# COUNCIL COMMUNICATION

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| Number: | **26-271** | Meeting: | **August 3, 2026** |
| Agenda Item: | **34** | Roll Call: | **26-0899** |
| Submitted by: | **Carrie Kruse, Economic Development Administrator** | | |

**AGENDA HEADING:**

Recommendation of preliminary terms of an Urban Renewal Development Agreement with DMCRE2, LLC, for the renovation of 206 8th Street into a 157-room Marriott Le Meridien hotel.

**SYNOPSIS:**

DMCRE2, LLC (Jonathan Koester, Managing Partner; 3985 Scout Trail, Waukee, IA 50263) is proposing an office-to-hotel adaptive reuse project for the former Wells Fargo Towers Building located at 206 8th Street. The proposal includes a boutique 157-room Marriott Le Meridien hotel with conference spaces, wellness spa amenities, ground-floor food and beverage, skywalk connected parking, and a top floor bar and restaurant.

Total project costs are estimated at $48 million. Construction is anticipated to begin in late 2026 with completion anticipated in 2027.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with DMCRE2, LLC, which provides for tax increment financing (TIF) to serve as a means for responding to a financing gap, as presented by the development team.

**FISCAL IMPACT:**

Amount: The financial terms propose a capped TIF maximum value of $3.9 million in project generated tax increment on a net-present-value (NPV) basis (at a 4.5% discount rate) based on the following schedule: 0% in year one (1), 85% in years two (2) through nine (9) and 80% in years 10 and 11, 75% in years 12 through 17, 60% in years 18 through 21. The TIF is estimated to comprise 8% of the total project financing.

The current assessed value of the existing property is $958,000. Upon completion of the project, the total assessed value of the property including building and land is estimated at $12,261,900. ($11,304,000 building valuation: $957,900 land assessment)

| Year | Estimated Taxes Received Without Project* | Estimated Taxes Received With Project* | Estimated Incentive Paid | Estimated Net Taxes Received* |
|---|---|---|---|---|
| SUM 10 Years | $397,563 | $5,441,363 | $2,969,402 | $2,471,961 |
| SUM 20 Years | $882,132 | $12,049,972 | $6,314,898 | $5,735,074 |
| SUM 30 Years | $1,472,747 | $20,232,739 | $6,314,898 | $13,917,841 |

*Taxes include all property taxing authorities (not just City property tax dollars).

*Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

*Building and land valuation assumptions at completion of construction: $12,261,900.

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area.

**ADDITIONAL INFORMATION:**

- The hotel is estimated to generate over $14.3 million Hotel/Motel taxes for the city over the first 20 years of operations.
- The Developer will be participating in Mid-American Energy's Commercial New Construction Energy Efficiency Program.
- Construction/renovation is expected to begin in late 2026 and anticipated to be completed in 2027.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board
- City Council approval of Final Terms
- Certificate of Completion

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