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Marbella's Billionaire Spent Bribes on Tiger-Guarded Stud Farm

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By Ben Sills and Sharon Smyth



Jan. 7 (Bloomberg) -- As an urban planning adviser in the sun-drenched Spanish resort town of Marbella, **Juan Antonio Roca** had after-tax income of less than 150,000 euros a year.

When he was arrested for corruption in March 2006, police seized assets worth 2.4 billion euros (\$3.4 billion), including a century-old palace in Madrid, a country estate equipped with a helipad overlooking the Rock of Gibraltar and a stud farm guarded by a tiger.

According to a 451-page July 2007 **indictment** by Marbella prosecutor **Miguel Angel Torres**, Roca also owned a ranch to raise fighting bulls, a private jet, a helicopter and a painting by Spanish master Joan Miro.

Known in **Marbella** as "The Boss," Roca has become Spain's national symbol of municipal corruption amid the boom and bust of the country's real estate industry.

"Marbella is a special case, but the conditions which allowed it to occur exist across the country," says Jesus Sanchez-Lambas, a law professor and general secretary of Madrid's **Ortega y Gasset University Institute**. "Corruption in town planning is institutionalized."

Roca, 55, who was convicted of bribing a judge in August by the **High** Court of Andalusia in Granada, is currently standing trial at Spain's National Court in Madrid where, along with five other defendants, he's charged with embezzling 36 million euros of public funds.

Operation Malaya

Prosecutors are preparing to go to trial in connection with the 2007 indictment, dubbed Operation Malaya, against Roca and 85 others in Marbella, Madrid, Barcelona and San Sebastian. The charges include embezzlement, money laundering, dereliction of duty and bribery.

Roca's lawyer, Jose Anibal Alvarez, said in December that none of the evidence proves that Roca took bribes, embezzled from city hall or laundered money. Spanish officials are making him a scapegoat for the corruption that's widespread in city halls across Spain, he says. In December, Roca was in prison in Alhaurin de la Torre, a village outside Marbella.

Graft and bribery thrived along the Costa del Sol as the country rode a 15-year real estate boom, fueled by a plunge in **interest rates**, rising incomes and strong demand for second homes by sun-starved Northern Europeans.

In 2006 -- the peak of Spain's real estate surge -- municipalities issued 911,000 **building permits**, more than the U.K. and Germany combined. "They are swallowing up the coastline and the countryside," Sanchez-Lambas says. "This is the legacy we will leave for our children."

Credit Crunch

Many of these homes have come onto the market in the past year after the global credit crunch curbed the supply of loans. R.R. de Acuna & Asociados, a Madrid-based real estate research firm,

estimates that there are more than 1.6 million unsold homes in Spain, while annual demand for housing fell to 220,000 units in 2008 from a peak of 590,000 in 2004.

Spain's **economy** contracted for the first time in 15 years in the third quarter of 2008, after growing 3.9 percent in 2006. This year, it faces its worst recession since 1959, according to **Dominic Bryant**, an economist at BNP Paribas SA in London. Unemployment soared to 12.8 percent in October from 8.5 percent a year earlier.

Spanish bank loans in arrears as a proportion of total lending climbed in October to 2.9 percent, or 54.2 billion euros from 0.9 percent a year earlier, according to the Bank of Spain.

"We are seeing an intense increase in the ratio of bad loans," Bank of Spain Governor **Miguel Angel Fernandez Ordonez** said on Oct. 30. "This has been particularly notable in the construction and real estate sectors."

Euro's Role

Spain sowed the seeds of its real estate boom when it agreed to swap its currency for the euro. Before joining Europe's monetary union in 1999, Spain had to impose economic discipline and bring down its inflation rate to European Union standards.

After it did, the cost of home loans tumbled as the central bank slashed its **benchmark rate** to less than 3 percent at the end of 1998 from 13 percent in 1993. Household incomes rose as Spanish women began to enter the workforce, and foreign investment jumped more than 10-fold at its peak in 2007 as the euro brought financial stability.

The newfound wealth and borrowing power created a potential bonanza for Spain's 8,111 town halls, which have limited powers to raise taxes yet have to pay for local police, garbage collection and sports facilities. Spanish law does give the municipalities power to grant all permits for new homes, shopping centers and factories.

"All they've got is land," says Lorenzo Fernandez Fau, a former mayor of El Escorial, near Madrid. "So they've sold it."

Cutting Deals

Even many legal projects involve the mayor's cutting a deal with developers, who may agree to build fire stations or put up street lamps in addition to paying for building permits.

Some officials also demand bribes. "Local administrators have the power to decide who gets rich and who stays poor," says **Victor Torre de Silva**, a professor of law at Madrid's Instituto de Empresa business school. "There's a great temptation to share in the wealth that you can create."

That temptation may have ensnared Roca, who began his career as anything but wealthy. A native of Cartagena in the region of Murcia, which neighbors Andalusia, Roca trained as a mining engineer and then set up a property development company called Comarsa that was declared bankrupt in 1990. The following year, he moved to Marbella.

At the time, the town was known for its celebrity residents, including King Fahd of Saudi Arabia, who built a palace modeled after the White House in Washington, except that the bathroom fittings were made of gold, according to Gorka Zamarreno, communications director of real estate company **Aifos SA**, who attended a party there.

Train Robbery

After a century-old extradition treaty with the U.K. expired in 1978, Marbella also became a haven for British criminals. Charlie Wilson, who was convicted for participating in the **Great Train Robbery**, moved to Marbella in 1984 after serving 10 years of a 30-year prison sentence. Wilson, 57, was shot to death at his villa in 1990.

Until shortly before Roca's arrival, Marbella had also been known for the drug dealers and prostitutes who plied their trades on its streets.

Mayor Jesus Gil changed all that. Elected on a platform of cleaning up crime, Gil wanted to attract more wealth to the town whose population was then less than half the current 200,000.

"All Gil cared about was capturing investment to create jobs and wealth and boost the economy in

Marbella," says **Antonio Romero**, a former lawmaker in the regional parliament of Andalusia, which includes Marbella. "He didn't ask or care where the money came from."

Romero says Gil visited Russia in a bid to attract new capital from the gangsters emerging from the ruins of the Soviet Union.

Roca Is Hired

Gil hired Roca, a stocky man with dark, greased-back hair splashed with white around the temples, as the head of a property management company owned by the city, Planeamiento 2000, in 1992. The two men then used the company to siphon off 36 million euros from city coffers, according to a press note issued by the National Court on behalf of the prosecutors.

Roca took bribes for granting building permits and adjudicating public works contracts at inflated prices to bidders who would pay him under the table, according to Torres, the prosecuting magistrate in Marbella. In the July 2007 indictment, Torres says Roca accepted 230,000 euros from a car-leasing company in exchange for awarding it a contract to provide vehicles to city officials. Roca allowed the leasing company to inflate the rates it charged the town, the indictment says.

Roca also sold at a cheap price to his holding companies undeveloped land that belonged to the town, prosecutors say. He then reclassified it as suitable for development and resold it at a huge markup to another developer. For example, Roca bought one parcel of land from the city in 2001 for 132,222 euros, according to Torres's July 2007 indictment. After reclassification, he sold the land for 1.8 million euros, the indictment says.

Gil Resigns

As Roca built his wealth, Gil became embroiled in a graft scandal and resigned. (Gil died of a brain hemorrhage in 2004 at the age of 71.)

Marbella's city council elected Julian Munoz to replace Gil. Shortly thereafter, Munoz fired Roca, who then rallied support from the other city council members to oust Munoz.

In 2003, the council elected a new mayor who had Roca's backing. **Marisol Yague**, a 54-year-old mother of three and professional folk singer, had been on the city council since 1991. Torres described her in a March 31, 2006, decree as "just a puppet" in Roca's hands.

She was accused of bribery and fraud in the July 2007 indictment. Her lawyer, Pablo Luna, didn't return phone calls seeking comment. He said in 2006 that she was innocent.

Permits Needed

As demand for new construction grew, so did the power of municipal firms like Roca's across Spain. In many places, it could take as much as four years before a developer had all the permits required to begin work on a site, **Instituto de Empresa's** Torre says.

Builders such as Aifos would start work on projects under the assumption that they would get all of the necessary permits before it came time to occupy the building. Once the builder had spent heavily on the construction, Roca would demand a bribe in return for the permits, prosecutors say.

"Roca's biggest talent was that he knew how to wait," says Francisco Benitez, former director of institutional relations for Aifos. "He'd wait until a developer had invested a huge amount of money in a half-finished project and then swoop in."

Benitez's former employer paid 5 million euros of bribes to Roca over two years in a bid to get him to license two hotel developments in Marbella and Puerto Banus, according to the indictment.

In one case, Aifos exceeded the permitted size for its Gran **Hotel Guadalpin Banus** by 14,000 square feet (1,300 square meters), according to the indictment, giving Roca the ammunition to shut the project down.

Paying Bribes

Aifos also paid a bribe of 4.4 million euros as part of a deal to purchase a waste treatment facility from city hall adjacent to land holdings in the Guadaiza area of Marbella, the indictment says.

In the end, though, the facility was already pledged against various bank loans and city hall didn't

have the authority to complete the sale, according to the indictment. Aifos lost the 4.4 million euros, the indictment says.

In January 2004, Aifos's sales director, Kiko Garcia, took an envelope stuffed with 180,000 euros in cash to a gas station on the outskirts of Marbella and handed it over to a short, balding man he knew only as Salvador, according to Garcia's sworn testimony to prosecutors on July 26, 2006.

Salvador Gardoqui, one of Roca's associates, has been charged with money laundering in the case. Gardoqui's former lawyer, Teodoro Garcia, said his former client had pleaded innocent. Gardoqui's current lawyer could not be reached.

Indictments

Garcia and Aifos Chairman Jesus Ruiz Casado, who have both been indicted for bribery, declined to comment. Benitez, who hasn't been charged with any wrongdoing, was laid off by Aifos in October as the company battled to stave off bankruptcy after banks cut their lines of credit to the firm following the bribery scandal.

As Roca amassed bribes, he began to acquire the trappings of wealth for himself and his wife, Maria Rosa Jimeno Jimenez, and their two children and various friends. Roca's wife was charged with money laundering. Her lawyer could not be reached.

According to prosecutor Torres, Roca said his fortune was worth about 120 million euros and included enormous estates in Cadiz, Ibiza, Madrid, Majorca and Seville as well as various palaces in the capital that he intended to restore and sell as hotels. He also owned an art collection worth tens of millions of euros, including the Miro and works by Pablo Picasso and Salvador Dali.

Probe Begins

Roca's lavish lifestyle drew the attention of investigators including Torres and Oscar Perez, who took over the case from Torres in November 2007. They began probing Roca's business connections, particularly his possible links to money launderers, according to the 2007 indictment.

In one deal, Roca took a 540,000 euro payment from the Mafia based in Calabria, Italy, while he also did "accounting work" for a drug trafficker identified as Davila, the indictment says.

While the investigators closed in, Roca faced additional threats. His Marbella office was broken into in 2005. Roca received an anonymous letter that included a photo collage of his family with all of their heads chopped off, according to testimony from Roca's bodyguard, Jaime Hachuel.

By 2005, rumors were circulating in Marbella that the Russian mafia was menacing the city planning administrator, Hachuel told investigators.

"When the mafia saw the net closing in on Roca, their closest collaborator, the threats began," says Romero, the former lawmaker. "If Roca were to sing, that would spell big trouble for them."

Encrypted Phones

Hachuel, 43, a former member of the Spanish royal guard, spent 32,000 euros on eight encrypted mobile phones to prevent Roca's calls to his colleagues from being tapped. The security guard was trying to procure equipment to detect bugging devices when police taped a Jan. 26, 2006, meeting between Roca and Marbella businessman Ismael Perez Pena in Madrid's Villa Magna hotel.

At the meeting, Roca promised to boost the fees the town paid for the cars it leased from Pena's company. Roca also signed over to Pena two beachside apartments owned by the city as a repayment for money owed to his company by city hall.

In return, Roca wanted a favor -- help repaying another debt to an unnamed party, according to a police transcript of the meeting.

"You remember I told you I had to pay 3 million," Roca said. "What can you give me of that?"

"In Box A, nothing; In Box B, as much as you want," Pena told him, using the local slang for legal and illegal payments. "I can give you 1.8 million in Box B tomorrow."

2 Million Euros Cash

Four days later, police stopped a black Audi A6 sedan leaving the Pena office in Getafe, near Madrid,

and found 2 million euros in cash inside two cardboard files wrapped in packing tape.

The men inside the car were all Roca associates. Pena was charged with bribery and fraud. Neither Pena nor his lawyer could be reached for comment.

On March 29, 2006, police arrested Roca on charges of embezzlement, money laundering and bribery. That trial will begin sometime in 2009. A verdict in his separate trial for embezzling 36 million euros from the city is expected in early 2009.

The Roca years will have a long-term effect on the economy of Marbella, says Angeles Munoz, who was elected mayor in 2007. Even in Marbella's waterfront **Puerto Banus** area, where tourists stop to have their pictures taken in front of Maseratis or megayachts, real estate prices are down 30 percent from their peaks in late 2006.

In the race to build without permits, developers wrecked the coastline and city officials neglected infrastructure such as roads, Munoz, 48, says.

"People have lived very, very well here," she says. "Imagine what it could have been like if they had invested as they should have."

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