

# ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2007

*\$8,850,000 Cleveland-Cuyahoga County Port Authority  
Development Revenue Bonds, Series 2004D  
(City of Garfield Heights Project)*

Prepared by:

**MuniCap, Inc.**

September 16, 2008

# ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I.	UPDATED INFORMATION	1
II.	INTRODUCTION	3
III.	DEVELOPMENT ACTIVITY	4
	A. Overview	4
	B. Status of Development	4
	C. Status of Leasing	4
	D. Status of Public Improvements	5
IV.	TRUSTEE ACCOUNTS	7
V.	DISTRICT OPERATIONS	8
	A. Annual Special Assessment	8
	B. Special Assessments Collection	12
	D. Collection Efforts	12
VI.	DISTRICT FINANCIAL INFORMATION	13
	A. Fund Balances	13
	B. Changes to the Rate and Method of Apportionment	13
	C. Changes in the Ad Valorem Tax Rates	13
	D. Changes in Assessed Value	13
	E. District Financing Payments Levied	14
	F. Status of Collection of Ad Valorem and Financing Payments	14
	G. Assessed Value Appeals	14
	H. Property Ownership	16
	I. Land Use Amendments	17
	J. Changes to Project & Development Status	17
VII.	SIGNIFICANT EVENTS	18
	A. Developer's Significant Events	18
	B. Listed Events	18

## ***I. UPDATED INFORMATION***

---

Information updated from the Official Statement dated as of September 24, 2004 as follows:

- As of April 14, 2008, the developer reports that \$7,309,333 has been expended for construction of the public improvements, representing 94.4% of the total budget for public improvements.
- As of June 12, 2008, the developer reports that construction of the E. 98th & Vista Way pavements, utilities and dedicated trunk lines are complete except for minor improvements that are being delayed by the Environmental Protection Agency (EPA) approvals. The developer also reports that construction of public improvements on this section is expected to be finalized once approvals are received. According to the developer, all other public improvements are complete.
- As of April 14, 2008, the developer reports that all lots adjacent to I-480 are complete. The developer also reports that the Applebee's Restaurant is open for business. The developer reports that construction for Chick-Fil-A is expected to begin by August 2008. According to the developer, construction of Dollar Tree, BW-3 and Retail N is continuing and anticipated to be completed during the summer of 2008.
- As of April 14, 2008, the developer reports that leases have been executed for 467,185 square feet of Phase I development, which represents 93 percent of the leasable space.
- As of April 14, 2008, the developer reports that a letter of intent to lease has been received for 104,513 square feet retail space in Phase II of the development. According to the developer, lease negotiation is in progress.
- Special assessments to be collected in fiscal years 2007 and 2008 were fully abated. As a result, there are no delinquent special assessments at this time.
- According to the Cuyahoga County Treasurer's website, the effective millage rate has increased from 82.994009 for 2006 to 83.883455 per \$1,000 of assessed value for 2007.
- According to the Cuyahoga County Auditor's Office, property taxes are paid semi-annually and are due in January 2008 and July 2008. According to the Cuyahoga County Auditor's Office, service payments to be collected in 2008 are estimated to be \$3,255,367.
- As of April 10, 2008, Cuyahoga County reports that \$1,424,613.66 in first half 2007 service payments were collected from the property owners within the development site, representing 87 percent of first half service payments due. The outstanding service payments are expected to be collected with the second half installment.
- According to the Cuyahoga County Board of Revision, GHLP, LLC filed a complaint against the tax year 2006 real property valuation for parcel 542-27-003 on April 2, 2008. GHLP, LLC claimed that this property consists of a large mound of municipal solid waste capped in accordance with (EPA) standards and is subject to certain restrictive covenants by the EPA preventing its future use. According to GHLP, LLC, the use restrictions, the presence of solid waste, and the significant cost to remove the solid waste to make the parcel usable make the parcel valueless. As a result, GHLP, LLC claimed that the tax year 2006 true market value should have been \$10 as opposed to \$1,076,900. As of June 18, 2008, the Cuyahoga County Board of Revision reports that this complaint is still pending.
- According to the Cuyahoga County Board of Revision, the Board of Education for Garfield Heights City School District filed a complaint against the tax year 2006 real property

valuation for nine parcels, which belongs to Garfield Land Development, LLC on April 2, 2007. The Board of Education for Garfield Heights City School District claimed that the total true market value for all parcels should have been \$100,000,000 as opposed to \$49,377,700, based on the sales price of subject property. The Cuyahoga County Board of Revision also reports that Garfield Land Development, LLC filed a counter-complaint on May 27, 2007 requesting the original assessed values to remain intact. As of June 18, 2008, the Cuyahoga County Board of Revision reports that these complaints are still pending.

- According to the Cuyahoga County Board of Revision, the Board of Education for Garfield Heights City School District filed a complaint against the tax year 2007 real property valuation for eighteen parcels within the district on March 19, 2008. The Board of Education for Garfield Heights City School District claimed that the total true market value for all parcels should have been \$122,754,000 as opposed to \$111,594,400, based on the recent sale of subject property and sales of comparable properties. The Cuyahoga County Board of Revision also reports that Garfield Land Development, LLC filed a counter-complaint on May 30, 2008 requesting the total true market value to be \$83,695,800 as opposed to \$111,594,400. As of June 18, 2008, the Cuyahoga County Board of Revision reports that these complaints are still pending.

## ***II. INTRODUCTION***

---

Cleveland-Cuyahoga County Port Authority (the “Authority”) issued the \$8,850,000 Cleveland-Cuyahoga County Port Authority Development Revenue Bonds (“Port of Cleveland Bond Fund”) Series 2004D (“City of Garfield Heights Project”) (the “Series 2004D Bonds”), pursuant to (i) the terms of a Trust Indenture dated as of November 1, 1997 (the “Basic Indenture”), as supplemented by an Eighteenth Supplemental Trust Indenture, dated as of September 1, 2004 (the “Series 2004D Supplemental Indenture”), and (ii) The Huntington National Bank, a national banking association, as trustee.

As outlined in the Official Statement, the Series 2004D Bonds were sold to fund the costs of acquisition of certain real property (the “Series 2004D Project Site”) and the construction of the certain public improvements including roads, utilities and other public improvements relating thereto (the “Series 2004D Project”). The project is being developed by Garfield Land Development, LLC (the “Owner”) and Heritage Development Company, LLC (the “Developer”). The project consists of a retail center with multiple big-box tenants, containing approximately 690,000 square feet of space and consisting of two phases (the “Development”), located on approximately 97 acres of land adjacent to the Series 2004D Project (the “Development Site”).

As outlined in the Official Statement, the owner and the City of Garfield Heights (the “City”) have established a tax increment financing district (the “TIF District”) covering approximately 200 acres, including the development site, in order to finance the Series 2004D Project. Under Ohio law, improvements made to property in the TIF District will be exempt from real property taxes for a period of eighteen years, commencing in 2004 through 2021 (for real property taxes payable in the years 2005 through the end of 2022).

The information provided herein is not intended to supplement or otherwise relate to the information provided in the Official Statement and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

**No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2007, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.**

### ***III. DEVELOPMENT ACTIVITY***

---

#### **A. OVERVIEW**

According to the Official Statement, the development is expected to consist of a retail development with multiple big-box tenants, containing approximately 690,000 square feet of space and consisting of two development phases. Phase I is expected to consist of approximately 500,000 square feet of space and Phase II is expected to consist of 190,000 square feet of space. The project is being developed by Garfield Land Development, LLC and Heritage Development Company, LLC. At the time bonds were issued, the owner had seven executed leases which included Wal-mart, Giant Eagle, Jo-Ann Stores, Inc., Dick's Sporting Goods, Circuit City, Bed Bath and Beyond and Office Max. In addition to the executed leases, the owner had also signed letters of intent with a number of prospective tenants, which would account for approximately 56,000 square feet. According to the Official Statement, the owner had signed a letter of intent with a tenant that would account for approximately 105,000 square feet in Phase II of the development.

The developer reports that Garfield Land Development, LLC acquired 3.0142 acres of property in Block C by exercising its option to purchase from Peter J., Ltd and Boyas Excavating, Inc. on February 25, 2008.

#### **B. STATUS OF DEVELOPMENT**

According to the Official Statement, the development is expected to be constructed in two phases. Phase I of the development is expected to include approximately 500,000 square feet of space and Phase II is expected to include approximately 190,000 square feet of space.

The developer reports that all lots adjacent to I-480 are complete. The developer reports that the Applebee's Restaurant is open for business. The developer also reports that construction for Chick-Fil-A is expected to begin by August 2008. According to the developer, construction of Dollar Tree, BW-3 and Retail N is continuing and anticipated to be completed during the summer of 2008.

#### **C. STATUS OF LEASING**

According to the Official Statement, at the time bonds were issued, the owner had seven executed leases, which included Wal-mart, Giant Eagle, Jo-Ann Stores, Inc., Dick's Sporting Goods, Circuit City, Bed Bath and Beyond and Office Max. In addition to the executed leases, the owner had also signed letters of intent with a number of prospective tenants, which would account for approximately 56,000 square feet. According to the Official Statement, the owner had signed a letter of intent with a tenant that would account for approximately 105,000 square feet in Phase II of the development.

According to the Official Statement, the total leasable space for both Phases I and II was approximately 690,000. As of April 14, 2008, the developer reports that the total leasable space for both developments is approximately 713,936 square feet, which includes an additional 6.0142 acres that was acquired from Peter J., Ltd and Boyas Excavating, Inc. in February 2005. As a result, the total leasable space consists of approximately 502,752 square feet in Phase I and approximately 211,184 square feet in Phase II.

As of April 14, 2008, the developer reports that leases have been executed for 467,185 square feet of Phase I development, representing 93 percent of the leasable space. According to the developer, the remaining leaseable space in Phase I, including outlot parcels, is 35,567 square feet.

The developer reports that a letter of intent to lease has been received for 104,513 square feet retail space in Phase II of the development. According to the developer, lease negotiation is in progress.

Table III-1 in the following page provides a list of tenants and the lease status as reported by the developer as of April 14, 2008.

**Table III-1  
Status of Leasing**

<b>Status of Negotiations</b>	<b>Tenant</b>	<b>Square Footage</b>	<b>Percent of Phase</b>	<b>Percent of Total</b>
<b>Phase I</b>				
Leased retail space	Wal-Mart	146,704	29.18%	20.55%
Leased retail space	Circuit City	33,862	6.74%	4.74%
Leased retail space	Sally Beauty	2,000	0.40%	0.28%
Leased retail space	Fashion Bug	7,824	1.56%	1.10%
Leased retail space	Office Max	19,983	3.97%	2.80%
Leased retail space	Bed, Bath and Beyond	30,112	5.99%	4.22%
Leased retail space	Jo An	35,274	7.02%	4.94%
Leased retail space	Dick's Sporting Goods	47,662	9.48%	6.68%
Leased retail space	Giant Eagle	80,305	15.97%	11.25%
Leased retail space	Alltel	1,960	0.39%	0.27%
Leased retail space	AJ Wright	25,000	4.97%	3.50%
Leased retail space	Bestcuts	1,200	0.24%	0.17%
Leased retail space	Qdoba	2,400	0.48%	0.34%
Leased retail space	360 Clothing	1,312	0.26%	0.18%
Leased retail space	PetsMart	20,087	4.00%	2.81%
Leased retail space	Radio Shack	2,400	0.48%	1.18%
Leased retail space	Nail Salon	1,200	0.24%	0.17%
Leased retail space	Mattress Matters	2,998	0.60%	0.42%
Leased retail space	Payless Shoes	3,000	0.60%	0.42%
Leased retail space	Fatburger	1,902	0.38%	0.27%
Remaining Leasable Space		35,567	7.07%	8.88%
<b>Sub-total – Phase I</b>		<b>502,752</b>	<b>100.00%</b>	<b>70.42%</b>
<b>Phase II</b>				
Letters of Intent under Negotiation	Home Improvement	104,513	49.49%	14.64%
Remaining Leasable Space		106,671	50.51%	14.94%
<b>Sub-total – Phase II</b>		<b>211,184</b>	<b>100.00%</b>	<b>29.58%</b>
<b>Total- Phase I and II</b>		<b>713,936</b>		<b>100.00%</b>

**D. PUBLIC IMPROVEMENTS**

According to the Official Statement, the Series 2004D Bonds were issued to pay the costs of acquisition of certain real property and the construction of roads, utilities and other public improvements relating thereto, in connection with a retail development project.

As of April 14, 2008, the developer reports that \$7,309,333 has been expended for construction of the public improvements, representing 94.4 percent of the total budget for public improvements.

Table III-2 in the following page provides a summary of the public improvements budget, as reported by the developer as of April 14, 2008.

**Table III-2**  
**Budget of Public Improvements**

<b>Public Improvements</b>	<b>Budget</b>	<b>Amount Spent</b>	<b>Percent Complete</b>
E 98th & Vista Way pavement & utilities, dedicated trunk lines	\$3,968,400	\$3,534,333	89.06%
Reimburse for ROW E. 98th and road earthwork	\$1,400,000	\$1,400,000	100.00%
E 98th & Auntenucci improvements	\$1,100,000	\$1,100,000	100.00%
New Drive Snider - Cannata Building, retaining wall and landscape	\$350,000	\$350,000	100.00%
Traffic signals	\$200,000	\$200,000	100.00%
Soft costs	\$725,000	\$725,000	100.00%
<b>Total public improvements</b>	<b>\$7,743,400</b>	<b>\$7,309,333</b>	<b>94.39%</b>

As of June 12, 2008, the developer reports that construction of the E. 98<sup>th</sup> & Vista Way pavements, utilities and dedicated trunk lines are complete except for minor improvements that are being delayed by Environmental Protection Agency (EPA) approvals. The developer also reports that construction of public improvements on this section is expected to be finalized once approvals are received. According to the developer, all other public improvements are complete.

#### ***IV. TRUSTEE ACCOUNTS***

The trustee for the Series 2004D Bonds is The Huntington National Bank. The balance as of December 31, 2006, interest paid, disbursements, additional proceeds, and account balances for each fund, as of December 31, 2007, are shown by the following table:

**Table IV-1  
Account Balances**

	<b>Balance 12/31/06</b>	<b>Interest Paid</b>	<b>Additional Proceeds</b>	<b>Disbursements</b>	<b>Balance 12/31/07</b>
Series 2004D Project Fund	\$92,510	\$2,565	\$481,336	\$479,760	\$96,650
Series 2004A Project Fund	\$247	\$0	\$0	\$247	\$0
Distribution Account	\$0	\$0	\$94,165	\$94,165	\$0
Series 2004D Interest Account	\$0	\$0	\$678,045	\$677,777	\$268
Series 2004D Reserve Fund	\$885,000	\$38,321	\$0	\$38,321	\$885,000
Series 2004D Capitalized Int.	\$165,827	\$2,055	\$0	\$167,882	\$0
Series 2004D Cost of Issuance	\$561	\$0	\$0	\$0	\$561
<b>Total</b>	<b>\$1,144,145</b>	<b>\$42,940</b>	<b>\$1,253,545</b>	<b>\$1,458,152</b>	<b>\$982,479</b>

The additional proceeds to the Series 2004D Project Fund were transfers of revenue funds from the city for the payment of the costs associated with constructing the public improvements. The additional proceeds to the Distribution Account were transfers from the Series 2004D and 2004A Project Funds for the payment of construction costs. The additional proceeds to the Series 2004D Interest Account were transfers from the Series 2004D Capitalized Interest, the Service Payment Account, and the Series 2004D Reserve Fund investment income to pay debt service on the bonds. The disbursements from the Series 2004D Reserve Fund were transfers of investment income to the Series 2004D Interest Account to pay debt service on the bonds. The disbursements from the Series 2004D Capitalized Interest Account represent transfers of proceeds to fund administrative expenses and transfers of proceeds to the Series 2004D Interest to pay debt service on the bonds.

Table IV-2 below shows the approximate rate of return on the investments. The bond proceeds in the Reserve Fund are invested in Royal Bank Canada Investment Agreement earning 4.33 percent and maturing on May 15, 2023. The Project Fund proceeds are invested in the money market currently earning approximately 2.80 percent per year.

According to the Trust Indenture, dated September 30, 2004, an investment made from moneys credited to a fund will constitute part of that respective fund and of the account or subaccount therein to which the moneys invested were credited. Investment earnings, when realized and net of any losses, on all of the funds and the accounts and subaccounts therein, except for the Project Fund, the Bond Fund, and the Primary Reserve Fund are required, when realized, to be deposited in the Revenue Fund. Investment earnings from the Project Fund, the Bond Fund and the Primary Reserve Fund are required to be credited to the fund and the account therein to which the moneys invested were credited.

**Table IV-2**

<b>Account</b>	<b>Rate of Return</b>
Reserve Fund	4.33%
Project Fund	2.80%

## ***V. DISTRICT OPERATIONS***

---

### **A. ANNUAL SPECIAL ASSESSMENT**

The Cleveland-Cuyahoga County Port Authority and the Summit County Port Authority issued \$8,850,000 of development revenue bonds in December 2004 related to the City of Garfield Heights Project. The bonds are to be repaid from pledged revenues that comprises of service payments, which are payments in lieu of taxes (PILOTS), in an amount equal to the increase in real property taxes, and to the extent service payments are not sufficient, special assessments levied on the taxable property in the Garfield Height's special assessment district.

An annual assessment equal to \$1,200,000 has been levied each fiscal year for eighteen years beginning in 2007 to 2024 pursuant to Ordinance Number 46-2004, dated as of September 27, 2004, Resolution Number 48-2004 and a petition filed by the property owners, dated as of September 10, 2004. The annual assessment is to be abated such that the amount actually collected is the amount required to pay annual debt service and other expenses, after taking into consideration service payments and other funds available for that purpose. This report has been prepared to explain the methodology used to calculate annual required installment for 2008.

#### **(i.) Annual Required Installment**

Commencing with calendar year 2007 and ending in 2024, annual special assessments have been levied in eighteen annual consecutive installments of \$1,200,000 each on the assessed land, and abated to such an amount sufficient to pay the annual required installment each year. The annual required installment is defined in Section 1.2 of the Cooperative Agreement as "aggregate period debt service and administrative requirements, less total available assets and less service payments from the additional TIF property." Aggregate period debt service and the administrative requirement are defined as (i.) total bond service charges due and payable with respect to the Project Debt on November 15th following that date (without regard to any acceleration of the maturity of the Project Debt), plus (ii.) total bond service charges due and payable on the Project Debt during the next calendar year, plus (iii.) total administrative expenses estimated by the Administrator to be due and payable from the calculation date (i.e., August 15<sup>th</sup>) through November 15<sup>th</sup> of the next calendar year together with any other administrative expenses that may be due and have not been paid at the time such amounts are certified by the Administrator, plus (iv.) any amounts required to replenish any deficiency in the Summit County Port Authority Bond Fund (SCPABF) Bond Reserve Deposit or in the Port Authority Cleveland Bond Fund (POCBF) Bond Reserve Deposit at the time such amounts are certified by the Administrator, plus (v.) any amounts required to replenish any deficiency in any Special Fund, as defined by the Indentures at the time such amounts are certified by the Administrator.

Total available assets for any given year are defined in the Cooperative Agreement as the sum of:

(i) the value of amounts attributable to Financing Payments made hereunder held by (a) the Series 2004A Trustee in the Revenue Fund established under the SCPABF Indenture, in the Series 2004A Interest Subaccount of the Interest Payment Account of the Bond Fund established under the SCPABF Indenture, and in the 2004A Principal Subaccount of the Principal Payment Account of the Bond Fund established under the SCPABF Indenture and not yet used to make the payments of Bond Service Charges, (b) the POCBF Trustee in the Revenue Fund established under the POCBF Indenture, in the Series 2004D Interest Subaccount of the Interest Account of the Bond Fund, and in the 2004D Principal Subaccount of the Principal Account of the Bond Fund established under the POCBF Indenture and not yet used to make the payments of Bond Service Charges, (c) the Disbursing Agent in the Service Payment Account and the Assessment Account of the Revenue Holding Fund established under the Disbursing Agreement, plus (ii) the amount of Service Payments estimated by the Administrator (assuming that existing levies will expire as scheduled, unless the renewal or replacement levies have been approved by the electorate prior to the Calculation Date, and assuming further that the properties from which Service Payments will be derived will be valued at the most current value of those properties as estimated by the County Auditor as of the Calculation Date) to be received by the City and paid to the Disbursing Agent from the Calculation Date through November 1 of the following calendar year, plus (iii) the amount of

any Special Assessment Payments to be made from the Calculation Date through November 1 of the calendar year in which the calculation is made, plus (iv) if either or both of the Series 2004D PRF Account of the Primary Reserve Fund established under the SCPAEF Supplemental Indenture or the Series 2004D PRF Account of the Primary Reserve Fund established under the POCBF Supplemental Indenture is invested in any fixed rate investment instrument, amounts estimated by the Administrator to be received by the respective Trustee as investment earnings on such amounts through May 1<sup>st</sup> of the succeeding calendar year, plus (v) the amount of any other revenues or amounts other than those mentioned in (i) through (iv) above to the extent that such revenues are expected to be available to pay Bond Service Charges or Administrative Amounts, including, without limitation, (a) amounts in the POCBF Capitalized Interest Subaccount and the SCPABF Capitalized Interest Subaccount as provided in Section 3.2 of the Disbursing Agreement, (b) amounts in the Bond Reserve Deposit (or deemed to be in the Bond Reserve Deposit pursuant to the Indentures) to pay the last payment of principal and interest on the Bonds as provided in the Indentures, and (c) amounts in the Additional Bond Reserve Fund. The Total Available Assets for any calendar year will be determined by the Administrator on or about the Calculation Date of the preceding calendar year.

Table V-1 on the following page provides a summary of the annual required installment for the 2007 fiscal year. Bond proceeds in the capitalized interest account and investment earnings on the reserve fund, which constitute total available assets, will be sufficient to pay aggregate period debt service and the administrative requirement. Accordingly, the annual required installment for the 2007 taxable year is zero. Each of these numbers is explained in the following sections.

#### Aggregate Period Debt Service and Administrative Requirements

##### *Debt Service*

Debt service on the Series 2004D Bonds includes interest payment of \$232,312.50 due on November 15, 2007 and May 15, 2008. These payments equal interest on the outstanding principal amount of \$8,850,000.00 for six months at an annual interest rate of 5.25%. The principal payment on the Series 2004D Bonds due on May 15, 2007 is \$224,043.75. As a result, total debt service on the Series 2004D Bonds is \$1,003,668.75.

##### *Port Authority Fee*

The annual fee of the Port Authority is equal to 0.5% of the principal amount of the bonds outstanding. The amount of bonds outstanding is \$8,850,000. As a result, the annual fee of the Port Authority for fiscal year 2007 and 2008 is equal to \$44,250. As of August 31, 2007, Port Authority fee in the amount of \$22,125 has been paid for fiscal year 2007. As a result, the fiscal year 2007 balance that needs to be funded is \$22,125, resulting in total fees due to the Port Authority through November 15, 2008 of \$66,375.

##### *Administrative Expenses*

Administrative expenses (other than the Port Authority fee) include the trustee and the administrator. The annual fee of the trustee is equal to 0.07% of the principal amount of the bonds outstanding. The amount of bonds outstanding is \$8,850,000. As a result, the annual fee of the trustee for fiscal year 2007 is equal to \$6,195. The fees and expenses of the administrator are estimated to be \$10,000. Accordingly, total administrative expenses for fiscal year 2007 are estimated to be \$16,195.

As of August 31, 2007, administrator's fees for the first and second quarter of 2007 and the semi-annual trustee fees in the amount of \$5,000 and \$3,097.50, respectively, were still outstanding. As a result, the fiscal year 2007 administrative expenses that need to be funded include \$10,000 and \$6,195.00 for the administrator and trustee, respectively. Accordingly, the aggregate administrative expenses for fiscal years 2007 and 2008 are estimated to be \$24,292.50.

**Table V-1**  
**Annual Required Installment**

<i>Aggregate Period Debt Service and Administrative Requirements</i>	
Interest on the Series 2004D Bonds, November 15, 2007	\$232,313
Interest on the Series 2004D Bonds, May 15, 2008	\$232,313
Principal on the Series 2004D Bonds, May 15, 2008	\$315,000
Interest on the Series 2004D Bonds, November 15, 2008	\$224,044
<i>Sub-total debt service</i>	\$1,003,669
Port Authority Fee	\$66,375
Administrative Expenses	\$24,293
<i>Total aggregate period debt service and administrative requirements</i>	\$1,094,336
<i>Available Assets</i>	
Available Capitalized Interest Account	(\$481,435.84)
Estimated service payments	(\$1,167,039)
Reserve fund interest income	(\$57,481)
<i>Total Available Assets</i>	(\$1,705,955)
<b>Annual Required Installment</b>	<b>\$0</b>

Total Available Assets

*Estimated Service Payments*

Pursuant to Ordinance Number 92-2003, dated as of December 15, 2003, the improvements to the property within the district are exempt from real property taxation for a period of eighteen years from 2007 to 2024. However, according to the terms of the Cooperative Agreement, dated September 1, 2004, the developer and property owners within the special assessment district has agreed to make service payments, together with all interest and penalties thereon for nonpayment of such service payments, for a period of eighteen years in lieu of said exempt taxes, and the service payments shall be in an amount equal to the taxes that would have been levied had the improvements not been exempt from taxation.

The definition of Total Available Assets provides for service payments to be estimated based on “the most current value of properties as estimated by the Cuyahoga County Auditor as of the Calculation Date.” By the first day of October of the year prior to taxes being collected, the county auditor must prepare the final tax list, which assigns the true value of the parcels within the special assessment district. The estimated true value of the taxable property in the district as of January 1, 2007 is \$54,504,000. This value is used as “the most current value” for purposes of estimating the service payments.

The true value of the taxable property in the special assessment district for the base year was equal to \$1,290,700. The incremental assessed value is, therefore, estimated to equal \$53,213,700 (\$54,504,400 - \$1,290,700= \$53,213,700). Taxable property in Ohio is assessed at a rate of 35 percent of true value, resulting in an assessed value of \$18,624,795 on the incremental value, as shown in the table below.

**Table V-2**  
**Estimated Service Payments**  
**Collected in 2007**

Estimated True Value @ 01/01/07	\$54,504,400
Base Year True Value	( <b>\$1,290,700</b> )
Incremental Value	\$53,213,700
Assessed Value @ 35% of True Value	\$18,624,795
Real Property Tax Rate per \$1000 of Assessed Value	82.994009
Total PILOTS	\$1,545,746.40
School District share	( <b>\$378,707.87</b> )
<b>Estimated Service Payments</b>	<b>\$1,167,038.53</b>

According to the County Auditor's Office, the real property tax rate for City of Garfield Heights in fiscal year 2008 is estimated to be 82.994009 mills per \$1000 of assessed value. Accordingly, and as shown in the table above, based on the 35 percent assessment of the assessed value of the taxable property in the district and the real property tax rate, service payment revenues are estimated to be equal to \$1,545,746.40 for fiscal year 2008.

Pursuant to the Compensation Agreement between the City of Garfield Heights, the Garfield Heights School District and the developer, dated as of December 16, 2003, the city agreed to make certain payments to the school district from the PILOTS received by the city in accordance with the TIF Ordinance. The school district share on these payments shall be equal to fifty percent of the school district percentage of the overall real tax rate for the tax year for which the PILOTS are calculated to nearest thousandth. According to the County Auditor's Office, the school district share of total real property taxes for 2006 is equal to 49.0%. As a result, the PILOTS that are payable to the school district for fiscal year 2007 is equal to \$378,707.87 ( $\$1,545,746.40 \times 49.0\% \times .500 = \$378,707.87$ ). Accordingly, the estimated service payments available for fiscal year 2007 are to be equal to \$1,167,038.53 as shown in the Table V-2 above.

*Reserve Fund Income*

As of September 30, 2007, the balance in the reserve fund was \$885,000, which is the Series 2004D reserve requirement. Bond proceeds in the reserve fund in the amount of \$885,000 are invested in a Royal Bank Canada Investment Agreement earning a 4.33 percent per annum and maturing on May 15, 2023. At this rate, a semi-annual interest income of \$19,160.25 is estimated to be earned by the next debt service payment of November 15, 2007.

**Table V-3**  
**Reserve Fund Interest Income**

Reserve Fund:	
Estimated interest to November 15, 2007	\$19,160.25
Estimated interest FY07	\$38,320.50
<i>Total reserve fund income available</i>	<b>\$57,480.75</b>

An additional \$38,320.75 in investment income is estimated to be earned during the fiscal year 2008 and will be made available to pay aggregate period debt service and the administrative requirements for fiscal year 2008. Accordingly, the estimated reserve fund income that may be applied to pay aggregate period debt service and the administrative requirements for fiscal year 2008 is equal \$57,480.75, as shown in Table V-3 above.

*Summary*

Aggregate period debt service and administrative expenses are estimated to be equal to \$1,094,336.25.

Total available assets are estimated to be equal to \$1,705,955.12, resulting in an estimated surplus of \$611,618.87. As a result, the annual required installment for the fiscal year 2008 is zero. As a result, special assessments to be collected in 2008 will be fully abated.

**B. SPECIAL ASSESSMENTS COLLECTION**

According to the Cuyahoga County Auditor's Office, property taxes are paid semi-annually and are due in January 2008 and July 2008. According to the Cuyahoga County Auditor's Office, service payments to be collected in 2008 are estimated to be \$3,255,367, which is \$1,709,621 greater than what was estimated (\$1,545,746.40) in the annual assessment levy report as shown above. The difference between the estimated service payments and the actual service payments is explained by the increase in the true values used by the county on all parcels and the changes in the ad valorem tax rates, which were not available at the time the annual assessment report was prepared. As of April 10, 2008, the county reports that \$1,424,613.66 in first half 2007 service payments were collected from the property owners within the development site, representing 87 percent of first half service payments due. The outstanding first half service payments are expected to be collected with the second half installment, which are due in July 2008. As a result, there are no delinquent service payments to report at this time.

**C. COLLECTION EFFORTS**

There are no collection efforts underway at this time.

## ***VI. DISTRICT FINANCIAL INFORMATION***

---

The information provided in this section is intended to meet the requirements for the annual report as provided for in Section 2(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

All information in this section is provided as of December 31, 2007, unless otherwise stated.

### **A. FUND BALANCES**

The fund balances in all of the funds and accounts provided for in the Trust Indenture are included in Table IV-1 of Section IV, "Trustee Accounts," section of this report.

### **B. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT**

There have been no changes to the Rate and Method of Apportionment of the Service Payments or Special Assessments by the Port Authority.

### **C. CHANGES IN THE AD VALOREM TAX RATES**

According to the Cuyahoga County Treasurer's website, the effective millage rate has increased from 82.994009 for 2006 to 83.883455 per \$1,000.00 of assessed value for 2007.

### **D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY**

As of January 1, 2008, the true value of the taxable property within the development site was \$111,594,400. The base year true value was \$1,290,700. As shown in Table VI-1 on the following page, taxable property in Ohio is assessed at a rate of 35 percent of true value. As a result, the total incremental true value and incremental assessed value were \$110,303,700 and \$38,606,295, respectively.

**Table VI-1  
Summary of True Market, Assessed and Incremental Values**

<b>Parcel Number</b>	<b>Owner</b>	<b>Base Year True Value</b>	<b>2007 True Value</b>	<b>Incremental Value</b>	<b>Incremental Assessed Value</b>
542-16-001	City View Center	\$246,700	\$3,024,200	\$2,777,500	\$972,125
542-16-002	Vista Way Partners LLC	\$61,800	\$3,731,800	\$3,670,000	\$1,284,500
542-16-003	City View Center	\$182,700	\$661,200	\$478,500	\$167,475
542-16-004	Vista Way Partners LLC	\$5,400	\$1,126,200	\$1,120,800	\$392,280
542-16-005	Vista Way Partners LLC	\$0	\$1,284,500	\$1,284,500	\$449,575
542-25-039	Vista Way Partners LLC	\$169,800	\$2,309,300	\$2,139,500	\$748,825
542-25-043	Vista Way Partners LLC	\$36,100	\$1,118,000	\$1,081,900	\$378,665
543-01-001	City View Center	\$0	\$974,900	\$974,900	\$341,215
543-01-002	City View Center	\$0	\$18,913,200	\$18,913,200	\$6,619,620
543-03-001	City View Center	\$9,100	\$1,677,800	\$1,668,700	\$584,045
543-06-001	City View Center	\$0	\$56,894,800	\$56,894,800	\$19,913,180
543-09-001	Garfield Land Development LLC	\$0	\$7,196,500	\$7,196,500	\$2,518,775
542-27-001	Peter J. Ltd	\$0	\$557,900	\$557,900	\$195,265
542-27-003	GHLFP	\$152,100	\$1,076,900	\$924,800	\$323,680
542-39-036	Boyas Excavating Inc	\$232,100	\$2,034,400	\$1,802,300	\$630,805
543-07-001	Peter J. Ltd	\$194,900	\$4,420,600	\$4,225,700	\$1,478,995
543-03-002	City View Center	\$0	\$4,028,500	\$4,028,500	\$1,409,975
543-06-002	City View Center	\$0	\$563,700	\$563,700	\$197,295
542-37-001	Board of Education	\$0	\$0	\$0	\$0
<b>Total</b>		<b>\$1,290,700</b>	<b>\$111,594,400</b>	<b>\$110,303,700</b>	<b>\$38,606,295</b>

**E. DISTRICT FINANCING PAYMENTS LEVIED**

Special assessments to be collected in fiscal years 2007 and 2008 were fully abated.

**F. STATUS OF COLLECTION OF AD VALOREM AND FINANCING PAYMENTS**

According to the Cuyahoga County Auditor's Office, property taxes are paid semi-annually and are due in January 2008 and July 2008. According to the Cuyahoga County Auditor's Office, service payments to be collected in 2008 are estimated to be \$3,255,367, which is \$1,709,621 greater than what was estimated (\$1,545,746.40) in the annual assessment levy report as shown above. The difference between the estimated service payments and the actual service payments is explained by the increase in the true values used by the county on all parcels and the changes in the ad valorem tax rates, which were not available at the time the annual assessment report was prepared. As of April 10, 2008, the county reports that \$1,424,613.66 in first half 2007 service payments were collected from the property owners within the development site, representing 87 percent of first half service payments due. The outstanding first half service payments are expected to be collected with the second half installment, which are due in July 2008. As a result, there are no delinquent service payments to report at this time.

**G. ASSESSED VALUE APPEALS**

According to the Cuyahoga County Board of Revision, GHLFP, LLC filed a complaint against the tax year 2006 real property valuation for parcel 542-27-003 on April 2, 2008. GHLFP, LLC claimed that this property consists of a large mound of municipal solid waste capped in accordance with EPA standards and subject to certain restrictive covenants by the EPA preventing its future use. According to GHLFP, LLC, the use restrictions, the presence of solid waste, and the significant cost to remove the solid waste to make the parcel usable render the

parcel valueless. As a result, GHLFP, LLC claimed that the tax year 2006 true market value should have been \$10 as opposed to \$1,076,900. As of June 18, 2008, the Cuyahoga County Board of Revision reports that this complaint is still pending.

According to the Cuyahoga County Board of Revision, the Board of Education for Garfield Heights City School District filed a complaint against the tax year 2006 real property valuation for nine parcels, which belongs to Garfield Land Development, LLC., on April 2, 2007. The Board of Education for Garfield Heights City School District claimed that the true market value for all parcels should have been \$100,000,000 as opposed to \$49,377,700. The reason for complaints was based on the sales price of subject property. As of June 18, 2008, the Cuyahoga County Board of Revision reports that these complaints are still pending.

According to the Cuyahoga County Board of Revision, Garfield Land Development, LLC filed a counter-complaint against the above mentioned complaints on May 27, 2007 requesting the original assessed values to remain intact. As of June 18, 2008, the Cuyahoga County Board of Revision reports that these complaints are still pending.

Table VI-2 below provides the tax parcel numbers, owner, and complainant’s opinion of true value as reported by Cuyahoga County Board of Revision on June 18, 2008.

**Table V-2**  
**Summary of Complaints Against Fiscal Year 2006 Valuation of Real Property**

<b>Permanent Parcel Number</b>	<b>Owner</b>	<b>2006 Complainant's Opinion of True Value</b>	<b>2006 Tax Year True Value</b>
542-16-001	Garfield Land Development LLC	\$7,428,571	\$3,683,700
542-16-003	Garfield Land Development LLC	\$571,428	\$264,500
543-01-001	Garfield Land Development LLC	\$857,142	\$390,000
543-01-002	Garfield Land Development LLC	\$12,571,428	\$6,284,600
543-03-001	Garfield Land Development LLC	\$1,857,142	\$895,000
543-03-002	Garfield Land Development LLC	\$3,714,285	\$1,821,600
543-06-001	Garfield Land Development LLC	\$49,857,142	\$24,421,200
543-07-001	Garfield Land Development LLC	\$8,857,142	\$4,420,600
543-09-009	Garfield Land Development LLC	\$14,285,720	\$7,196,500
<b>Total</b>		<b>\$100,000,000</b>	<b>\$49,377,700</b>

According to the Cuyahoga County Board of Revision, the Board of Education for Garfield Heights City School District filed a complaint against the tax year 2007 real property valuation for eighteen parcels within the district on March 19, 2008. The Board of Education for Garfield Heights City School District claimed that the total true market value for all parcels should have been \$122,754,000 as opposed to \$111,594,400, based on the recent sale of subject property and sales of comparable properties.

According to the Cuyahoga County Board of Revision, Garfield Land Development, LLC filed a counter-complaint against the above-mentioned complaints on May 30, 2008, requesting the total true market value to be \$83,695,800 as opposed \$111,594,400. Garfield Land Development, LLC., counter-complaint was based on the fact that the complaints include parcels with different ownership as well as parcels previously included in a tax year 2006 filing. As of June 18, 2008, the Cuyahoga County Board of Revision reports that these complaints are still pending

Table VI-3 below provides the tax parcel numbers, owner, complainant’s opinion of true value, and counter-complainant’s opinion of true value as reported by Cuyahoga County Board of Revision on June 18, 2008.

**Table V-3**  
**Summary of Complaints and Counter-Complaints**  
**Against Fiscal Year 2007 Valuation of Real Property**

Permanent Parcel Number	Owner	2007 Complainant's Opinion of True Value	2007 Counter-Complainant's Opinion of True Value	2007 Tax Year True Value
542-16-001	City View Center	\$3,326,600	\$2,268,150	\$3,024,200
542-16-002	Vista Way Partners	\$4,105,000	\$2,798,850	\$3,731,800
542-16-003	City View Center	\$727,300	\$495,900	\$661,200
542-16-004	Vista Way Partners	\$1,238,800	\$844,650	\$1,126,200
542-16-005	Vista Way Partners	\$1,413,000	\$963,380	\$1,284,500
542-25-039	Vista Way Partners	\$2,540,200	\$1,731,980	\$2,309,300
542-25-043	Vista Way Partners	\$1,229,800	\$838,500	\$1,118,000
543-01-001	City View Center	\$1,072,400	\$731,180	\$974,900
543-01-002	City View Center	\$20,804,500	\$14,184,900	\$18,913,200
543-03-001	City View Center	\$1,845,600	\$1,258,350	\$1,677,800
543-06-001	City View Center	\$62,584,300	\$42,671,100	\$56,894,800
543-09-001	Garfield Land Development LLC	\$7,916,200	\$5,397,380	\$7,196,500
542-27-001	Peter J. Ltd	\$613,700	\$418,420	\$557,900
542-27-003	GHLFP	\$1,184,600	\$807,670	\$1,076,900
542-39-036	Boyas Excavating Inc.	\$2,237,800	\$1,525,800	\$2,034,400
543-07-001	Peter J. Ltd	\$4,862,700	\$3,315,450	\$4,420,600
543-03-002	City View Center	\$4,431,400	\$3,021,370	\$4,028,500
543-06-002	City View Center	\$620,100	\$422,770	\$563,700
<b>Total</b>		<b>\$122,754,000</b>	<b>\$83,695,800</b>	<b>\$111,594,400</b>

#### **H. PROPERTY OWNERSHIP**

According to the tax record maintained by Cuyahoga County, the list of property owners responsible for more than five percent of the levy of service payments are shown in Table VI-4 below.

**Table VI-4**  
**Property Ownership**  
**As of January 1, 2007**

<b>Parcel Number</b>	<b>Current Owner</b>	<b>2007 Service Payments</b>	<b>Percent</b>
542-16-003	City View Center	\$19,187	0.59%
543-03-001	City View Center	\$51,442	1.58%
542-16-001	City View Center	\$89,957	2.76%
543-01-002	City View Center	\$552,493	16.97%
543-06-001	City View Center	\$1,666,955	51.21%
<b>Subtotal-City View Center</b>		<b>\$2,380,034</b>	<b>73.11%</b>
542-25-043	Vista Way Partners LLC	\$32,075	0.99%
542-16-004	Vista Way Partners LLC	\$32,363	0.99%
542-16-005	Vista Way Partners LLC	\$37,621	1.16%
542-25-039	Vista Way Partners LLC	\$62,157	1.91%
542-16-002	Vista Way Partners LLC	\$106,321	3.27%
<b>Subtotal-Vista Way Partners LLC</b>		<b>\$270,538</b>	<b>8.31%</b>
543-09-001	Garfield Land Development LLC	\$219,909	6.76%
<b>Subtotal-Garfield Land Development LLC</b>		<b>\$219,909</b>	<b>6.76%</b>
<b>Other Entities</b>		<b>\$384,886</b>	<b>11.82%</b>
<b>Total</b>		<b>\$3,255,367</b>	<b>100.00%</b>

**I. LAND USE AMENDMENTS**

As of April 14, 2008, the developer has not reported any significant amendments to land use entitlements or legal challenges to the construction of the project. The developer reported one challenge, which was administrative in nature. According to the developer, on March 18, 2008, the developer received Rule 13 Authorization from the Ohio Environmental Protection Agency (OEPA), allowing for final construction of utilities, methane protection systems, and structural systems over old landfill areas. Consent document with Rule 13 addressed past storm water and landfill violations of 1994 construction season. OEPA was not against project, only very cautious in granting approvals or authorizations. Their authorization process is not set-up for construction on landfills, but for the permitting and enforcement of activated or closed landfills. This authorization from the OEPA allows for final construction of the project.

**J. CHANGES TO PROJECT AND DEVELOPMENT STATUS**

As of April 14, 2008, the developer reports that that there have been no changes approved by the Port Authority regarding the project to be constructed. The development status is explained in Section III of the report (Status of Development).

## ***VII. SIGNIFICANT EVENTS***

---

### **A. DEVELOPER'S SIGNIFICANT EVENTS**

According to the continuing disclosure agreement, developer significant events include the following:

- (i) material damage to or destruction of any development or improvements within the development site;
- (ii) the exercise of an option to purchase or sell any land within the development site by the developer or the owner;
- (iii) material default by the developer or the owner any affiliate of either on any loan with respect to the construction or permanent financing of the development;
- (iv) material default by the developer or the owner or any affiliate on any loan secured by property within the development site owned by the developer or owner or any affiliate of either;
- (v) the filing by or against the developer or owner or owners of more than 25% interest in the developer or the owner of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the developer or the owner or an owner of a 25% or greater interest in the developer or owner is unable to pay its debts as they become due; and
- (vi) the filing of any lawsuit with a claim for damages in excess of \$1,000,000 against the developer, which may adversely affect the completion of the development, the project or litigation in excess of \$1,000,000, which would materially adversely affect the financial condition of the developer.

As of April 14, 2008, the developer and the owner have reported that there have been no significant events have occurred within the district.

### **B. LISTED EVENTS**

Pursuant to the Continuing Disclosure Agreement, listed events include the following:

- (i) delinquency in payment when due of any principal of or interest on the bonds;
- (ii) occurrence of any material default under the indenture (other than described in clause (i) above);
- (iii) draws on the reserve fund;
- (iv) substitution of a credit provider for cash deposits in the reserve fund, or their failure to perform;
- (v) adverse tax opinions or events affecting the tax exempt status of the bonds;
- (vi) amendment to the indenture modifying the rights of the bondholders;
- (vii) giving of notice of optional or unscheduled redemption of bonds;
- (viii) defeasance of bonds or any portion thereof;
- (ix) the release or substitution of property securing repayment of the bonds;
- (x) any change in the rating, if any, on the bonds;
- (xi) the continuing disclosure event notices provided to the administrator by the developer as more

particularly set forth in the developer's continuing disclosure agreement.

The administrator is not aware of the occurrence of any listed event as of the date of this report (September 16, 2008).