

New tower planned for downtown 11/9

By Dan Daly

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Downtown Rapid City's skyline could see its first major change in 20 years.

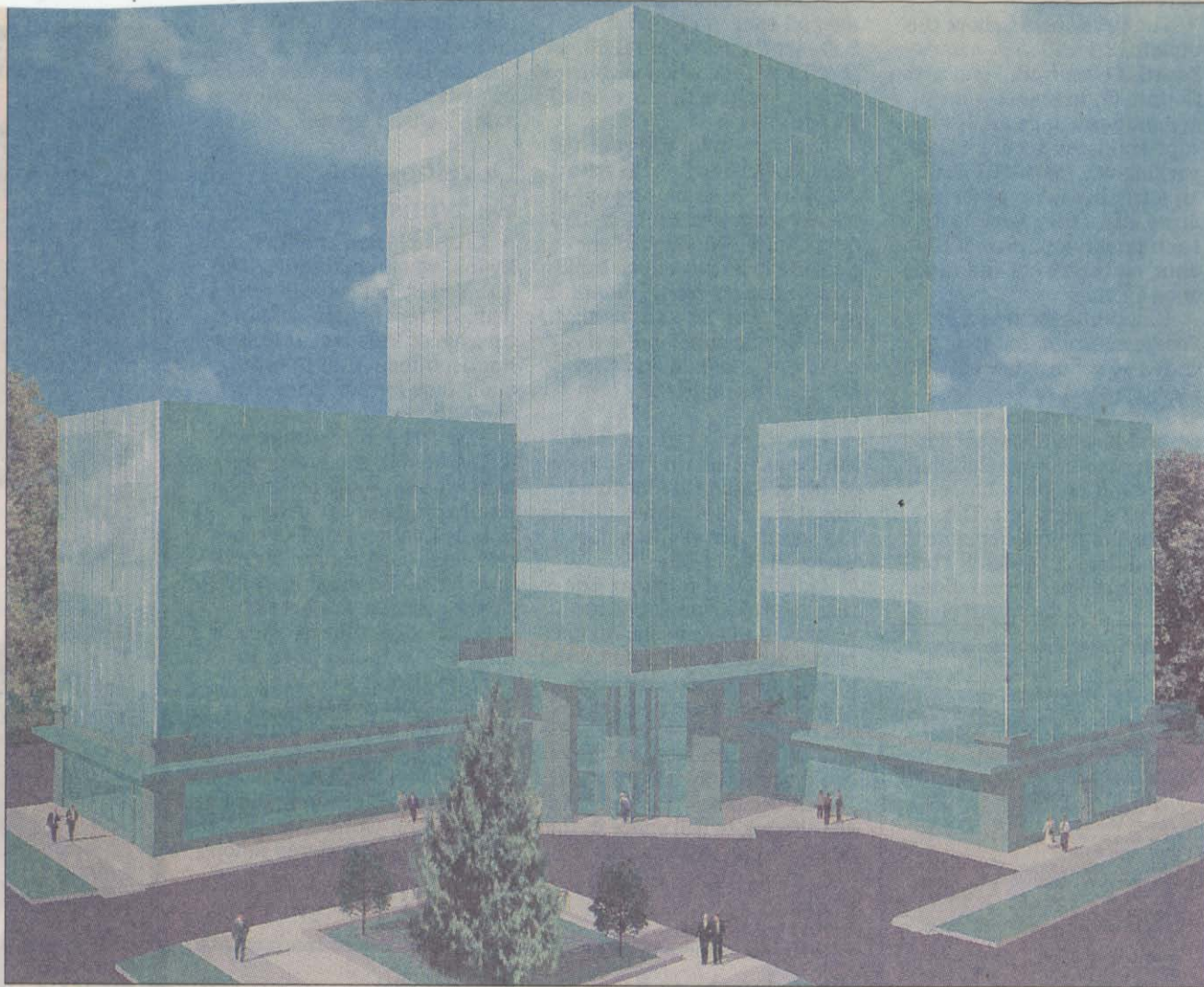
Rapid City A local developer has unveiled plans to build a green, glass-encased office tower at 401 St. Joseph St., where the now-abandoned Tip Top Motel stands.

Dubbed The 401 Tower, the new building could stand as high as 10 stories and offer more than 100,000 square feet of new office and retail space. In addition, a second-floor walkway will connect to a four-story, 360-space parking garage to be built across the alley in the lot next to Trinity Lutheran Church.

The final building size will be dictated by the demand for space that emerges, Pete Spizzirri of Spizzirri Development Co., the project's Rapid City developer, said.

"We've had a lot of interest (from potential tenants), and we haven't even publicized it," he said.

It is one of several new office projects that are in various stages of development in the Rapid City area. The spate of new space has some commercial real estate experts wondering whether the market can absorb all that



Courtesy photo

This artist's rendering, courtesy of Lund Associates, shows a gleaming green office building to be built at 401 St. Joseph St.

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Office space: 360 indoor parking spaces

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extra square footage. The competition for tenants is going to be intense.

Luxuries of the Emerald City

The 401 Tower's most distinctive feature will be its glassy green facade. The entire building will be glazed in blue-green glass panels, similar to the glass on some of the newer medical and bank buildings in Rapid City. But this will be the first all-glass office tower in Rapid City.

"It's going to look like an emerald sticking up in the middle of Rapid City," Spizzirri said.

Spizzirri, an artist and printer, is the head of Spizzirri Press, a printing and publishing firm in Rapid City. He and his son, Atlanta attorney Paul Spizzirri, are spearheading the 401 project. Paul will move back to Rapid City when the project is launched, his father said.

They have chosen Lund Associates of Rapid City as the architect and Glenn C. Barber & Associates as the general contractor. Rich Evans of Coldwell Banker in Rapid City is marketing the space. Spizzirri wants to have the building completed and open by mid-December 2004.

The developers believe the building's location — across Fourth Street from Pennington County Courthouse — and amenities such as an in-house copy shop and secure indoor parking will make 401 Tower an attractive address for law firms. Also, they hope to draw such professionals as accountants, stockbrokers and insurance agents.

Blueprints include a top-floor restaurant and lounge with a sweeping view of Rapid City, Spizzirri said.

Plans also include first- and second-floor retail space for businesses such as clothing stores, gift shops, a barber shop or a hair salon. The Spizzirri family will operate a second-floor art gallery. The developers have been talking

with Starbucks and Caribou Coffee about a first-floor coffee shop.

Scores of commercial space to fill

The 401 Tower will have to vie for tenants with many other office developers. Right now, there is a two-story office building under construction at Mount Rushmore Road and Quincy Street, reportedly with some space available.

And First Western Bank says it is proceeding with plans for what will likely be a three-story office building at West Boulevard and Omaha Street. Another local developer says he knows of another 28,000- to 30,000-square-foot office building in the planning stages in Rapid City.

Meanwhile, existing office towers have displayed the for-rent signs. Two floors of the 10-story former First Federal Building — it is now named the Turnak Tower — are currently vacant. Next door, Black Hills Corp.'s 5,000 square-foot penthouse is for rent.

Sandra Runde, a commercial real estate expert with Prudential Kahler Realtors, has a seven-page list of office, retail and warehouse space that is for rent in the Rapid City area. Some of it has been on the market for two years, she said.

"I have been leasing commercial space in Rapid City, S.D., for 21 years, and I do not recall any time when vacancies were as high as they are now," Runde said.

One reason for the vacancies: Medical doctors in recent years have been moving out of leased space and building their own clinics. Runde said she personally knows of two buildings that will become vacant in the next year. She knows that, because she sold land to the buildings' tenants, and they are going to build their own clinics.

Every time a new medical building is built on Fifth Street south of Rapid City Regional Hospital, another office building becomes available somewhere in Rapid City.

Low interest rates are one reason professionals today want own their offices. An optimistic outlook for Rapid City's medical, legal and other professional services industries are other factors.

But Spizzirri believes that could work in favor of The 401 Tower, because the developers are offering to sell space in the new building to firms that

don't want to rent.

First Western in the wings

First Western Bank also is shopping for equity partners to occupy its planned office building at Omaha Street and West Boulevard, according to John Johnson of First Western Bank in Sturgis.

"We have a law firm that's very interested, and of course, we'll have a bank branch," Johnson said. The bank is looking for one or two more partners in the project, which will likely be a three-story building.

First Western got into the land development business in a roundabout way. It initially bought a half-block parcel as a site for a bank. In 2001, those plans were put on hold, however, when First Western's holding company acquired American State Bank.

American State Bank's main office was only a few blocks away, so, after the merger, First Western no longer needed a large downtown bank building. First Western listed the parcel for sale, but there weren't any takers.

The rest of the block became available when United Rentals moved out. Johnson said First Western bought the property and began laying plans for an office building and retail branch bank.

Asked when the new building will move ahead, Johnson said, "I wish I knew."

Development Darwinism

Coldwell Banker's Rich Evans, who is marketing The 401 Tower, believes there is a demand for this type of large, upscale office space that has not been met. That is especially true for law firms, he said.

The 401 Tower would be well-suited to the law profession, and not only because of its proximity to the courthouse, Evans said. The second-floor copy center, for example, will be wired directly to the law offices. Lawyers can print briefs and keep track of billing from their upper floor offices. Also, it will be one of the few office buildings in Rapid City to have secure, indoor parking.

Evans also believes there is a need for large, contiguous spaces. Companies don't want their workers scattered among

several offices, floors or even buildings. They would like to have everything under one roof.

Spizzirri believes, however, that Rapid City is on the verge of a surge in growth, both in terms of population and economic development. He believes Rapid City will grow into its new space.

Eventually, that will happen, industry experts say. But in the short term, the new buildings will create vacant ones — especially among the smaller, older buildings that haven't been kept up.

One developer predicted an urban renewal-like round of change in commercial real estate. Marginal properties, unable to compete, will have to be torn down or converted to other uses, he said.

Ironically, that is exactly what happened to Tip Top Motel. Throughout the 1990s, developers built new Country Inns, Comfort Inns, Days Inn and other new motels along the high-traffic corridors to the Black Hills.

Despite its very cool 1950s architecture, neon signs and retro charm, Tip Top could not compete with the big interstate chains. Maybe as The 401 Tower, the Tip Top property will be back on top.

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