



PARTNERSHIP
FUND

KOHL & PARTNER
HOTEL & TOURISM CONSULTING

TSKALTUBO MEDICAL AND WELLNESS SPA DEVELOPMENT

REDEVELOPMENT OF TSKALTUBO

Be Part of the Redevelopment of Tskaltubo – the Medical and Wellness SPA Capital!

The Partnership Fund is the largest state owned holding company in Georgia (www.fund.ge) and with the support of the Government of Georgia facilitates the development of Tskaltubo into a modern, internationally competitive SPA destination. The State still owns 18 buildings in Tskaltubo. Tskaltubo is a formerly well-known Spa complex and destination in the Imereti region, in the West of Georgia.

The following international consultancy companies have worked on a technical and market feasibility study which certain results are presented in the following overview.



Kohl & Partner (Switzerland) Ltd. responsible for the project management, market analyses, concept validation and tourism strategy.

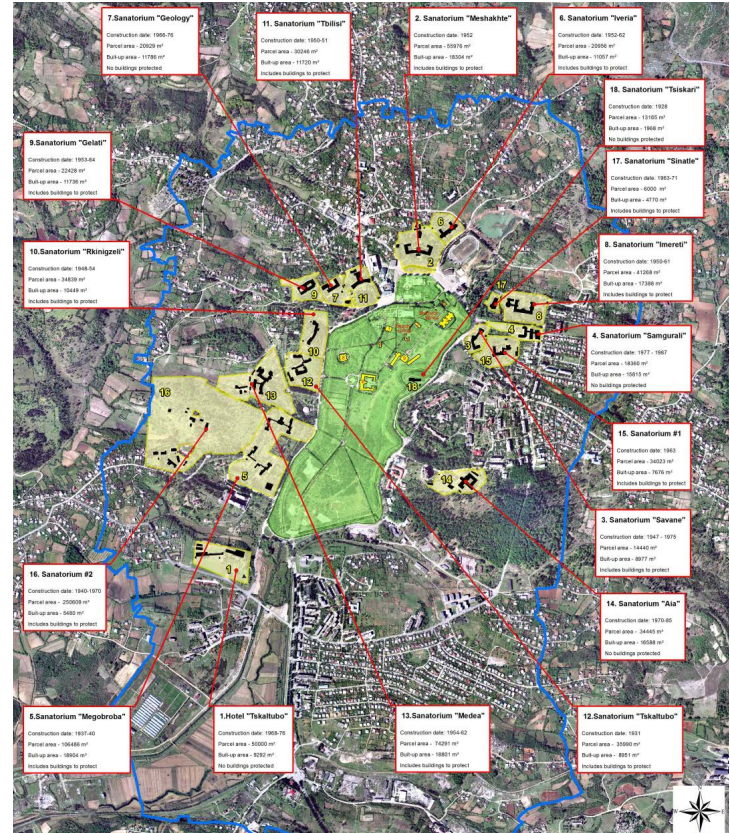


Geographic, GIS and RS Consulting, Georgia, was responsible for the urban analysis, technical assessments and the technical inventory of the project and the creation of different maps.



NOLA 7

Nola7 – Bulgaria, leading company for project design, construction and building of public and commercial pools, water parks, water attractions, water effects, SPA and Wellness



TSKALTUBO HISTORY

The Most Famous Resort in the USSR Era

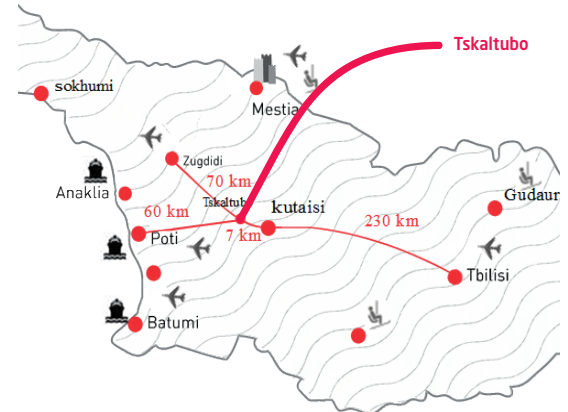
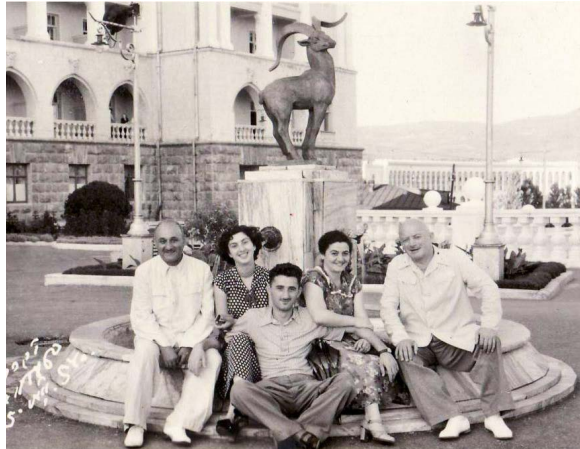
Research shows that the first bathhouses in Tskaltubo opened in 1870. During the period that Georgia was a democratic republic (1918-1921), many sectors and territories were nationalized, including the resorts and their infrastructure. During this period, the city and its urbanization started to develop close to the sanitary zone (bathes). In 1925, Architect Kalashnikov oversaw the construction of the first sanatoriums, resorts and in-patient facilities. In 1927, the hydro-mineral research center for Tskaltubo water was established.

Tskaltubo's development was determined by the expectation that it would be turned into a resort, which resulted in the construction of the ideal functional and planning conditions for various treatments. Tskaltubo became a very important resort for the USSR. During the Second World War, the Tskaltubo sanatoriums were used as hospitals.

The year 1955 was a breakthrough year for Tskaltubo's development: hydro-technical and hydro-melioration works were conducted in the balneology zone.

The development continued and by the end of the 1980s the resort was the top tourist destination in the Soviet Union and served a huge market of the population of 300 million. Altogether 22 sanatoriums, with a total bed supply of 5,800, operated there, situated in a circle around the sanitary zone.

In 1991, when Georgia re-gained independence, the development of the resort was suspended, and today the resort is working on a very basic level with only 1 bath and a view hotels.



TSKALTUBO MASTER PLANNING TODAY

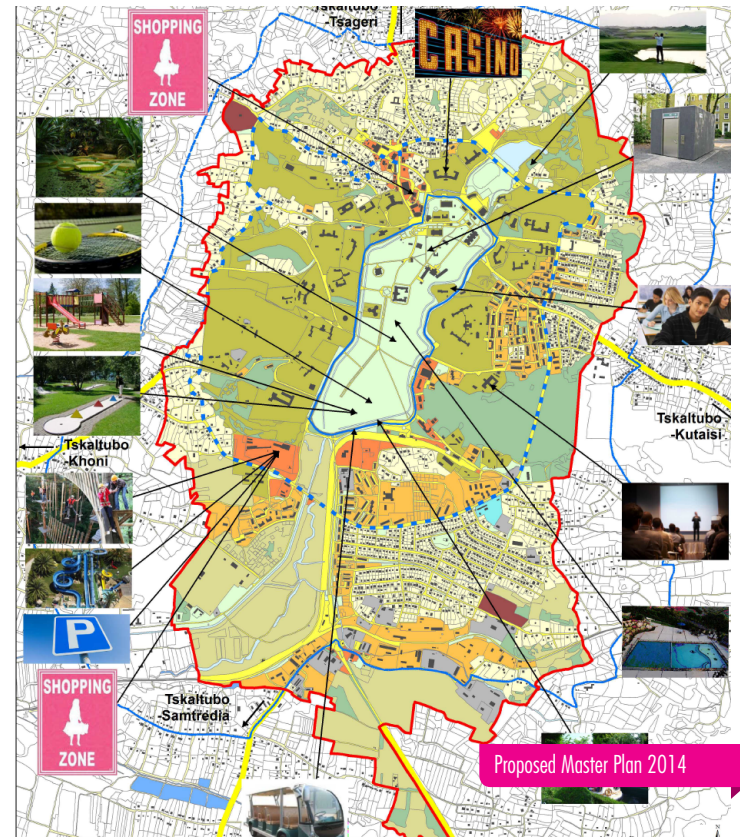
The Reborn Medical and Wellness SPA Capital!

In the 1980s, it became evident that Tskaltubo's master plan needed updating. The 1983 established and approved master plan was a cooperative work by the design bureau of Tbilisi State Academy of Arts, led by Architect I. Zaalishvili. The design documentation was based on two main aspects:

- The anticipation of a growing resort and a capacity of 12,000 beds by the year 2005
- The need to fill in a functional and planning structure for the town-resort as a result of its growing borders

The sanitary zone and park were again the center of attention in the master plan. Concentric grid streets were planned around the park. The first central circle road around the park was for the visitors in the resort; the second main town circle was for the transportation of cargo and transport traffic in general. The third circle was planned to partially secure the second circle. This planning scheme defined Tskaltubo's future functional and spatial structure for the next 30 years, and its impact continues even today.

The Master plan (proposed 2014 by Kohl & Partner/Geographic) is based on the old Master plan and creates some changes in zones, which will ensure that Tskaltubo can realize the Tourism product that future markets will require.



TSKALTUBO'S RESSOURCES

Reborn Medical and Wellness SPA Capital!

Tskaltubo is prepared to be redeveloped to become again the Medical and Wellness Spa Capital of Georgia.

Natural resources

The historical thermal sources with health qualities are the “heart” of Tskaltubo. The unique characteristics of the Tskaltubo resorts are a result of natural and climatic factors. The resort is situated close to the Black Sea, in a subtropical humid zone, where it is protected from the cold winds, making it a very favorable location. The key natural tourist attractions of the region include the famous Kart cave of Sataplia, and the cave of Prometheus.

Historical resources

The region is rich in the cultural heritage of different periods of time and epochs, has unique places, ethnographic and handicraft artifacts and natural complexes (such as Grand Bagrati Cathedral, Kutaisi; Gelati Grand Architectural Complex; King David’s grave; Grand Motsameta Church and Kutaisi city).

Infrastructure resources

The nearby Kutaisi airport, and also the World Bank and MDF projects, has increased the infrastructure conditions in a very positive way. The new Kutaisi Airport is increasing its flights and passengers. The airport is a very important requirement for the development of the region.

Human Resources

The region offers a great potential of human resources for the construction and operational period of the resort. Nevertheless, the necessary education for more professionals in the fields of medical and wellness treatments is part of the development concept.

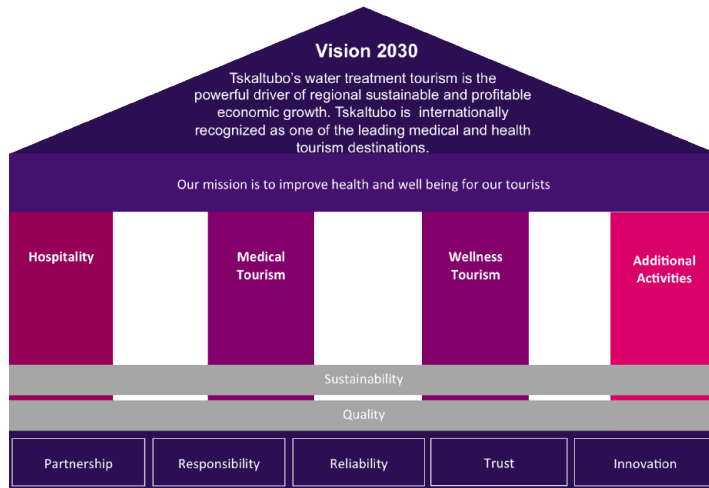


“Katskhi Pillar” by Levan Nioradze
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TSKALTUBO VISION

Destination Vision 2030!

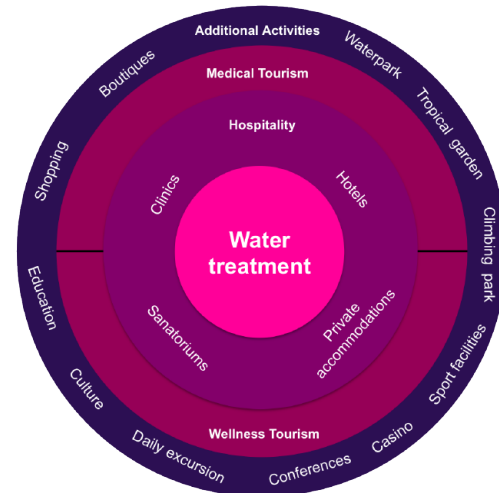
Based on Tskaltubo's strengths, the natural environment and the cultural value of the region, as well as the international trends, the following vision 2030 was formed, which will make Tskaltubo the SPA Capital in Eastern Europe and able to compete with the big players in Central Europe. The vision is based on the hospitality variety (different accommodation concepts) around the sanitary zone, medical tourism, which is exclusively offered in the sanitary zone and the new wellness tourism zone, which will be offered in the sanitary zone as well as in the hotels. In order to attract many more tourists, the offered products have to be expanded and complemented by additional activities (Children's playgrounds, a Water Park, a Tropical Garden etc.).



Source: Kohl & Partner

In order to show the developed Tskaltubo's strategy the following product circle was developed. In the center are the unique water treatments offered in different baths. In the recreational zone, hotels, sanatoriums and clinics offer accommodation and additional services. We assume that, like in the past, the market will also develop private accommodation possibilities. The main marketing orientation is Medical Tourism and, increasingly, Wellness Tourism.

Important is the coordinated future cooperation with the license owner of the baths in the center park (License 25 years, started 2012)



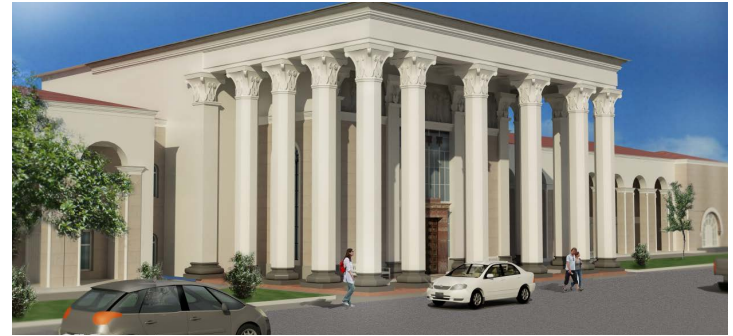
Source: Kohl & Partner

TSKALTUBO MEDICAL & WELLNESS SPA

A Mix of Traditional and Modern Architecture – Tskaltubo’s highlight!

The baths in the park are the most important products and economic drivers of tourism in Tskaltubo. In the first development phase, 3 to 4 baths have to be expanded, renovated and properly established to provide a good, modern and innovative infrastructure for medical and wellness clients. The strategic alignment, products and services of the baths will influence the future target groups, hospitality infrastructure and additional activities.

Within a certain period of time (maybe 5-10 years), depending on the success of tourism development in Tskaltubo, all 9 baths will be restored. We intend to retain most of the historical architecture of the old buildings, but also recommend working with new architecture and creating some modern monuments, which will become recognizable landmarks.



Source: www.gel.ge



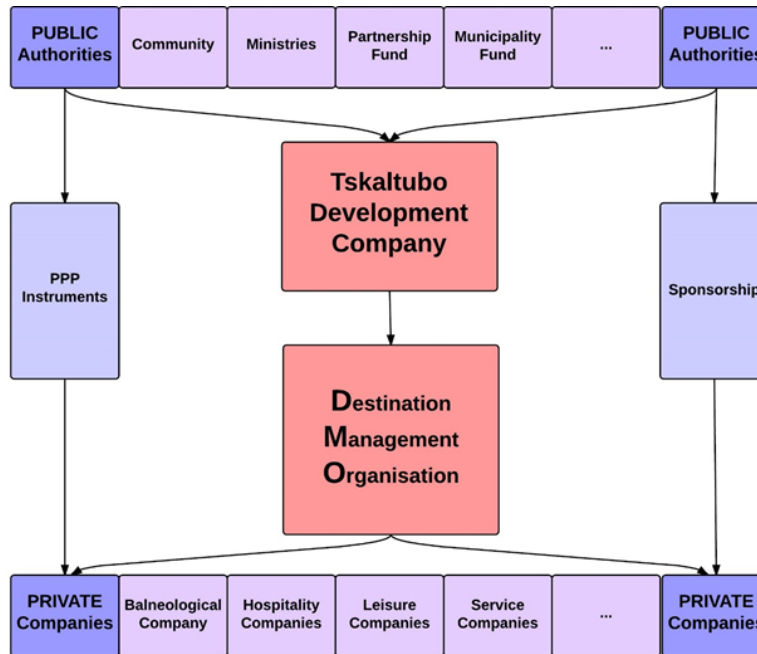
Source: www.gel.ge



Source: www.nola7.com

TSKALTUBO'S ORGANIZATIONAL DEVELOPMENT CONCEPT

The New Development and Destination Management Company – Geared for Success!



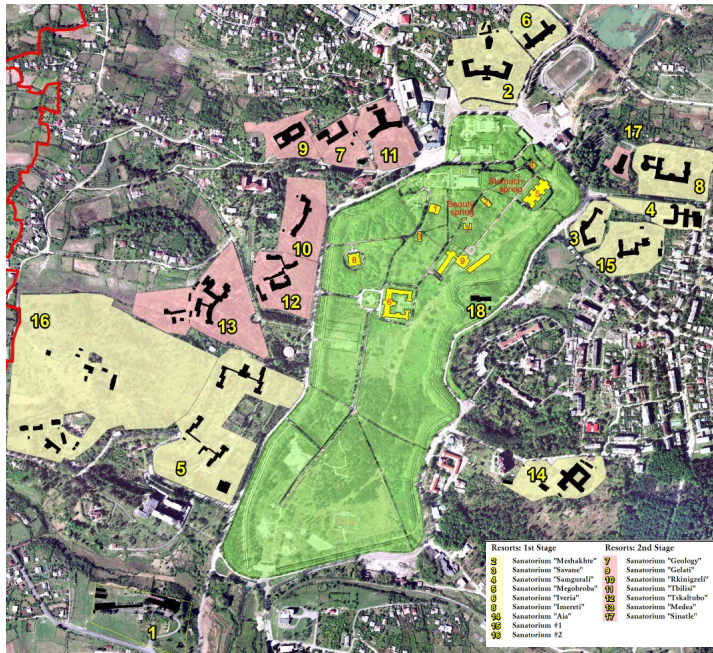
The coordination of the proposed development concept for Tskaltubo has to be coordinated on the political and the marketing site. In cooperation with the authorities, it is propose to form of a Tskaltubo Development Company, owned by the State, which will coordinate all public authority responsibilities and activities, including the privatization of the buildings and all related financial aspects.

Towards the tourism market, the development has to be controlled by the Destination Management Organisation, created by the State, to be later transformed into a company owned and managed by the different stakeholders.

DEVELOPMENT PHASES – INVESTMENT VOLUMES

The Destination Development in Two Phases!

The coordination of the proposed development concept for Tskaltubo has to be coordinated on the political and the marketing site. In cooperation with the authorities, we propose the formation of a Tskaltubo Development Company, owned by the State (or State and Partnership Fund), which will coordinate all public authority responsibilities and activities, including the privatisation of the buildings and all related financial aspects.



1st Development Phase (3-6 years)

- Total 9 hotels with a built up area of 130,000 m² (58% of Total), mainly investor focus on local and neighbour countries (Eastern Europe)
- One 5 star hotel with Casino
- One conference hotel (location defined)
- Investors for additional leisure activities
- Create a parking and shopping area
- Development of 3-4 baths in 3 different functional areas
- Legalize the new zoning plan
- Form a State owned DMO (Destination Management Organisation)

2nd Development Phase (6-10 years)

- Additional 6 hotels with a built up area of 110,000 m² (42% of Total), mainly investor focus on Western European Wellness and Medical Spa orientated brands
- One or two additional 5 star hotels. Additional activities like golf (reserved area) etc.
- Expand shopping/restaurant area
- Expand the baths to 9 baths, as in previous times
- Privatisation of the DMO

Investment Volumes (in US \$ Mio) – Potential Room Development

Investment Field	1 st Phase	2 nd Phase	TOTAL
TOTAL Investment	355-485	265-380	720-865
In Bath facilities (estimated by Nola7 – Spa specialist)	25-35	25-35	50-70
In Hospitality Buildings (based on calculations with built up m ² /volume coefficient /and different segments)	180-210	100-110	280-320
In Tourism Infrastructure/ Activities (estimated by Kohl & Partner)	25-40	15-35	40-70
Private Investments	100-150	100-150	200-300
Infrastructure (community)	25-50	25-50	50-100
Additional Rooms from State owned buildings	2900	1100	4000
Additional Rooms from private investments	600	400	1000
TOTAL Rooms (including existing) after	4100	5600	

HOTEL INVESTMENT

Hotel Investor Search – Phase 1

Each investor who invests in an existing building will be free to decide if they use it as a sanatorium, clinic, wellness or family orientated hotel, as long as their decision makes sense to the subordinated tourism strategy of Tskaltubo. To attract medical and wellness clients, it should be taken into consideration that a well balanced medical and wellness product-mix needs to be established.



HOTEL INVESTMENT

Hotel Investor Search – Phase 1

The goal should be to sell the 9 hotels during this first implementation and permanently increase the number of visitors after the opening of the new baths. It is clear that not all the hotels will start construction at the same time. The first phase offers approximately 59% of the potential built-up area of all hotels. On

hotel will be converted in a public zone (at the entrance of the village). Certain hotels have restrictions or are foreseen for a defined purpose. For each of the hotel exists a detailed inventory, description of the construction condition, a detailed technical description and a sample business plan.

House	Land area m ²	Possible built up over ground m ²	Restrictions	Recommendation Information
House 2 "Meshakhte"	55,976	16,793	<ul style="list-style-type: none"> Buildings and architecture with historical value 5 star 	<ul style="list-style-type: none"> Casino Together with Iveria
House 3 "Savane"	14,440	8,713	<ul style="list-style-type: none"> Buildings and architecture with historical value 	<ul style="list-style-type: none"> Best location for Clinic, hospital, plastic surgery
House 4 "Samguruli"	18,360	5,508	No restrictions	No restrictions
House 5 "Megobroba"	106,486	31,945	<ul style="list-style-type: none"> Buildings and architecture with historical value 	<ul style="list-style-type: none"> Location more for family orientated concept
House 6 "Iveria"	20,956	11,144	<ul style="list-style-type: none"> Buildings and architecture with historical value 	<ul style="list-style-type: none"> Would be perfect as additional 4 * hotel with no. 2 "Meshakhte"
House 8 "Imereti"	41,268	13,859	<ul style="list-style-type: none"> Buildings and architecture with historical value 	
House 14 "Aia"	34,445	18,990	<ul style="list-style-type: none"> Convention Hotel 	<ul style="list-style-type: none"> With Parking – access from 2nd ring road –
House 15 "Sanatorium 1"	34,023	10,207	<ul style="list-style-type: none"> Buildings and architecture with historical value 	
House 16 "Sanatorium 2"	250,609	12,530	<ul style="list-style-type: none"> Buildings and architecture with historical value 	<ul style="list-style-type: none"> Family orientated 300 cottages Lowest built up area in % plot
TOTAL	576,563	129,689		
TOTAL IN %	72%	58%		

INFRASTRUCTURE INVESTMENT

Additional Infrastructure Investments – Phase 1

Medical and wellness travelers who are searching for healthy treatments during their stay in a tourism destination are also looking for a wide variety of lifestyle and entertainment activities. Such additional activities enrich and sharpen the competitiveness of the tourism destination. In the following section, we describe some of our ideas for products to be offered in Tskaltubo. These are only ideas, and depending on the contacts and investors, additional attractive products could be found that will contribute to the overall development of Tskaltubo.

Hotel with conference and meeting facilities

The hotel, with its conference and meeting facilities, should be within walking distance of the park and will be easily reached by car or public transport.

Casino

We recommend integrating a casino in the first 5 star hotel in Tskaltubo. As shown in other famous health and wellness cities, the implementation of a casino in the resort makes the destination attractive and can bring additional, different visitors.



Education

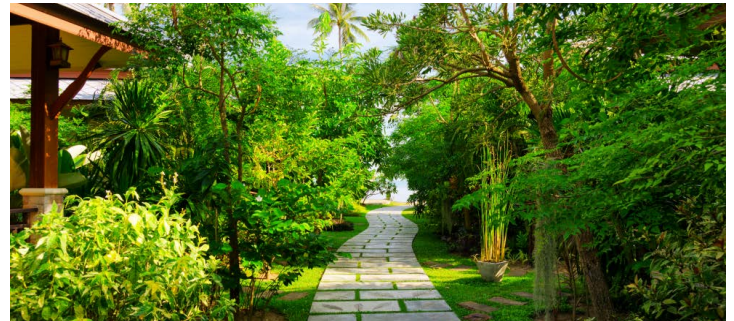
Tskaltubo's should have an education center, which offers medical, wellness, hospitality-orientated and language courses to develop professional competences and high service quality within the local tourism industry. The education center could also be used to reintegrate IDP's (Internal displaced people) into the labour market.

Tropical garden

We propose the development of a tropical garden and house, using the energy of the natural hot water. The energy of the hot water can be transformed into heating energy for growing tropical fruit.

Water transport system

Around the park, in the existing canal system, small boats will float and transport visitors to their destination or allow them to just enjoy the marvelous scenery in an innovative way.



INFRASTRUCTURE INVESTMENT

Additional Infrastructure Investments – Phase 1

Waterpark

Waterslides, laughs and thrills galore! As an additional activity in Tskaltubo, a water park at the entrance of the park will attract families with children. It will feature water play areas, such as water slides, splash pads, water playgrounds, and swimming environments.

Climbing park

Close to the waterpark, a fantastic climbing park with lianas, networks, cable cars and small bridge elements from one platform to another will provide children, teenagers and adults sporting and adventurous fun. The climbing park will be an indoor climbing park in the shopping area in order to increase the attractions in bad weather periods.

Shopping & Boutiques

Shopping has become an increasingly relevant draw card for tourists. Through the development of authentic and unique shopping experiences, such as health and wellness stores, boutiques, souvenir shops, food and wine stores, Tskaltubo has an immense opportunity to bring added value to tourists, and to generate local income and economic growth. Shopping should be developed right at the entrance. Because all traffic (including cars, buses and railway) will stop there, it is the perfect place to create a new shopping and restaurant zone for Tskaltubo.

Parking

New parking should be established at the resort entrance, in order to realize a car free zone for ring road 1 in the near future (Step 2 of the redevelopment plan). Beside the parking, additional activities for families and children, such as a water park and a climbing park can be realised on this plot.

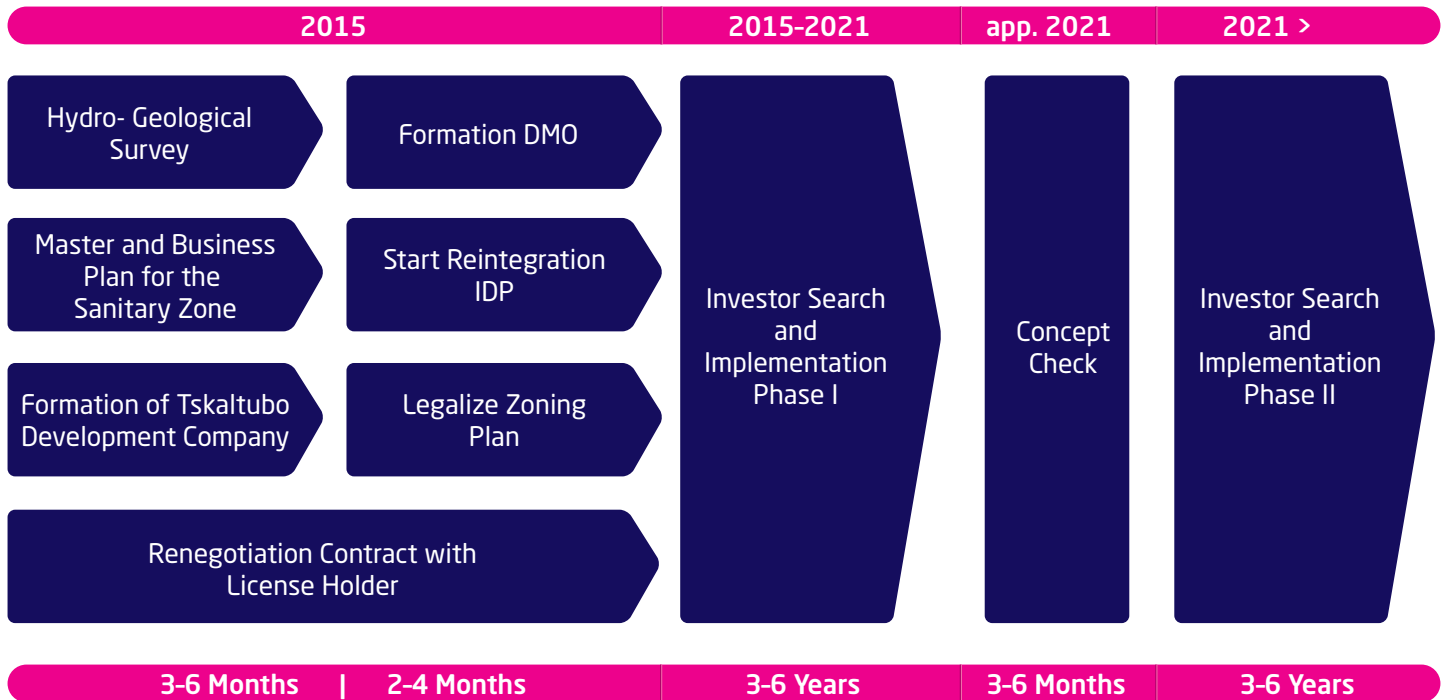


Source: www.nola7.com



Source: www.faszinatour.de

TIMETABLE OF DEVELOPMENT



If you are interested in any involvement in the development of Tskaltubo Resort please don't hesitate to contact us:

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www.fund.ge

Against letter of interest we can provide potential investors with the following documentation:

- Detailed technical and market feasibility
- Detailed inventory and description of each building

We are also helping you to find any financing solutions as:

- Co-Investment
- PPP Financing
- Funding (World Bank , EBRD etc.)

We are looking to hear from you.

