

## Apartments, hotel, movie theater on track for UT-area University Park complex



A Premiere Cinemas theater is planned in an apartment building at University Park. The theater's proximity to UT should ensure a flow of customers, the company's president said.



A rendering depicts a planned medical office building at University Park, a development at the former Concordia University site near UT. Building plans have continued there despite the downturn.

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A movie theater, apartment building, medical office building and a boutique hotel are expected to break ground next year at University Park, the \$750 million project at the former Concordia University site and one of the few Austin-area projects forging ahead during the economic downturn.

Premiere Cinema Corp., a Big Springs-based chain with 18 cinemas in Texas, has signed a lease for a theater with six or seven screens and more than 850 seats, said Andy Sarwal, lead developer of the 23-acre University Park at Interstate 35 and East Avenue.

The theater would be in a 450,000-square-foot building that also would have 340 apartments to be developed by Sarwal's company, Alexandrina Management .

Sarwal said he expects to select a company soon to manage the building and handle leasing.

Construction should start in the second quarter, with the theater finished a year later and the apartments completed in about 15 months.

Just west of the apartments, Austin-based Onair Development is planning to start construction in the first quarter of 2010 on a 120,000-square-foot medical office building.

The first office building at the project houses Texas Monthly magazine, which moved into its new space in August. A second tenant, an Aveda Institute salon training school, is expected to open by mid-2010.

Sarwal said he is finalizing leases that will bring the building to 90 percent leased.

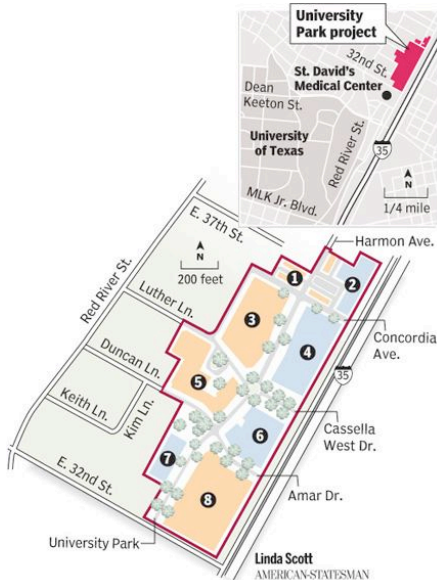
Construction on an Andaz hotel, a boutique concept from Hyatt Hotels Corp., is expected to start in the third quarter of 2010, said Farley Kern, vice president of corporate communications for Hyatt.

Sarwal and his financial backers are planning 2.5 million square feet of space at University Park, including retail and office space, 1,000 residential units and 22 townhomes.

Sarwal said financing has been arranged for the theater/apartment building and the Andaz, but he said he could not disclose the identity of the investors.

While financing has virtually dried up for real estate projects across the country, causing some local projects to be delayed indefinitely or canceled, University Park has plowed ahead.

Charles Heimsath, a local real estate consultant, said University Park is among several projects in the downtown area that have "done very well in a very tough environment."



1. Townhomes (first five under construction)
2. Planned office building
3. On hold: proposed AMLI apartments
4. Planned office space, grocery store, bookstore
5. Planned Hyatt Andaz hotel
6. Completed office building
7. Planned medical office building
8. Planned 340-unit apartment building with movie theater, shops



Andy Sarwal

Michele Gary, a vice president in Austin with the Weitzman Group retail brokerage firm, said that because the project is in "a densely populated, built-out area that offers very limited opportunities for new development," it should continue to attract interest from tenants such as Premiere Cinemas.

Premiere's president, Gary Moore, said the company conducted extensive research before signing the deal at University Park.

"The bar is extremely high right now for any new construction project," Moore said .

Premiere settled on the site, he said, because of its location and demographics, including proximity to the University of Texas and surrounding neighborhoods, which he said will provide "a crucial customer base."

But not everything planned at Sarwal's project is moving forward as scheduled.

AMLI Residential planned to break ground on a 315-unit apartment complex there last year.

However, given the economy, the project is on hold indefinitely, said Marcy Phillips, AMLI's vice president of development in Austin.

AMLI has not ruled out the site. When the economy improves, "absolutely, we'd take a look at it," Phillips said. "It's a great site."

The Andaz hotel also is behind schedule, having originally targeted a 2010 opening.

"No one foresaw the collapse of the capital markets, which has had a tailspin effect on the rest of the economy and investor confidence," Sarwal said.

Still, Hyatt "never lost confidence in University Park as a site or project, which is ultimately the most important thing and why the project will proceed," Sarwal said. In addition, he said, the hotel was redesigned, adding "a few unforeseen months."

Sarwal said that initial financing from Lehman Brothers for the project fell through, but he and the investors quickly secured \$39 million to finance the first office building.

"The only reason we've been able to move forward is because of the underlying strength of the project," Sarwal said. "The existing demographics – both population and income – are second to none and will only improve as University Park continues to come to fruition."

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