

# Bank loans are not responsible for downtown construction boom

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Commercial construction is booming in downtown Rapid City, but builders are turning away from bank loans to pay for it.

Rapid City industrial revenue bonds, federal grants and cash are fueling the building activity. The once-standard bank loan accounts for only a portion of the financing on just one of seven projects currently under way or scheduled for bidding by midsummer — the smallest project, at that.

"The problem at this point, with the interest rates, is that customer cannot stand or cannot service the loan. The customer knows that and the bank knows that," said Ron Brue, executive vice president for First Bank of South Dakota. "On a temporary basis, we hope, we're out of the (commercial construction loan) market."

Bank construction loan rates are currently around 18 percent, while long-term industrial revenue bonds offer financing from 9.5 to 13.25 percent for three of the biggest downtown projects. Earnings on the bonds are tax exempt, so well-heeled private investors and institutions buy them for the tax advantage. The new \$5 million Albertson's store, the new \$3.2 million Prairie States Life Insurance Building and Madera-Pacific's new \$1.2 million Lumber Mart Home Center are all

financed by city-approved revenue bonds.

The old Knecht Lumber Mart warehouse has been demolished on the corner of Omaha and West Boulevard and construction has begun on Madera-Pacific's new lumber yard. The bond interest rate is computed monthly at 70 percent of prime rate and currently stands at 11.55 percent.

The new lumber yard will be completed by mid-summer. Once Madera-Pacific moves its retail arm into the new 36,000-square-foot building, demolition will begin on the current Knecht Lumber Mart to make room for Albertson's.

Albertson's new 65,000-square-foot grocery and general merchandise store is financed by a 25-year, \$5 million bond at 13.25 percent interest. Completion of the new Albertson's store is expected by the summer of 1983.

Prairie States Life Insurance has also cashed in on the lower interest rates in its new six-story office building on the corner of Main and Mount Rushmore Road. Some \$2.5 million of the \$3.2 million building is being financed with an industrial revenue bond, with interest at 9.5 percent. Cash accounts for the remaining \$700,000 of the project.

Federal funds and a land donation are responsible for the new Milo Barber Transportation Center on the corner of Rapid and Sixth streets. A special federal \$400,000 grant, \$310,000 in

revenue sharing and a federal block grant of \$65,000 will pay for construction and some land acquisitions for the new bus terminal. A low bid of \$653,000 for terminal construction by Development Contractors was accepted recently.

Zella Barber, chairwoman and president of Barber Transportation, donated about a third of the nearly 60,000 square feet of land needed for bus terminal, which is named after her late husband.

The very last of Rapid City urban renewal money will be spent this summer upgrading Sixth Street between Main and Omaha. This \$210,000 project is expected to be ready for bids around June 1. The project will improve the street and sidewalk, remove railroad tracks, beautify the area and improve the pedestrian walkway across Omaha Street. No skyway is planned.

The Rapid City Journal is remodeling the old 7,000-square-foot Top Appliance building on the corner of Fifth and Main for a new mailroom. This \$179,000 remodeling project is being paid for out of cash reserves.

Of the seven projects, only the remodeling of Braun's women's apparel store on the corner of Sixth and St. Joseph is financed, in part, by a bank loan. Warren Braun said the \$25,000 project is financed by cash and a bank loan. He said, "For small projects, the bank is still the place to go."

Tuesday, March 23, 1982

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Madera-Pacific's \$1.2 million Lumber Mart Home Center is going in at the

former site of a Knecht warehouse  
(Staff photo by Don Polovich)