The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Governor Shoigu Battling Man-Made Disasters

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June 14, 2012



Moscow region Governor Sergei Shoigu **Sergei Porter**

Sergei Shoigu faced down a variety of mostly natural disasters for two decades as the country's emergency situations minister, but many observers say he is dealing with a man-made crisis in his new role as governor of the Moscow region.

After 12 years with Boris Gromov at its helm, the area surrounding the capital has poor infrastructure and underdeveloped commercial real estate and suffers from weak oversight of land development, according to real estate experts.

And it is about to be redrawn and revamped, as the federal government annexes pieces of the region for the city as part of a plan to ease traffic congestion and turn the capital into a global financial hub.

The new governor came out punching on April 6, just days after being appointed by then-

President Dmitry Medvedev, when he made it clear that he wasn't fully on board with the dramatic redistricting.

"I think the capital needs to be moved farther away, to Siberia," Shoigu said in an interview with the Russian News Service about the expansion, to emphasize that he had not yet made up his mind about whether enlarging the capital into the region was a good idea. The following week, however, Medvedev and Moscow Mayor Sergei Sobyanin made clear that the expansion would be going ahead.

The significance of the region is exemplified by the fact that it is home to most of the country's political and economic elite and another 7 million inhabitants — about 1 million of whom commute to the city each day, according to some estimates. The Sheremetyevo, Domodedovo and Vnukovo airports also sit on its territory.

Shoigu is demonstrating his understanding of the strategic importance of his new mission by plunging headfirst into the region's pool of problems. On June 4, he convened a video conference with his district heads and detailed seven major issues to address.

The ambitious action plan includes re-appraising every single plot of land in the region, constructing enough kindergartens to meet demand, assisting cheated homebuyers and controlling housing developers so that they keep their commitments.

Though new residential buildings have been popping up both near the boundary with the capital and in farther-flung parts, Shoigu considers the apartment market overpriced, while studies have rated his new domain as having the highest number of swindled homebuyers in the country.

At the start of his address, he described the overarching problem that his administration needs to fix: a lack of corporate investment due to the area's unattractiveness to would-be business residents.

His approach has both a pragmatic and populist tone. The region "should support those investors whose projects directly affect people's quality of life," Shoigu said, according to a report of the meeting published on his administration's website.

"Bureaucratic red tape, preferential treatment for some people, a 'cost of entrance' for others, unwarranted fees for rent and utility connections — these are unacceptable," he told his audience, which included members of the regional legislature and his deputy governors.

Overall, investment conditions are a major and valid concern, analysts said. The area needs to improve its roads and other infrastructure, as well as bring in jobs, said Lada Belaichuk, deputy research director at real estate firm Cushman & Wakefield.

"Currently, there is a whole tangle of problems in the region: financial, infrastructure-related, demographic, housing-related, transport-related and many others," Yury Kochetkov, an analyst with business publication Investkafe, wrote in a research article last month.

"These are seriously hindering the inflow of investment...while [the region's] potential is difficult to overstate," he said.

Other challenges that Shoigu didn't mention during his recent address stem from the plan that Medvedev proposed in June 2011, which called for extending the capital to the southwest and incorporating 150,000 hectares of regional land into the city in order to make a "greater Moscow" that would be the site of a global financial center and a new home for parts of the federal government.

Those plans still must be merged with the capital's "Master Plan for the Development of Moscow to 2025," known in Russian as the Genplan, and similar long-term strategy documents that exist for the region.

So far, however, federal and regional officials haven't announced what type of real estate will anchor the new section of Moscow, Belaichuk said. Despite Kommersant's report earlier this year that the presidential administration is purchasing housing in Rublyovka for top officials who will work in the annexed area, Belaichuk said that no one has confirmed exactly which ministries are relocating.

"There are no such orders thus far" from the federal government, she said. It is also not clear what other types of real estate will be part of the new area. Clarifications on the Genplan are widely expected in September, Belaichuk said.

Meanwhile, Shoigu has his hands full with other matters that will impact the real estate climate of the region.

Control of wooded areas is one of them. The federally designated forest areas — which legally can only be rented, not owned — are adjacent to private properties and housing developments. Management of the lands bounced back and forth between regional and federal authorities during Gromov's tenure.

Auctions to formalize rental rights and secure revenue flows have been marred by controversy, with artificially low rates set, some participants excluded and minimum bids for some lots not being met.

Shoigu said that as of July 1, the management of the forests is coming under the authority of the region. Part of the reasoning for that move is related to fire prevention, according to the report of the meeting.

The new governor will be benchmarked against his predecessor not only by the political power brokers who named him to his position, but also by business leaders hoping for a more vibrant and transparent climate in the region. "Under Boris Gromov, the development potential of the region was lowered drastically," Penny Lane Realty's general director, Georgy Dzagurov, said in a written comment last month.

Shoigu should "use his assignment to save the region from corruption, transportation collapse and ineffective management," he added.

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