



Dear Fellow Homeowners,

As we prepare for the Special General Meeting to be held on 4 July, we have noticed a lot of questions, comments and misinformation circulating on social media and would like to provide some clarity and context.

Background to the Proposed Agreement

At the townhall meeting last November, and in the referendum in December, the overwhelming consensus from PV homeowners was the desire to maintain independence and control over our own HOA under the terms of our new Constitution which was adopted in August last year.

While many homeowners supported the idea of a super estate, they were firm in their wish to retain two separate HOAs.

In January, we conveyed these views to the VDV representatives. Initially, our comments and proposals were not well received, and on 5 April we were served with a notice of termination of the reciprocal use agreement, which threatened to revoke all traversing rights and access to VDV facilities.

However, after much feedback from homeowners and extensive consultations through face-to-face meetings, phone calls, and emails, it became evident that the majority did not want the reciprocal use agreement to end. Therefore, we redoubled our efforts to negotiate an outcome that better aligned with the majority's wishes.

After four years of totally rejecting the 2x HOA concept, the VDV HOA has finally agreed to a compromise. This is a significant win for PV homeowners, based on the substantial feedback we've received over the past several months. However, as with any negotiation, compromise is necessary from both sides. We believe that the proposed agreement will achieve 80% of homeowners' "wants and needs" with the 2x HOA compromise. In return, if the proposed agreement is approved by members of both HOAs, our concession will be to pay towards the extra facilities and the Berg River bridge that VDV brings to the table.

In January, we had a clear mandate that 92% of homeowners (367 out of 400) wanted us to explore the options of the Super Estate with 2x HOAs and an additional contribution of R500 pm per member payable to VDV. We tried our best to achieve this goal but, at the end of the day, when the VDV trustees finally dropped their demand for One HOA, their absolute final proposal on the contribution was R640 pm per member. To be completely clear, this figure was not scientifically calculated by the parties together and we did not agree to accept it. It is simply the figure presented to us by VDV as their final offer in the context of a potential compromise agreement. However, we are aware that, as many members have pointed out, R640 is equal to exactly 20% of our current

levy of R3200 pm.

Status of the Proposed Agreement

Given the above, it's critical to note that the figure of R640, together with the rest of the proposed agreement, is not negotiable at this point. After months and years of negotiations, there is now a document on the table for members of both HOAs to vote on, i.e. to accept or reject in full. Neither side can now seek to add, amend or delete clauses. If both HOAs vote in favour, the agreement will be signed and become valid and binding. If either HOA votes against the proposed agreement it will not become effective and VDV HOA will proceed with cancellation of reciprocal access and separation of the estates.

We fully recognize that the proposed agreement is not a perfect document and that some members may not be in favour of some of the clauses, but we are convinced, after protracted negotiations, that the proposed agreement represents the best possible super-estate deal that could realistically be achieved. It is now up to members to decide whether or not to support the proposed agreement.

Ordinary vs Special Resolutions

With regards to the percentage of votes required to approve the SGM resolutions, we have received clear legal advice from the HOA's attorneys that we, as trustees, do not have discretion to decide whether to table resolutions as ordinary resolutions (which require a simple majority vote to be approved) or as special resolutions (which require a two-thirds majority). This has to be determined in accordance with our Constitution which specifies that special resolutions only apply in the event of changes to the Constitution or if a levy increase of more than 25% is proposed. Since neither of these conditions apply to the resolutions to be voted on at the SGM, they have to be tabled as ordinary resolutions.

The Impact on Levies

A number of members have asked questions about the comment in the Notice of SGM that we are not intending to increase levies by more than R500 pm from 1 September 2024, even though the proposed agreement will require a payment of R640 pm to VDV. The answer is that we believe the HOA can comfortably absorb the difference of R140 considering the significant operational surpluses that have been achieved in the past few years. As reported at the town hall, our finances are in a very healthy state, and we are confident that, with the proposed R500 levy increase, the contributions payable to VDV will be fully funded via our normal revenue streams.

Please note further that, if the proposed agreement is approved, we will not be passing a normal annual levy increase for the 2024/25 financial year in addition to the R500. This means that the next levy increase will be due in April 2025 and will apply for the 2025/26 financial year.

The VDV Ambulance Service

We have also received many questions about the new ambulance service at VDV. In particular, members have asked if the cost for PVHOA to participate in the service would be included in the R640. The immediate answer is no, this service is not included in the R640 and will need to be funded separately if members vote in favour of the proposed agreement. It's important to keep in mind that the proposed agreement essentially provides only for traversing rights and the use of physical facilities, e.g. entrance gates, roads, gyms, and sports facilities. It is specifically not a merger of the two HOAs and any other proposals for shared services or infrastructure commitments will need to be evaluated and decided on by both parties from time to time. The ambulance service is a good example of such an "extra" service and we are confident that a workable and affordable solution for PV to be covered by this service will be found shortly. We will communicate more in this regard in a separate notice.

Pros and Cons of Approving the Proposed Agreement

Pros:

1. Retain the PVHOA constitution and avoid the continual threat of developer control within PV and the potential unknown risks within VDV.

2. Maintain PV-only homeowner trustees who represent PV homeowners exclusively.
3. Finally bring an end to the long-running period of disputes and "bad blood" between the two HOAs, with a positive outlook for both sides.
4. Continue to enjoy full traversing rights and access to facilities.
5. No splitting of the estates and no boundary fence erected between us.
6. The R500 contribution is likely less than the cost of providing additional facilities if separation occurred and PVHOA needed to fund upgrades and the development of new facilities.
7. Reduces the likelihood of future litigation, class actions, and negative PR, which could threaten financial stability.
8. Guarantees social mobility across the wider estate for families, friends, and children.
9. Ensures access to a broader array of services and facilities across the wider estate, now and in the future.
10. Protects property values within a known and understood SE model with strong constitutional protections.
11. Currently, PV and VDV are on a global map as one of the top three super estates in the world, positioning both significantly better together than separately.
12. Potential for participation in additional value-added services such as the ambulance service.

Cons:

1. An additional R500 per month per member to deliver this proposal.
2. PVHOA to forgo a normal annual levy increase for funding of operations this year and absorb the difference of R140 per member per month.
3. A reduced operating surplus and lower contribution to reserves for the 2024/25 financial year.
4. Increased pressure on PV facilities due to the growing number of users from VDV.
5. The potential risks of VDV incorporating new developments and increasing the number of members entitled to use facilities.
6. The risk that VDV can unilaterally increase the R640 contribution (although any increase to this figure must be in line with any proposed VDV levy increase).
7. The fact that PV members will effectively be investing in VDV facilities whilst the agreement can simply be terminated by either party on three months' notice.
8. The potential risk of litigation against the HOA by any disaffected party/parties.

We urge members to carefully consider all the ramifications and to vote accordingly.

Kind regards,
PVHOA trustees
21 June 2024

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