



Comunidad Creativa

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Technical Description

Inhaltsverzeichnis

Inhaltsverzeichnis	2
1 Introduction and objective of the document	1
2 Transfer of responsibility	5
2.1 Initial situation	5
2.2 Description of the community facilities	7
2.3 Overview	7
2.4 Streets	7
2.5 Lakes and waterways	8
2.6 Wald und Grünflächen	8
2.7 Dam	9
2.8 Drinking water system	9
2.9 Electrical Power Grid	10
2.10 enclosures, property boundaries	11
2.11 Drainage	11
2.12 Internet	11
3 Concluding remarks:	12

Introduction and objective of the document

The company Reljuv S.A. initiated a settlement project near the two villages of Maciel and Caazapá at the postal address:

RELJUV SA (El Paraíso Verde)

Colonia Riachuelo

060101 Maciel, Caazapá

PARAGUAY

with the marketing name “El Paraiso Verde”.

With the creation of a barrio cerrado under Paraguayan law, a closed area is created which, in addition to the plots of land privately owned by natural and legal persons, also contains communal areas and the infrastructure installed on them.

As the creation of a barrio cerrado creates a community of owners which becomes the collective owner of the common areas and the infrastructure installed on them, a detailed technical description of these common facilities is required before the responsibility can be assumed.

Normally, what the common property comprises is known to everyone before the purchase decision is made. In the situation under discussion here, however, the purchase decisions were made at a time when this community of owners did not exist and what is now to be transferred to community ownership and thus community responsibility was still owned by the Reljuv development company. As a result, the buyers of the individual plots had no detailed knowledge of the communal facilities in terms of their quantity and quality prior to the purchase decision.

Until the creation of the community of owners, the areas designated as community property are therefore still owned by Reljuv S.A.. The implementation of a community of owners by the first general meeting of all future members of this community of owners must therefore be accompanied by an orderly handover to or acceptance of the community facilities by the community of owners.

This document in its initial version thus forms the basis for the transfer of ownership of the land and facilities previously owned by Reljuv S.A. to the community property. A technical description of the quantitative and qualitative parameters that is as precise as possible according to objective criteria should

- enable all members of the community of owners to have a detailed understanding of what exactly the responsibility for maintaining the community facilities is being assumed for and
- enable an agreement to be reached on the previous performance of Reljuv in the creation of the infrastructure in comparison to the performance expectations of the members of the community of owners as a prerequisite for the assumption of responsibility by the community of owners.

After the agreement and the subsequent transfer of responsibility, this document will be continuously updated in parallel with the further development of the communal facilities in order to

- form a solid basis for the annual planning of maintenance and expansion measures and

- on the other hand, to provide new interested parties and thus potential new members of the community of owners with an up-to-date level of knowledge about the communal facilities so that the purchase decision and thus the assumption of joint responsibility can be placed on a solid and objective basis.

Not all technical details can be meaningfully maintained in such a document. Specialized, database-based systems (e.g. geoinformation systems) are suitable for this purpose. Reference is therefore made to these systems for further details where they are available.

The aim of this document is to meet the requirements of investors with regard to an appropriate technical description of the object of joint responsibility by providing a thematically structured list of detailed information that must be included as a minimum in this technical description.

1 Transfer of responsibility

1.1 Initial situation

The legal act of creating such an owners' association is the convening of the first owners' association general meeting by the previous operator of the residential project, Reljuv S.A.. This corresponds to the procedure in Germany when creating such an owners' association, e.g. for an apartment building in which the individual apartments belong to different investors. In this case, the project developer hands over the completed property in its entirety to the newly constituted community of owners at this first meeting, which sets itself the necessary structures and modalities for the collaborative management, taking into account legal requirements.

The community of owners includes:

- The company Reljuv S.A.
- The company Constructora S.A.
- The Annau family (founders of the development)
- investors with title
- investors without title

Since both the client (investors) and the contractor (Reljuv) of a service provision, i.e. the creation of the community facilities, now assume joint responsibility for this object of performance, it is of great importance to define the object, which is to become the responsibility of a community of owners, as unambiguously and clearly as possible with regard to its quantitative and qualitative parameters.

An important part of this technical description is also the demarcation between the infrastructure components that are located in the settlement area (sector B) and those that are located in the areas that are the exclusive property of Reljuv S.A. (sector A).

At any existing interfaces within an infrastructure facility (e.g. electricity grid) between the private property of Reljuv S.A. and the common property, precise transfers of responsibility must be defined.

With regard to these quantitative and qualitative parameters of the communal facilities, there are considerable differences in the assessment between Reljuv as a

service provider and investors as service recipients at the time of the transfer of responsibility. This is aggravated by the fact that the investors differ in their individual assessments of the condition of the community facilities, i.e. they do not hold a uniform opinion. However, a clear trend is discernible for the majority of investors.

Investors have accepted exorbitant land prices for the area because they were promised excellent infrastructure. Excellent infrastructure is characterized by:

- High availability
- Roads passable in all weathers
- Every plot sold can be connected immediately to the supply and disposal facilities (electricity, water, drainage)
- Good and continuously provided power (voltage stability, water pressure)
- Power reserves so that fluctuations in consumption are covered to a normal extent.

At the time of the transfer of responsibility, Reljuv S.A. gave the impression that the installed infrastructure would cause high maintenance and repair costs, which the investors would have to contribute to. If the infrastructure described by the seller Reljuv S.A. as excellent is now in need of renovation after a short time, is susceptible to repair and is not sufficiently dimensioned for the intended development density, numerous investors have the impression that they have not received the product they were entitled to expect for such a high price.

In order to objectively inform the community of owners that is now being formed about the infrastructure for which joint responsibility is being assumed, its technical parameters must be fully documented and presented in a form that at least gives knowledgeable people a complete picture of the infrastructure.

The conditions here are not comparable with those in Germany, for example, where a prior building permit or a 5-year guarantee for construction work establish a certain quality standard for the property for which responsibility is assumed. It is also common in Europe for a detailed declaration of division (technical description) to be handed out to all co-owners of an apartment building, for example.

Of course, the conditions here cannot be compared with those in Europe due to the lack of materials, etc. But a proper handling of the existing conditions requires a detailed and, above all, honest inventory.

Therefore, BEFORE the transfer of responsibility, i.e. BEFORE the first general meeting of the community of owners, a precise and objective inventory must be made and on the basis of this an agreement must be reached between Reljuv and the investors on any services still to be provided by Reljuv.

If a transfer of responsibility is carried out without an agreement having been reached between the service provider and the service recipient, future disputes about services still to be provided are unavoidable, which counteracts prosperous cooperation within the community of owners.

This agreement can only be reached on the basis of a realistic assessment of the possibilities of all parties involved. Precisely because the object of the service was not precisely specified by both sides, an agreement must not be blocked either by a strict rejection of all claims to the object of the service by the service provider Reljuv S.A.) or by exaggerated demands on the object of the service on the part of the

service recipients (investors) if the existential crisis in which the project finds itself is to be overcome successfully.

The questions and requirements for a technical description listed in the following sections are the minimum requirements.

1.2 Description of the community facilities

1.3 Overview

The entire settlement area is registered with many details (streets, areas, etc.) as Barrio Cerrado in the public Catastro of the country of Paraguay. Before assuming responsibility, the community of owners requires

- documentation of all areas with their planned or actual uses (land use plan) stored in a suitable geoinformation system
- a comparison of the land use plan with the documentation status in the Catastro at the time of assuming responsibility
- area calculations to ensure that 33% of the entire area is really public land
- proof of the suitability of the current land use designations with regard to the geological boundary conditions, which can only be changed to a limited extent, such as drainage and water supply. Proof of the suitability of the current land use designations with regard to geologically limited changeable boundary conditions such as drainage, wastewater treatment
- Drainage concept for the entire settlement area and comparison of target and actual status
Hochwasserschutzkonzept und Gegenüberstellung von Soll- und Ist-Zustand
 - Construction method of the dam
 - Cross-section profiles
 - Proof of suitability with regard to the underlying expectations
Eine detaillierte Auflistung aller Mitglieder der Eigentümergemeinschaft inklusiver aktueller Kontaktdaten, sofern vorhanden.
- Comparison of the quantitative target and actual status with regard to planned common areas such as lakes, roads, waterways, green spaces, etc., i.e. what proportion of the common areas is already prepared for the planned use and what proportion is undeveloped wasteland

1.4 Streets

Before assuming responsibility, the community of owners requires

- Documentation of the various types of roads and paths
- A description of the condition of the current road network with reference to the intended use (i.e.
 - What material is the road made of (substructure/ base course and superstructure/ binder course)
 - What quality standards were set?

- o In what layer thickness were the surface courses applied and what was the degree of compaction?
 - o Why do most of these so-called roads consist only of a loam/clay mixture and are not passable in the rain?
 - o Are there drainage profiles (cross slope or roof slope)?
 - o Why are there only isolated drainage ditches and at what intervals are these upgraded?
- A comparison of the target and actual status of the quantitative and qualitative parameters that were planned by Reljuv for the time of the transfer of responsibility, i.e. exactly which roads were planned for the time of the transfer of responsibility and in what condition, and in what condition are they actually in?

1.5 Lakes and waterways

The community of owners requires a documentation of the various water bodies as part of the common areas

- Documentation of the various water bodies as part of the common areas
 - Base depths of the various water bodies, planned and actual water body areas
 - Base depths and width of the channels in order to be able to calculate the drainage capacities for heavy rainfall events
 - What measuring and alarm devices are in place to monitor the functionality of the drainage system and to be able to react to events accordingly.
- A comparison of the target and actual status of the quantitative and qualitative parameters planned by Reljuv for the time of the transfer of responsibility, e.g. expansion stage of the waterway, percentage of lakes, canals and drainage ditches created versus those planned

1.6 Wald und Grünflächen

Before assuming responsibility, the community of owners requires

- Documentation of the existing and planned forest and green areas
- Documentation of how all forest and green areas belonging to the community property are accessible from the settlement area
- A comparison of the target and actual status of the planned or constructed green areas and their development stage

1.7 Dam

The dam is an essential element of flood protection. Its suitability for this task is essential not only in terms of community responsibility, but also in terms of the risk that each individual takes when building a house in this area and is therefore an important prerequisite for an informed investment decision.

- Before assuming responsibility, the community of owners needs
 - An honest survey of the current situation
 - An elevation profile of the embankment would be important to be able to determine critical levels.
 - How wide is the embankment at its narrowest point?
 - What material is the embankment made of?
 - Is it possible for heavy vehicles to drive on the embankment roads even in the event of flooding?
 - How was the slope secured against slipping/landslide? At what angle of inclination was the slope/embankment constructed?
- A flood protection concept, if available, or at least the plans as a basis for the current expansion stage
 - How are heavy rainfall events dealt with within the settlement area if the dam prevents natural runoff?
 - Why were no sluices built? Are there any areas/plots of land reserved for the sluices?
- A comparison of the target and actual state of the quantitative and qualitative parameters that were planned by Reljuv for the dam at the time of the transfer of responsibility.

1.8 Drinking water system

The community of owners requires the following before assuming responsibility

- A detailed description of all infrastructure components belonging to the drinking water system
- How deep is each well drilled?
- What quality of water can be expected there?
- How is this quality monitored?
- Which aggregates (pumps, storage tanks, structural measures) are in use and do they meet the planned requirements?
- What are the requirements for this well? How many households with what anticipated consumption (in total and simultaneously) can be supplied with it?
- How long are the pipelines designed for this? What cross-section do they have? Does the piping system meet the requirements? Do the consumption plans match the property plans, i.e. can the properties for sale for the section

in question be connected to this section as planned or are extensions to the infrastructure required?

- How deep are the pipes buried, i.e. how warm does the water get in summer when it flows through these pipes?
- Are they branch pipes or ring pipes?
- How is the water supplied protected against contamination by surface water or water close to the surface?
- Do the installations comply with the specifications that may exist in Paraguay for such systems?
- Are there any contracts or permits that are required for the operation of the wells and the drinking water network?
- A comparison of the target and actual status of the quantitative and qualitative parameters planned by Reljuv for the drinking water network at the time of the transfer of responsibility.
- Are there interfaces between the drinking water network of the settlement area and sector A?

1.9 Electrical Power Grid

The community of owners requires the following before assuming responsibility

- A detailed description of all infrastructure components belonging to the electricity grid, including overhead lines (capacities), underground lines (capacities), transformers, transfer points
- How long are the lines? What cross-section do they have? Does the line system meet the requirements? Do the consumption plans match the property plans, i.e. can the properties for sale for the section of line in question be connected to this section as planned?
- Does the total power available on the developed properties (defined by the installed fuses) match the cross-sections of the lines used for this purpose?
- A comparison of the target and actual status of the quantitative and qualitative parameters planned by Reljuv for the time of the transfer of responsibility for the electricity grid.
- What are the transfer points between sector B and sector A?
- How is consumption measured at the transfer points?
- What contracts exist between Reljuv and ANDE?
- Since, for technical reasons, the electricity must be purchased via Reljuv as ANDE's contractual partner, a precise service description (availability, voltage stability, etc.) of Reljuv as a service provider is required, i.e. what do the customers receive for the purchased power?

1.10 enclosures, property boundaries

The community of owners only assumes responsibility for the so-called Sector B. It is therefore important how the boundaries of this area are defined.

Before assuming responsibility, the community of owners requires

- A detailed description of all facilities for the delimitation of the area of responsibility
- The creation of a separate access to the area of responsibility from the main road to the east of the area of responsibility
- A comparison of the target and actual status of the quantitative and qualitative parameters planned by the Reljuv for the time of the transfer of responsibility with regard to the boundaries
- A Barrio Cerrado is, as the name suggests, defined by an area that is geographically enclosed by suitable means. For this reason, a demarcation of sector A from sector B and a separate access to sector A is essential before the community of owners assumes responsibility.

1.11 Drainage

As the residential area is located in a low-lying area and the flood protection dam also prevents the water raining into the residential area from flowing away, precise knowledge of the drainage concept is essential.

Before assuming responsibility, the community of owners requires

- A detailed description of all drainage facilities (drainage channels, equalization basins, etc.) and their suitability for the intended function
 - Who is responsible for the large pumping system at the equalization basin and how does he determine the critical water levels within the settlement area (as a result of heavy rainfall events) or outside the settlement area (as a result of flooding of the Pirapo)?
 - When will the planned drainage network, which consists of lakes and canals, be completed?
 - Is the drainage system reliable at all as long as there are not a lot of planned bodies of water that have not yet been dredged?
 - Why are the clay platforms on which the foundations of the houses are based generally not built higher?
- A comparison of the target and actual state of the quantitative and qualitative parameters that were planned by Reljuv for the time of the transfer of responsibility with regard to the boundaries.

1.12 Internet

Parts of the infrastructure set up for Internet access are located on the common areas. These become community property at the time of transfer of responsibility. For this reason, an agreement must be reached between Reluv and the community of

owners at the boundary between Sector A and Sector B, both technically and financially.

The community of owners requires the following before assuming responsibility

- A detailed description of all Internet facilities (antennas, lines, active components, etc.) and their suitability for the intended function
- A comparison of the target and actual status of the quantitative and qualitative parameters planned by Reljuv for the time of the transfer of responsibility with regard to the limitations.
- What are the transfer points between sector B and sector A?
- How does the transfer of responsibility take place at the transfer points?
- What contracts exist between Reljuv and the providers?

2 Concluding remarks:

Reljuv S.A. has achieved very high property prices with the promise of excellent infrastructure. It must be in a position to provide the community of owners with complete documentation for the infrastructure it has created that is at least comprehensible to experts.

Otherwise, it will not be possible to properly maintain and further develop the communal facilities.

Documentation of the technical parameters that can be used for this purpose not only demonstrates the professionalism that investors can expect at these property prices, but may also qualify Reljuv S.A. for consideration in the awarding of service contracts by the future management of the community of owners.

If Reljuv is unable or unwilling to provide such documentation, it will not be possible for the community of owners to assume responsibility in a manner that is appropriate and commensurate with the complexity of the subject matter.

This is also an opportunity for Reljuv to restore its reputation with investors and the public through proven professionalism, customer orientation and reliability.



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