Developer: Rushmont stalled by city, laws

President of Dream Design says the project could have been completed by now.

By Scott Aust
Journal staff

State bid laws are proving a hurdle for the $48 million Rushmont building project, unveiled in 2006 but not yet begun.

The 17-story project would increase parking, add office and retail shops and create condominiums downtown on the city-owned lot on St. Joseph Street between Fifth and Sixth streets.

Mayor Alan Hanks said the sticking point is that state law requires a competitive bidding process for the work because the project uses tax dollars.

"There are state statutes we have to follow, and we’re trying to figure out how we can make it work for Hani," Hanks said.

He was talking about Hani Shafai, president of Dream Design International, who is leery about spending $2.5 million to design the project only to have bids come in higher than the funding currently in place.

He would prefer to hire a contractor up front to work with the architect to design the building.

"I do business where, 'This is what we're planning to do, this is how much it is, this is who's going to do what.' Everybody shakes hands, signs the agreements, and we go," Shafai said. "It should have been already finished and built. We had all the financing in place. Everything was done. But it's like nobody wants to act."

Hanks understands Shafai's point: Why go out for a competitive bid when he is putting up almost 80 percent of the money and could probably get things done more cheaply by giving the contract to whomever he wants?

"The problem we're running into is state statute is very specific. If you're using any tax dollars, it has to go out for competitive bid," Hanks said. "That's really the stumbling block we've been trying to get over for a couple of months now. We've talked to Pierre. We've had the attorneys look at all kinds of options. But state statute is pretty doggone specific."

"The city set aside $2.8 million in 2012 funds and approved a tax increment financing district to pay nearly $12 million in public improvements such as burying power lines in the alley, removing contaminated soil from underground fuel tanks and offering the public half of the planned 600 parking stalls."

The rest of the financing is coming from private investors.

Shafai said the city has been slow to work through other issues as well, such as agreements covering legal issues that spell out each party's responsibility for maintenance, transferring the land and how the facility is used.

"You know how it is with the city. Everything moves at the speed of a snail," Shafai said. "We're waiting for legal agreements to be finalized before I spend any more money."

Shafai also postponed preparing a case report requested six months ago by the

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could potentially create an adverse impact on the downtown historic district and asked for a full case report about the project within 180 days. The state disagreed with Rapid City’s Historic Preservation Commission, which had decided Sept. 7 that the Rushmont would not have an adverse impact.

Jason Haug, historic preservation director, said there is no specific due date for the case report, and the state does not have the authority to stop the project even if it believes an adverse impact exists. The city council will make the final decision about issuing a building permit for the project.

“We make recommendations to the city. The process is intended to ensure that alternatives have been looked at and those potential impacts on historic resources have been taken into consideration,” he said.

Despite the glacial pace, Hanks said it is too strong to say the project is in limbo. The city is trying to find a way to make it work.

“We’d love to see the project move forward. It would be a huge asset and improvement for the city and downtown,” he said.

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