



Larry Kolvoord
AMERICAN-STATESMAN

[\(enlarge photo\)](#)

Andy Sarwal has faced an imposing series of obstacles in his journey to make his vision for the former site of Concordia University Texas a reality – not the least of which was his untested status as a real estate developer. A broker for the Staubach Co., which evaluated prospective developers, says he was stunned when Sarwal secured the help of Lehman Brothers: 'It was a big-boy deal, and he wasn't a big-boy developer.'



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The office building at University Park – which is set to include the Aveda Institute and Texas Monthly's headquarters among its tenants – is the only part of the complex that is under construction.

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UNIVERSITY PARK PROJECT

Developer still faces tough road in realizing his vision

Real estate rookies beat odds landing job at former Concordia site

By [Shonda Novak](#)
AMERICAN-STATESMAN STAFF

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Three years ago, when Andy Sarwal pitched a plan to buy 23 acres north of downtown from Concordia University Texas and turn it into \$500 million worth of housing, shops and offices, some people in the real estate community laughed.

For most of his career, Sarwal, 39, had been a corporate lawyer. Yet the relative real estate rookie was proposing an ambitious mixed-use project that would require millions of dollars in financing and complex negotiations with hotels and other prospective tenants.

But Sarwal raised the money to buy the land and persuaded Concordia's leaders that his was the best vision for the land the university had owned for decades.

Today, a little more than a year since Concordia held its last class there, construction is under way on the first of nine planned components in a project originally called East Avenue.

This week, Sarwal is announcing the project's new name, University Park. He's also announcing a new tenant for an office building — the only component of the project that is under construction. Aveda Institute, a training school run by the marquee salon and cosmetics company, will occupy 27,000 square feet in an office building that also will become the new headquarters for Texas Monthly magazine.

But local real estate observers say Sarwal still faces considerable obstacles in realizing the rest of his vision for the 2.5 million-square-foot project, which is to include a hotel, movie theater, apartments, condominiums and 300,000 square feet of shops and restaurants.

Since he bought the land, the commercial real estate markets have been whacked by the worst downturn in decades. Experienced developers have temporarily shelved other Austin projects, including office and condominium towers and a 1,000-room Marriott hotel downtown, until the recession blows over.

A major Northwest Austin office complex is in foreclosure, and last week, the owners of the Hill Country Galleria shopping mall in Bee Cave filed for bankruptcy because they were unable to refinance a \$192 million construction loan.

With the capital markets in lockdown, financing is virtually

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impossible for major new housing, retail, hotel and office projects, and University Park includes all of those components.

Sarwal said he has the financing for about 70 percent of his project but declined to name the lenders.

"No question, the current capital market makes all deals more challenging," he said.

"People still want to do solid deals; they just need fundamentals that are stronger than ever. We offer that," he said, citing the site's location near downtown, the Capitol, major employers such as the University of Texas and St. David's Medical Center and neighborhoods with a high median household income, but a scarcity of shopping options nearby.

Chris Ellis, managing principal at Endeavor Real Estate Group, said Austin is seeing "very low demand for any expansion of national retailers."

"I would expect this to last for several more years," Ellis said. "Low demand and very limited — and expensive — financing will keep new development very depressed."

However, he said, University Park has some factors in its favor. Sarwal, he said, "is a diligent worker and very capable, and also I do think generally there is a void of retail and entertainment and restaurant users" in the area surrounding University Park.

"I do think that there are several users that might locate in that market, even in this poor retail environment," Ellis said.

In 2006, Concordia University's leaders decided to sell the Austin campus, so they could move to a bigger campus in Northwest Austin.

When the word got out, "There was an instant understanding of the site and all its potential," said Sarwal, who lived near Concordia while attending UT.

He began to pursue the deal with associates including Fred Yeo, the chief financial officer of Sarwal's company, Alexandrina Management.

Concordia hired the Staubach Co. to solicit offers for the land and prospective buyers' visions for redeveloping it.

Staubach narrowed about two dozen inquiries down to seven serious prospects, and Sarwal's offer became one of three finalists, said Steve Sanders, a former Staubach broker and now senior vice president and area director for Jones Lang LaSalle, which bought Staubach last year.

When Sanders and his colleague Jay Lamy first saw Sarwal's proposal, they were skeptical, Sanders said.

"We were unsure that a person whose background was corporate law could pull off a \$500 million to \$600 million deal," Sanders said.

Concordia President Tom Cedel said there were concerns about Sarwal never having done such a project before.

But Cedel and Sanders said that Sarwal's proposal was by far the best thought out and had the highest probability of closing.

"It was a combination of the best price, with the plan that was most likely to succeed through the city process," Sanders said, noting that the land sale was contingent on Sarwal obtaining a zoning change for the site.

Once the board decided to go with Sarwal, Sanders said, Staubach set tough timelines and benchmarks, including applying for the zoning change, a time-consuming process that could run upward of \$1 million from start to finish, Sanders said.

"Because he was unproven, we made it difficult for him to put the property under contract, with high earnest money requirements and specific milestones that had to be met," Sanders said.

Sarwal delivered, Sanders said, including bringing Lehman Brothers in as a partner to buy the land. The market value was reported at \$85 million, but Sarwal said he paid "a fair amount less."

"I was stunned when someone like Lehman came in and said, 'We'll back this guy with no development track record,'" Sanders said. "It was a big-boy deal, and he wasn't a big-boy developer."

Sanders also said Sarwal assembled a "best-in-class" team of consultants, architects and attorneys, including Richard Suttle Jr., who handled the zoning case and negotiations with the neighborhoods.

The zoning vote passed in 2007, capping more than a year of often thorny negotiations with neighborhood groups over the height and density of the project, which some neighbors still say is out of scale for the area.

According to Sarwal's plan, work will start later this year on a 15-story Andaz Hotel, an upscale concept from the Hyatt Corp. that will be the project's tallest building at 182 feet, and a 315-unit apartment complex by AMLI Residential.

AMLI had originally expected to break ground in mid-2008, and the Andaz was originally slated to open in 2010 but is now headed for a 2011 opening.

Sarwal said he's in discussions with other potential tenants, including a grocery store, bookstore and restaurants.

Local real estate experts are watching to see whether Sarwal can pull it off. He will need to finish and lease hundreds of thousands of square feet of space at rates that will allow him to deliver acceptable returns to his investors, or allow him to sell at a favorable price.

And experts say the commercial real estate market is being hammered by the credit crisis and recession, with more trouble to come.

"The economy is rough, and the project is behind original schedules," said Bart Whatley, former president of the Hancock Neighborhood Association. "However, However, parts of the

project seem to be moving forward."

Paul Bury, whose Bury & Partners firm handles civil engineering for the project, said he's been impressed by Sarwal's "laser-beam focus" and says he has cleared hurdles "that the average bear would have run from."

Sarwal is undeterred, saying "it's not as if the world has stopped" when it comes to obtaining financing.

"We've done a lot things right, by luck or intellect," he said. "I believe and never stop."

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