

NEW SPA RESORT OF GRADO



THE INITIATIVE

Grado wants to create the conditions to boost its tourism economy and further to enhance its territory, characterized by the presence of quality factors such as the lagoon, the beach and the historic center.

To this end it is scheduled an intervention of international worth of over 100 million euros for the construction of a New SPA Resort that will lead to the adjustment of the tourist offer to current market trends.

Goals of the initiative are:

- I) the repositioning of the tourism offer of Grado towards wellness and recreational services
- II) the redevelopment of the landscape and architectural heritage of the area behind the beach

THE PUBLIC-PRIVATE PARTNERSHIP

The initiative is based on the instrument of the **Project finance** and hence, on the **relationship with a private partner** to whom entrust the concession for the design, the execution and the management of all the activities of the New SPA Resort.

The concession holder will be identified, on the basis of

the feasibility study prepared by the Municipality of Grado, by means of the tender called by art.153 Dlgs.163/2006 whose **final term for submitting offers expires November 7, 2011.**

The public concession is granted for a maximum of 50 years from the date of the area handover, as stipulated in the agreement to be concluded.

The initiative stems from the purpose of the Region of Friuli Venezia Giulia and of the Municipality, ratified with the Regional Law 9/2008 and with the agreement between the authorities in December 2008.

LOCATION

The project area is located not far from the city center in a very privileged environment, close to a large stretch of beach of about 1 km long.

The area under concession to the private, which also includes the historic "Parco delle Rose", is about 100,000 Sq m (area II in green in the picture below). The other areas I and III are not included in the concession, but their redevelopment will be financially supported by the intervention.



STRUCTURAL CHARACTERIZATION

The initiative allows the realization of the following works:

- construction of a **spa center** (indoor surface area: 8,000 Sq m of which 2,000 Sq m of water; external minimum area: 2,500 Sq m of water);
- construction of a high category **hotel** (minimum the Italian 4 Star Superior rating) with a maximum of 160 rooms;
- construction of an underground **parking** with a minimum of 500 parking spaces required and up to a maximum of 1,000 parking spaces;
- restructuring of the existing **Congress Palace** in order to ensure better functionality and versatility.

MANAGEMENT CHARACTERIZATION

The **spa center** will be characterized for its dominant function in the system, as tourist catalyst. It will provide a significant improvement of wellness and recreational services, enhancing the natural resources of Grado (sun, water, sand) and will reconsider the existing curative services.

The **hotel** performs a service function to the SPA and congress offer, and is complementary to them. The hotel, which may not exceed the size of 160 rooms, will be included in a category not less than four star superior (meaning a facility with the services of the upscale hotels and at least five services provided by luxury hotels).

The **parking**, as a service structure for the entire system, is characterized by the options provided in the feasibility study: construction of a parking lot with a minimum of 500 parking spaces to be allocated, with the rotation system, at the service of the spa center, of the hotel and the Congress Palace, plus the possibility of building 500 additional parking spaces to be allocated to the same purposes and/or the sale through assignment of the right surface for 99 years. In this logic, it has a strategic role not only in the spa center, but also in relation to the needs of the entire city.

The **congress palace** has a completion function of the system in a context of reciprocity of advantages over the hotel and the spa center. It should keep the current capacity of 900/1000 people, but including the creation of structures that can also allow the implementation of

smaller events in line with demand on the conference market.

VALUE OF THE INTERVENTION

The value of the intervention is planned in about 100 million euros, including design and technic costs, as well as unexpected expenses. The only cost of works is estimated at 89.5 million euros.

SUPPORT TO THE INTERVENTION

- **Financial:** government grant for a total of 22.6 million euros to be paid in 15 years at a rate of 1.5 million per year;
- **In nature:** transfer of the leasehold on the building areas under concession (about 100,000 Sq m), currently estimated at 5,381,000 euros;
- **Management:** the possibility of the sale of parking spaces up to a maximum of 500, to a third party, through the transfer of its leasehold for 99 years.

OPPORTUNITY FOR THE PRIVATE PARTNER

The investor's **profitability** is assessed in a range between **10.0% and 11.5%** compared with a borrowing rate of 6.5%.

EXPECTATIONS OF THE PUBLIC PARTNER

- **Regain of customers**, especially the traditional foreign (Germany and Austria) and domestic (Lombardy and Veneto) ones, with the goal in the medium term to fill at least the reduction of presences occurred in the last decade (-10% compared with an amount of 1.5 - 1.6 presences per year).
- **Redevelopment of the tourist offer** by the availability of new services suitable to capture new customer segments, of different generations also, in addition to the traditional ones.
- **Seasonal adjustment of activities** in accordance with the new emerging ways to spend the holidays.