

Lauder Exits City Hall Partnership Without Losses

By [The Moscow Times](#)

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American billionaire Ronald Lauder will not be able to run Moscow hotels. But he will not lose the 5 billion rubles (\$177 million) he has invested in Gostinichnaya Kompania, a joint venture with Moscow City Hall.

City officials will give Lauder back the money he has spent on the project, Vedomosti has learned.

The city plans to discontinue its partnership in Gostinichnaya Kompania with Lauder's Russia Real Estate Fund, a City Hall official said. The severance scheme is still being worked out. A source close to the company's management said the fund would sell its share in Gostinichnaya Kompania to City Hall. The project did not materialize because Moscow authorities' city-planning concept has changed. A parliamentary center is planned on the site of the joint venture's most attractive asset, the Rossiya Hotel, a source told Vedomosti.

Gostinichnaya Kompania was created in late 2009. The Moscow government promised to transfer to it the city's stakes in 18 hotels. But in the end, the Rossiya, National and Budapest had been removed from the list.

Though the city's total hotel property has been valued at 30.5 billion rubles, Lauder was supposed to have invested in Gostinichnaya Kompania more than 31 billion rubles and have received 51 percent of its shares. But the businessman paid only 5 billion rubles, sources told Vedomosti. In the end, 80 percent of the company belonged to the city of Moscow, and 20 percent to Russia Real Estate Fund. The sources did not specify when the city would buy out Lauder's stake. An appraisal of the businessman's expenditures is currently underway, a City Hall official said. The expenditures amounted to about \$200 million, said a source close to the company.

Moscow authorities have politely shown Lauder the door. This is a big step forward, said Jones Lang LaSalle Hotels vice president Marina Smirnova. But Steven Dashevsky, managing director of the Dashevsky & Partners investment fund, thinks this will hardly provide any significant signal for the market. The project existed only on paper, and its termination was predictable, he said.

Spokespeople for City Hall declined to comment.

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