. Three major trails converge in the forests passing just half a mile from the project site: (a) the cross-country American Discovery Trail; (b) the Grand Illinois Trail that explores Illinois; and (c) the Outerbelt Trail that circles all of greater Chicago. This joint project promises to broaden the Village’s “brand” as a place for healthy, family friendly options and draw users from far and wide in Chicagoland and from out of state.

To execute on the strategy, the following interlocking components are necessary: 1st floor commercial, 2nd floor residential supporting the commercial tenants, re-zoning (if necessary), and a workable financing structure or “capital stack.”

Residential Component to Support Ground Level Business. The residential component would be essential, providing a reliable revenue stream AND equally important allowing a financial institution to qualify a construction loan and underwrite the project. Upstairs, SHI would create 2-4 apartments ranging from an efficiency to 2-bedroom size, enabling



the Village to preserve “missing middle housing” – i.e., housing that persons with middle class incomes could afford. The housing preservation is key, as historically this site has provided quality housing for decades to the former owners of the property.

Furthermore, with a priority placed on attracting and marketing to residents in the outdoor recreation industry, it could appeal to - for example - REI employees as well as program participants from such organization as Friends of the Forest Preserves, Student Conservation of America, and similar outdoor groups.

*First Floor Commercial Use and Business Partners.* With the launch of Happy Trails Family Restaurant (for which SHI has already purchased the domain name), this project:

- Promotes Thornton as a Trail Town; right now there are only three such towns on the entire East-West distance of the nationwide American Discovery Trail, which runs by Thornton
- Helps brand the Village of Thornton as outdoor user destination, providing a tourism identity that draws visitors from beyond the regional footprint and even from outside of the State of Illinois.
- Strengthens the demand rationale for a restaurant concept that can serve Thornton residents, while supplementing revenues with tourism and visitors from near and far.
- At only 2 miles from the Homewood Metra Station, Thornton is the rare metropolitan-based Trail Town, as opposed to much more common rural towns welcoming trail users.

In the middle space of the building on the first floor, a separate entrance will cater to food delivery services, serving residential orders as far away as Glenwood, Homewood and South Holland – in addition to Thornton residents. In the rear space, SHI intends to operate a business incubator for new business ventures, ideally focused on outdoor recreation-based businesses. Leaders for this include SUM Ventures, an SDA partner on its initiative to promote the South Suburbs as the “green playground” for the Chicago region; and the Outerbelt Alliance, the nonprofit promoter of the Outerbelt Trail. Proposed uses for the rear of the building include storage space for rental kayaks and other outdoor recreation equipment for rent. The activation use of this space could also involve the SDA’s “Business Growth Services” (BGS) unit, which aids small business clients with services and information to support their growth and health.



BGS, SHI and the Outerbelt Alliance will work with the Village to establish itself as a Trail Town and connect the uses of the Village to the trail and its guests and visitors. Programming will include trail linkages, work with CMAP and other regional agencies to highlight the important thru-trails in town, and a full inventory of trails and recreational outlets in the region.

SHI proposes to operate the new restaurant base as a startup venture, but with experienced operators, and with BGS Support for both eat-in and carry-out/delivery options in keeping with modern food trends.

Confirmation of Zoning for Mixed Use. SHI notes that the property historically was a mixed use building with residential upstairs. Depending on how the zoning code is interpreted, the building could be grandfathered based on historical use or alternatively it may require re-zoning. If needed, SHI would seek a zoning variance or text amendment to put more the residential units in the upstairs part of the Property, enabling it to prioritize marketing the apartments to trail users and trail-affiliated communities as well as existing Thornton residents (including those seeking to move back to Thornton). Without the zoning change, the economics of the project do not work – there is no market in the area for extremely large 1-bedroom units, and the revenues from residential rents will not support the necessary debt service coverage.

Basic Financial Approach.

- The Village upfront co-invests by contributing the property as a land write-down;
- SHI upfront co-invests via upfront financing of a complete rehab, i.e., by building the “capital stack” utilizing private capital
- Utilizing two revenues streams (residential rental income and commercial rental income) to retire debt and to pay down deferred costs such as developer fees
- The Village and SHI would share in any net profits at the point in time when the property is sold to a traditional investor.



## C. Current Conditions; Proposed Improvements

The Southland Housing Initiative proposes traditional renovations to bring the building up to code and to make it marketable. By so doing, it will rectify current depreciated conditions (shown below) and deliver a modern mixed use property to improve not only the building but support ongoing renovation of the entire business district.



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## D. Proposed Improvements

The Southland Housing Initiative proposes exterior and interior renovations as shown below. Interior residential renovation (2nd floor) would entail typical kitchen, bath, and bedroom upgrades with modern amenities including quality flooring, durable countertops and (depending on tariffs and pricing) luxury appliances. Commercial renovation would be suitable for a cafe/restaurant.





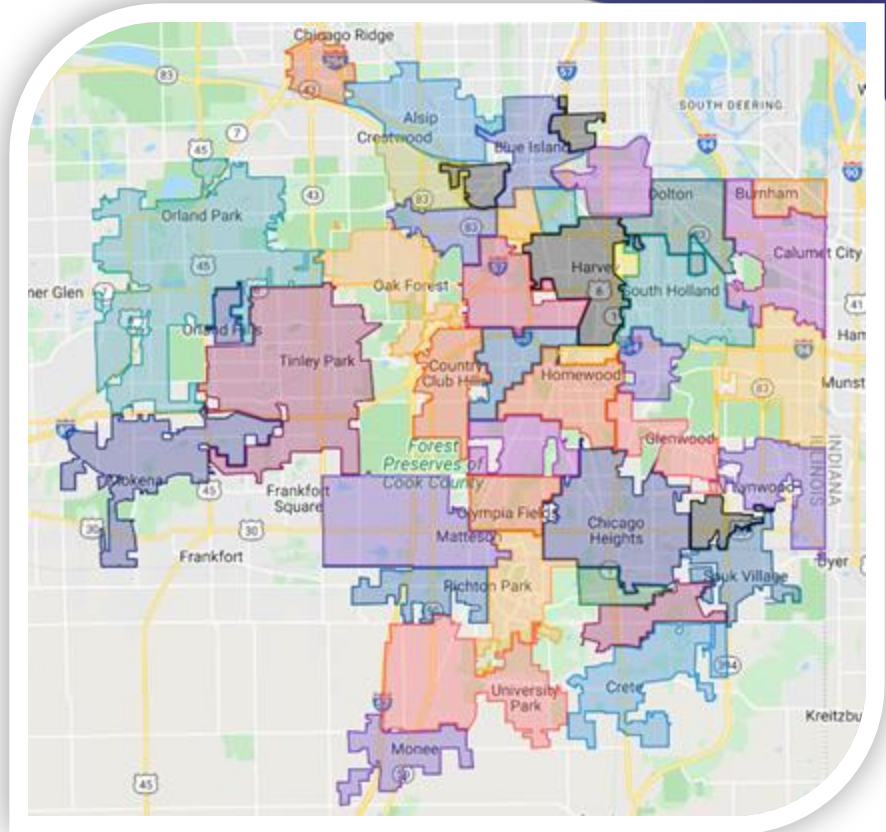
## D. Proposed Improvements (continued)

Commercial renovation would be suitable for a cafe/restaurant with bathrooms on par with residential bathrooms upstairs. Exterior upgrades including restored, resealed and restriped parking lots with EV charging for motorists and bicyclists.



## II. The SHI Team

The Southland Development Organization is unique in that it is a private not-for-profit organization established to address regional challenges using regional tools to deliver regional solutions. As a key part of the SDA, SHI is essential to delivering those results.



## A. SDA Organization

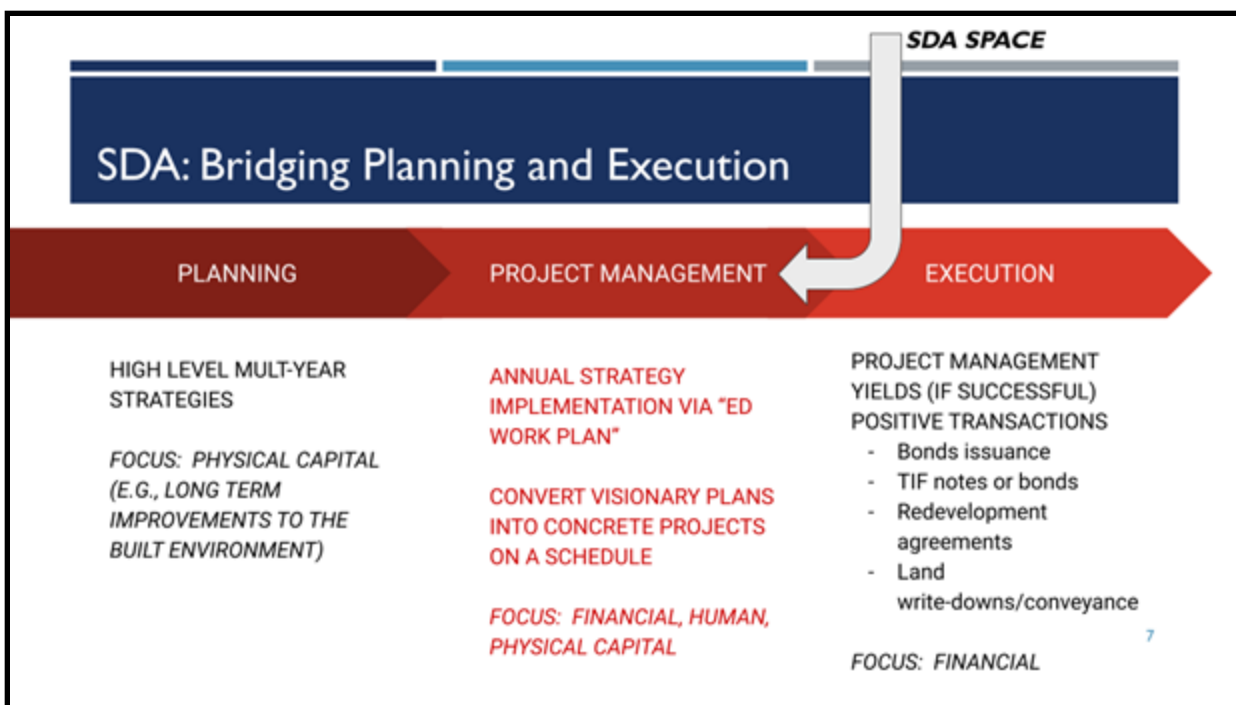
SDA is organized into 5 customer facing business units, supported by internal units including a finance/administration/grants acquisition team. The 5 customer facing units are shown below, and align with major drivers for regional and local growth:

	Municipal Economic Development Unit	Business Growth Services Unit	Industry Cluster Catalyst Unit	Southland Housing Initiatives, LLC (SHI)	South Suburban Land Bank & Development Authority
Goal	To build municipal capacity affordably, by using regional solutions that are delivered at a lower cost	To support business retention and increased start-up success rates, by delivering technical assistance and customized training	To support knowledge transfer, business retention, and business expansion for 3 key business sectors by utilizing a “cluster” approach to ED	<b>To return distressed properties to productive use/stabilize tax base in specific Southland areas, by securing non-conventional financing and collaborating with new GCs</b>	Return distressed properties to use/stabilize tax base, by using traditional land banking tools (fast track acquisition, tax wiping and disposition)
Customer	Municipal governments	Small and mid-sized businesses	Small, medium and large businesses in strategic sectors	<b>Millennials and newly formed households (including workforce or missing middle housing)</b>	Small scale developers and home flippers (for residential inventory)
Scope	SDA delivers broad portfolio of ED services to Village of Hazel Crest	Region-wide. - 430 businesses receiving mentorship - 125 receiving specialized services	3 clusters: Metals fabricators, food processors, TD&L	Thornton, Park Forest, Harvey, Hazel Crest pilots	SDA operates the land bank in/for 29 member municipalities



## B. Southland Housing Initiative, LLC

SDA's Southland Housing Initiative, LLC is focused on development in areas that have been neglected by other for-profit investors. It specialized in investments that are difficult to "pencil out" by obtaining lower cost financing that can be combined with other lower cost elements such as low-cost land. Additionally, the SDA and Southland Housing in particular are focused on serving as the bridge between high-level plans and the execution of key transactions - by serving as the project manager for the key actions that convert visionary documents into real outcomes.



Below are the key personnel to be assigned to the proposed Thornton project, taking into account the Village's unique attributes and economic development needs. Jay Readey will serve as the overall project lead.



## Jay Readey



**Title:** Director, Southland Housing Initiatives, LLC

**Project Role:** Project Director

### **Work History:**

Mr. Readey heads the housing business unit of the SDA, the Southland Housing Initiative, LLC. In that capacity, he marshalls investments in priority areas of the Southland that historically have seen underinvestment, notably downtown TOD areas along the Metra Electric line. He currently has 10 approved projects in the investment pipeline for the SDA Workforce Housing unit.

Jay Readey is a lawyer, consultant and entrepreneur who has worked for the past decade to bring investment to under-invested areas. Mr. Readey founded and serves as President and CEO of The MetroAlliance, a social venture focused on neighborhood transformation. Through a mix of for-profit strategies and nonprofit initiatives, the MetroAlliance focuses on strengthening dynamic metropolitan communities, especially the South Side and South Suburbs of Chicago.

Jay was a 2012 Fellow of Leadership Greater Chicago and a member of the 2015 class of Presidential Leadership Scholars via the Bush and Clinton Presidential Libraries and Foundations.

Jay practices law with Ginsberg Jacobs LLC, focused on complex community development finance, and teaches as an adjunct professor of housing and community development law at DePaul University School of Law

### **Work History:**

Mr. Readey has executed a number of residential infill projects in the City of Chicago and Harvey. These are described in Section III herein.

### **Education:**

Mr. Readey is a graduate of Yale University with majors in African-American Studies and American Studies. He received a J.D. from Yale Law School and an MBA from the Yale School of Management.





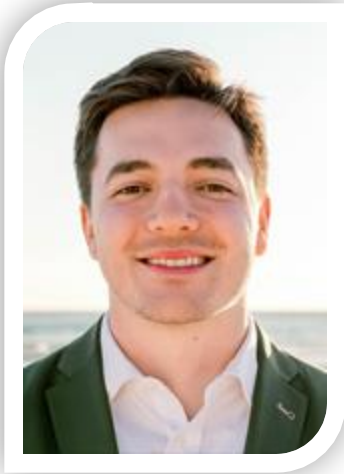
## **C. SDA Subcontractors**

SDA works with a variety of economic development professionals on a consulting basis. They are utilized to deliver targeted services, usually for a specific, time-limited purpose.

Please refer to the next page for the primary subcontractors to be utilized on the proposed engagement. It is assumed that the SDA would work with the Village's law firm to assist on any ordinances or partnership agreements.



## Daniel Leadbetter



**Title:** Managing Director, MetroAlliance, Inc.

**Project Role:** Project Manager

### **Work History:**

Mr. Leadbetter manages real estate projects for the MetroAlliance, Inc. a subcontractor to the SDA. In that capacity, he is an emerging leader in economic and housing development, focused on driving equitable investment in under-resourced communities. This includes raising private capital for projects in underinvested areas of the south suburbs and overseeing project implementation.

As Managing Director at The MetroAlliance, he leads efforts to revitalize the South Side of Chicago and inner-ring south suburbs through workforce housing initiatives, small business support, and strategic public-private partnerships. Deeply committed to addressing housing insecurity and community disinvestment, Daniel will begin his legal studies at SMU Law School in Fall 2025 to strengthen his ability to impact the legal and policy frameworks shaping urban development.

### **Selected Projects:**

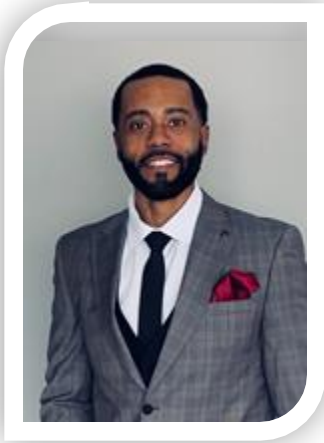
At the SDA, Mr. Leadbetter's primary work in 2023 and 2024 has involved managing multiple projects under the Harvey Housing LLC. This includes successful implementation of single-family rehab projects in challenging sections of the Southland – primarily managing entitlements (building permits), general contractors and subcontractor relationships and final "punch list" execution.

### **Education:**

Mr. Leadbetter graduated from Wheaton College and was a member of the varsity football team.



## David Sparks



**Title:** Founder, D.A.S. Capital Properties

**Project Role:** General Contractor

### **Work History:**

Mr. Sparks is founder of D.A.S. Capital Properties. Based in Orland Park, he has focused his core business on residential rehab projects in the Southland since 2019. Apart from full scale “gut rehabs,” he has taken on the following projects:

- - Custom Bathroom Remodels
- - Custom Kitchen Remodels
- - Roof Repair & Replacement
- - Deck & Porch Rebuilds
- - Siding & Gutter Replacement

Additionally he performs residential home inspections.

David got started rehabbing houses with his father who is also a general contractor focused on rehabbing distressed properties. They began by renovating homes with insurance claims for flood and fire damage which has made David a skilled contractor for abandoned and distressed properties like those found in certain areas of southern and western Cook County. Working with insurance companies, DAS Capital Holdings has developed sophisticated practices in bidding, budgeting, and scheduling.

David was also one of the finalists this year for the Cook County Land Bank’s South Suburban Developer of the Year award for his excellent and timely rehab work on properties obtained via the Cook County Land Bank.

### **Selected Projects:**

Please refer to the next section for select projects.



## Edward Peck



**Title:** Founder and Managing Director, PECK DESIGN

**Project Role:** Architect

### **Work History:**

Mr. Peck is founder of PECK DESIGN. PECK DESIGN is a design consultancy working at the intersection of art and science synchronizing architecture and engineering in the development of innovative and high performance solutions for the built environment. From architectural design to specialty building skin and façade consultation the practice pursues solutions that are high performance, resilient and sustainable.

Led by Edward Peck, the firm is recognized for its distinctive use of emerging architectural technologies and innovative building “skins.” Edward seeks to develop an informed and collaborative design process consulting clients and architects in the development of progressive architecture.

Previously Mr. Peck was Principal at Jahn and the Lamar Johnson Collaborative as well as Vice President of Thornton Tomasetti.

### **Selected Projects:**

Please refer to the next section for select projects.

### **Education:**

Mr. Peck received degrees in building science and architecture from Rensselaer Polytechnic Institute and has taught design studios and led technical seminars in the College of Architecture at Illinois Institute of Technology. In 2017 Edward was elevated to the College of Fellows of the American Institute of Architects for his design and technical contributions to the profession.



# III. SHI's Development Experience

## Project: Medical Office Renovation

**Type:** Commercial (office medical rehab)

**Location:** 222 Vollmer Rd, Suite 2A, Chicago Heights, IL

**Status:** Project financing and plans/entitlements approved; construction 80% complete

**Cost:** \$200,000 (estimate) construction budget

**Project Manager/GC:** David Sparks

### Project Manager/GC role:

- Coordinate new building plans with architect and client.
- Oversee permitting process
- Hire & manage subcontractors
- Oversee project budgets and timeline



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## Project: Infill Rehab

**Type:** Residential

**Location:** 6446 Marshfield, Chicago IL

**Status:** - Construction completed;  
building occupied

**Cost:** \$250,000 (estimate)

**Public financing:** None

**Developer:** Neighborscapes NFP (Jay Readey)

### Developer role:

- Manage entitlements/permits
- Oversee general contractor and procurement and subcontractor payments
- Scope: New roof, windows, and interior gut rehab
- Coordinate private bank financing
- Manage closing



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## Project: Infill Rehab

**Type:** Residential

**Location:** 15720 Park Avenue,  
Harvey IL

**Status:** Constructed in 2023

**Cost:** \$250,000

**Public financing:** Village land  
write-down

**Developer:** Neighborscapes NFP

### Developer role:

- Manage entitlements
- Oversee general contractor and procurement and subcontractor payments
- Scope: New roof, fascia, deck, windows, and interior gut rehab
- Coordinate private bank financing
- Manage closing



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# IV. Project Budget

## PROJECTED BUDGET ESTIMATE

### A. Assumptions

For the scope of work outlined in Section II, SHI has prepared a preliminary cost estimate as shown below. Cost estimation is an interactive process, with the initial estimate herein to be refined once architect and general contractors are hired, and then it is further refined at the point in time when a building permit application is submitted. Finally, the actual costs are incurred as the project is implemented.

For the initial cost estimate, it is assumed that “hard” construction costs equal \$160.00 per square feet. All such costs are to be incurred by the Southland Housing Initiative, LLC. Therefore, there is no downside risk exposure for the Village. Because the project is a joint venture, the Village would participate in the upside if the development is sold at a later date to another entity and the sales price exceed a break-even threshold.

### B. Projected Cost Estimate (Sources and Uses)

The Project financing would entail an estimated \$1.4 million in funding sources to be allocated towards specific uses or construction cost in the same amount. In order to make the mixed use project financing “pencil out” in terms of having annual rental income stream covering annual debt payment (i.e., an adequate debt coverage ratio), the project would need Village participation in terms of land write down estimated to be \$300,000 reduced or “written down” to zero.



Sources	Value
Debt	\$904,800
Equity	226,200
Contributed Land	300,000
Total	1,431,000
Uses	
Land	300,000
Construction Costs	1,056,000
Soft Costs	75,000
Total	\$1,431,000

### C. Exit Strategy

As a not-for-profit and governmental entity, SHI and the Village respectively are not committed to holding properties indefinitely but rather to help correct market failures (that have caused the building to go dark). In approximately 5 years or sooner, SHI would endeavor to sell the property to a traditional investor at a time when the property is closer to 100% leased. This would fulfill 2 goals: provide a modest investment return to offset incurred costs and provide seed capital for future investments in Thornton, as future financing capacity allows.



Accordingly, SHI would endeavor to dispose of the revitalized asset in the medium term and would agree to provide gain-sharing of the upside. For the Village, the participation in the partnership would provide two immediate upsides and a deferred upside at the time of property sale: immediately it would shift holding costs (property maintenance) to SHI and it would see the property create annual property taxes on par with tax revenues prior to it becoming vacant. (For tax year 2020-22, it produced an annual average of \$21,871 in property tax revenues per the Cook County Treasurer for the PIN 29-34-119-009-0000.) The deferred upside would be for the Village to share as equal co-partner in any “excess profits” over a benchmark at a 50/50 ratio with SHI.

For its part, SHI would benefit from the partnership not only from a mission standpoint but also by developing a property at a lower cost (lowered by the value of the Village’s contributed land and by deferring developer fees and professional service costs). Simply put, this would make the renovation project possible by enabling SHI to obtain private financing and match SHI’s own resources and deferred contributions (waived development fees and donated professional service costs).

The deferred upside for SHI would be a delayed developer fee payment and payment of professional service costs, with a global cap not to exceed the aforementioned 50/50 ratio. Thus, the joint venture would result in a payment of \$50,000 to SHI and \$50,000 to the Village if in 5 years the property was sold for \$1,531,000 (\$100,000 above the estimated construction cost estimate).

