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Forbes List Businessman Makes Restoration Projects Trendy

By Lena Smirnova

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Formerly used by Kazan's admiralty, this grand building will serve as ASG headquarters after it is restored.

KAZAN — Love for a fellow human being could lead someone to impulsively buy jewelry or expensive wristwatches. Love of architecture could get someone to invest a fortune in a heap of ruins.

ASG Investment Group, one of the leading developers in Kazan, allocated 5 billion rubles ($165 million) to restore historic buildings in the city center. The payback is minimal, but as the company chief said, the work to be done is so urgent that it is no longer a matter of choice.

"Society should form moral criteria according to which it would be unethical for someone of a high welfare status to act like a foreigner in his motherland," said Alexei Semin, ASG directors board chairman, whom Forbes named the 103rd-richest Russian businessman in 2012.

Tatarstan's capital has 4,000 old buildings in the city center, including 552 that are officially designated historic monuments. City authorities analyzed 237 old buildings two years ago and found that 37 percent of them were in bad shape and urgently needed repairs.

But restoration costs alone reached 4.5 billion rubles, which is more than Kazan spends on education and far more than it can allocate from its budget for such work, said Mayor Ilsur Metshin.

That's when ASG stepped in.

ASG and the mayor's office signed an agreement a year ago to start a public-private partnership for restoring old buildings. The developer is simultaneously restoring 26 buildings in the city center and has spent 1 billion rubles on these efforts.

The first phase of the work required repair of roofs, facades and interiors and installation of proper architectural lights. After that, ASG will start work on the buildings' interiors. These buildings will house cafes, hotels, museums and other tourist venues.

One of the buildings ASG is working on was turned into a school during the Soviet period. The decorative architectural details were covered with a thick layer of plaster and painted over in a mellow color.

Semin said it would have been preferable if the building had been handed over to ASG as a heap of ruins rather than this aesthetically unpleasing structure. The company's team of renovators had to pick away all the Soviet add-ons to discover what the building looked like originally.

The partnership with the private investor has been advantageous for local authorities, who are keen to restore the architectural gems in the city center before Kazan hosts the 27th Summer Universiade, an international youth sports competition.

"We understood in anticipation of the Universiade that the historical landscape of our capital needs work. Many of the mistakes that were committed were committed by us, and it is everyone's duty to fix their mistakes," said Tatarstan President Rustam Mannikhanov, adding that the restoration of the old Kazan would not have been possible without private funds.

Semin equated ASG's restoration work to a life-saving mission even though the project is bringing little profit. The expected return on investment for ASG is 15 years.

"The buildings we were given had to be restored, not just because the Universiade is coming up," Semin said. "It is understandable that we want the city to look nicer, but if we hadn't strengthened the roofs and foundations of these buildings this winter, they would certainly have collapsed. Another year and all this would have been irretrievably lost. This was our last chance."

The project appears hefty, with its 26 designated work sites. But Semin said it would have been more expensive to restore the buildings separately. The company has already taken on a team of specialists, who are working on several sites simultaneously.

Work on the buildings' exteriors is expected to be completed in time for the Universiade

in July, while the interiors will take another two to three years to polish.

Semin said he hopes ASG's actions will inspire other companies to undertake such restoration work. Officials in Moscow seem to have already heard the call.

This week, Moscow Mayor Sergei Sobyanin announced that the city will restore about 200 architectural monuments and 500 historic facades in 2013, RIA-Novosti reported. Municipal authorities are encouraging private investors to take on another 200 architectural gems. In 2012, only seven buildings were restored with the help of private investors.

In return for the help, the government is offering discount leases on restored buildings, as little as 1 ruble per square meter per year. The catch is the building first has to be restored, which will require substantial investments.

But even with such state invectives, investors are not rushing to take on the burden of restoring old buildings.

The main problem now is that Russia doesn't have set rules to motivate investors to participate in this type of activity, Metshin said. Federal law was recently changed to give investors the possibility of subsidies for their work, but the implementation of these benefits was delayed until 2017, and there are still no rules saying how these benefits will be issued.

Led by ASG, investors, government workers and historians adopted a resolution Monday that, among other things, encourages the government to give partial subsidies and tax benefits to companies that are working on restoration projects. The proposed state subsidies range from 10 to 50 percent of the total project cost.

"We were very scared to propose this [resolution]," Semin said. "It was given exclusively to serve as a basis for discussion, without any kind of status, but it is clear that our society has started to mature to realizing the benefit of such a practice. There is no other way, unfortunately."

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