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'Fortress' Apartments Develop Controversy

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The downtown of the nation's second-largest city, which used to close soon after rush hour, is showing new signs of life. Late-night restaurants and bars are drawing customers. Concertgoers are packing the Walt Disney Concert Hall, which opened last year. And perhaps most surprising, people are moving into the area.

Some of the credit for the revitalization goes to a controversial real-estate developer who is building luxury apartments here. Geoffrey H. Palmer has been creating rental communities designed around courtyards that are lushly landscaped with pools and fountains.

Mr. Palmer's buildings attract well-to-do residents who may never before have considered living near the long-blighted downtown. Security at these complexes, a big concern for some new residents, is so tight that the 54-year-old Mr. Palmer describes them as "fortress-like."

He says his buildings draw affluent residents who are willing to pay top rents in an area that is slowly turning around. He has completed three low-rise apartment buildings so far, and when a fourth opens this fall he will offer a total of 1,350 rentals.

The Medici apartment complex, with its courtyard walkway and fountain, is part of the urban renewal of downtown Los Angeles.

Yet Mr. Palmer presents a quandary for politicians and community leaders because he has, at times, defied development rules and ignored pleas to make his projects blend into the ethnic makeup of downtown -- one of his projects is on the border of Chinatown and another is in a largely Hispanic neighborhood. He lambastes politicians who are reluctant to support upscale housing, a position he says stifles neighborhood growth.

Last year, frustrated by the city's red tape, workers illegally razed a historic Victorian home on one of Mr. Palmer's project sites. The midnight demolition brought protest and resulted in misdemeanor criminal charges and civil construction sanctions against him -- he was banned from building on the site for five years.

Earlier this year, Mr. Palmer pleaded no contest to the criminal charge of illegal demolition. If he complies with city building codes for 12 months, the charge will be dropped. In July, civil charges were settled -- and the five-year ban lifted -- when he agreed to pay the city about $200,000 toward civic improvements. He broke ground on the site earlier this summer.

Critics also complain that Mr. Palmer wants to build homes but not help revitalize neighborhoods. He scoffs at the city's affordable-housing requirements, saying downtown already has too many cheap dwellings. He paid the city nearly $3 million to get out of affordable-housing requirements in a future project and to convert some moderate-rate rentals in an existing building into market-rate ones. While other developers have restored neglected buildings to their former glory, Mr. Palmer has not done so.

"I don't normally see developers acting like that," says Jan Perry, a Los Angeles city councilwoman whose district includes downtown.

Yet it's hard to quarrel with success. Even his critics acknowledge that his projects have attracted a young, moneyed crowd -- a key ingredient to the area's revival. They are lured not only by a bustling downtown commercial district, but by nearby schools and universities and short commutes to work.

Other cities, including Chicago, Atlanta, and Washington, are seeing resurgent downtowns, says Conrad Egan, president of the National Housing Conference in Washington. "Many areas five years ago would not have been considered prime candidates for development, but are now," he says. In downtown Washington, for instance, the new Meridian at Gallery Place is charging rents that shut out low-income residents.

In Los Angeles, city leaders are troubled by Mr. Palmer's aggressive approach, but they depend on entrepreneurs like him to push the area's revitalization. An improved California economy and a resurgent real-estate market coupled with a housing shortage have prompted the spurt of new housing in underdeveloped neighborhoods.

Residents at the Orsini, a 296-unit apartment complex in downtown Los Angeles, enter through an Italian-style lobby. The apartment community was developed by Geoffrey H. Palmer, who offers other upscale housing in the surrounding downtown.

Popular new attractions, including the Disney hall, Staples Center -- home to major sports teams -- and an expanded convention center, have brought in thousands of people who are now rediscovering downtown. In July, the city and AEG, a subsidiary of Anschutz Corp., the Denver-based real-estate conglomerate that owns the Staples Center, announced plans for a long-delayed $1 billion entertainment, hotel and condominium-loft complex to be built adjacent to the Staples and convention centers.

Mr. Palmer's bullish ways highlight the rift between developers and affordable-housing advocates. Some developers are working hand-in-hand with city officials to ensure a mix of housing types and rental rates, an approach that has brought them financial assistance in the form of public funding and tax credits. By contrast, Mr. Palmer has shunned public money. His company, G.H. Palmer Associates, is expected to invest as much as $500 million in local projects by the end of the decade.

By then, a total of 8,592 new units from all developers are projected to be added downtown, with only 277 of those designated as "affordable housing," according to Carol E. Schatz, president of the Downtown Business Improvement District, a coalition of property owners. The percentage of newly constructed housing that meets affordability measures has been falling sharply in recent years. Currently, about 43% of the 20,000 housing units meet that test, down from about 64% prior to 1999, Ms. Schatz says.

Brash, opinionated and fabulously wealthy, Mr. Palmer lives in a Beverly Hills mansion that he bought for $21 million a few years ago, plays polo in Santa Barbara and outside Palm Springs, and owns a home in St. Tropez, France. The Los Angeles native made much of his fortune and reputation building tract housing and apartment complexes in sprawling suburban towns like Santa Clarita.

He is also active in Los Angeles philanthropies such as the downtown music center. But he's had his share of trouble: In the early 1990s, he was fined $30,000 by a state commission for illegal campaign contributions to a local councilwoman.

In the late 1990s, Mr. Palmer, along with local developer Tom Gilmore, 51, spearheaded what is now being called the "downtown renaissance." The two didn't work together -- Mr. Gilmore converted vacant buildings into mixed-use properties while Mr. Palmer went high end. Fancying himself a modern-day civic patron, he has named his properties after famous Italian Renaissance families, including the Medici, Visconti and Orsini. The 225-unit Piero is set to open this fall.

In his first building, the 632-unit Medici, monthly rents range from $1,284 for a 480-square-foot studio to as much as $8,400 for a penthouse apartment. Like his suburban projects, it's a low-rise structure built around a courtyard. The units are equipped with granite countertops and quadruple-paned glass to block out city sounds.

For security reasons, residents typically enter ornate lobbies through a subterranean garage, rather than the street. It's a far cry from the kinds of designs favored by urban planners who seek to integrate residential and street life.

Community housing advocates are critical of Mr. Palmer. "He's saying the people in the neighborhood are good enough to come in to maintain the yards and clean the buildings but not good enough to live in a luxury apartment or share the amenities," says Alvivon Hurd, head of the Los Angeles chapter of the Association of Community Organizations for Reform Now, a national organization that focuses on affordable housing.