

OPEN LETTER TO ALL CORTIJO CABRERA POL 1 OWNERS

Proposed Junta €198,000.00 Investment in Electrical Infrastructure Expansion

27 November 2019

Dear Fellow Cabrera Poligono 1 Home-Owners,

I fully understand the plight of a small number of Owners that find themselves without an Endesa supply for one reason or another. I am sure that many of you will sympathise.

However, this issue that I have is that the Junta is proposing to 'socialise' the problem and associating it with an inferred 'need to upgrade the 35 year old electrical infrastructure' and the 'need to get the Urbanisation completed'.

The potential benefits arising from the proposed investment of € 198,000.00 (plus interest charges) by all the Poligono 1 Home Owners are:

1. The compromised Home Owners may possibly be connected by Endesa.
2. It is understood that the investment may result in the ban on building licences being unblocked which is a huge windfall for the Developers.

The disadvantages for the Home Owners investing the € 198,000.00 (plus interest charges) are:

1. The 35 year old Endesa infrastructure will be replaced \ upgraded for free by the Home Owners which is a wonderful windfall for Endesa. This will remove the obligation for Endesa to fund the replacement at their expense for the next 35 years or so.
2. The Home Owners will incur a debt of € 190,000.00 (plus interest charges) with no return on investment at all for the vast majority. They already have electricity and Endesa is responsible for maintaining the existing infrastructure and ensuring continuity of supply.
3. The Home Owners will be drawn into financing the infrastructure for future development work. ie. Investing in the Developer's businesses and unlocking the ban on building licences. Owners should not be carrying the Developer's risk. It is also worth noting that the Land Owners (Developers) will be the major beneficiary of the € 198,000.00 (plus interest charges) invested by all the Poligono 1 Home Owners without making any contribution to the cost of the infrastructure at all.
4. The € 198,000.00 (plus undeclared interest charges) investment in electrical infrastructure is highly unlikely to result in the Urbanisation being declared as 'complete'. There will no doubt be a lengthy list (possibly never-ending) of additional items including pavements all round, street lighting etc. Essentially, it seems that we will inevitably be drawn in to funding the next item on the extensive list of Developer's obligations which have not been met. I have a reference that indicates that there is a 2016 Council report which estimates that finishing off Cabrera would cost €3.109.589,75. How much more infrastructure will Home Owners be expected to fund for the Developers?

The total forecast Junta revenue from Home Owners for 2020 is € 214,160 which presumably includes the proposed 7% uplift. The total value of the uplift is therefore around €14,010 per year but we will be servicing the loans for 5 years at €37,080 per year. This probably means that there will be an additional €23,070 taken from the working budget each year to service the loans and a significant depletion of the reserve fund. ie. Less will be spent on other priorities such as road maintenance.

The bottom line is that the additional €14,010 Junta payment from the Owners will not service the loan re-payment of €37,080 each year. (It could be argued that the balance will be derived from an additional 4\5 new houses each year, each paying €5000 but this is not guaranteed and unlikely to kick-in for several years even if the ban on building licences is lifted.)

As a further observation, we have all been advised to be very cautious about water usage with the Poligono 1 development at its current size. It is not clear how further development can be supported given the water supply limitations, or the electrical capacity problems. Again, as with the electricity supply, any increase in water supply infrastructure \ capacity to support further development needs to be funded by the Developers and not by the Owners. The Owners are not Developers and we should not be entering into any arrangement where we are funding any infrastructure expansion.

I would like to make an alternative suggestion as to how the Developers may be able to fund their electrical infrastructure obligations and ensure Endesa services for the compromised Home-Owners:

It should be noted that the existing Transformers are past the end of their projected Asset Lives (typically 20 to 25 years) so Endesa should be considering their replacement in any event as part of their responsibility for planned asset replacement activity. It should therefore be possible and quite reasonable for the Developer(s) to negotiate to pay only the incremental cost of the increased capacity of the two new transformers (equipment cost only) which should be considerably less than the proposed €198,000. This approach could possibly help those without an Endesa connection to secure a connection at a much lower cost without the unaffected Home Owners incurring this vast and unnecessary € 198,000.00 expense \ debt.

As a rough estimate, the 200 Poligono 1 Home Owners have contributed around € 3,500,000.00 to Endesa (200 Owners x €500/year electricity payments x 35 years). It seems very wrong for Home Owners to be paying Endesa a further €198,000.00 to replace the assets which they are due to replace anyway in the hope that a handful of disadvantaged Home Owners can be connected to the electricity supply and that the ban on building licences for the Developer will be lifted.

Under the Compensación scheme the developer pays for the infrastructure costs, and the purchasers pay for maintenance costs. The proposal for the purchase of two additional transformers is very clearly an infrastructure cost and therefore not something that can be legitimately put to the vote under the Constitution. The legality of this is highly questionable and the item should not have been allowed onto the AGM Agenda, let alone factored into the proposed budget for 2020.

It should be remembered that the reason for the existence of the Junta de *Compensación* Cortijo Cabrera Pol 1 was that the Developer had not met his obligations in terms of completing the infrastructure. As the Urbanisation was not complete, the Council would not take over responsibility for the maintenance so the Junta de *Compensación* was established to take care of the maintenance aspects only. The responsibility for infrastructure development still rests with the Developers.

We are now in the position where we:

- a) Pay Maintenance Fees to the Junta
- b) Pay IBI taxes to the Council for which they should carry out the maintenance. However, we get very little in return as we are not recognised as an Urbanisation because the Developer has not met his obligations.

To add insult to injury, we are now being exposed to a € 198,000.00 (plus interest) expense for electrical infrastructure development which was and continues to be the responsibility of the Developer. This claim for infrastructure expansion funding is contrary to the spirit and intention of the *Junta de Compensación*.

Aside from this, it is not acceptable to provide Home-Owner's with just over 1 week's notice of an extraordinary € 198,000.00 expense without sufficient consultation or the advance provision of a detailed and clearly costed Business Case.

If there is to be any increase in goodwill within the community (or prospective Buyer confidence), we will require the Junta to act with the utmost integrity and to be absolutely transparent with the Home-owners. This late and unwarranted claim for a €198,000.00 investment by the Home Owners for the expansion of the electrical infrastructure must be withdrawn.

Item 3 of the AGM Agenda needs to be firmly rejected and withdrawn.

Kind Regards

Jeremy Oliver
Cortijo Cabrera