

Downtown's \$500 Million Fighter

Geoff Palmer, the Area's Biggest and Most Controversial Developer, Presses Forward

by Jason Mandell

Mention the name Geoff Palmer, and you're likely to hear two stories.

Some describe him as a pioneering developer whose high-end apartment complexes the Medici and Orsini helped ignite Downtown's residential renaissance. Others think of him as the culprit whose firm illegally knocked down a historic, if dilapidated, home on Bunker Hill.

Brentwood-based Palmer is praised in some circles for injecting vitality into the depressed neighborhoods surrounding Downtown's core. Others condemn him for refusing to include low-income units in his projects.

Perhaps no developer has done so much to build up Downtown, while making so many enemies.

These days, Palmer appears to have reached an uneasy truce with city brass, lawyers, preservationists and advocacy groups - at least for the moment. In the past six months, the 54-year-old developer has settled two high-profile lawsuits with the city, freeing him to complete his \$45 million Visconti apartments at Third and Bixel without including low-income units, and begin developing a second, 600-unit phase



Developer Geoff Palmer, pictured here in front of his next project, the Piero. While he has settled two high-profile lawsuits with the city, Palmer could face further political battles. Photo by Gary Leonard.

of the Orsini at Sunset and Figueroa.

The Visconti is slated to finish late next year, while construction on Orsini II is set to begin in October. In addition, the L.A. native's third luxury residential complex, the \$38 million Piero at Wilshire Boulevard and St. Paul, will open next month.

Palmer is not stopping there, however. His firm GH Palmer Associates has purchased land for three additional developments, all within blocks of his current projects. The new structures will total about 1,500 units and bring Palmer's investment in Downtown to roughly \$500 million, making him the largest developer of new housing in the area.

While he prefers to keep a low profile, Palmer will take on a pivotal role in shaping Downtown's development in the coming years. Observers are hopeful that the controversy and combativeness are behind him, but Palmer shows little sign of letting up. Even after weathering public attacks and lengthy lawsuits, Palmer remains uncompromising. When asked if he'll alter his approach to development Downtown, Palmer - who through company vice president Peter Novak refused requests for an in-person interview, agreeing only to respond to questions by email - is blunt.

"No, we won't," he says. "But the city might change their approach to the production of market-rate apartments, which is by definition affordable housing."

Biggest Battle

In 1998, after more than two decades of developing housing countywide (including one apartment building in Chinatown), Palmer set his sights on Downtown. At a time when his peers were skeptical about the idea of building new high-end housing in Downtown, Palmer announced plans for a \$90 million, 600-unit apartment complex called the Medici, just west of the 110 Freeway and the Financial District.

The neighborhood, a mix of low-income housing, a few office buildings and a smattering of mom and pop stores, was an unlikely spot for Palmer's Mediterranean-style oasis. While it seemed far from prime real estate, Palmer was confident he could command market-rate rents.

Palmer's proposal was bold, but the developer made even bigger waves when he revealed that the project would be privately funded (most developers, especially in blighted areas, rely on public subsidies to make their projects pencil out). Since he would not seek public money, Palmer expected he'd be free from having to include a percentage of units priced for low-income residents.

"Why should we give them affordable housing when we're getting nothing in return?" he

said in a 2002 interview with the Los Angeles Downtown News, referring to the Medici.

Palmer's attitude quickly drew fire, however, as some city officials and affordable housing advocates charged that he should provide housing for a mix of tenants, not just the lawyers and executives who were expected to fill the Medici. Many argued that Palmer was legally required to do so under the Central City West Redevelopment plan, which called for mixed income housing to be built west of the 110 Freeway.

Palmer, and other business leaders and Downtown boosters, complained that the plan, which was written in the '80s when the area was expected to house high-rise commercial development, was outdated. After tussling with the city, Palmer eventually relented and agreed to build 65 units in the Medici for moderate-income tenants.

The conflict, however, sparked a series of legal and public relations headaches. In 1999 Palmer announced plans for the Visconti, which would rise just a few blocks from the Medici. When a tentative deal with the city that would have enabled him to fund 45 low-income units off-site collapsed, Palmer went on the offensive.

"The only avenue available to Palmer was to file a lawsuit," said Ben Reznik, Palmer's attorney.

After suing the city over the low-income provision for the Visconti, Palmer was targeted by affordable housing advocates. Some labeled Palmer a greedy developer bent on creating high-end housing without regard for lower income residents.

"He doesn't take into consideration the human factor," said Alivon Hurd, a board member of advocacy group ACORN. "There's no humility in anything he does."

Expensive 'Accident'

While he battled with the city over the Visconti, Palmer pushed forward on other developments. The Medici opened in October 2002 to almost full occupancy. Palmer also continued to build the Orsini, a roughly \$45 million, 300-unit complex at Sunset and Figueroa.

In April 2003, however, Palmer's troubles escalated. One Saturday morning his construction crew, which was working on the plot across from the Orsini, demolished an 1887 Victorian house, which preservationists considered the last historic home on Bunker Hill. Palmer did not have permits to level the structure, and a scandal erupted.

Already considered an irreverent developer by some, Palmer's image suffered further when his vice president, Peter Novak, called the razed house "a piece of crap." Novak further claimed that the crew had no choice but to level the house after a construction vehicle accidentally bumped it, causing it to lean dangerously to one side.

Though the graffiti-scarred structure was in a state of disrepair, and was reportedly a

hotbed of illegal activity, the preservation community pounced. Ken Bernstein, director of preservation issues for the Los Angeles Conservancy, which lobbied city officials to severely punish Palmer, recalled the demolition as "shocking and egregious."

"The explanations for why he did not have a permit were rather farfetched and laughable," Bernstein said.

City officials enforced an obscure ordinance that barred Palmer from building on the property - which was slated to house a second phase of the Orsini - for five years. Some saw the punishment as the city's way of taking Palmer to task for his lawsuit over the Visconti.

Palmer fought back with another lawsuit. In December 2003 he filed a \$10 million claim against the city and the Community Redevelopment Agency (CRA), arguing that he had been forced into a Catch-22; he said the Department of Building and Safety had ordered him to "abate" the house, but the CRA had not signed off on a demolition permit.

Developer Mark Weinstein said Palmer's approach to development poses certain problems.

"He's a really good business person, but he doesn't like to get involved in the political system, or wading through all the rules they have," said Weinstein. "He wants to stay out of the limelight, but he gets in the limelight."

'Pound of Flesh'

Though his politics and aggressive style have drawn negative attention in some quarters, Palmer has also been lauded for his success. In late 2003, the Orsini opened to nearly full occupancy. As with the Medici, his developments have lured hundreds of people to an otherwise forlorn area, establishing a beachhead that could lead to more street life and neighborhood investment.

Weinstein said Palmer deserves tremendous credit for investing in Downtown. "Any housing that gets built is good housing," said Weinstein.

Earlier this year, Palmer let his financial interests supercede his personal ethics. In February he agreed to a settlement that calls for him to pay \$2.8 million to the city, which will exempt him from including low-income units in the Visconti. The deal also allows Palmer to convert the 65 moderate-income units in the Medici into market-rate housing.

Palmer said the arrangement was bitter but necessary. "Settlements are a compromise of principle for a business purpose," he commented.

Last month, he ended his lawsuit with the city over the illegal demolition of the Victorian home. Palmer agreed to pay \$200,000 to preserve historic homes in the area, and provide a series of community benefits including new parking, a public plaza and landscaping. In

exchange, Palmer will be allowed to begin building the Orsini II.

"Again, the city got their pound of flesh and we get to risk our money to build a few hundred more apartments for the Downtown workforce," Palmer said.

Councilwoman Jan Perry, whose Ninth District includes most of Downtown, said she was reluctant to let Palmer get off so easily. She lamented that Palmer has failed to consider the needs of the area.

"He doesn't appear to be receptive to creating more affordable housing," said Perry. "That's unfortunate."

Rocky Road Ahead

With the lawsuits behind him, Palmer is poised to expand his rush of Italian Renaissance-themed apartments. Across the street from Orsini II, he plans a third phase of the Orsini that will contain 300 units. The \$45 million structure will replace the restaurant Barbecue King, which is in negotiations to relocate into Orsini II. However, Novak says the eatery could be left out of the project.

"It's not an easy thing to accommodate in a modern structure," said Novak.

Two blocks away, on the northwest corner of Temple and Figueroa, Palmer has purchased a five-acre plot where he plans to build the \$90 million, 600-unit Da Vinci. He is also planning a second, 600-unit phase of the Piero.

The road ahead, however, could prove rocky. The political climate has changed since Palmer first wowed Downtown with his vision of high-rent residential developments with hotel-style amenities. While officials a few years ago desperately courted new housing, the surge in production has drawn attention to the lack of affordable and mixed-income units in Downtown.

Further, some City Council members, including Ed Reyes, whose First District is home to most of Palmer's projects, are pushing an "inclusionary zoning" ordinance that would require developers to include a percentage of low-income housing in their projects, even if they are completely privately funded. Palmer has called the ordinance "unconstitutional and fundamentally un-American."

Reyes, who has squabbled with Palmer over affordable housing as well as the illegal demolition, said he hopes to work with the developer.

"If he's open to handle discussions, and he's open to listen, and if he can be a gentleman," said Reyes. "He needs to have an open mind too."

Perry, whose district includes Palmer's proposed Da Vinci project, said she fears the developer will continue to fight city efforts to create mixed-income housing.

"I don't expect him to change," Perry said. "I see no indication that he's even interested in changing."

Reznik said Palmer doesn't intend to cause conflict. "Geoff is willing to work with the city," said Reznik. "But if somebody does something totally unreasonable to him again, he's the kind of guy who's not going to take it lying down."

Palmer's Downtown Empire

In 1998 Brentwood-based developer Geoff Palmer announced plans to create a \$90 million, 600-unit luxury apartment complex in Downtown called the Medici. He has since continued to develop projects, all sharing the same Italianate theme, in the northwest corner of Downtown. If all of his buildings, which are in various stages of planning and construction, come to fruition on schedule, by 2010 he will have invested roughly \$500 million in Downtown and created 3,500 new apartments. Here is a look at what's been built, and what's to come.

Open:

- Medici, 725 S. Bixel St. - 600 units completed fall 2002.
- Orsini, 505 N. Figueroa St. - 300 units completed winter 2003.

Under Construction:

- Piero, St. Paul and Sixth - 225 units to open next month.
- Visconti, Third and Bixel - 300 units to open in fall 2005.

In Development:

- Orsini II, Sunset and Figueroa, southeast corner - 600 units to start construction in October.
- Orsini III, Sunset and Figueroa, northeast corner - 300 units.
- Piero II, St. Paul and Sixth - 600 units.
- Da Vinci, Temple and Figueroa, northwest corner - 600 units.

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