**Cuba: Where New Hotels Are Financed with Old Problems**

*CubaNet Team of Journalists*

LA HABANA, Cuba. – The hotel on First and D streets, which some people sarcastically have started calling Havana’s “twin towers”, is just about finished. Each “tower” has 27 floors, and together they provide over 600 rooms, retail centers, restaurants, gyms, conference rooms and swimming pools, in addition to a wide, circular, multi-level parking deck.

According to recent information given to CubaNet by officers of Almest S.A., the real estate company in charge of its construction, the budget for the mega structure has greatly exceeded the $80 million dollars initially projected. Regardless, truckloads of workers and construction material kept arriving at the site without interruption, in the midst of the coronavirus pandemic.

Between the noise, the vibrations from construction equipment, and the dust that is generated, life for the area’s residents has become a living hell, since many of them are confined to their homes and tenements which, at a glance, reveal serious structural problems. As a matter of fact, some of this housing, neglected for decades now, is on the verge of collapse because in Cuba it is extremely difficult and costly to launch even the most insignificant building-repair project, even more so in an area that is so close to the ocean and floods frequently.

This notwithstanding, the military’s construction companies involved in hotel development pay no attention to the people’s complaints, neither do they commit themselves to help improve the neighborhood, or facilitate housing repairs once the hotel has been completed. And, as far as the threat of flooding, it has not been an impediment to continue building, as with projects like the Packard Hotel – a 5-star-plus hotel owned by the Spanish Iberostar company- and the extra luxurious Paseo del Prado Hotel, owned by the French company Accor –both hotels built in flooding zones- and this new mega hotel, financed totally by the Armed Forces’ Grupo de Administración Empresarial (GAESA), which will rely on a modern drainage system that will protect it from the rising waters, although flooding will continue to endanger the neighboring buildings.

We’ve been able to speak with several of the developers and with specialists from the Institute of Physical Planning (*Instituto de Planificación Física, IFP*); the Geography Department at the University of Havana; and the Hydraulic Research Center at the “Jose Antonio Echeverría” Technological University of Havana (*Centro de Investigaciones Hidráulicas, CUJAE*), as well as with other state entities that deal with flooding problems near the Malecón seawall neighborhoods. They have told us that because the new hotel has been built in the middle of a flood zone, the structure itself will reroute the traditional volume of flood waters to nearby zones and will further damage existing housing units that are already severely damaged because of this long-recurring problem.

“The location of the building, in a flood zone, has complicated its construction and increased costs. The problem was not going to be solved simply by installing traditional drainage and water pumping systems; and the solution of having parking above-ground, and not underground. In addition to moving the boiler rooms, storage rooms and service areas several floors up, there have been changes to the original plans. We have also had to import more costly technologies in order to keep the building safe from flooding without compromising its operations, and protect equipment from the corrosive effects of mineral salts in ocean water. It has been a project perhaps even more complex than Torre K (‘K’ Tower),” stated one of the budget disbursement managers under condition of anonymity, since all workers and executives alike are forbidden to speak to the press, and especially to independent journalists, an explicit condition of employment as written in their contracts.

Details about the updated actual cost of the investment, as well as the exact inauguration date, have not been revealed officially, but several of the workers agree that work will be completed by the summer of 2021, at a cost well above the $90 million mark. We are talking about a cost that, although higher than initially estimated, might be considered insignificant if compared to the more than $150 million that it will cost GAESA to build “Torre K” –or Lopez-Calleja Tower, as it’s been sarcastically dubbed- planned as the tallest building in Cuba on La Rampa boulevard in Havana.

“I don’t know the exact figure, but when the work is completed, its cost will have exceeded the original budget by $10 million or more. Such over-expenditure is related to the flooding problem and also to climate control considerations. This is an air-tight building, the equipment bought for it is much more expensive; it will use less energy but the technology is costlier upfront,” stated the same official.

In addition, and according to statements made by Manuel Rodríguez, associate director of the project, “new technologies” are being used in this construction project which have allowed them to erect the central axis and its horizontal components “at the faster rate of one floor every five days;” this technology has helped them meet the deadline for completion in two years.

**Meanwhile, on the same block, a few meters away**

A few meters from the construction site, on the same street, restauration of the Amadeo Roldán Theatre is showing no progress, although it started in 2016, two years before the groundwork was laid at the First and D Streets hotel in 2018.

In May 2010, after a Chucho Valdes concert, this auditorium closed its doors permanently and was left abandoned for over five years, as all conceorned waited for the $20 million needed for the restoration of the building. The Amadeo Roldán is an emblem of Cuban national culture that clearly is not a priority in the ambitious investment plans of the military, calculated at more than $800 million for 2019 alone. The landmark theater is so unimportant in the general scheme of things, that its projected re-opening is scheduled for some time in 2022, one year later than the projected inauguration of the “twin towers”. (In the opinion of several officials at the Cuban Music Institute and even at the Ministry of Culture, the restauration could last beyond 2023).

“Not only are materials missing, but also many of the ones we already have are of low quality, not the kind that restoration work like this one requires; you can’t just use any material, there are specific requirements, we are dealing with the restoration of a landmark building with patrimonial value. There is also a problem with labor; workers are not specifically trained for the task, and they are unreliable due to the low wages offered,” according to Kenia Hernandez, one of the engineers in charge of the project since 2016.

“Interruptions, months at a time when there isn’t an inch of progress, 1,500 masons have come and gone, everyone ends up leaving because there isn’t any apparent progress and the wages are poverty level. The average worker over there (at First and D) goes home with 3,000 to 4,000 pesos a month (in addition to $100 they receive at the present exchange rate), while over here, where we are handling a patrimonial treasure, because this is merely an historic site, we get paid nothing,” complaints Jesus, a stonemason.

Although the Amadeo Roldán was given a general restoration job at the end of the 1990’s, poor workmanship and a lack of systematic maintenance schedule afterward, its proximity to the sea, and institutional lack of attention, all contributed to its deterioration, so much so that 20 years later the theater was deemed in danger of collapsing.

“This is a high-humidity area, where the sea penetrates as far inland as Linea Street, and there is also the perpetual corrosive effect of the salt from the ocean. In this area, there isn’t a single house that doesn’t show signs of humidity, bubbly walls, cracked ceilings, exposed wood beams and all. The same thing happens at the theater: the salt in the air has corroded everything slowly. There are walls that peel at the scratch of a fingernail. They may deliver it restored in 2022 or whenever they feel like it, but in another couple of years, they will have to shut it down again,” is the opinion of Luis A. Carrasco, restauration specialist at the Office of the Historian of the City of Havana, which is also involved in the project. And he adds:

“We (the Office of the Historian) are working only as advisors to the project. Restoration resources come from the Ministry of Culture only, and that is not enough. There should be a law that compels the tourism construction companies to contribute at least five or ten percent, or whatever amount, from their million-dollar budgets to the restoration of patrimonial buildings in their vicinity, and also for housing restoration. I think it is very ugly to have a luxury hotel right next to rows of houses and buildings in disrepair, collapsing on people and killing them.”

There doesn’t seem to be any type of agreement between the construction companies erecting the hotel at First and D streets and the local government, that could begin to repair the housing units closest to it, or at the very least the public health posts, such as the pharmacy located on Linea and D streets, which is in the most deplorable conditions waiting for months now to be repaired.

Even though in July 2012, Law 113 of the Tax Code was approved, setting general guidelines for state companies to contribute toward local development, military companies are exempt from this taxation.

Just like in other centrally-located municipalities in the capital city of Havana, whose real estate is of interest to the tourism industry, in El Vedado, the people who live in deteriorated buildings are quick to suspect that the official indifference they suffer is not coincidental and that, much to the contrary, it is part of the same strategy of gentrification already taking place in the Old Havana district, since the assistance these residents have been constantly requesting from the housing authorities either is not enough when it arrives, or it never does.

“There are people here that have been asking for help for more than ten years, and what you hear from them is “to a shelter, to a shelter, to a shelter.” I do not want to move from here, what I want to do is repair my home myself, but they need to sell me the materials, and as you can see, there’s no shortage of materials,” says Dinorah, a neighbor who lives in a multi-family building on D street, meters away from the site of the new hotel.

“It’s as if they were waiting for this entire area to disappear little by little, for the ocean to do its thing, so that they can come then and build another hotel, because housing units they will not build, there is only money for hotels and more hotels, as if so many tourists were coming here,’ replies Celia, another neighbor from the same building.

“Truckloads of materials, non-stop around the clock, but then, when one tries to buy a small bucket of cement, they tell you that there isn’t any, that there’s none available, and if they catch you trying to procure it somewhere out there, they will confiscate it from you and will want to throw you in jail. Man, the roof is going to fall on me, but that is just what they want, so they can keep my plot of land without paying a buck for it,” complains another neighbor.

**Building is cheap in Cuba**

Of the millions of dollars spent in the construction of the hotel at First and D streets, less than $3 million were allocated for workers’ wages.

There are no public records available on the contractual commitments of companies run by the military, but of the handful of documents one can access indirectly, and from the interviews of workers we conducted, we can surmise that in general, wages are very low, the more so when wages are paid in Cuban pesos and not in hard currency and even when the contracts and payroll records signed by workers show that figures are written in convertible pesos (CUC) and not in Cuban pesos (CUP), as corroborated repeatedly in the interviews we conducted for this story.

From the jobs listings by Almest S.A. published in 2018 and 2019 in the daily paper *Tribuna de La Habana*, we can have an idea of what other wages amounted to, at no time in excess of $150 per month (including results-based payments), that are paid exclusively in non-convertible currency (CUP) as noted in the regulatory document that governs the relationships GAESA companies can establish for investment projects that pertain to tourism development.

That document, signed in 2006 by then Armed Forces minister Julio Casas Regueiro, stipulated that all internal payments between the companies had to be made in CUP and not in CUC or any other type of currency, including for the payment of wages.

Those regulations not only pertain to the military’s companies, like the Military Construction Unit (*Unidad de Construcciones Militares, UCM*), Almest S.A., and Tecnotex, but to others, like the French Bouygues Batiment International. In order to comply, this company had to create a special division in Cuba in 2016 (*Bouygues Construcciones Cuba S.A*.) which governs itself by the norms agreed to with GAESA, as do the other construction and assembly companies that operate in Cuba, all of which are compelled to this *modus operandi* by Cuba’s Council of Ministers’ Decree number 327 of 2014, which grants the military total control of this sector.

Between 200 and 300 individuals work on a daily basis at the First and D streets hotel project, including weekends, in shifts that extend sometimes beyond 12 hours of uninterrupted labor, in spite of the fact that work contracts stipulate a six-day week and an eight-hour work day with one hour or half an hour for lunch or recess, depending on the actual shift.

“When you first get there, you are told that work schedules alternate: the 8:00 am to 4:00 pm shift the first week, and the 4:00 pm to 1:00 am shift the following week, and so on. But in reality, this is never adhered to,” according to an engineer who did not want to reveal her identity for fear of losing her employment.

“There are days you can be working until 8:00 or 9:00 at night. There is results-based pay, but there is no overtime pay, and there is where you get cheated because you could have been killing yourself for 12 hours and still the results could not be achieved because something happened: a crane broke down, water was cut-off, any number of things that happen frequently, or it rains and you can’t do any welding, and then you will never be paid for those hours. The only advantage here is that you earn a little more than if you worked for another company; that your transportation is secure; that sometimes you get incentive rewards, like a stay at a hotel or a shopping bag with bath supplies and food. But here, the salary itself is nothing when compared to what an engineer makes in Panama or the Dominican Republic: it’s a total abuse.”

The salary of an engineer or a project director at Almest S.A. is rarely over 3,000 pesos a month, the equivalent of US$100 at the unofficial exchange rate. Wages for an average worker are even lower, which causes the labor force to behave unreliably. Often, the company must resort to hiring soldiers to do the work, which is cheaper than hiring civilian workers.

“These are soldiers who are fulfilling their military service. They are paid much less than civilians,” a human resources officer at UCM tells CubaNet, and she adds:

“The only time that qualified workers are hired is when the need is for masons, electricians, welders, and equipment operators. For all other tasks, we hire army recruits. The difference is enormous. A private gets paid at most between 300 and 400 Cuban pesos (the equivalent of between $12 and $16 a month at the official exchange rate); a civilian must be paid four times that amount, also in pesos. For example, an electrician’s assistant makes 1,000 pesos a month, sometimes as much as 1,200, while a private gets paid 200 to 300 pesos a month. We always pay in Cuban pesos; as to the workers from India, that is a matter for Bouygues to handle, neither Almest nor UCM make those payments, for it is not allowed. That is a separate Bouygues agreement, always authorized by GAESA,” according to the HR officer.

According to information we compared from several sources associated to GAESA, all companies under the Armed Forces corporate network (*Sistema Empresarial de las Fuerzas Armadas*) depend on an employment agency; it, in turn, provides the workforce that the companies require, even those required by the foreign companies that operate in its facilities under administrative contract. The foreign companies are forced to pay salaries in US dollars, always through Banco Financiero Internacional – an entity in the hands of the military- and through the employment company itself, which operates as an intermediary between the foreign company and the workers. In the end, workers are paid in Cuban pesos, under an artificial exchange rate of US$ 1= 1 Cuban peso, to which is added the compulsory retention of 10% of the worker’s total earnings that goes to Gaviota S.A. as a service commission.

While in the rest of the world, building and furnishing one room in a five-star hotel could cost investors as much as $300,000 per unit, in Cuba –according to the Ministry of Tourism’s own published investment data- that cost is cut by more than half. This is likely the result of the very low salaries that military-held construction companies pay workers, and also the result of the diverse tax exemptions they are granted, which includes being exonerated from paying a series of taxes on the exploitation and appropriation of real estate for future construction of facilities for the tourism industry.

GAESA plans to build 7,500 hotel rooms by 2025 in the City of Havana alone, in spite of the fact that international agencies such as the United Nations Economic Commission for Latin America and the Caribbean predict a notable contraction of the economies in the region, especially for those nations whose livelihoods depend totally on tourism.

During 2018 and 2019, Cuba’s official media stated, and MINTUR reports to the National Assembly of the People’s Power for the same period corroborated, that Tourism Group Gaviota and the real estate company Almest S.A. will be engaged in more than 120 projects whose projected costs total 13 billion dollars. This means that close to 70% of all investments in development that are projected in the island will be taken on by GAESA, which for 2030 aims to be managing 92,000 hotel rooms in the whole island of Cuba.

During the past months of the pandemic, when thousands of state and private companies closed, and already-empty stores became places for the sale of regulated merchandise, the construction of buildings such as the hotel at First and D streets didn’t stop even for a second.

In contrast, plans for building housing units either came to a halt or were never met, amidst promises and the practice of transferring responsibility unto the victims by blaming failures on local governments, when it is amply known that none of the local authorities have decision-making power, and that the resources they could potentially distribute are managed by a central authority, even when dispositions and laws issued on the subject state the opposite.