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\$3B MXD Projects On Tap in Bulgaria

By Michelle Deakin



Helminski

SOPHIA, BULGARIA-Federal Development, a Washington, DC-based development and asset management company, and Petrol Holding, a leading Bulgarian conglomerate, are forming a JV to create mixed-use real estate projects in this Southeastern European country. The investment for the projected developments is expected to exceed \$3 billion over the next 10 years.



Petrol Holding hotel

The new company is called Federal Bulgaria Management. Its headquarters will be in Sophia, with regional offices in key cities such as Varna, the country's second largest city, and Burgas, on the Black Sea coast.

Initial plans focus on converting and redeveloping approximately 50 sites, owned by different entities within the Petrol Holding group of companies. These sites will be converted from oil servicing facilities to mixed-use developments that will likely include office, retail, and residential components.

"Bulgaria is new territory for developers," Gary Helminski, director of development for Federal Development tells GlobeSt.com. "It just recently joined the European Union in January, so we're pioneering here." He compares where Bulgaria is today with where Poland was four or five years ago. Poland is now booming in terms of real estate development, and Helminski believes Bulgaria will follow suit. "We're on the front edge of that," Helminski says.

The first mixed-used development for the joint venture team is slated for Burgas, according to Helminski. The company plans to raze an existing soccer stadium and replace it with a new 30,000-seat stadium. Surrounding it will be a complex of residential towers, office towers, and a 10,000-seat performing arts center for this resort town on the Black Sea.

The Burgas development is in the master-planning stage, says Helminski. Like many of Federal's projects, it is a waterfront development. Federal is also in the midst of waterfront projects in Lido, Italy; Baltimore; and Monterey, CA.

"This partnership will leverage our knowledge and expertise in the Bulgarian markets and Federal's experience developing mixed-use projects throughout the world, and, ultimately will result in truly inspiring mixed-used facilities that respond to the needs and desires of the Bulgarian communities," says Mitko Sabev, chairman of Petrol Holding, in a prepared statement.

The partnership between Federal and with Petrol Holding will be structured as a long-term commitment designed to ultimately yield the highest return for both parties over the course of a decade. Both parties will invest equity in the venture. Petrol will reinvest earnings from its businesses, and Federal will bring private financing from both Europe and the US, according to Helminski. "Federal's extensive experience structuring public/private partnerships to maximize the value of underutilized publicly owned properties will be a real benefit for Bulgaria and its citizens

as we integrate into the European Union," says Sabev.

"We are excited to be entering the Bulgarian market with Petrol Holding by our side," John Infantino, CEO of Federal says. "Over the past few years, Bulgaria has experienced rapid economic growth, and one of the advantages of public/private partnerships is the ability to leverage increasingly limited resources of government agencies to complete high-cost, high-need projects. Public-private partnerships can help deliver, in an accelerated fashion, much needed public benefits, such as community parks, health care and transit facilities and improved infrastructure."

Petrol Holding was founded as a trader of crude oil and oil products in 1995. It has since expanded into financial services, telecommunications, hospitality and leisure, power generation, aviation, and more.

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