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New life from old foundations

By John Paul Rathbone



On a cobbled street corner in Panama City's historic seafront district, K.C. Hardin is gasping for breath.

"El Chino", a burly construction worker with the tattooed name of his old street gang "Grupo Prodigio" stencilled across his biceps, has him in a bearhug. "KC, you are the man, my uncle. Thank you," says El Chino, who then puts on a hard hat and walks to the 50-room hotel being renovated on the other side of the plaza – one of several properties that Mr Hardin's business owns in the colonial Casco Viejo neighbourhood.

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Ten years ago Mr Hardin was a button-down corporate lawyer on the fast track to partnership at a Wall Street firm who wondered in his rare spare time if parsing contracts was all there was to life. These days he wears flip flops and jeans to work and pursues the kind of entrepreneurialism that gives capitalism, and even real-estate developers, a good name.

Conservatorio, his \$50m Panamanian property and tourism fund, has won plaudits from non-governmental organisations for its work in the Casco Viejo, a Unesco world heritage site. It has also earned Mr Hardin and his partners a measure of wealth, plus back slaps and bear hugs from locals who have prospered alongside them.

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“This is what I was put on earth to do,” says Mr Hardin, walking purposefully through the tropical heat, past bohemian cafés and colonial houses. Some are freshly painted, many have almost fallen down, but all have flower-strewn balconies that stretch towards the Pacific Ocean.

Many other North American investors have spotted Panama’s tourism potential. Its beaches and jungles are just a few hours from New York. The economy has boomed since the US handed over control of the canal in 1999: next to the old town are the traffic-clogged streets, unbridled commerce and gleaming skyscrapers of central Panama City, including the 70-storey Trump Ocean Club.

Mr Hardin’s approach is different. “I grew up in Miami and saw the renovation and gentrification of South Beach, and then the same process in Williamsburg in New York,” he says. “They were exciting times, but the trouble with gentrification is the displacement of the culture and the community which drew you there in the first place. The maintenance of human architecture – that’s what we are trying to achieve here.”

The boyish-looking 39-year-old has come a long way since he left Paul, Weiss, Rifkind, Wharton & Garrison in 2002 on an unexplained leave of absence to go surfing and clear his head. Several wrong turns followed. The low-rent Panamanian surfers’ hostel Mr Hardin bought for \$50,000 the day he saw it did not work out. Then he fell ill with Dengue fever.

On dealing with investors

"We present internal rates of return on project level, but if you build a community centre, and say the goal is to create what a community needs, you can't market that financially even if it is what a community needs. We have investors who get this. We had to turn others away who thought we were building another South Beach."

On the role of the private sector in development

"Political patronage in the public sector changes all the time. That's why it is up to the private sector to provide continuity and vision."

In his own words



On working with a community

"The point is not to measure the relative contributions of people but to create an environment where everyone is contributing."

On dealing with gang violence

"We haven't had a shooting in Casco Viejo since 2007. What's interesting is that the same people are still around, but such things no longer happen."

On dealing with investors

"We present internal rates of return on project level, but if you build a community centre, and say the goal is to create what a community needs, you can't market that financially

It was while recovering in the Casco neighbourhood that he met Ramón Arias, a Panamanian lawyer whose family had lived in the area for generations. That was when his ideas crystallised and the two became partners.

"As a corporate lawyer you only have tiny moments that are your own. I had an idea of doing something gainful, not harmful, also entrepreneurial and creative," says Mr Hardin, sitting in the wood-panelled offices of Arco, Conservatorio's property brokerage, which is managed by his Panamanian wife and his mother. "To get those four things to line up, you constantly discard ideas. But when something fits, you jump on it. Luck is where opportunity and preparation meet."

Conservatorio started out with just a "few hundred thousand dollars of our own money" and a big vision: to turn the long-neglected and then poverty and crime-ridden area into a bona fide tourist destination. But Mr Hardin and Mr Arias began with only a small project: converting the abandoned National Music Conservatory – hence their fund's name – into artist studios. "The artists didn't come, although the rent was dirt-cheap," Mr Hardin says. "The Casco's reputation was still too dangerous."

“We had a lot of painful conversations,” Mr Hardin says. “One real-estate family’s analyst asked about the free rent we gave to an after-school programme. I told him in 10 years either those kids would be working in the neighbourhood or stealing in it, so for us it was an investment. He said that was a problem as his financial models only went out five years.”

Conservatorio continued to renovate properties and convert them into condominiums – renovated apartment prices have risen to more than \$2,300 a square metre from about \$1,200 in the mid-2000s. But it also developed two boutique hotels, a restaurant, affordable housing for local residents, wood workshops, subsidised spaces for arts organisations and a reputation for prioritising local needs.

Mr Hardin describes Conservatorio’s mix of commerce and culture, moneymaking and social work as “a vision thing”.

He winces at the money he turned away from investors who didn’t get it and thought he was creating a new Miami Beach. But he celebrates the moral support of those investors who did, and have categorised him as a safe, long-term and socially responsible investment.

“They understand you can’t capture everything in internal rates of return. You have to leave some money on the table. It comes back in the end,” he says.

Thus, the magnificent building on Plaza Herrera, once home to El Chino’s gang, is being transformed by its former residents into a five-star hotel. The artists’ studios across the way have become a music conservatory again, led by jazz maestro Danilo Pérez. “His pupils will perform in the hotel bar – you have to integrate the street,” Mr Hardin says.

Meanwhile, an abandoned school has become an incubator for small businesses, an after-school centre and a women's group run by Calicanto, a foundation set up by Mr Arias's wife.

Conservatorio is just part of a community-wide effort to ensure that marginalised residents can take advantage of opportunities that fast-growing Panama could bring. The aim is to maintain a culturally lively neighbourhood where both rich and poor can rub shoulders with each other – a rare feat in Latin America, a region marked by inequality and where violence ranks as voters' top concern.

Later in the evening he is waved into a bar, a start-up business, where the owner claps him on the back and takes him aside for a brief business consultation. "It's funny to go to neighbourhood meetings now where former gang leaders complain about how hard it is to find good help," Mr Hardin remarks.

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