

Importance of Implementation of Sport Infrastructure Projects in Adjara for Development of the Region

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Abstract

As you know, Georgia has a unique location and climate for tourism development. Tourism can be developed both in mountainous regions and in the lowland and coastal areas of the Black Sea. Lately, especially in the Autonomous Republic of Adjara, various sport infrastructure events are being implemented. This is a prerequisite for a bright and vigorous future, as well as for increasing the importance of sport in society and raising the awareness of the region itself internationally.

The main goal of the latter is to establish a healthy lifestyle, to engage the maximum number of children and adolescents in sports and fitness sections, to promote development of the mass sport and to organize the cultural-creative, cognitive and entertainment events, to engage the youth of the region in different activities, the healthy lifestyle propaganda, to enhance the knowledge and skills of young people.

The projects will allow the administrative center of Adjara, Batumi to host the world championships, increase the awareness of the region all over the world and support the development of sports tourism. Supporting the development of sports tourism is of a systematic nature and mainly depends on both - economic and political decisions and the peculiarities of the economic development of the country.

Keywords: Georgia; Autonomous Republic of Adjara; sports infrastructure; Tax Code of Georgia.

1. Introduction

Currently four important projects are underway for the development of sports infrastructure in Adjara, implemented by LTD “Stadium” with 100% equity participation of the Autonomous Republic of Adjara. The main direction of the activities of above said company are activities related to procurement, service and implementation of project-construction works, organization and management. LTD “Stadium” is implementing the following project at present, namely: the football stadium of UEFA IV category with a capacity of 20,000 (twenty thousand) spectators; sport complex, indoor sports complex – construction of the ice arena, swimming pool and heavy athletics training base.

1.1 The total cost of construction of the football stadium of UEFA IV category with a capacity of 20,000 spectators consists of 145 796 234 GEL (including VAT).¹

According to information provided by the head of the company, the capacity of the football stadium is 20 516 people, from which 603 are VVIP and VIP, 20 commercial VIP boxes, 1 243 – fans of the guest team, 60 – places for people with disabilities. There is 4 400 sq. m. commercial space located on the first and second floors of the building, the parking for 1,200 cars and the relaxation recreational zone will be arranged in the outer territory. The total construction area of the building is 81,000 sq. m. The deadline for completion of construction is December 31, 2020.

1.2 Project for construction of sports complex with total value - 63 061 022 GE (including VAT).

The sports school building is divided into 5 independent parts. The constructive scheme is the reinforced case-jointed constructive system, based on separate isolated footing as well as on strip foundation and covered with metal farms. The building will have 10 halls with total area of 10 240 sq. m; including the universal hall - 2400 sq. m; sports gym hall - 2 400 sq. m; artistic gym hall - 453 sq.m; Georgian Martial Arts hall – 745 sq. m; Taekwondo – 669 sq. m; boxing – 681 sq. m; chess – 439 sq. m; sport dances – 447 sq. m; freestyle wrestling – 768 sq. m; Greco-Roman wrestling – 1 238 sq. m; the total capacity of the spectators – 3 404 people, including 40 places for people with disabilities and 30 VIP sitting places. The total construction area is 23 410 sq. m; the deadline for completion of works is September 8, 2019.

1.3 Project for construction of an indoor ice arena and swimming pool, with total cost 19 990 002, 40 USD including VAT + 752 073 GEL.

The ice rink and swimming pool consists of two independent halls and 6 independent double-storey auxiliary building built to them. The large hall is represented with so-called „Behlen”-type large spanned metal precast construction the structural system of which consists of the plated constructions, with metal column inclusions. The built auxiliary buildings are represented by reinforced frames (with combination of columns and headers). The mentioned construction is based on the reinforced pile strip foundations.

There will be the hockey and the figure skating hall and ice arena of 61 m X 30 m, with capacity of 1500 spectators in the sport complex, as well as the hall of water-polo with capacity of 1000 spectators and two swimming pools, namely: the big swimming pool, sizes – 33.3 m X 25 m and the small swimming pool, sizes – 10 m X 6 m.

The complex provides individual separate spaces, entrances, corridors, bathrooms for sportsmen and spectators. The complex is tailored for the people with disabilities in the respect of spectators, as well as athletes. Disabled persons will be provided with ramps, cranes, lifts, toilets, spectator areas, changing rooms. The deadline for completion of works is March 31, 2020.

¹ **Note:** According to the data of the National Bank of Georgia for August 7, 2019 ლარი 1 USD = 2.9321 GEL

1.4 The heavy athletics training base Currently the project procurement activities are ongoing the options of which are the following: one floor of the building will be 20,20 m X 49 m = 989,9 m, the building will be a three-storey, total area of 989.8 sq. m. X 3 = 2 969.4 sq. m.

2. Activities implemented and to be implemented

Chess Olympiad 2018 was held in Batumi, as the seaside resort of Georgia received 93 votes at the Fide Congress in Troms, Norway, while the South Africans were supported by 53 votes.

The Chess Olympiad was held in Batumi from September 24 to October 6, 2018. The grand opening ceremony of the Olympiad was held at the “Black Sea Arena” on September 23, Batumi was visited by the member of FIDE Directorate, Geoffrey Borg and the president of the Association of Chess Professionals - Emil Sutovsky, as well as at about four thousand athletes and delegates from about 180 countries around the world that was the peak in the history of the Chess Olympiad.

For hosting the most large-scale event, “**the indoor sport complex, ice arena and swimming pool**” was selected in which the infrastructure - construction work, necessary for the I stage, was fully completed. In the new multifunctional sports palace with two halls and in the newly constructed hall adjacent to it, planning of the II stage of construction works has started, after completion of which the Ice Palace will start functioning.

As for the events to be implemented, according to the information provided by the Football Federation of Georgia, it turns out that the Federation has applied to UEFA with request to hold the 2019 UEFA European Under-21 Championship in Georgia.

3. Existing problems

After completion of the infrastructural projects, we come across the difficulties such as the purposeful use of the exploited property, the political decision in the part of operation (management) should be made, which implies the choice between the public and private governance. However, one of the most important issues is the determination of property tax rates, which is a very important issue for investors. Here is a brief excursus on property tax:

According to the Tax Code of Georgia², the “property tax” is type of local tax, and is payable by the enterprise / organization – for the assets registered on its balance as the fixed assets and / or investment property, uninstalled equipment, unfinished construction, as well as for the property leased. The representative body of local government (Batumi Municipality City Council in this case) is authorized to introduce local tax imposed by this Code (within the rate limits set by the Tax Code of Georgia) as a single rate throughout the local self-government unit and / or by the separate fields on the territory of the mentioned unit and / or by the types of the representative bodies of the local self-governance.

² Law of Georgia "Tax Code of Georgia".

According to the Tax Code of Georgia, the property is – the taxable property (intangible and tangible asset) and land.

1. The annual property tax rate for an enterprise / organization consists of no more than 1 percent of the value of taxable property. For the purposes of this section, the value of the taxable property is the average annual residual value (calculated at the beginning and end of the calendar year by the average value of the assets).

2. The rates of property tax on non-agricultural land, taking into account its location, are calculated as follows:

A) The basic tax rate is set at 0.24 GEL per square meter of land per year;

B) According to the decision of the representative body of the self-governance, the relevant prime rate is multiplied by the territorial coefficient. Moreover, the territorial coefficient may not be more than 1.5.

By the Resolution №3 of Batumi Municipality City Council of February 28, 2019, adopted the “Normative prices of State and Batumi Municipality owned non-agricultural parcels of land” according to which the property tax rates are set on non-agricultural lands in Batumi. The amount of property tax (on land) per 1 sq. m is determined as follows:

The central zone of Batumi = $1,30 \times 0,24 = 0,312$ GEL;

The intermediate zone of Batumi = $1 \times 0,24 = 0,24$ GEL;

The peripheral zone of Batumi = $0,70 \times 0,24 = 0,168$ GEL.

In addition to the above said, by Resolution №2 of Batumi Municipality City Council of January 31, 2011, the “Local tax on the territory of a self-governing city of Batumi” was adopted according to which the annual rate of the property (other than land) tax for the enterprise / organization was set at 1% of the value of taxable property (the maximum amount established by the Tax Code of Georgia).

According to the above listed rates and existing legal basis, the ongoing infrastructural projects are subject to the following taxation:

A) Construction of the football stadium of UEFA IV category with a capacity of 20, 000 spectators is carried out in the intermediate zone on non-agricultural land of 80 357 sq. m., the annual property tax (on land) is set at 19 286 ($80\ 357 \times 0,24$) GEL. The mentioned tax is annually added by 1% of the total value of the property (the rate of the property tax), which in this case consists of 1 457 962 ($145\ 796\ 234 \times 1\%$) GEL. The property tax in total (including the land tax) consists of 1 477 248 ($19\ 286 + 1\ 457\ 962$) GEL;

B) Construction of the sport complex is carried out in the intermediate zone on non-agricultural land of 30 047 sq. m. the annual property tax (on land) is set at 5 047 ($30\ 047 \times 0,168$) GEL. The mentioned tax is annually added by 1% of the total value of the property (the rate of the property tax), which in this case consists of 630 610 ($63\ 061\ 022 \times 1\%$) GEL. The property tax in total (including the land tax) consists of 635 657 ($5\ 047 + 630\ 610$) GEL.

C) construction of the indoor sport complex, ice arena and swimming pools is carried out in the intermediate zone on non-agricultural land of 24 563 sq. m. the annual property tax (on land) is set at 4 127 ($24\ 563 \times 0,168$) GEL. The mentioned tax is annually added by 1% of the total value of the property (the rate of the property tax), which in this case consists of 199 900 USD + 7 520 ((19

990 002 X 1%) + ((752 073 X 1%)) GEL. The property tax in total (including the land tax) consists of 11 647 (4 127 + 7 520) GEL + 199 900 USD.

4. Existing practice

4.1 Example 1:

According to the obtained materials, the „Keepmoat stadium“³ is located in Great Britain, South Yorkshire, Doncaster (number of seats - 15 231), construction of which was completed on December 27, 2006, the cost of this stadium was estimated at about £ 20,000,000. The mentioned was implemented on the basis of close cooperation between the Doncaster City Council (the legislative government branch of the local government) and Doncaster Rugby Club. Currently, it is possible to compete in rugby as well as in football on „Keepmoat stadium “.

On July 19, 2012 it was confirmed that „Doncaster Rovers “(football Club created in 1879) took over the management of the „Keepmoat stadium “from the local government for 99 years for maintenance and improvement of sport activities. According to the City Council, if “Doncaster Rovers “didn’t took over the management of the „Keepmoat stadium “it would be necessary to allocate £ 300,000 from the local budget annually for operation of the stadium.

4.2 Example 2:

„Johan Crujff Arena“⁴ is the main football stadium of Amsterdam, the capital of Kingdom of Netherlands (number of seats - 54 990), which was built in 1993-1996 and its cost was estimated at about € 140,000,000. Construction of which was completed on August 14, 1996. Construction of the above mentioned stadium was funded by the 8 largest companies, including:

- Philips Nederland B.V. (Inactive)
- Bouwcombinatie Stadion Amsterdam V.O.F.(Ballast Nedam N.V. en Koninklijke BAM Groep N.V.)
- Grolsche Bierbrouwerij Nederland B.V. (Inactive)
- KPN
- Amsterdam RAI B.V. (Inactive)
- ABN AMRO Bank N.V.
- Coca Cola Nederland B.V.
- Stichting Exploitatie Nederlandse Staatsloterij

The above listed companies obtained the right of management over the stadium for 10 years in exchange for financing the construction. During this time, the stadium allowed companies to

³ <http://www.keepmoatstadium.com/#our-stadium>

⁴ <https://www.johancrujffarena.nl/organization/founders-business-partners.htm>

launch stadium activities to promote their products. After the expiry of the management term, some companies no longer extend the contract, while some remain sponsor of the stadium.

5. Conclusion

According to the Resolution №75 of Batumi Municipality City Council of December 27, 2018 amendments were made to Resolution №2 of the self-governing city of Batumi dated January 31, 2011 in the field of water supply and sewerage activities until January 1, 2021; the annual rate of the balance residual value (in the form of property tax) of assets, uninstalled equipment, unfinished construction and intangible assets used in house holding and medical waste management field, as well as for the passenger buses (M3 category – more than 5 tones) under their balance was set at 0.01% per annum. This resolution confirms that it may be possible to stimulate the certain areas by reducing the property taxes, so it is advisable privilege to apply to the sports infrastructure created in Batumi. This action will stimulate the interest of private investors in the above mentioned field.

Based on established practice, the political decision should be made regarding dispose of the above facilities before putting them into operation since there is not much time left for completion of the remaining projects. The objectives of its functioning should be defined, as well as a long-term strategy to be followed for correct allocation of time and avoidance of wasting the facilities non-purposefully. This is in itself related to saving the financial resources of the state and generating revenue from the local budget through the given infrastructure. It is advisable to study the motivation for refusing to hold the UEFA U21 Championship in Georgia in 2021, enabling the country to analyze the essence of sports infrastructure or other problems and identify ways to improve it to allow the country to become an alternative in selecting the host country for such an event.

Sports tourism is becoming one of the most popular forms of relaxation and entertainment around the world. Especially in summer, when large-scale tournaments are organized in different sports. The sports tourism is not only attending the specific matches and visiting the famous arenas and playgrounds but also in many countries, tourists are given the opportunity to participate in some kind of sporting events. "For example, if a tourist arrives in the Netherlands and pays enough money, he will have an opportunity, no more, no less - to train with Ajax of Amsterdam and be proud of his training by the video recorded all of his life"⁵.

Determination of the right strategic directions for the above-mentioned sports infrastructure projects will develop and promote sport tourism, increase and raise the awareness of the region at

⁵ <https://www.worldsport.ge/ge/page/sportuli-turizmi?ShowAllAdvSpaces>

the international level and be a prerequisite for economic stability and entry into the list of developed countries, and the main goal is of course, to make Georgia an attractive tourist and cultural-sport country in the international arena.

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