



## Legislation Text

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**File #:** 21-0323, **Version:** 1

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**TO:** Mayor Richard C. Irvin

**FROM:** David Dibo, Director Mayor's Office of Economic Development

**DATE:** April 30, 2021

**SUBJECT:**

A Resolution Authorizing the Execution of a Redevelopment Agreement Between the City of Aurora and Magick Woods, a Business Located at 1600 Sequoia Drive, to Facilitate the Company's Expansion and Long-Term Commitment to Maintaining Operations in the City of Aurora.

**PURPOSE:**

To retain a major manufacturing business within the City limits of the City of Aurora.

**BACKGROUND:**

Jones Lang LaSalle representing Magick Woods, a manufacturer supplying kitchen and bathroom cabinets to Home Depot and Lowe's, approached Invest Aurora seeking relief from real estate taxes as part of an incentive package the company was evaluating to remain and expand in Aurora or relocate to North Carolina. The expansion would assure the addition of 50 high paying new jobs added to the 90 currently in place. Magick Woods was working with the Illinois Department of Commerce and Economic Opportunity for an EDGE grant that when completed would assure the company's presence in Aurora for at least the next 10 years. Jones Lang indicated that relatively high real estate taxes was an impediment to the deal moving forward and asked COA for assistance. The obvious challenge was providing some measure of help given that real estate assessments are not in the City of Aurora's purview. The city share of real estate taxes is about 20% of the total and school district 129, the majority recipient of property tax revenues was not able to participate. Despite these impediments, COA agreed to facilitate working closely with Invest Aurora as collective research concurred with Magick Woods' determination that taxes were above market and keeping this longstanding expanding business in Aurora was a high priority.

**DISCUSSION:**

After investigating several avenues, Invest Aurora and COA decided to work on a two-pronged approach. The first was to evaluate the likelihood that real estate taxes could be lowered and if successful, a mechanism whereby COA could offer a limited "backstop" to these lowered assessments and taxes. Invest Aurora and COA discussed its research with the Aurora Township Assessor's Office to see if current assessments could be lowered in the coming tax year. The timing was fortuitous as the assessor was in the process of evaluating assessments for this industrial sector. The assessor determined that the building that currently houses Magick Wood's operations (1600 Sequoia Drive) and the building they are planning to lease and expand into subject to a final decision to remain, (1455 Sequoia drive) should be lowered by approximately 7.3%. As the chart below indicates, the new assessments for the two buildings is \$16,476,930 or a decrease of

\$1,210,616 which equates to an annual tax saving of about \$126,000.

Property Address	PIN	Building SqFt	Land SqFt	2020 Assessment	2019 Assessment	Year Built	\$/sqft (BLDG)	\$/sqft (Land)
1600 Sequoia Dr	15-08-176-006	376,320	821,106	8,903,592	8,249,414	2017	\$ 23.66	\$ 10.84
1705 Sequoia Dr	15-08-101-001	350,880	842,450.40	7,573,338	7,016,898	2002	\$ 21.58	\$ 8.99
2176 Diehl Rd	15-22-226-008	1,148	3,920.40	34,326	31,804	1929	\$ 29.90	\$ 8.76

The second step was creating a mechanism whereby COA will assure that the economic benefit of these tax savings inures to Magick Woods regardless of how these assessments may fluctuate. The procedure reflected in the RDA is triggered if assessments rise more than 2% above the base assessment for 2020 on a non-compounded basis in a given year for either Magick Woods' existing building or for their new building for which they are responsible to pay taxes above a base year. Should that occur, COA will rebate 50% of the "city share" of the tax bill excluding pensions (\$34 million in 2020 payable in 2021) and city debt service levy of \$4.0M. This excludes any other taxing district levy.

This agreement will be in effect for ten years. While there is no hard dollar cap on this incentive, it is totally controlled by the assessed value changes and the fact that it is non-compounding. Attachment 2 is a SAMPLE worksheet that shows how incentive works. In this sample, due to the cap of 50% of the city portion of our tax levy and that it is non-compounding, the total incentive is limited to 13% of the City's tax levy on this property over the life of the agreement. This analysis does not take into account the potential increases or decreases to the City's tax rate as calculated by the Assessor, however, since the formula is based on the actual taxes received, this rate change will not impact the calculation.

#### **IMPACT STATEMENT:**

Approval of the RDA will assure a high probability that Magic Woods will both remain in Aurora and expand their operations. At least 140 jobs will be protected. The City's reputation of being a proactive partner both with the State and local businesses will be enhanced.

#### **RECOMMENDATIONS:**

Staff recommends the approval of the resolution Authorizing the Execution of a Redevelopment Agreement Between the City of Aurora and Magick Woods, a Business Located at 1600 Sequoia Drive, to Facilitate the Company's Expansion and Long-Term Commitment to Maintaining Operations in the City of Aurora.



CITY OF AURORA, ILLINOIS

RESOLUTION NO. \_\_\_\_\_  
DATE OF PASSAGE \_\_\_\_\_

A Resolution Authorizing the Execution of a Redevelopment Agreement Between the City of Aurora and Magick Woods, a Business Located at 1600 Sequoia Drive, to Facilitate the Company's Expansion and Long-Term Commitment to Maintaining Operations in the City of Aurora.

WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, subject to said Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs for the protection of the public health, safety, morals, and welfare; and

WHEREAS, Magick Woods, Inc., a Delaware corporation authorized to conduct business in the State of Illinois ("Magick Woods"), a business with operations located at the property commonly known as 1600 Sequoia Drive, Aurora, Illinois, ("1600 Sequoia"), is a kitchen and bathroom cabinet manufacturer which supplies the same to Home Depot and Lowes; and

WHEREAS, Magick Woods is planning to lease the property located at 1455 Sequoia Drive, Aurora, Illinois ("1455 Sequoia"), subject to a final decision to remain and expand its operations in the City; and

WHEREAS, Magick Woods has entered into a certain EDGE Tax Credit Agreement (the "EDGE Tax Credit Agreement") with the State of Illinois, acting by and through its Department of Commerce and Economic Opportunity (the "Department"); and

WHEREAS, the EDGE Tax Credit Agreement provides certain tax credits to Magick Woods subject to Magick Woods maintaining operations at 1600 Sequoia, establishing operations at 1455 Sequoia, and creating and maintaining certain numbers of jobs; and

WHEREAS, the EDGE Tax Credit Agreement will be in place for a term of ten (10) years beginning with the commencement of Magick Woods' business operations at both at 1455 Sequoia and 1600 Sequoia; and

WHEREAS, Magick Woods approached the City and Invest Aurora seeking relief from real estate taxes as part of an incentive package, in addition to the incentives provided by the Department pursuant to the EDGE Tax Credit Agreement, to maintain and expand its operations in the City; and

WHEREAS, the expansion of Magick Woods' operations within the City would provide an additional fifty (50) jobs and retain the ninety (90) jobs currently in place; and

WHEREAS, the Mayor and the Alderman of the City (collectively, the “City Council”) have determined that providing Magick Woods with certain incentives in order to retain Magick Woods as a business within the City and incentivize Magick Woods’ expansion of its operations within the City is in the best interests of the City and its residents; and

WHEREAS, pursuant to the terms set forth in that certain Redevelopment Agreement (the “Agreement”), a copy of which is attached hereto as Exhibit A, in the event the assessed valuation of 1600 Sequoia or 1455 Sequoia (collectively, the “Magick Woods Properties”) rises by more than two percent (2%) above the assessed valuation of either of the Magick Woods Properties for tax year 2020 (the “Base Assessed Valuation”) on a non-compounded basis in a given tax year, the City shall rebate to Magick Woods fifty percent (50%) of the increase in the City’s share of the ad valorem real estate taxes levied and collected against the Magick Woods Properties, excluding the City’s pensions and debt service levies, in the applicable tax year attributable to the increased assessed valuation (the “Incentive”); and

WHEREAS, as a condition of Magick Woods’ receipt of the Incentive, in addition to all other conditions set forth in the Agreement, Magick Woods shall not challenge, contest or seek a reduction in the assessed valuation of either of the Magick Woods Properties that would reduce either of the Magick Woods Properties’ assessed valuation to an amount below their Base Assessed Valuation; and

WHEREAS, the maximum annual incentive is equal to the increase percent amount above a 2.0% increase in assessed value on 50% of the City’s operating tax levy which is defined as the City Levy less all pension and debt service levies and excludes all other taxing district levies, and

WHEREAS, the City Council has determined that in conjunction with the incentives provided by the State of Illinois to Magick Woods under the EDGE Tax Credit Agreement, it is necessary for the City to provide the Incentive, pursuant to the terms set forth in the Agreement, in order to retain Magick Woods as a business within the City and incentivize Magick Woods’ expansion of its operations within the City; and

WHEREAS, in light of the foregoing, the City Council desires execute an agreement that substantially and materially conforms to the provisions of the Agreement set forth in Exhibit A;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows: : that the Agreement, attached to this Resolution as Exhibit A, shall be and hereby is approved; and further

BE IT RESOLVED, that the Mayor is authorized to execute an agreement that substantially and materially conforms to the provisions of the Agreement set forth in Exhibit A on behalf of the City; and further

BE IT RESOLVED, that the Mayor, Chief Financial Officer, Director of Economic Development and each of their respective designees shall be and hereby are authorized to perform the City’s duties set forth therein described.