

THE WALL STREET JOURNAL.

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Bucking Trend, Mormons Build Giant Mall

Church Finances Large Retail Center in Salt Lake City in Partnership With Taubman; Designed to 'Last for 100 Years'

By KRIS HUDSON

March 13, 2012 6:52 p.m. ET

SALT LAKE CITY—In the heart of this western capital's downtown, the Mormon church and mall owner Taubman Centers Inc. are preparing to throw the wraps off a retail anomaly next week: a megamall with eye-popping extras such as a man-made creek, retractable roofs and a fountain that erupts in choreographed jets of water and fire.

Costly amenities aside, City Creek Center stands out simply because malls this size aren't often built in the U.S. anymore. New projects have been choked off by retail overbuilding, the rise of online shopping, curtailed expansion by department stores and store closures by mall stalwarts such as Gap Inc. and Sears Holdings Corp.

But the 700,000-square-foot mall has something other projects don't: financial backing from the development arm of the Church of Jesus Christ of Latter-day Saints, as the Mormon church is formally known. That has enabled the church and Taubman to include numerous high-price extras and to lure high-profile retailers.

The mall is 92%-leased ahead of its scheduled opening March 22. Its tenants include Nordstrom Inc., Macy's Inc., Tiffany & Co. and Michael Kors Holdings Ltd. as well as midmarket retailers like Foot Locker Inc., Gap and others.

Church officials say that more is at stake than a return on its investment. Located across the street from the main Mormon temple and headquarters complex, it is also designed to make a statement about Salt Lake City.

"From Day 1, we wanted this to be a world-class project," said Mark Gibbons, president of City Creek Reserve Inc., the church's development arm. "A lot of times a retail center comes in and, within 20 years, it is no longer of great interest. We wanted to create



something that will last for 100 years.”

Cedrick Lachance, an analyst with Green Street Advisors, said he doubted that lifespan. “While the location could be a retail center for 100 years, how the products are offered and the layout is used is highly likely going to change over time,” he said.

Taubman and church officials decline to divulge the cost of the development, which also includes offices, condominiums and apartments. But other developers estimate that such a mall, especially one with 5,000 parking spaces below ground, could cost about \$600 to \$800 a square

A man-made creek flows through the City Creek Center mall. *TAUBMAN CENTERS*

foot to build. That would put the total price tag for the mall at \$420 million to \$560 million.

The church financed the development without taking a mortgage or construction loan. Taubman, one of the country’s largest mall owners, has said that its investment is limited to a \$76 million stake in the retail space and that it expects a 12% return on that. Under the terms of its deal, Taubman has agreed to lease the property on a long-term basis from the church.

William Taubman, chief operating officer of the mall company, said the church’s commitment to the area bolsters the property’s prospects. “This is the historical and spiritual home of the church,” he said. “They’re not moving.”

Mr. Taubman said the company, which averages annual sales of \$641 a square foot at its properties, believes it can at least match those levels at City Creek, in part because about 30% of the mall’s retailers will have no other outlets in Utah. “Its distinctiveness will



give us the reach to draw the better customers," he said.

The church's resources helped the developers buck the national trend. Construction of big malls—those 700,000 square feet and larger—fell from 17% of all newly opened retail space in the top 54 U.S. cities in 2001 to just 7% last year, according to real-estate research company CoStar Group Inc. In the boom years of 2004 to 2007, developers built 68 shopping centers of that size in the U.S. In the four years since, only 14 were built, CoStar says.

"Financing for this type of center would be very difficult to secure today," said Suzanne Mulvee, senior real-estate strategist with CoStar.

City Creek hopes to capitalize on Salt Lake City's demographics. The city has lower unemployment than the U.S. average, a growing, young work force and a relatively low cost of living.

It is "one of the best-performing markets in the country from an economic standpoint," said Aaron Jodka, a CoStar manager in U.S. market research.

Taubman and Mormon officials anticipate that the new mall will draw 12 million to 15 million shoppers a year, taking advantage of its proximity to the Mormon temple complex, which

Workers put final touches on storefronts. KRIS HUDSON/THE WALL STREET JOURNAL

itself brings in an average of five million visitors a year from across the globe.

The impetus for the church's City Creek project came 11 years ago, when a local developer opened the Gateway mall a few blocks away. Gateway ended up siphoning stores and shoppers from two retail complexes, including one the church already owned, that formerly occupied the City Creek site. The church bought the one property it didn't own and started demolition on the complexes in 2006.

The mall includes a creek meant to resemble the original one that sustained the area's Mormon settlers, and parts of it are heated for 200 rainbow and cutthroat trout.

The fountain, which can shoot jets of water 50 feet high, was designed by Wet Design, the Sun Valley, Calif., company that created the fountain displays at the Bellagio Las Vegas resort.

City Creek also includes 111 apartments, which are nearly leased out at monthly rates of \$800 to \$1,800. The project's 425 condos aren't moving as quickly. Only 30% are sold or under contract at prices ranging from \$250 to \$1,000 a square foot with expansive views of the Rocky Mountains and the church's headquarters complex.

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