The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Company Might Borrow Billions for Moscow's New Land

By Anatoly Medetsky

September 05, 2012



The Foreign Ministry's building is Moscow's priciest federal property.

The government plans to set up a company that will have the potential to borrow billions of dollars for the project to relocate federal government offices from downtown Moscow, according to the orders that Prime Minister Dmitry Medvedev's office released Wednesday.

Moscow's limits expanded on July 1 as part of an effort that Medvedev announced last year with an eye to alleviate the capital's traffic problems by having its enormous population of officials report for work to a future government compound on the new lands. The high costs of building new federal offices have since clouded the prospects of the relocation idea.

In creating the company, the government could contribute the existing property of the federal government bodies, such as the Foreign Ministry and Industry and Trade Ministry, to its equity capital, the Cabinet said. It could also contribute a land plot that officials will select for the government compound.

Under the plan, the company will use the assets, whose value is at least $9 billion, as collateral to take out loans for the construction of the government compound.

The arrangement could thrill a wide range of banks, said Anton Yefremov, a senior partner at the Russian branch of consultancy firm BDO.

"Under the conditions of a lack of good borrowers in Russia, this could evoke interest," he said. "This could prompt competition."

The government will be able to choose whichever lender offers the lowest interest rate, an option that state-controlled domestic banks or large foreign lenders are more likely to offer than their smaller private Russian rivals, he said.

The banks will eagerly consider federal buildings as collateral, but will probably be lukewarm about the land because the government will do its best to hold on to this asset for its relocation effort, he said.

The description of the government's plan to set up the company is part of an order that Medvedev announced Wednesday. He instructed the Finance Ministry, which developed the plan, First Deputy Prime Minister Igor Shuvalov and the Economic Development Ministry to improve the proposal by Feb. 18 next year.

In a separate order, Medvedev told Shuvalov, the presidential administration's Property Department and the Economic Development Ministry to take stock of federal office space in Moscow and carry out its appraisal by the same date.

Real estate firm Penny Lane Realty estimated last year that the Foreign Ministry building was the most expensive among federal buildings in Moscow, worth $552 million.

The firm valued the Finance Ministry's building at $124 million.

Federal Property Agency chief Olga Dergunova estimated during an August meeting at the Kremlin that the sale of existing federal office space in Moscow could raise $9 billion to $15 billion, Vedomosti reported.

In yet another order made public Wednesday, Medvedev gave Shuvalov and the Economic Development Ministry until Feb. 18 to identify and evaluate the land plots that would be most suitable for building the government compound.

Related articles:

- Sochi and Soccer Drive Hotel Boom
- St. Petersburg Skyscraper Approval Prompts Protests
- Putin Supports Compensation to Region for City Expansion

Original url:
https://www.themoscowtimes.com/2012/09/05/company-might-borrow-billions-for-moscows-new-land-a17560