

## CASE STUDY 005

### ELECTRICAL TRANSFORMER INFRASTRUCTURE PURCHASE 2020

*The official Junta de Compensacion Statutes instruct us to share the costs of Cabrera Poligono 1 Maintenance and Infrastructure in proportion to land ownership. This means that Home Owners and Land Owners (Developers) should share the costs in proportion to their respective land holding.*

*The Junta has not followed the legal Statutes since 1993 when the concept of the so-called “1993 Agreement” was established. The idea was that the Home Owners would pay for all the Maintenance costs and the Land Owners (Developers) would cover the Infrastructure costs.*

In 2019, the Junta proposed to purchase €198k (plus unrecoverable IVA of €41,500 plus interest on loans of €37,000 = €276,580) of electrical Transformer infrastructure by entering into loan agreements on behalf of the Home Owners.

So, when considering the vote at the AGM for the Home-Owners to take out a loan for the electrical infrastructure expansion, it is not difficult to see where the majority vote came from:

At least 44% of the vote came from the two Developers. Additional support was obviously obtained from those Home Owners who have been let down by the Land-Owners (Developers) and do not have an electricity supply. Even if all the Home-Owners had opposed the loan, they would still have lost to the Developers.

In their Land Owner capacity, it seems that Developers have not, since 1993, contributed anything to the Junta revenue and will not pay a cent towards the new transformer infrastructure.

Instead, the Home owners will fully fund this €276,580 cost and be bound to loan repayments which will have to be made in the years to come.

The Junta has not published the details of the Lenders, the terms of the loans or full details of who will carry out the works. But, the Junta is aware that Homeowners will not wish to see any work being placed with our ever helpful (but non-contributing) Developers or any loans being taken out from Developers at ‘favourable’ interest rates. This would obviously be inappropriate and quite unacceptable from a moral and business separation perspective.

A transformer is a lump of iron and copper and there can be no doubt that this is an Infrastructure asset. A transformer cannot conceivably be classed as ‘Maintenance’. It is also worth noting that the electrical infrastructure in the original urban plan has not been fully installed i.e. only 1 of the required 6 transformers has been installed to date.

If the Statutes were being followed, the Home Owners and Land Owners (Developers) would share this cost according to their % land holdings. It would probably be unnecessary for the Developers to arrange any loans for the Home-Owners at all.

If the “1993 Agreement” was being followed, the Developers would pay for the electrical transformer infrastructure in its entirety. There would be no cost to the Home Owners.

Neither arrangement is being followed. Instead, the Home Owners will pay for **ALL** the costs of the electrical infrastructure and the Developers will pay **NOTHING AT ALL**. This comes across as being morally bankrupt.

## **CAUTIONARY NOTE TO HOME OWNERS**

IF YOU AGREE WITH THIS WAY OF WORKING YOU SHOULD NOT BE SURPRISED IF THE VALUE OF YOUR HOME IS AFFECTED AND THE TIME TAKEN TO SELL IS EXTENDED.

FOR THOSE CONTEMPLATING SELLING THEIR PROPERTY, PLEASE ENSURE THAT YOU INFORM YOUR BUYER OF ALL THE KNOWN RISKS, ENCUMBRANCES AND LIABILITIES ON THE PROPERTY.