Developer kills Rushmont project

Builder blames city for not supporting proposal, ‘nickel and dimeing’ project

By Scott Aust

The developer of a proposed downtown multi-story office, condominium and parking structure has decided to pull the plug on the project because of “a non-negotiable political and economic environment” that made it unfeasible.

Hani Shafai, president of Dream Design International, sent a letter to Mayor Alan Hanks on Monday informing the city of his decision.

Unveiled at the end of 2006, the nearly $50 million 17-story building’s goal was to increase parking, add office and retail shops and create condominiums on the city-owned lot on St. Joseph Street between Fifth and Sixth streets.

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

The rest of the financing was to come from private investors.

Shafai said in a phone interview that the process has been dragging on for too long, and it seems as if he is spending money for no reason. To date, Shafai has put more than $300,000 into the project. He decided there was no reason to put more money in when it seemed city officials are not behind the project.

“The project is risky the way it is, and the current financial situation in the country and globally makes it a lot riskier. Combine that with the city nickel and dimeing the project and dragging it on more than it should be, it would cost a lot more money to do,” Shafai said.

In his letter, Shafai blamed the city for not producing the developer’s agreement for the project, something Hanks called an unfair statement.

RUSHMONT: Project would have added more parking downtown.

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When contacted Monday, Hanks indicated the city couldn’t agree to changes requested by Shafai in the terms of the developer’s agreement for the TIF.

Hanks said Shafai, who had concerns about state bid law requirements on projects using public funds, proposed selling the city parking spaces after the building was built, and also wanted to change the TIF terms to include land acquisition costs. Shafai was interested in buying land south of the alley along Fifth Street and reconfiguring the Rushmont to fit into that lot as well.

The two parties failed to reach consensus on those proposals, Hanks said.

“There were some real issues in terms of making sure we were fully compliant with state statute, and we were really struggling with the request,” he said.

The project became embroiled in political campaigning leading up to the June 2007 municipal elections. Shafai stopped the project in May 2007 due to frustration with what he felt was unfair criticism of the proposal, his company and himself during that spring’s mayoral election season.

But after having some time to cool off, Shafai decided to allow the design to continue with an eye toward public informational meetings after the election to explain the goals of the project, how it is being funded and to address any questions.

Shafai said he won’t change his mind this time.

“I wish them the best of luck. I hope there is somebody willing to do it. We’ll cooperate with them to whatever extent they need,” he said. “I would have loved to do it, and I think it’s a good addition to the community, but at the same time it’s got to be done in a fair way.”

Hanks said it’s unfortunate the project isn’t moving forward but said it’s understandable due to the tough economic times and tight credit.

The Rushmont would have been beneficial to the downtown but the city still has $2.8 million earmarked in the 2012 fund for improved parking downtown.

Hanks said there are no other plans for the site at this point, and he’s unsure if any of the other proposals submitted two years ago would be revisited now. He said the city has not talked to anyone else since Shafai’s project was accepted, but projects pitched more than two years ago may no longer be possibilities.

The next step will be up to the Rapid City Council, but the city definitely wants to address the need for additional downtown parking, Hanks said.

“We need to take a look at what other opportunities we have, whether it’s the city going it alone or partnering up with someone else to provide additional parking in the downtown,” Hanks said.

“We’re going to look at any and all opportunities to expand parking opportunities in downtown Rapid City.”

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