



MISSISSIPPI OFFICE OF THE STATE AUDITOR
PHIL BRYANT, AUDITOR

PERFORMANCE AUDIT DIVISION UPDATE

Bond Monitoring Program: Southaven Towne Center
May 16, 2005

Senate Bill 2322, passed during the 2003 regular session of the Mississippi Legislature, authorized \$5 million for a regional retail shopping mall in DeSoto County. Construction of the new open-air mall began on October 20, 2004. Southaven Towne Center is a 196-acre construction project owned by CBL & Associates Properties, Inc of Chattanooga, TN. Upon its completion, including Phase I & 2, in early spring of 2006, the open-air mall will have over 625,000 feet of retail space, several restaurants, 2500 parking spaces, and park-like landscaping, including four entrances, three of which will have traffic signals.

Phase I of the mall project, which includes JCPenney, is scheduled to open October 5, 2005. Construction of the project is well underway and project managers say they will be open "on-time". The project is approximately 45 days behind schedule because of inclement weather, but workers expect to be caught up in approximately three weeks by utilizing the favorable weather. Phase II, which consists of Dillard's and several smaller retailers, is scheduled to open in early spring of 2006. Space was already 70% leased by when the project was announced in May 2004.

Southaven Mayor Greg Davis noted that all State monies allocated for infrastructure have been expended and approximately \$1-\$1.5 million more is needed to complete the project. Project overruns are attributed to inclement weather and the cost of building materials, particularly PVC pipe. However, Mayor Davis expects that all infrastructure will be completed and will not hinder the progress of construction. The Mayor and

Aldermen of Southaven approved \$7.5 million in tax increment financing (TIF) for the open-air mall on April 5, 2005.

Prior to project initiation, \$9.2 million in Economic Development Highway Program monies was committed for roads in Southaven specifically for the area on which the project is now located. The State also approved \$5 million in MMEIA bond monies for infrastructure for the project. The City of Southaven and Desoto County agreed to contribute \$13 million in tax increment financing for the project as well. The total cost of the project is expected to be \$177 million.

Phase I of the project is expected to create 700 full time jobs with an average wage of \$11/hour with an annual payroll of \$21 million dollars. Phase II is estimated to add an additional 450 jobs at \$11/hr with an annual payroll of almost \$15 million dollars. At the completion of all phases, the revenue to the State is projected to be over \$8 million dollars annually. MDA is not required to verify employment of records until 2 years after all phases are completed, and so they plan to begin verification work in 2008.

Desoto County, the fastest growing county in MS and 39th in the country, is located in the midst of the greater Memphis area. While the entire greater Memphis area has seen only a small population growth (16%) overall in the past thirteen years, Desoto County has grown 82% in the same time period.

CBL & Associates Properties, Inc. is the fourth largest Real Estate Investment Trust (REIT) in North America and the largest owner of malls and shopping centers in the Southeast. CBL owns, holds interest in or manages 166 properties, including 70 enclosed regional malls. Its properties are located in 29 states and total 77.3 million square feet.

OSA will continue to monitor the progress of this project and in the future will review financial information and verify employment details.

