

## CSUN to Build Campus Hotel

**HOSPITALITY:** Hyatt Place and restaurant will generate revenue.

By **CAROL LAWRENCE** Staff Reporter

Need to bring in some extra revenue to a public university? Build a hotel.

That's just what **California State University – Northridge**, the public university system's largest campus with 41,000 students, plans to do to monetize thousands of visitors at a time when the state continues to shrink funding for public higher education.

CSUN has no plans to finance, build or manage the hotel itself. Instead, it will pass the risk for

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## Foodie Groups

**RESTAURANTS:** Top chefs cluster in Sherman Oaks, Glendale.

By **HELEN FLOERSH** Staff Reporter

A retail marketing principle called “cumulative attraction” may explain why Sherman Oaks and Glendale have emerged as the Valley's biggest restaurant hotspots.

A culinary renaissance is taking place in Sherman Oaks, with upscale cuisines moving in from

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### SPECIAL REPORT ACCOUNTING

**NEXT GEN:** When the Business Journal asked Valley firms for the names of next-generation “rising star” accountants, they came up with a stellar list of professionals, including Elaina Kogan at Singer Burke Zimmer & Butler in Encino, who identified multitasking and communication as “star skills.”



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## Unconventional CEO Builds BlackLine Success

**TECHNOLOGY:** Product switches, key hires mark flexible style.

By **MARK R. MADLER** Staff Reporter

**Therese Tucker** sees no reason why her company **BlackLine Inc.** should be a success. When she formed it in 2001, she had no financial backers and no customers – in short, the 55-year-old said, she had no clue what she was doing.

But with perseverance, a few good hiring decisions and some sales hustle, she grew Woodland Hills-based BlackLine into one of the premier software firms in the financial technology sector.

Numbers tell the story. The company has more than 1,800 customers served by a workforce of 646 employees in 13 offices around the globe. BlackLine went public in October and has a market capitalization of \$1.7 billion.

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PHOTO BY DAVID SPRAGUE

Chief: **Therese Tucker** in boardroom.



Pit Crew: From left, publicist **Dan Kahn**, detailer **Jeremy Porrazzo** and **Jay Leno**.

## LENO'S BEST LINE

Comic car collector introduces auto care products in Burbank garage

By **STEPHANIE HENKEL** Staff Reporter

**F**ormer “Tonight Show” host **Jay Leno** has a new gig selling his name-brand car care products out of his garage in Burbank.

Leno partnered with his personal auto detailer **Jeremy Porrazzo** to develop the

product line using Leno's collection of 160 cars as test dummies. Called **Jay Leno's Garage – Advanced Vehicle Care**, the line has hired marketer **Dan Kahn** of **Kahn Media** in Moorpark to execute a publicity campaign built around Leno's YouTube channel and his current CNBC show titled “Jay Leno's Garage.”

“It's the same way I started my career,” Leno told the Business Journal. “I went around to comedy clubs before I was getting any TV (appearances). You get known a little bit and get better at it. People let you know when it's ready.”

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PHOTO BY THOMAS WASPER

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### Double Coach

Lancaster's BYD Motors sells 60-foot articulated bus.



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### Housing Shortage Inspires Small Lot Homes

Faced with little land and plenty of buyers, residential developers opt for infill projects.



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### List: Money Management Firms

Largest investment companies in the Valley ranked by total assets under management.

It isn't what you do,  
but how you do it.

— John Wooden

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PHOTO BY DAVID SPRAGUE

**Teardown:** CSUN's Colin Donahue on campus at the Orange Grove Bistro restaurant, which will be razed to make room for \$52 million public-private lodging project.

# Hospitality: College Hotel Has Built-in Customers

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the \$52 million project to a private hotel developer and operator through an arrangement called a public-private partnership, or P3. In these, the university remains the land owner, collecting rent on the land leased to the developer plus a portion of the hotel revenue.

Assuming the hotel is built as conceived, it would make CSUN the first campus in the state-wide system to do so using the P3 model, said **Colin Donahue**, the campus's vice president for administration and finance. Projects constructed so far with a P3 arrangement on university campuses have been primarily student housing, while government agencies use it for large infrastructure projects.

"P3 will become a much more prevalent delivery method than today's traditional method for any project that is revenue-generating," Donahue said. "This is something every campus is interested in."

The project will generate an estimated \$11 million in revenue annually to start, rising to \$14 million by 2026. The hotel will provide the campus with extra cash to put toward maintenance needs of older buildings, as well as other capital projects.

## On-campus stay

CSUN and its developer partner, **Jupiter Realty Co.** of Chicago, have chosen to build a Hyatt Place hotel with 148 rooms and a 3,000-square-foot conference space.

Plans for the 2.75-acre site also include a new 6,000-square-foot restaurant next to the hotel. The 40-plus-year-old Orange Grove Bistro restaurant will be torn down to make way for the two structures to give it frontage along busy Nordhoff Street.

By tearing down the Orange Grove Bistro, the university will not have pay for at least \$6 million of deferred maintenance, Donahue said.

"That was one of the factors we took into account," he said. "This hotel is an example of deferred maintenance liability that we're going to turn into an asset."

About 35 acres is available for building in the university's North Campus, but it's reserved for faculty and student housing and about 2 miles away from the heart of the campus.

"This hotel really needs to be central to the campus daily life; it will really be a big part of it," Donahue explained.

More than half of the hotel's guests are expected to be there for activities relating to the school.

Until now, guests have stayed in student housing, but that's reached capacity, Donahue said. They come year-round and include teams competing in 17 Division 1 sports; family members of the 2,000-plus international students; perspective students and their families; alumni; families of graduating students; those attending retreats, conferences and industry events; and speakers and visiting scholars.

Yet another draw is the 1,700-seat Valley Performing Arts Center and the performers who need a place to stay.

Guests looking for a room in Northridge but not interested in campus activities would mostly be business people, according to a market study for the project done in 2015 by PKF Consulting USA, a subsidiary of L.A. commercial real estate brokerage **CBRE Group Inc.**

Since the Great Recession ended, occupancy in the San Fernando Valley area has risen steadily each year with an increase in 2014 of 6.5 percent to more than 79 percent, according to PKF. Average daily room rates have had similar gains. In fact, the study's authors said, the campus regularly has to turn away requests for use of its facilities from outside groups.

Overall, PKF expects by charging an average daily rate of \$163 a night starting in 2019 (when Donahue expects construction to finish), it will result in a 70 percent annual occupancy rate and \$9.4 million in annual revenue. That should rise to \$201 a night, 78 percent annual occupancy rate and annual revenue of \$13.6 million by 2026.

The hotel will have competition from about 12 other hotels between Sherman Oaks, Woodland Hills, Van Nuys, Chatsworth and Northridge, and ranging from just over 2 miles away to Warner Center hotels located 9-plus miles away.

To compete, the study recommended a full-service, higher quality brand hotel with a reservation system and international sales, and one that will be widely recognized.

Jupiter Realty chose to bid on the hotel proposal because it saw a need for lodging at the campus and in the Northridge community, said **Jerry Ong**, executive vice president.

"We feel it brings to the marketplace a product that doesn't exist in Northridge today," Ong said. "The meeting space associated with the hotel, the amenities, levels of finish, as well as the Hyatt name and its reservations systems, contribute to why we selected it for this particular development."

The project also gives Jupiter an entry into Southern California's hotel market.

"They (CSUN) get the hotel without a lot of financial risk, and we get into the marketplace," he explained.

## Public-private partners

Public-private partnerships are common in other countries but fairly new to the U.S.

The P3 arrangement enables the developer to do what it does best, according to the to the Design-Build Institute of America, in Washington, D.C., while also holding it to a performance criteria over the term of the arrangement, which usually lasts at least 30 years. This motivates the developer to stay on time and on budget, the institute says.

**William Eliopoulos**, chairman of the infrastructure/P3 practice group for the law firm **Rutan & Tucker LLP** in Costa Mesa and Palo Alto, is advising on the University of California Merced's massive \$1.5 billion P3 expansion project, which he says is the country's biggest P3 project so far. He has also advised on the city of Long Beach's P3 Civic Center project. The arrangement makes sense for public universities for several reasons, Eliopoulos said.

"It brings in a long-term maintenance provider, and helps them get involved in design process," Eliopoulos said. "They know the most maintenance-free type of systems – air conditioning, heating and fire suppression/sprinklers – and what's the cheapest to maintain over 35

years of useful life."

Additionally, private developers tend to work faster and more efficiently than a public entity would, he added, and the arrangements tend to result in fewer work change orders, which translates to lower costs.

And in revenue-generating P3 arrangements, the revenue usually offsets the developer fees the public institution has to pay. Finally, the private entity usually returns the facility back to the public institution at the end of the long-term arrangement in good shape, Eliopoulos explained, because it has been held to stringent rules guiding condition.

"In my opinion it's the wave of the future for public infrastructure over \$100 million and sometimes a bit under that," he said. "And when it's a revenue producer like this (hotel), to me it's almost a no brainer."

## Costs and returns

CSUN's P3 project comes at a time when budget-crunching is needed by state universities because of reduced state funding.

According to the California State University system, state funding per student has dropped over the last 25 years, and currently is below 1990s levels by thousands of dollars. Meanwhile, enrollment and numbers of graduating students are increasing, the system said. The state's proposed 2017-2018 budget would provide less than half of the funding requested by the university system, according to news reports.

Under the CSUN and Jupiter arrangement, the Hyatt Place hotel, the separate restaurant and the new parking has an estimated cost of about \$52 million.

The costs to the school so far have entailed time and money to put together the highly complex and detailed arrangement, which will last 65 years.

"We had to consider that hotels do sell; and so we will have participation in any proceeds of any sale," Donahue said. That participation includes a right of first refusal.

"This delivery method is so different," Donahue said. "We have to make sure the campus community understands what we're doing and that we're doing our homework."