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## University Gateway To Break Ground, Finally

*USC Student Housing Project To Begin Construction After Years of Legal Battles*

by Ryan Vaillancourt

It's an event some might have thought would never come: This Thursday, Urban Partners will break ground on University Gateway, a major student housing project adjacent to USC.

The 1,600-bed mixed-use project has been delayed more than two years by legal challenges from rival developer Conquest Student Housing. A lawsuit filed by USC and Urban Partners against Conquest last year was settled in January, paving the way for University Gateway to proceed.

But if any supporters of the project are holding their breath until the July 10 public groundbreaking, Urban Partners principal Matt Burton has long since exhaled. He noted that contractors have been at work on the site for three months.

"We've gone in and removed all of the existing structures, turned and recompacted all the dirt and we're basically ready to start moving up with reinforcing steel and getting started," Burton said.

While the legal hurdles are behind them, Urban Partners has had to adjust to a changed real estate landscape. Since 2005, when the Downtown Los Angeles-based firm estimated the project would run \$135 million, construction costs have skyrocketed. Tack on inflation and now the project is "easily going to cost 25%-plus higher than that," Burton said.

With credit markets in the doldrums, banks these days are lending at significantly lower loan-to-cost ratios - the percentage of the project cost the bank is willing to finance - so large-scale developers are forced to invest more equity in order to secure a construction loan, Burton said.

"A year ago, you could pretty easily borrow 75-80% loan-to-cost," Burton said. "Today that level is 55-65%, so you can understand on a large project that's a big, big difference."

Thus Urban Partners, which has long been partnered in the project with New York investor Blackstone Group, went shopping for another equity investor after the January settlement with Conquest, Burton said. That led to the participation of another New York player, LCG Long View Equity Fund LP.

"Both of those firms are making significant equity investments in the project," said Burton, who declined to disclose the details of each partner's participation.



Urban Partners will break ground on University Gateway this Thursday. The 1,600-student housing complex is slated to open in two years. Rendering courtesy of Urban Partners.

## Filling a Void

Though Urban Partners has had to make new deals to finance the costlier University Gateway, the project itself has not changed from a design or architectural perspective, Burton said.

Located at the southeast corner of Figueroa Street and Jefferson Boulevard, the development designed and being built by Clark Construction is slated to provide 421 apartments for 1,600 students as well as 81,500 square feet of ground-floor retail space. It will have 770 parking spaces on site and another 440 available one and a half blocks away at USC's Parking Center.

Urban Partners expects to open the project by fall 2010. The apartments will help fill the university's student housing shortfall of about 7,000 beds, said Michael Jackson, USC's vice president of student affairs.

Currently, USC guarantees housing to freshmen and sophomores, but the institution has also set a goal in its campus master plan to guarantee four years of student housing for undergraduates and one year for graduate students by 2011.

Some market watchers say the plan, if fulfilled, would flood the USC area with units, harming apartment building owners near the campus that have long relied on USC student tenants.

But Jackson said the school's housing plan is only a goal, and likely a lofty one at that.

"Certainly I think it's a stretch to get 7,000 beds by 2011, but by setting that goal, it keeps us focused and lets others know, Urban Partners or whoever, 'Hey, USC is interested in doing things so some people come to us with ideas,'" Jackson said.

In the meantime, as USC carves out the details of its student housing plan and work proceeds on University Gateway, developers and property owners with a stake in USC area real estate are trying to gauge the project's impact on the niche market. The most recent major addition was the Tuscany, Conquest's 2-year-old, 120-unit project at 3760 S. Figueroa St.

"[University Gateway is] such a big project, and we haven't seen anything that size south of the 10 and north of Martin Luther King Jr. Boulevard since the Tuscany," said Rohan Gupta, a principal in [Stuho.com](http://Stuho.com), a developer and property management company in the USC area. "Sixteen-hundred beds is a very large number for USC. That being said, there's a large number of students that go to USC, and when other campuses have these kind of [projects] they seem to absorb it, so it'll be interesting to see what happens."

However the USC-area rental market shakes out, University Gateway is poised to play a major role. Although its debut is more than two years away, supporters are already looking forward to opening day.

"All I can say is every time I drive by that corner I get excited because it has been a very long and difficult struggle for us to get to that point," Jackson said.

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