



What the Da Vinci Complex Loss Means to Construction Across the Country

An insurance expert explains how the economic impact of the December 8 blaze could spread like fire

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There are still unanswered questions in the December 8 fire that devastated a large part of developer Geoff Palmer's half-built downtown Da Vinci apartment complex, but some new information is trickling in.

Federal and local officials declared the fire was an act of arson on Dec. 18, but it's still unknown who set the fire and why. Nor has there been a complete accounting for the fire's total cost. Damages to the Palmer property alone have been estimated at \$20 to \$30 million, but figures for the extensive damages to the adjoining Caltrans freeways and their infrastructure, as well as to the nearby City of Los Angeles' DWP headquarters and Department of Buildings and Safety, have not yet been released.

It appears that damage to the proximate Los Angeles County Department of Health facilities, which include the department headquarters and a large health services center, were relatively light, according to the county's Department of Risk Management.

"We don't like to use the word 'lucky,' but fortunate is what it was," said Lloyd Pantell, chief program specialist at county Risk Management Operations, citing mostly cracked windows and damaged air conditioning units as damages. Pantell says that, while official figures are not yet complete, he doubts the total will much exceed the county's insurance deductible of \$50,000.

Meanwhile, city councilman Bob Blumenthal has proposed that the city investigate the inherent safety of the Da Vinci's wooden construction, which is identical to that of Palmer's other faux-Italian complexes that dominate the western fringe of L.A.'s downtown and that of many similar Los Angeles housing projects. Officials say that this widespread building method is highly vulnerable to fire prior to completion, and the *Los Angeles Times* reported that fires in incomplete wood-framed buildings are increasingly numerous across the nation. Yet wood-frame construction for buildings mostly under seven stories is widely popular because it's affordable—for now.

“This [Da Vinci] insurance loss will have an effect on the cost of [insuring] a lot of other projects,” said Mike O’Neill, president and CEO of the American Construction Insurance Group of Richardson, Texas. He believes the price of builder’s risk insurance (the policy a developer holds until the building is actually occupied) is going to go up. O’Neill declined to estimate how much an increase in risk insurance might be, but said, “for the Insurance industry this is a significant loss. Like an oil refinery explosion, it could have a worldwide effect on the cost of insurance for such construction projects. It will reverberate through the market and have a direct effect on prices.” Meaning, perhaps, that common wood-framed construction might no longer be the cheapest way to build.

Tags: Fire, Geoff Palmer, The Da Vinci

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