

Extreme makeover

New tenants and a hands-on development approach mean big changes for a once-seedy section of Portland's Old Port

BY DOUGLAS ROOKS

When Steve Baumann's family bought two blocks of building in the heart of the Old Port in 2003, they began writing a brand new chapter in what had been one of the longest-running real estate soap operas in Portland's history — eventually turning a major downtown liability into a budding asset.

The seller of the properties, on Fore Street and cobblestone-clad Wharf Street, was Joseph Soley, a notorious landlord who was ultimately called to account by the court system.

The case that still provides a stunning example of irresponsible conduct by a landlord was filed by four University of Southern Maine students, who rented an apartment from Soley in 1997. On arrival, they found a condemnation notice from the city still on the door, and the premises, according to the Maine Supreme Judicial Court's ruling on the case handed down in 2000, in an "uninhabitable condition." Nevertheless, they cleaned the apartment themselves, but soon discovered, the court found, "infestations of mice and cockroaches as well as a persistent odor of cat urine." The ruling slyly adds, "A dead cat was eventually found beneath the floorboards."

Things continued to go downhill from there, with Soley's agents confiscating the students' belongings and the landlord himself refusing to cooperate with court proceedings. Ultimately, the students were awarded \$62,000 in compensatory damages, and Soley was assessed \$1 million in punitive damages, both upheld by the high court.

Things were not much better with Soley's commercial tenants, with some of the bars and nightclubs in his buildings featuring prominently in complaints of rowdiness along the waterfront, prompting crackdowns by police and the city council.

So the properties Steve Baumann and his father, Edward, bought from Soley for \$5.6 million had an unenviable reputation but — in his view — great potential.

"Wharf Street is one of the quaintest places you can find," Baumann said in a recent interview. "It's what people think of right away when they envision the historic Old Port."

Josh Dolgin, vice president of Kalmon Dolgin, the New York City real estate firm that bought the 50,000-square-foot holdings last year from the Baumann family, agrees with that assessment. "When you're standing on Wharf Street, looking at the cobblestones and old street lamps, you could be in Prague or another old European capital," he said. Kalmon Dolgin paid \$8.3 million for the buildings, reflecting a significant

appreciation over the sale price to the Baumans four years earlier. (Baumann makes it clear that his family would have preferred to hold onto the Wharf and Fore street buildings, but that his father's ill health necessitated a sale. "We were heavily invested, and to relieve his stress levels, it made sense to sell," he said. Nevertheless, Baumann remains closely involved with the transformation of the buildings as their leasing agent — he's a commercial broker for C.B. Richard Ellis/The Boulos Co. in Portland.)

The first big decision the Baumans had to make in late 2003 was what to do with Headliners, a bar that occupied a large portion of the first-floor space at the corner of Wharf and Union streets.

"We decided to break it up into smaller commercial units that would create a different feel for the block, something quieter and more intimate," he said. The risk, however, was that closing the bar would mean permanently surrendering the liquor license, under terms of an overlay zoning district created by the city.

The move paid off, though, as full-service restaurants, clothing stores and a wine store replaced the bars on Wharf and Fore streets and began thriving. The object was not to eliminate nightlife from the area, but to find a better balance, he said. "Wharf Street was dead until eight o'clock at night," Baumann said. "We needed to bring in businesses that would create foot traffic during the day."

Catering to the crowd

The year since the purchase by Kalmon Dolgin has seen another wave of reinvestment and upgrading. The newest major tenant is Prost, a German-style pub and restaurant that Baumann is particularly enthusiastic about. "They must have put half a million dollars into the renovations, and it's splendid," he said. "It brings people down at lunchtime, and really helps build the traffic we've been looking for."

That was the plan, according to Alex Kuehling,



From sleaze to designer tees: Steve Baumann, a real estate developer and broker with CB Richard Ellis/The Boulos Co., has helped transform Wharf Street in Portland's Old Port

marketing director for ER Entertainment, the company behind Prost. He said the bar's owners, Enzo Raggiani and Ryan Byther, are trying to develop a lunchtime crowd at the location — on the corner of Union and Fore streets where Headliners once thrived — that for years has been home to a handful of rowdy bars and clubs. "You still want it to be fun, of course. It has to be fun for everyone," said Kuehling. "But we're trying to go for a little bit of an older crowd, I guess."

Prost and the nightclub Onyx, which also is run by ER Entertainment, replaced Liquid Blue and Diggers, clubs that had tried to upgrade their images but ultimately didn't fit. "We've been able to take that space back, and work for a higher-end return," Dolgin said. He called it "a terrific building, with high ceilings, two patios and an open floor plan," that justified significant new investment.

ER Entertainment also hopes to open a steakhouse, Cobblestone Grill, on Wharf Street in properties owned by Kalmon Dolgin that currently house The Iguana, a bar, and Cake, a restaurant.

Despite the reported real estate slowdown, Dolgin said that demand for leased and rented space remains strong. There are no vacancies beyond those that the company decided to create itself while looking for "the right mix" of potential tenants, Dolgin said.

That's a commitment that Baumann said is a strength for the new owners. "They're patient in looking for the combination they know will work, rather than rent to anyone who shows up."

One of the new business owners who embodies the new approach is Jacques deVillier, who launched Old Port Wine Merchants on Fore Street two years ago. DeVillier ran an export-import business in Atlanta until he retired eight years ago, then found that retirement didn't suit him. After a stay in Springfield, Mass., he moved to southern Maine and soon began thinking about getting back into business.

He was well aware of the area's reputation as "the sleazy bar scene" and wasn't originally focused on the location. But seeing the changes the Baumans were making, he decided to take a chance. "It's been perfect," he said. "It couldn't have worked out any better." He also appreciates recent improvements the city has made, such as new sidewalks that have improved accessibility.

An off-site attraction that has also made a difference is the Portland Harbor Hotel, a 97-unit "boutique" inn that has created a different kind of foot traffic, even at night, deVillier said. "People can come down here now without being worried about what they'll find."

Developing potential

Josh Dolgin also has a personal connection to the area; his wife is from Portland, and it was his in-laws who brought to his attention the pending sale of a group of Libra Foundation properties along Congress Street in 2005. The 725,000 sq. ft. of office space and 1,000 parking spaces were purchased by Guggenheim Real Estate. "I guess we came in second to the successful bidder," said Dolgin.

When another opportunity came up the follow-

ing year, as the "Time and Temperature" building at 477 Congress St. went on the block, Kalmon Dolgin bought the property, plus an adjacent parking garage, for \$13 million. "That property has been a big success," Dolgin said. "We're very pleased."

The purchase of the Baumann family holdings came in 2007, and Dolgin said his company is actively considering other acquisitions in greater Portland. "This is a attractive area for us to invest," he said. "We've found Maine a good place to do business."

Kalmon Dolgin is a century-old family firm, of which Dolgin represents the fourth generation. The company currently holds more than seven million sq. ft. of commercial and real estate space, and has expanded significantly from its New York base.

The hot real estate market of the early years of the century drove up prices fastest in major metro-

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Real estate developer Steve Baumann

politan areas, so firms like his began branching out, Dolgin said. "It's been happening for awhile, but high prices made it stronger," he said. "Maine was one of the places we found that definitely made sense." Prices were a lot lower than the major metro areas, but there already were strong bases of tenants, he said.

Dolgin likes to visit all the company's properties periodically, and finds himself in Portland more often than most other locales. "You can't do this work at a distance," he said. "You need to be on site, and see for yourself."

As he walks around the city, he sees "huge potential" for some of the downtown's undeveloped spaces, where buildings were torn down or, further along the waterfront, remain derelict. "I'm sure the future will be different than the present, but we like the direction the city is going in," he said. "Portland is a vibrant place, and we don't see that part changing at all."

When Steve Baumann talks about the properties his family once owned, there is a note of regret, but he said he's pleased with what he sees from the new ownership. "There needs to be a blend of retail and restaurants, along with residential," he said. "The nightlife is part of the tradition of the place, and will continue, but as a building owner you need more uses."

He, too, expects more changes in coming years. "Slowly but surely, it's going in the right direction," he said.

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In the Old Port

Upscale t-shirt maker Rogues Gallery finds its first retail home on Wharf Street

Rogues Gallery is the kind of business that fits any number of fantasies about revamping Maine's profile in favor of the new, the sleek, and the trendy.

Alex Carleton, a former "visual merchandiser" for Ralph Lauren, left his New York City job to set up in downtown Portland. Carleton, describing his workforce to the *New York Times*, said, "There's no superficiality, just kids who like to get dirty and listen to loud music and spill paint and dye shirts and make products."

The main products, at this point, are recycled t-shirts that are "sorted, processed, printed and reworked" in a warehouse on Kennebec Street. Now, Rogues Gallery has opened an outlet store on Wharf Street, right where "dive bars" used to flourish and which the Baumann family, and now Kalmon Dolgin, are making over into a new-era shopping and dining locale. A clearer contrast between 20th and 21st century Portland would be hard to find.

Open since February, the outlet has been "doing great," according to Mark Stevens, controller for the company. "It's far exceeded our expectations. Winter isn't the obvious time to open a new retail shop."

In addition to the signature men's t-shirts, featuring themes from coastal life and Stephen King-inspired gothic images, Rogues Gallery has other recycled products, including tote bags and accessories, the former remade from sail cloth. There are also shirts and tops for women and kids. Current-season merchandise is regular price while previous seasons can be had at a discount.

Stevens sounds genuinely surprised by the store's success. "These are not exactly Maine prices," he said. A typical t-shirt costs \$78 in the store and \$95 on the web site, but are still moving off the shelves. "Even I think that's more that you should pay for a t-shirt," Stevens said, "but they sell."

Rogues Gallery now has a presence in the New York fashion scene that Alex Carleton left behind, a showroom for sales to the trade — which at this point includes department stores like Barney's, Bloomingdale's and Saks Fifth Avenue — and retailers around the world, including in Japan and Turkey.

"It's a bit of a madhouse at the moment," said Stevens, referring to the effort to get the New York showroom up and running this month.

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