



While important construction works proceed in the traditional city center and facing Beirut Marina, Solidere is forging ahead with the planning and development of the waterfront district, which has already elicited interest on the part of investors

02

- existing city center
- site development **waterfront district**
- real estate strategy
- restoration
- sale and rental strategy
- developers' projects
- corporate funding, treasury and treasury stock
- solidere shares and GDRs
- management systems and studies



The New Waterfront District, planned as a prime, active, multiuse district with extensive green areas and bold architecture, commands fine views of the sea, with hills and mountains across the bay to the northeast. As an urban destination, the district comprises the termination and climax of Beirut's citywide seaside drive, the corniche. When completed, it will contain a city waterside park, two marinas, quayside promenades and 29 ha of development land.

Waterfront District

site development

Altogether some 73 ha of reclaimed land are now enclosed within a terraced sea defense system designed to withstand centennial storms. Its unique caisson structure is limited in height to 5.5 m above sea level so as to protect sea views from deep within the city's historic core. The sea defenses provide harbor enclosures for the two marinas.

Beirut Marina is edged by a public town quay, designed to house waterside restaurants and shops, alongside a yacht club and apartments. An iconic pedestrian bridge will link it to the hotel district. Providing an uninterrupted 3.5-km extension of the Beirut shoreline, the corniche promenades, marina and harbor quaysides will provide more than four times the area of seafront public space currently available on and around the Beirut peninsula.

A comprehensive sector plan has laid the ground for the waterfront district development, and the early purchasing of sites is brisk, for delivery to investors on completion of reclamation.

Beirut Marina

Beirut Marina hosted 128 boats in the last year, having entered its fifth season in April 2006. Its capacity stands at 186 boats, ranging from 5 m to 65 m, with 75% of the mooring area accommodating boats of more than 25 m length.

By end 2006, Solidere had signed medium- or long-term leases (three, five or ten years) for 35 boats, and one-year leases for 120 boats. Temporary quayside offices have been provided for harbormaster and public authority activities, pending completion of the marina development based on Steven Holl's design. Civil works for the marina were part of important marine works delivered in 2002, as per the 1994 agreement with the State, and also comprising a breakwater and a two-line defense structure protecting the marina and the waterfront. The US\$298 million project cost was partly financed with a 10-year US\$107.3 million loan concluded in 1996 with BNP Paribas and Banque Indo-Suez, with US\$7.3 million COFACE guarantee. Repayment of the loan continued in 2006, with US\$15.3 million outstanding at year end.

Beirut Marina was put at the disposal of Solidere in 2002, as per a 1997 agreement with the State granting the Company the right to operate the marina and below-corniche car park for a 50-year period. Solidere undertook at its own expense, and with the relevant public authorities' supervision, the construction of necessary installations, including access and circulation roads, surface parking on the breakwater, below corniche car park, and on-site development: pontoons, utilities for the boats, harbor master, customs and immigration facilities. It also issued marina by-laws addressing such matters as general services administration, operation, boat traffic, pedestrian and vehicular circulation, environmental protection and public safety.

Works completed by 2004 included pontoons, mooring and service bollards, utilities and network ducting, designed by Groupe Camille Rayon (France) together with an additional quay providing improved shelter in times of northerly winds. The connecting of utilities: water, electricity, fire line, telecom/internet, cable TV, was delayed by the closure of the north quay access after the explosion of February 2005, which also caused damage to the electrical room and water tank. Only in December 2005 was Solidere allowed to withdraw the damaged standby generator and electric switches for repair. Repair was completed at end 2006; however the road access is still closed.

Marina Development

In November 2002, Solidere commissioned Steven Holl Architects (US), in joint venture with Nabil Gholam, to design public space together with real estate facilities totaling 20,000 sq m of mixed-use floor area around Beirut Marina. The facilities include a town quay of waterside restaurants, cafés and shops, and a yacht club with apartments on upper floors. In addition, a harbormaster, customs and immigration building will be erected on public domain.

The project is undertaken by Beirut Waterfront Development s.a.l. (BWD), established in 2004 as a 50-50 joint venture between Solidere and Stow Waterfront Development s.a.l. (Stow). BWD was capitalized with Solidere contributing in kind 20,000 sq m BUA on 22,341 sq m of land, and Stow contributing in cash US\$31.6 million.

The design submitted by Holl in August 2004 was gradually amended following BWD and Solidere comments. The project is integrated into the city center through direct access to the corniche promenade to the north, waterside city park to the east, and a pedestrian bridge over the corniche to the south providing access to the town quay restaurants and shops, designed by architect-sculptor Nadim Karam.

Landscape designs were developed for the entry plaza, the quayside and the extension of the corniche sidewalk above, creating open-air terraces in the form of a 'stone beach' over the restaurants and shops. BWD commissioned restaurant consultant Ulysses (France) to conduct a market study for selecting an optimal type and size mix, as well as establishing a typical rental agreement for the quayside restaurants.

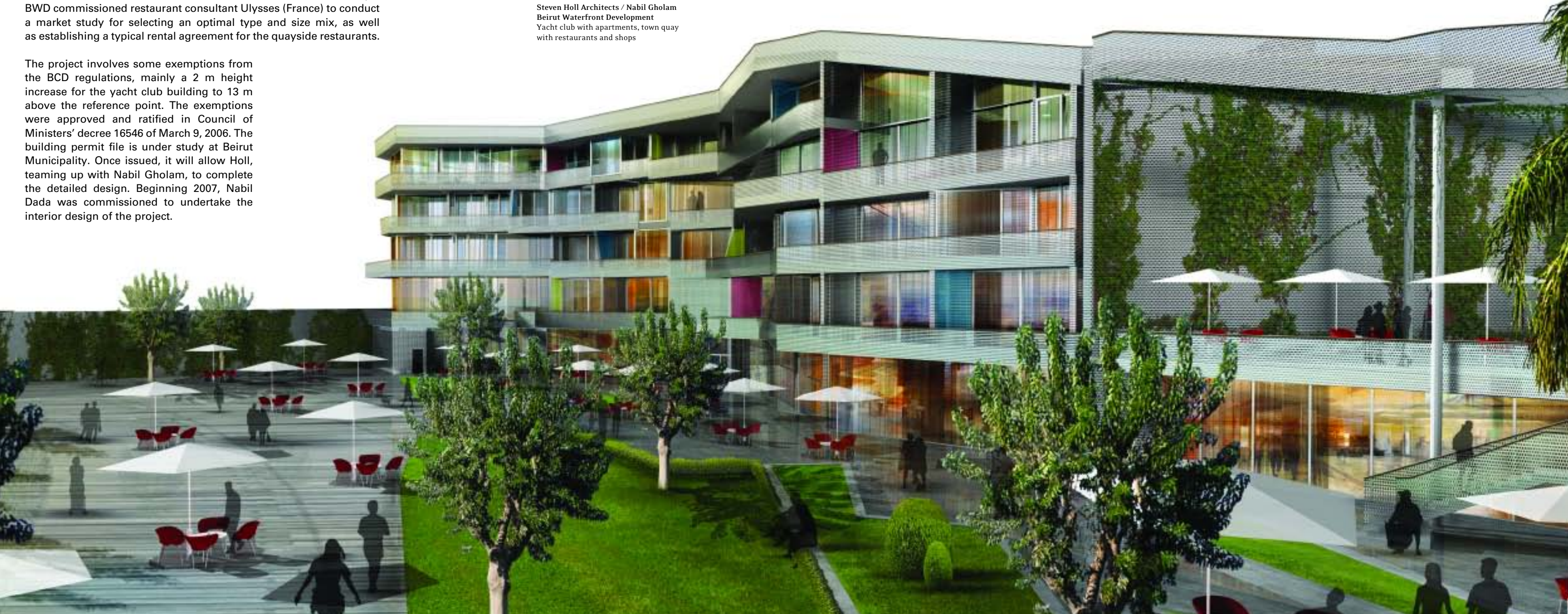
The project involves some exemptions from the BCD regulations, mainly a 2 m height increase for the yacht club building to 13 m above the reference point. The exemptions were approved and ratified in Council of Ministers' decree 16546 of March 9, 2006. The building permit file is under study at Beirut Municipality. Once issued, it will allow Holl, teaming up with Nabil Gholam, to complete the detailed design. Beginning 2007, Nabil Dada was commissioned to undertake the interior design of the project.

Steven Holl Architects / Nabil Gholam
Beirut Waterfront Development
Yacht club with apartments, town quay
with restaurants and shops

BWD meanwhile launched a design-and-build tender for underground structural work and construction of three basement floors. In May 2006, the contractor, Hourie - Profond joint venture, started enabling works for the yacht club building and three level basements, based on the design endorsed by Solétanche Bachy group (France). High-Point Rendel (UK) are the engineers. The building diaphragm wall was completed in March 2007. A fast track approach will use up down construction, based on a technology specific to underground construction below sea level, which may be applied throughout the waterfront district. The project target completion date is summer 2009.

Corniche car park Solidere is awaiting the building permit for the 400-space below-corniche car park designed by Dar Al-Handasah. Submitted on March 14, 2006, the permit file was delayed by the Municipality's allegation that Solidere should be charged a rent for the use of this underground municipal public space. The issuing of the building permit will allow completing the detailed design, launching the tendering process and starting construction works.

Net bridge Designed by Nadim Karam, working with Arup structural engineers (UK), the 4-strand pedestrian 'net bridge' overlooking Beirut Marina is part of the overall plan to connect the marina to surrounding areas and give public access to the town quay.



Land Reclamation

The ongoing Phase Two of land reclamation covers 18 ha of land, plus extensions below sea level, involves the excavation, sorting and treatment of 5 million cubic meters of debris and waste materials. The design-and-build contract was awarded to Radian International (US). The works, started in April 1999, were supervised by Fairhurst International (UK) until October 2005, and controlled by Bureau Veritas (France).

The US\$56 million project is financed by means of three bank loans, with a consolidated repayment schedule. A six-year, locally syndicated loan of US\$22 million, concluded in March 2000, finances its local content. The loan was fully drawn, and was totally repaid by end 2006. On its US content in equipment, engineering and construction services, the project benefits from US\$14.7 million in export credit financing and US\$10 million in additional local financing, concluded in 2001. These amounts were fully drawn, and the amount of US\$11.7 million was outstanding by end 2006.

The project was scheduled for completion in April 2004. However, the Radian contract was the subject of a dispute, which went in 2003 before an international arbitration tribunal under the rules of the International Chamber of Commerce (ICC). The tribunal award, issued in July 2004, required Radian to remedy the defects in the works at no cost to Solidere; to cover all arbitration legal costs; and to provide Solidere with a plan showing how Radian proposed to continue the works to comply with the contract. The failure of negotiations was coupled with the contractor's suspending works on February 14, 2005, ignoring all instructions to return to work, and refusing to reimburse Solidere's legal costs.

Solidere thus terminated the Radian contract on February 10, 2006. The two parties submitted further requests for arbitration to ICC. The ICC arbitration is still going on for damages. Radian is fully owned by URS Corporation (US), following the latter's acquisition of Dame & Moore in June 1999. Solidere sued the mother company for the liability of Radian, since the latter is a shell company possessing no assets. But URS refused to be sued in France, insisting that the court case should be conducted in the Delaware (US) jurisdiction. Their argument to that effect is invalid, since Solidere neither is part of Government, nor entertains important relations with US companies.

Meanwhile, Solidere took measures on the ground to expedite completion of the project and intends to inform investors about the planned timing of delivery of development land. With Hornagold & Hills International - H2i (UK) as construction manager, a fast track approach was adopted to complete reclamation by end 2007. The project was split into four operations packages, to be executed by separate contractors. These include Société Contemporaine de Développement, Assaf & Coex, Alfarah Co, and Lechber (Germany), which is helping to sort the stockpile of left over material (plastics etc.) The summer war 2006, added to the legal issues, delayed operations. However, all excavations and the processing of the materials have been completed, with backfilling started and expected to finish by year end.

The backfilling and consolidation of clean material at the end of the reclamation process will allow the delivery of sites for infrastructure, development and public space. Pending such delivery, an area in the eastern part of the district was leveled, equipped with temporary roads and parking areas, and leased to Beirut International Exhibition and Leisure Center (Biel) until 2010. Activities hosted in temporary structures currently include exhibition halls, conference areas, a banquet pavilion and a seaside restaurant.

Infrastructure and Public Space

The ratification in November 2005 of the sector plan for the New Waterfront District, with related changes in the BCD Master Plan, paved the way for starting the detailed design for infrastructure, hardscaping and landscaping, preceding real estate development in the district. Solidere started in 2006 the process for infrastructure and public domain design in the waterfront district.

Laceco has been selected as the lead designer, with Wilmotte for street furniture and others for specific tasks. Arup (UK) will be commissioned to undertake a strategic audit of infrastructure requirements and to establish guidelines for the contents of infrastructure design, including the potential application of some district utility services, as well as public transport facilities and parking requirements. This includes providing for bus-based public transport as well as a tramway or light rail reservation linking with that of the Martyrs' Square axis, and revisiting the location of the power plant for the district, initially planned in the waterside park.

Based on the scope of work under preparation, infrastructure design is expected to take at least a year, ending early 2009, after which Solidere can start installing infrastructure during the second half of the year.

When completed, the waterside city park and cornice promenades will constitute the city center's major contribution to Beirut's public domain. During 2008, a limited international competition will be launched, engaging the talents of some of the world's leading landscape designers to address this unique challenge.

