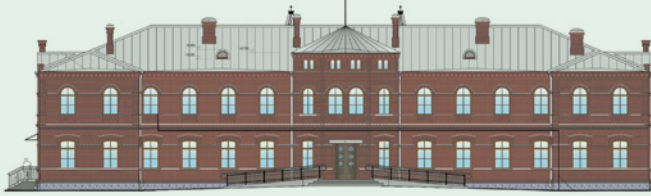


RENOVATION AND RECONSTRUCTION OF



MEŽCIEMS SAŅATORIUM

IN DAUGAVPILS, LATVIA

INVESTMENT PROPOSAL



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EXECUTIVE SUMMARY

Daugavpils city municipality invites investors to participate in the renovation of the renowned Mežciems sanatorium and its transformation into a modern SPA and eco-tourism complex, which would attract tourists from the Baltic States and nearby region, becoming a sustainable long-term investment and contribution to the economic growth of the entire region.



The proposed land area spans across 6 hectares and boasts architecturally significant buildings, historic tree-lined avenues, and other artifacts from the past. The development of the Mežciems sanatorium holds immense importance for the economic growth not only of the city but also for the entire region. An object of this scale will foster the development of multiple industries in the city, increase the number of job opportunities, develop infrastructure, and attract tourists.

One of the prospective development scenarios being considered by the local administration is the establishment of a state-of-the-art SPA complex. The choice for such an endeavor is underpinned by the health-promoting environment with its enchanting woodland trails and natural springs. A premium SPA complex, strategically equipped with state-of-the-art facilities and complemented by an extensive and creative marketing campaign, will elevate the city's prominence at the national level, burnishing its positive image and magnetizing tourists. Furthermore, the absence of a competitive SPA center in the neighboring region offers a unique opportunity to seize an untapped market niche.

Given the unspoiled natural surroundings, there exists potential for cultivating active and eco-tourism in the future as well, encompassing the development of cycling routes, walking paths, and a promenade, which would serve both local citizens and visitors.

Daugavpils city municipality is considering the possibility of co-funding the project costs of the SPA complex.

APPROXIMATE TOTAL INVESTMENT AMOUNT

(based on data compiled in spring 2023)

Position	Provisional costs (including VAT)	Area
Main building restoration, reconstruction, and conversion into a hotel (including underground passage to the new building)	3 mln EUR	1660 sq.m.
New building	15 mln EUR	7603 sq.m.
Landscaping of the territory	2 mln EUR	5,64 ha

DAUGAVPILS LOCATION AND ACCESSIBILITY

Nestled along the Baltic Sea's shoreline, in the northeastern reaches of Europe, lies Latvia, an enchanting land graced with pristine wilderness, lush forests, and glistening lakes. Although Riga is its capital, **the multicultural and alluring Daugavpils, situated 225 km to the southeast, serves as the second-largest city.** Daugavpils enjoys a strategic advantage, finding itself at the crossroads of four nations, bestowing upon it a pivotal role as an economic hub. **Daugavpils boasts excellent accessibility, bolstered by a well-connected network of state-level highways, railway lines, and an efficient public transportation system, and with plans underway for a promising regional airport. The distances to the nearest international airports are Riga – 230 km, Vilnius – 185 km, and Kaunas – 215 km.** Integral to Daugavpils' developmental strategy is the emphasis on infrastructure advancements, aimed at promoting seamless mobility for all modes of transportation. With the backing of European Union funds, the city is currently undertaking ambitious infrastructure projects, including the meticulous restoration of the vital Riga–Daugavpils roadway. Additionally, the transformative Rail Baltica railway network project, spanning across the Baltic States, will forge rapid links between Riga and other key cities in the region, significantly enhancing transportation connectivity with Daugavpils and the Latgale region, wherein reside more than 300,000 inhabitants.



INVESTMENT RATIONALE

- **The SPA industry has experienced steady growth in recent years**, as people increasingly prioritize their well-being and health, with SPA procedures being popular and affordable means to achieve this.
- **Mežciems holds a long-standing and illustrious reputation as a healing and recreational resort, establishing a solid foundation for crafting compelling marketing concepts.**
The surrounding area is abundant in medicinal natural elements that can be utilized to enhance the functionality of the SPA complex, offering unique procedures and creating an authentic advertising image.
- **Encircled by forests, lakes, and the Daugava River, Mežciems offers an idyllic escape** from the urban bustle, despite its location within city limits, allowing visitors to harmoniously connect with nature.
- The SPA complex **offers high investment returns** for potential investors and the absence of competitors within a 100 km radius.
- Additionally, the **project enjoys robust support from both the local residents and the municipal authorities**, further enhancing its prospects for successful development.





ECO-TOURISM, PROXIMITY TO NATURE

Mežciems is a haven for nature enthusiasts. In recent years, eco-tourism has been gaining increasing popularity worldwide, offering a sustainable way to create a positive experience for resort guests while preserving natural and cultural resources for future generations. **Mežciems provides an ideal and graceful setting to establish health-promoting infrastructure.** With its natural springs and historical charm, it presents perfect canvas for SPA treatments, eco-tourism, and authentic architecture to become central themes in the upcoming complex's marketing approach, emotionally captivating the potential target audience.

The fresh air and suitable terrain also provide opportunities for the development of cycling and camping tourism during the summer months, as well as winter activities like skiing and other winter sports during the colder months. The vast forests offer numerous hiking trails with diverse biotopes. These trails meander through forests, marshes, along lakesides, and deep into the heart of the woodland, granting visitors the opportunity to relish various natural landscapes and indulge in the truest form of forest therapy.



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UNIQUE HISTORICAL HERITAGE

Imagine a place where thick pine forests flourish, the tranquil Daugava River meanders gracefully, and refreshing water sources are found at almost every step.

A harmonious and serene setting that bestows the power of nature's proximity to inspire. Such is Mežciems, situated a mere 7 km from the heart of Daugavpils, on the right bank of the Daugava River, akin to a scene from an enigmatic painting.

Presently, Mežciems is connected to Daugavpils by convenient and accessible transportation infrastructure, just a 10-minute ride by bicycle or even quicker by car, leading to Daugavpils' center adorned with promenades and parks, offering quality family time for all. Future plans may include restoring waterway access through the Daugava River. The extensive territory of Mežciems is earmarked for further development and construction.

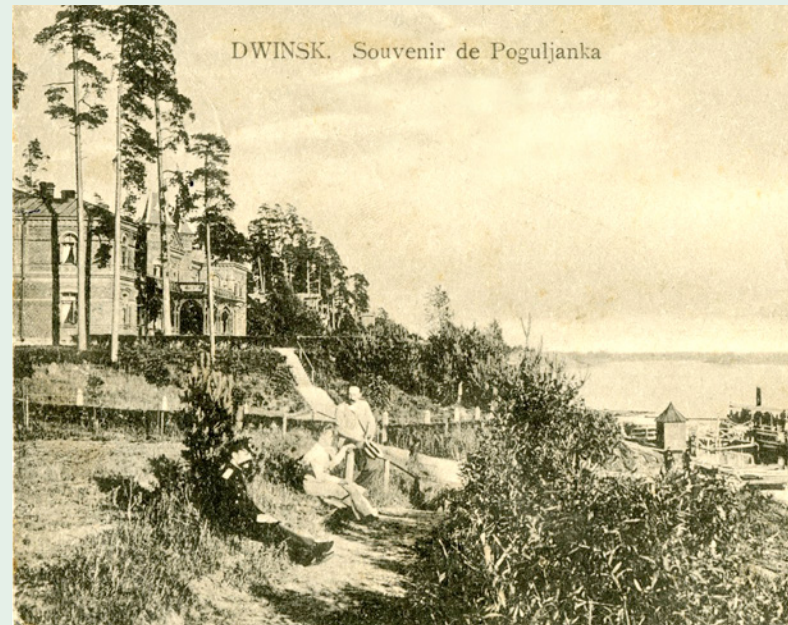


Mežciems has a rich historical legacy dating back to the latter half of the 17th century, when Old Believers fleeing Tsarist persecution sought refuge here, giving birth to the first settlement. The industrious efforts of the illustrious Plāteri-Zībergi family transformed Līksna Manor into a vibrant cultural spot, attracting noble relatives from diverse corners of Europe, who in turn, brought along illustrious musicians, renowned composers, and acclaimed artists, gracing the region with captivating theatrical spectacles.

In the summer of 1883, within their ancestral estate, Count Plāters-Zībergs inaugurated a curative kumis (mare milk) and water procedure sanatorium. This sanatorium would host up to 90 patients for therapeutic kumis therapy. The sanatorium was surrounded by pine forests and small lakes, the silt from which proved especially beneficial for the treatment of external and nervous illnesses. As a result, mud and sulfuric acid baths gained popularity. Medicinal mud was extracted from the local Trikartu lakes, while mineral waters were sourced from nearby springs. The name of these lakes is derived from the Russian words "три карты" ("three cards"), associated with a mythological legend. **Within a few decades, a unique resort destination – a curative haven – was established. The destination became so popular that a new railway station had to be established, and people flocked here from neighboring regions as well as distant countries.**

Even today, Mežciems possesses all the potential to reclaim its former glory. Daugavpils boasts a well-developed network of highways connecting it with cities in Latvia and Lithuania, and within a 100 km radius, there is no other SPA and eco-tourism complex of this scale. Hence, the unexploited market niche could position this location as a pioneer and leader in the vicinity. Considering the current market situation, there is substantial demand for SPA services in the Baltic states, Poland, and Germany. Moreover, differing price levels could favor tourism from European countries to Latvia.

Local residents also hold a positive attitude towards the area's development – several Mežciems residents' associations have been formed, fostering collaboration with **the municipality and presenting their own initiative projects for the future vision of the area.** The extensive territory of Mežciems is intended for further development and construction. The presence of Daugavpils Medical College in Daugavpils may provide greater availability of well-educated personnel if needed.



THE LEGEND

The famous healing mud of Poguļanka was taken from the Trikartu lakes and transported in a horse-drawn cart to the sanatorium. However, no one really knows the exact origin of the name "Trikarts," but legend has it that Count Plāters-Zibergs was a passionate card player. Once, while playing cards with friends in the meadow, he often invoked the devil, who was said to reside nearby in the forest. When the devil appeared, he offered Plāters a game of cards. Plāters-Zibergs won the game, but the devil, left with three cards, angrily threw them into the ground, saying, "Here are three lakes for you. Take the healing mud from them and become wealthy!" Indeed, with the help of this swamp, Plāters-Zibergs did become rich. Unfortunately, only two of the Trikartu lakes (Trikarts and Mazais Trikartu Lake) have survived to this day, as the third one has been completely overgrown with peat.



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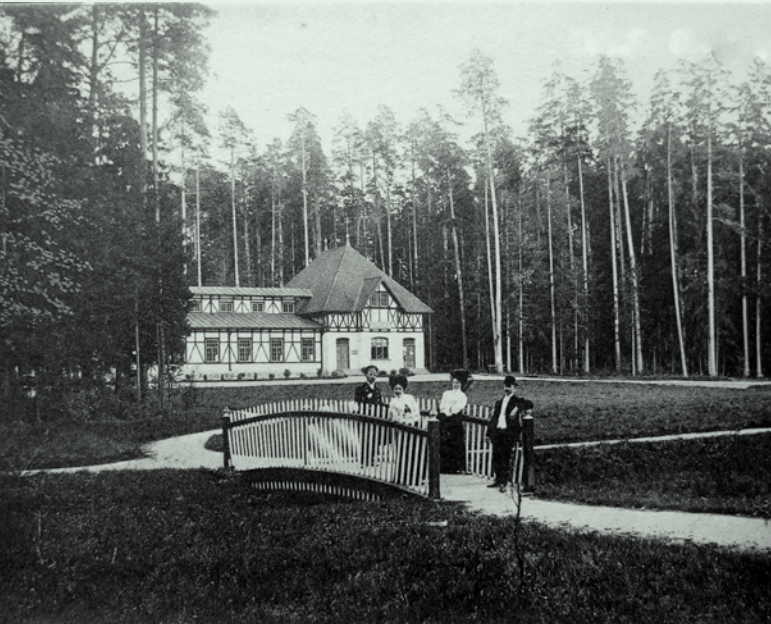
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UNIQUE HISTORICAL HERITAGE

The architecture of Mežciems' buildings is characterized by an authentic design and wrapped in legends the historic main building of the sanatorium, which boasts an impressive array of preserved artifacts, attracting attention and lending charm.

The sanatorium comprises a complex of several buildings. The most characteristic silhouette of the resort belongs to the main administrative red-brick complex. This building stands as a significant example of 19th-century Daugavpils' red-brick architecture. It was constructed during the era when Latvia's architecture was influenced by historicism, drawing inspiration from the architectural heritage of previous centuries. While some of the buildings have now succumbed to ruins, the main building, overseen by the renowned architect Vilhelms Neimanis, still resists the ravages of time. The remarkable contributions of architect Vilhelms Neimanis in the late 19th century have played a pivotal role in the development of Daugavpils and Mežciems. Some of his works include the present-day building of the Latvian National Museum of Art, the reconstruction of Riga's Dome Cathedral, as well as various manor houses and castles in Latvia, all designed in the historicist style.

The surroundings of Mežciems are characterized by a unique feature – the distinct wooden architecture of summer cottages, which is exclusive to this area. Fine wooden carvings, shingle roof overhangs, and decorative wall elements lend charm and authenticity to the place.



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BUILDING CONDITION AND SUPPORT FROM DAUGAVPILS CITY MUNICIPALITY

On the 6-hectare territory of the sanatorium, several buildings of varying conditions have been preserved, with the most significant ones being the main sanatorium building and the former hotel constructed in 1939, along with the stage from the 1930s.

Daugavpils City Municipality has already developed several documents that will facilitate the commencement of the reconstruction works. Currently, a basic construction project has been prepared, which includes essential engineering solutions, a simplified renovation plan for the main building's facade, dendrological, topographic, and geological studies, as well as approvals from the State Environmental Service and the Latvian State Geological and Meteorological Centre. Daugavpils City Municipality is also considering the possibility of co-financing the construction project costs for the SPA complex..

The sanatorium complex exudes charm in any season.





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DAUGAVPILS: DIVERSE CULTURAL OPPORTUNITIES

Daugavpils, situated in the heart of the Latgale region, boasts a plethora of significant cultural, natural, and recreational landmarks that hold national importance, including the renowned **Rothko Art Center**. Dubbed as the “Land of Green Lakes,” Latgale entices visitors with its delectable culinary delights, showcasing a diverse selection of locally sourced production from eco-friendly farms. **Strategically positioned at the convergence of four nations, Daugavpils has long been associated with multiculturalism, resulting in a captivating fusion of neighboring countries’ cultural influences**, forging a distinctive and unparalleled cultural tapestry. Despite ranking as the second-largest city in Latvia in terms of population, with 88,650 residents recorded in 2022, Daugavpils exudes an unparalleled sense of hospitality and camaraderie that sets it apart from other cities. The city’s demographics mirror its rich cultural diversity, with Russians forming the dominant ethnic group (48%), accompanied by Latvians (21%) and Poles (13%), contributing to the colorful tapestry of its inhabitants.



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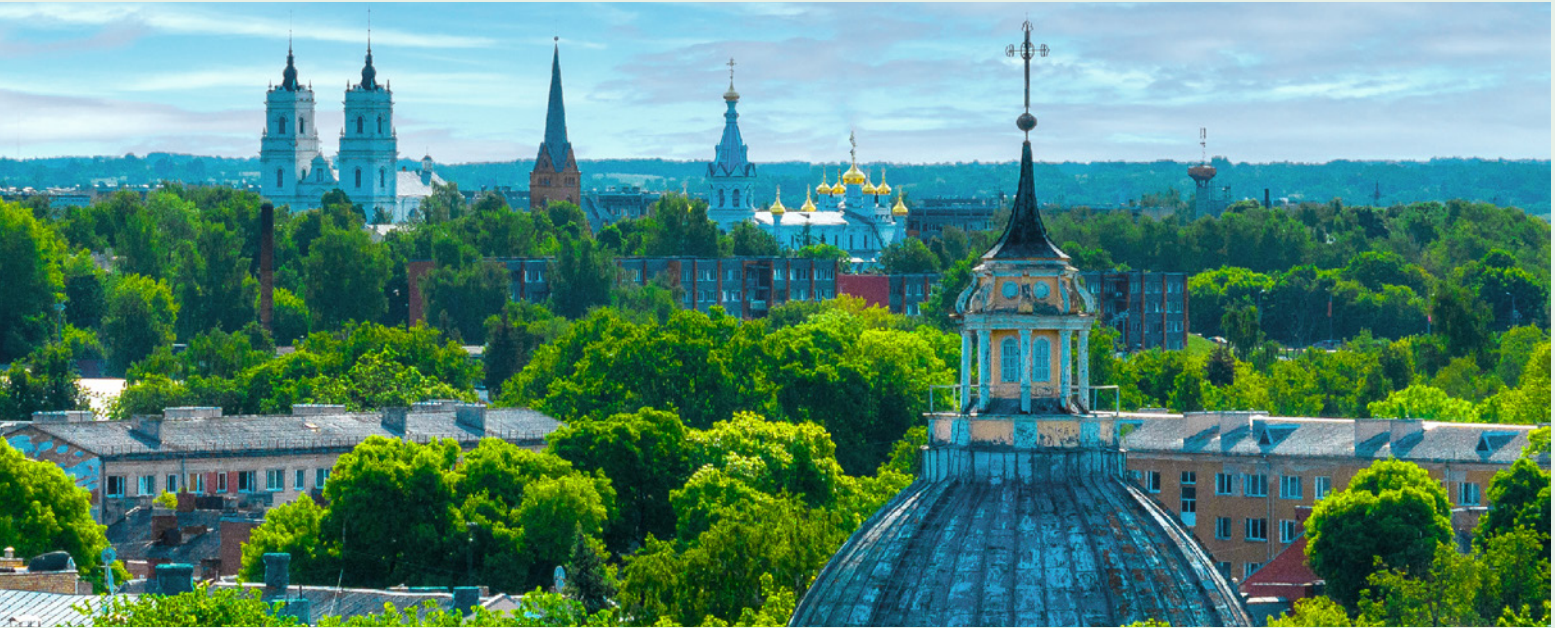
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Daugavpils, the second-largest city in Latvia and the metropolis of Eastern Latvia has given the world outstanding artists such as Mark Rothko, the “tango king” composer Oskars Stroks, and the renowned actor and director Solomon Mikhoels (Vovsi). It boasts a unique ensemble of classical and eclectic architectural styles, which sets it apart from a few other Latvian cities. Daugavpils offers a wide range of cultural and entertainment opportunities, **attracting over half a million visitors to its cultural, active recreation, and tourism facilities in 2022.** **A visit to Daugavpils would not be complete without exploring local craft and cultural centers, and museums, and savoring authentic Latgalian cuisine.**

Daugavpils Fortress: The Daugavpils Fortress is a unique architectural and cultural heritage site of national significance, covering an area of over 150 hectares. It is the last remaining bastion-type fortress in the world. **Within the fortress lies the Mark Rothko Art Center, a multifunctional contemporary art center and the only place in Eastern Europe** where one can experience the works of the world-renowned American artist and pioneer of abstract expressionism and color field painting, Mark Rothko (1903–1970), who was born in Daugavpils. Also, be sure to visit the newly opened Engineer’s Arsenal (a high-quality restoration project that received the highest award, GRAND PRIX, at the Latvian Construction Year Awards 2022) with its technical exhibition and the internationally acclaimed Martinsons House, featuring a unique ceramics exhibition.



Church Hill: This location houses four different religious denominations' places of worship, forming Daugavpils' characteristic panorama. **Each religious temple contributes its distinctive touch to the city's skyline with diverse architectural styles, ranging from Baroque and Neo-Gothic to Byzantine.** The coexistence of these four different religious buildings bears testament to the city's profound and enduring religious traditions and the cultural-historical heritage they represent.

Daugava River Loops

The axis of the nature park is the Daugava River, which forms picturesque loops. The most characteristic feature is the presence of eight large Daugava loops, each stretching 4 to 6 kilometers, with main riverbanks lining their shores. Wide and scenic views unfold from the riverbanks, offering unforgettable sights. Throughout history, the Daugava has been a promoter of this territory's development, serving as a trade route with castles and settlements built on its banks. With its seemingly calm flow, the Daugava has shaped a titanic masterpiece, creating a unique valley that leaves everyone with unforgettable travel impressions. **The park is adorned with numerous natural and cultural-historical monuments, such as the Daugava Ancient Valley, Juzefova Manor Park with its unique ditch (Marijas**

taka), Vecpils Hillfort with the 13th-century Livonian Order castle ruins, Markova's enlightenment trail, and more.

Slutišķi Homestead

Nestled within the intriguing gaze of foreign eyes in the Daugava valley, **Slutišķi is an old Old Believers' village that has been mentioned in historical records as early as 1785. Here, time seems to have stood still, taking visitors back a hundred years,** where ornate window decorations speak of skilled artisans of their time. The exterior and decorations of the houses follow the building traditions of their closest neighbors – the Slavic peoples – evident in the facades, beautifully adorned windows, decorated doors, and carvings. The imagination of the skilled craftsmen has worked wonders in selecting the decorations. Exquisite window sills and cornices in almost every building are unique, each with its distinct design.

Slutišķi Old Believers' rural estate is the only museum object of its kind in Latvia, situated within an authentic inhabited homestead. **Here, visitors can explore the unique cultural and spiritual heritage of the Latgalian Old Believers. The exposition buildings are exemplary of folk architecture, adorned with numerous decorative wooden elements, window surrounds, and gable decorations.**

BUSTLING DAUGAVPILS



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Visualization Authors: UAB "FORMA", Lithuania. Architects: Saulius Mikštas, Dominykas Špogis, Liucija Rutkauskaitė, in collaboration with SIA "REM PRO"; and architect Ilze Ratniece.



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