TO: The Honorable Mayor and City Council Members

FROM: Michael C. Van Milligen, City Manager

SUBJECT: Resolution Approving a Development Agreement by and among City of Dubuque, Roshek Property, LLC, Cottingham & Butler, Inc., and Heartland Financial USA, Inc., including providing for the Issuance of Urban Renewal Tax Increment Revenue Grant Obligations

DATE: December 12, 2019

Economic Development Director Jill Connors recommends approval of a Development Agreement by and among the City of Dubuque, Roshek Property, LLC, Cottingham & Butler, Inc., and Heartland Financial, including providing for the issuance of Urban Renewal Tax Increment Revenue Grant Obligations.

Both Heartland Financial USA and Cottingham & Butler are continuing to grow rapidly, and the two companies are intent on adding a significant number of full-time positions in Dubuque over the coming years. They collectively plan to hire at least 32 full time employees over the next three years. As the two companies have outgrown their existing spaces, they have proposed a plan that would accommodate the growth of each through the collective acquisition of the Roshek Building by a partnership entity – Roshek Property, LLC.

This project is the culmination of the work of so many and is the perfect example of why economic development works in Dubuque (one of just a few cities in the United States with an unemployment rate under 2%) better than most places in the country.

This all started over 10 years ago when a private not-for-profit, Dubuque Initiatives, stepped up to rehabilitate a dilapidated structure in the downtown, the Roshek Building, to support economic development, downtown revitalization and job creation. This nine-story almost 300,000 square foot office building, the largest office building in downtown Dubuque, was in a state of decline. The risks were high, but the potential benefits were great. Dubuque Initiatives and their general contractor, Gronen Restoration, created a fully refurbished building that is Platinum LEED Certified and on the National Historic Register, going from a blighting influence on the downtown to become one of the jewels in the crown of downtown Dubuque.

All of that work has culminated into what is being proposed today. Two companies, Heartland Financial USA and Cottingham & Butler, have been committed to downtown since their inception as two of the oldest companies in Dubuque. Now they have
become two of the largest companies in Dubuque and they are two of the fastest growing companies in Dubuque.

Cottingham & Butler was founded in Dubuque in 1887 and is the 25th largest insurance broker in the United States and a recognized leader in offering innovative property and casualty and employee benefit insurance solutions. The company is headquartered in Dubuque and employs over 1,000 employees across the United States.

Heartland Financial USA was founded in 1981 from a community bank, Dubuque Bank and Trust, and their success story started in 1935, long before Heartland existed. They are now a diversified financial services company based in Dubuque. Their family of 11 community banks are in the Midwest and Western United States, with 114 banking centers serving 91 communities.

All this good news does not come without challenges. As these companies grow, they need a place to expand. They both want that growth to occur in Dubuque, but wherever it happens, the growth will occur.

These two companies are willing to commit millions of dollars to downtown Dubuque and are asking for very little support to help minimize the risk they are taking.

In a Development Agreement approved earlier this year with Dupaco to do a $38.5 million renovation of the Voices Building, the City committed to building a new parking ramp and, in fact, approved $20 million in the City budget to build that parking ramp.

To continue their rapid expansion and for tax purposes, Heartland Financial and Cottingham & Butler need to close on the acquisition of the Roshek Building by December 31, 2019. These two companies know better than anyone the parking opportunities and challenges in downtown Dubuque. They both have been in downtown for almost 100 years. They are the stalwarts who have believed in and stayed committed to downtown Dubuque through thick and thin. They have experienced listening to their employees and their opinions on downtown parking and they have heard from people who they wanted to hire that went somewhere else and the reasons they expressed about why they chose another employer. I respected their informed opinions as they negotiated the elements of the Development Agreement they requested to minimize their risk in making this investment of over $15 million.

This one parking ramp will serve the needs of not only Dupaco, Cottingham & Butler and Heartland Financial, but the rest of downtown and the Historic Millwork District. Teamed up with the Smarter Parking Platform the City plans to implement next year, it will hopefully avoid the construction of future parking facilities.

Earlier this year, Dubuque Initiatives hired RDG Planning and Design consultants to look at the downtown parking situation. The RDG conclusion in response to the question, “Do we need a new parking ramp? Yes, based on projections by the various stakeholders we believe a ramp will be needed in 3-5 years.” This study confirmed
what these two long time downtown businesses (Heartland Financial and Cottingham & Butler) and a new downtown business (Dupaco) already knew, and building a parking ramp that will be ready for occupancy in January 2023, will meet that 3 -5 year time frame.

In order to incentivize their continued downtown investment and job creation, City staff have negotiated a Development Agreement with Roshek Property, LLC, Heartland Financial USA and Cottingham & Butler. The Agreement proposes the following:

1. Roshek Property, LLC will purchase the Roshek Building from Dubuque Initiatives.
2. The companies will make a collective capital investment in building improvements in tenant spaces and common areas of at least $2,850,000 by December 31, 2021.
3. They will collectively create at least 32 full time positions by December 31, 2022, to be maintained through June 1, 2030.
4. The City will provide the remaining tax increment rebates committed to Dubuque Initiatives in the 2009 Development Agreement to Roshek Property, LLC, for a total of 19 semi-annual payments.
5. The City will identify a location acceptable to all parties for a 500-space parking structure to accommodate the influx of employees in the downtown area. Design and construction will be completed by December 31, 2022.
6. The City will install lighting and call boxes at appropriate intervals between the Roshek Building and the parking structure before the opening of the parking structure.
7. The City will support Heartland’s and Cottingham and Butler’s applications to the Iowa Economic Development Authority for business incentives. The Development Agreement with the City is contingent upon Heartland and Cottingham & Butler receiving the IEDA incentives.

I concur with the recommendation and respectfully request Mayor and City Council approval.

Michael C. Van Milligen

Attachment
cc: Crenna Brumwell, City Attorney
   Teri Goodmann, Assistant City Manager
   Cori Burbach, Assistant City Manager
   Jill M. Connors, Economic Development Director