ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending March 31, 2004

$40,500,000 Cleveland-Cuyahoga County Port Authority
University Heights, Ohio – Public Parking Garage Project
Senior Special Assessment/Tax Increment Revenue Bonds, Series 2001A

Prepared by:

MuniCap, Inc.

July 2, 2004

ANNUAL DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

I. *UPDATED INFORMATION*

Information updated from the Annual Development Activity and Disclosure Report dated June 26, 2003 is as follows:

- The developer reports that the remainder of the work on the initial phase of the parking garage, the electrical, lighting, elevators and finishes were completed and open for public use on June 1, 2003.

- The developer reports that the work is completed on the remaining elevators. All the pedestrian bridges connecting the parking garage to the retail spaces are completed.

- The developer reports that, 100 percent of the space reserved for anchor tenants is now either sold or leased.

- The developer reports that, 64.7 percent of the remaining 291,726 square feet of leaseable retail space is now leased.

- The developer reports that the Target store opened for business on July 20, 2003.

- The developer reports that work is complete on the exterior and roof of the Cedar Shops and the shops are open.

- The developer reports that: TJ Maxx opened for business on May 15, 2003; Pier I Imports opened for business on May 31, 2003; Applebees opened for business on June 30, 2003; Famous Footwear opened for business on May 24, 2003; Foot Locker opened for business on May 31, 2003; JoAnn's opened for business on October 6, 2003; Catherines opened for business on October 23, 2003; and LeNails opened for business on February 9, 2004.

- According to the developer, sitework and site improvements are all completed and fully operational. All traffic signals and pylon signage is installed, and work on landscaping and irrigation is complete.

- The county reports that as of July 1, 2004, $1,393,161.92 in service payments were collected from property owners within the development site, representing 100.04 percent of the first half service payments due. As a result, there are no delinquent service payments at this time. The service payments collected are $493,034.58 greater than estimated ($900,127.34) in the annual assessment levy report. According to the county, the increase in service payments was due to an increase of $5,092,910 in the assessed value of the property from the base year.

- As of January 1, 2003, the assessed value of the property within the Development Site was $32,062,210, which represents an increase of $27,543,320 in the base year assessed value of $4,518,890.

- According to the Cuyahoga County Board of Revision, complaints against the valuation of real property have been filed for tax years 2002 and 2003 on parcel 721-01-002, which is owned by the May Company Department Stores. The complainant's opinion of the true value of parcel 721-01-002 for the 2002 tax year was $9,900,000, which results in an assessed value of $3,465,000. The Board of Revision filed a counter complaint arguing that the true value for the 2002 tax year was $23,000,000, which results in an assessed value of $8,050,000. A decision by the Board of Revision, dated June 11, 2004, resulted in the reduction of the true value of the parcel to $15,000,000 for the 2002 tax year, resulting in a reduction in the assessed value of $5,250,000 for the 2002 tax year. The complainant's opinion of the true value of parcel 721-01-002 for the 2003 tax year was $9,900,000, which results in an assessed value of $3,465,000. The Board of Revision has filed a counter complaint arguing that the true value for the 2003 tax year was $24,394,600, which results in an assessed value of $8,538,110. A decision by the Board of Revision is pending the submission of additional evidence supporting the reduction of the true value by the complainant.

II. INTRODUCTION

Cleveland-Cuyahoga County Port Authority (the "Port Authority") issued the $40,500,000 Series 2001A Senior Special Assessment/Tax Increment Revenue Bonds (University Heights, Ohio - Public Parking Garage Project) pursuant to (i) Sections 4582.01 through 4582.20 of the Ohio Revised Code (the "Port Act") and the Tax Increment Financing Agreement, dated April 30, 2001 (the "TIF Agreement"), by and among the city, the developer and the Cleveland Heights-University Heights City School District (the "School District") and ordinance Number 2001-28, which was passed by the City Council on April 16, 2001 (the "TIF Ordinance"), and (ii) an indenture of trust by and between the Port Authority and J.P. Morgan Trust Company National Association, as trustee, dated as of December 1, 2001.

The bonds are special, limited obligations of the Port Authority, which are secured by service payments in lieu of taxes (PILOTs) for a period of thirty years in an amount equal to the real property tax collections arising from the increase, if any, in the assessed value of real property located within the Development Site since January 1, 2000. To the extent that the service payments are insufficient to pay annual debt service and administrative expenses, a special assessment is to be levied on the taxable parcels within the assessment site.

The property in the assessment site consists of 10 acres of land within the 15 acre University Square Development Site, which is located at the southeast corner of Cedar and Warrensville Center Roads in University Heights, Ohio. The developer will construct on the assessment site a multi-level retail center consisting of approximately 279,400 square feet of leasable space.

Pursuant to the official statement, $40,500,000 in special limited obligation bonds (Series 2001A) were sold to finance the acquisition and construction of a five level parking garage with approximately 2,260 parking spaces, which will serve the property located within and adjacent to the assessment site.

Continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission is required for the bonds. The Port Authority, developer and administrator have agreed to provide financial information, operating data and event disclosures in accordance with the Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The information in this report on development activity was provided by the developer and is believed to be accurate; however, no effort has been made to independently verify the information.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The University Square project is located at the southeast corner of the intersection of Cedar and Warrensville Center Roads in University Heights, Ohio. The land in the University Square development site is comprised of approximately 15 acres and is adjacent to the Parking Garage Project site. University Square is planned as a multi-level retail center combining the attributes of both a community center and power center into a vertical retail center. The Official Statement reported that approximately 609,000 million square feet of leaseable space would be created in the vertical retail center.

As outlined in the Official Statement, the developer anticipated that 388,100 square feet of aggregate leaseable anchor space and 220,900 square feet of additional retail and restaurant space would be created. The developer anticipated that parcels would be sold for the anchor space reserved for a 165,000 square foot redeveloped Kaufmann's Department Store and a new 164,000 square foot Target Store. In addition to the 220,900 square feet of retail and restaurant space mentioned above, the developer also anticipated that two outparcels totaling approximately 10,000 square feet would be created. As a result, the developer has since revised the total square footage figure to 621,000 square feet of leaseable space, which will be made available to retailers.

As outlined in the Official Statement, the construction of the public parking garage facility funded with bond proceeds is to include a five level public parking garage facility consisting of approximately 2,260 parking spaces and an additional 340 spaces of surface and structured parking located next to the adjacent retail development project for a total of approximately 2,600 parking spaces which will serve the retail project.

B. STATUS OF PARKING GARAGE CONSTRUCTION

According to the developer, the parking structure was built in phases. This was done to expedite the schedule and to provide an additional source of parking for the new Kaufmann's store, which was necessitated due to the requirement that the existing Kaufmann's store remain open until the completion and opening of the new Kaufmann's store. The initial phase of construction was completed on time and was opened for public parking on February 28, 2002.

The parking facility construction is referred to as a "Hybrid" system, utilizing a combination of structural steel and pre-cast concrete panels. The erection of the structural steel and the precast "T"' beams were completed by the beginning of October 2002. The developer reports the second phase of construction was completed on October 22, 2002, providing an additional 1,000 spaces for the Kaufmann's store during the holiday season with one elevator operational to provide access between all levels. The remainder of the work, the electrical, lighting, elevators, etc. and finishes were complete and open for public use on June 1, 2003.

Work is complete on the remaining parking garage elevators. All the pedestrian bridges connecting the parking garage to the retail spaces are completed. Directional signage has been installed. The Security system is complete. All the punch list items have been addressed. The developer reports that the public parking garage was completed and opened for public use on June

1, 2003.

C. STATUS OF RETAIL FACILITY CONSTRUCTION

The developer reports that the new Kaufmann's store was completed and opened for business on March 6, 2002. The developer also reports that the Tops Supermarket was completed and opened for business on April 2, 2003.

The Developer reports that the exterior shell was turned over to Target on January 1, 2003, allowing them to commence their tenant fit-out work. The exterior and interior fit out work for the Target Store is complete. The developer reports that the Target store opened for business on July 20, 2003. The developer reports that work is complete on the exterior and roof of the Cedar Shops and the shops are open.

The developer reports that the interior fit out for TJ Maxx was completed at the end of March 2003 and TJ Maxx opened for business on May 15, 2003. The developer reports that Pier 1 Imports was turned over to the tenant for fixturing and merchandising on April 25, 2003 and that Pier I Imports opened for business on May 31, 2003. The developer reports that Applebees opened for business on June 30, 2003, Famous Footwear opened for business on May 24, 2003, Foot Locker opened for business on May 31, 2003, JoAnn's opened for business on October 6, 2003, Catherines opened for business on October 23, 2003 and LeNails opened for business on February 9, 2004.

According to the developer, sitework and site improvements are all completed and fully operational. All traffic signals and pylon signage is installed, and work on landscaping and irrigation is complete.

(i.) Leasing Status

Table III-1 below provides a list of those entities that are currently reported as tenants in University Square. Two parcels totaling 329,274 square feet have been sold to the Kaufmann's and Target Department stores. The remaining leaseable space reserved for an anchor tenant is occupied by the Tops Supermarket. As a result, 100 percent of the space reserved for anchor tenants is now either sold or leased. There is 291,726 square feet of leaseable space reserved for other retailers and restaurants. According to the developer, 188,598 square feet or 64.7 percent of this space is now leased.

Table III-1
Status of Leasing

Status of Negotiations	Company	Square Footage	Percent	Lease Termination Date
I. Owner Occupied Parcels				
Parcels Under Sale Contract	Kaufman's	164,684	26.52%	N/A
	Target	164,590	26.50%	N/A
Total Owner Occupied:		329,274	53.02%	
II. Leased Parcels				
Leases - Signed:	Tops Supermarket	58,492	9.42%	05/01/18
	Famous Footwear	12,911	2.08%	12/31/13
	Applebee's	5,498	0.89%	12/31/23
	Q Nails	805	0.13%	12/31/18
	TJ Maxx N More	45,562	7.34%	12/31/13
	Key Bank	5,427	0.87%	12/31/13
	Catherine's	4,001	0.64%	12/31/13
	EB Game World	1,200	0.19%	12/31/08
	Alltel	1,500	0.24%	12/31/03
	Pier 1 Imports	12,139	1.95%	12/31/13
	Foot Locker	3,538	0.57%	12/31/13
	GNC	1,100	0.18%	12/31/13
	JoAnn Etc	35,000	5.64%	12/31/13
	Coldstone Creamry	1,425	0.23%	12/31/13
Subtotal:		188,598	30.37%	
Negotiating Letter of Intent:	Complete PetsMart	5,000	0.81%	
	Berean Christian Bookstore	12,500	2.01%	12/31/13
	King Jewelry, Chiropractor	2,500	0.04%	12/31/13
	Party Place	8,300	1.34%	12/31/14
	Dick's Sporting Goods	50,000	8.05%	12/31/13
	Futon Express, Cargo Kids	5,000	0.81%	
	DOTS	4,000	0.64%	
	Hallmark	2,000	0.32%	
	MotoPhoto	5,000	0.81%	
Subtotal:		94,300	14.86%	
III. Remaining Leaseable Space				
Miscellaneous Retailers		8,828	1.42%	N/A
Total Leased Parcels		**291,726**	**46.65%**	
Total Development:		**621,000**	**100.00%**	

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2001A Bonds is J.P. Morgan Trust Company, National Association. The balance as of December 31, 2003, interest paid, disbursements, special assessment collections, additional proceeds, and account balances for each fund, as of March 31, 2004, are shown by the following table:

Table IV-1

	12/31/03 Balance	Interest Paid	Additional Proceeds	Disbursements	03/31/04 Balance
Project Fund	$84	$73	$176,718	$118,472	$58,404
Senior Capitalized Interest	$2,993,796	$9	$0	$1,522,476	$1,471,329
Subordinate Capitalized Interest	$18,909	$24	$0	$6,012	$12,921
Administrative Expense	$0	$149	$228,350	$111,851	$116,649
Replacem't & Improvem't Fund	$62,489	$106	$0	$52	$62,543
REV Fund Service Payment	$0	$970	$1,125,862	$351,662	$775,170
Senior Interest Account	$147	$113	$1,570,338	$1,469,277	$101,322
Subordinate Interest Account	$0	$0	$6,000	$6,000	$0
Reserve Fund	$3,734,555	$22	$0	$101,127	$3,633,450
TOTAL:	$6,809,980	$1,467	$3,107,269	$3,686,928	$6,231,788

The additional proceeds to the project fund were transfers of interest income from the senior capitalized interest account and the reimbursement of administrative expenses previously paid from the project fund with service payments transferred from the revenue fund service payment account. The additional proceeds to the administrative expense fund were transfers of service payments collected by the county to fund administrative expenses. The additional proceeds to the revenue fund service payment account were the receipt of service payment revenues collected by the county. The additional proceeds to the senior interest account were transfers from the senior capitalized interest account and interest income from the reserve fund to pay debt service on the bonds. The additional proceeds to the subordinate interest account were transfers from the subordinate capitalized interest account to pay debt service on the subordinate bonds.

Table IV-2 below shows the approximate rate of return on the investments. Most of the bond proceeds are invested in a Bayerische Landesbank Repurchase Agreement (REPO). Bond proceeds not invested in a REPO are invested in U.S. Treasury money market accounts currently earning approximately 0.51%.

During the construction period, investment income on the reserve fund will be applied to the construction account of the project fund. Afterwards, investment income on the reserve fund will be applied first to the senior interest account and then to the senior principal account in the senior bond fund to be credited against the next succeeding transfer from the revenue fund. Investment income on the senior and subordinate capitalized interest accounts will be transferred to the construction account of the project fund. Investment income on the replacement and improvement fund will remain in the fund and will be used for the purposes of such fund. Investment income on the administrative expense fund will remain in the fund and will be used to pay administrative expenses. Investment income on the project fund will remain in the fund unless an authorized officer certifies that amounts then on deposit are not expected to be expended, at which time surplus proceeds will be transferred to the senior bond fund to redeem principle or pay interest on the bonds. Investment income on the cost of issuance account will remain in the account until it is closed, which took place in May 2002, when the remaining balance was transferred to the project fund.

Table IV-2

Account		Rate of Return
Project Fund		0.51%
Senior Capitalized Interest		2.55%
Subordinate Capitalized Interest		0.51%
Replacement & Improvement Fund		0.51%
Senior Interest Account		0.51%
Reserve Fund		5.66%

V. DISTRICT OPERATIONS

A. ANNUAL SPECIAL ASSESSMENT AS ABATED

The Cleveland-Cuyahoga County Port Authority issued $40,500,000 of senior special assessment/tax increment revenue bonds in December 2001 related to the University Height's Public Parking Garage Project. The bonds are to be repaid from 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 University Height's Special Assessment District.

An annual assessment equal to $4,000,000 has been levied each fiscal year for thirty years pursuant to Ordinance Number 2001-66, dated as of September 4, 2001, Resolution Number 2001-64 and a petition filed by the property owners, dated as of September 4, 2001. 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 the abatement of the annual assessments for collection in 2004.

(i.) Annual Required Installment

Annual special assessments have been levied in thirty annual consecutive installments of $4,000,000 each, commencing not later than Calendar Year 2004, and abated to such an amount sufficient to pay the annual required installment each year. The annual required installment is defined in Section 13.02(c) of the Trust Indenture as "aggregate period debt service and administrative requirements, less total available assets." Aggregate period debt service and the administrative requirement is substantially defined as (i.) total debt service charges due and payable with respect to the Senior Bonds on December 1 following the calculation date (i.e., August 20th of each year), plus (ii.) total debt service charges due and payable on the Senior Bonds during the next calendar year, plus (iii.) total administrative expenses estimated by the Administrator to be due and payable from the calculation date through December 31st 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 Reserve Requirement at the time such amounts are certified by the Administrator, plus (v.) any fees or costs attributable to the provision of a letter of credit or insurance policy to fund all or a portion of the Reserve Requirement, plus (vi.) an amount equal to 3 percent of the amount described in clause (ii) of this definition.

Total available assets is substantially defined as the sum of (i.) the value of the amounts held in the Bond Fund, Revenue Fund, Administrative Expense Fund, Surplus Fund, and the Senior Capitalized Interest & Subordinate Capitalized Interest Accounts of the Project Fund, on the calculation date, plus (ii.) the estimated service payments to be received between the calculation date and November 30th of the following year, plus (iii.) the amount of any assessment payments to be made from the calculation date through November 30th of the calendar year in which the calculation is made, plus (iv.) investment income earned on bond proceeds in the Reserve Fund from the calculation date through November 30th of the succeeding calendar year, plus (v.) any additional revenues, other than those previously mentioned, that are identified by the Issuer to be available, less (vi.) any amounts estimated by the Administrator to be payable to the Cleveland Heights-University Heights City School District pursuant to the trust indenture for the bonds, and (vii.) any debt service charges to be paid on the Subordinate Bonds.

Table V-1 provides a summary of the annual required installment for the 2004 fiscal year. Total available assets will be sufficient to pay aggregate period debt service and the administrative requirement. Accordingly, the annual required installment for the 2004 taxable year is zero and annual special assessments will be fully abated for this year. Each of these numbers is explained in the following sections.

(ii.) Aggregate Period Debt Service and Administrative Requirements

Debt Service on the Senior Bonds

Debt service on the Senior Bonds includes interest payments of $1,469,221.25 due on December 1, 2003, June 1, 2004 and December 1, 2004. These payments equal interest on the outstanding principal amounts of $10,945,000 and $29,555,000 for six months at an annual interest rate of 7.0% and 7.35%, respectively. There are no principal payments due on December 1, 2003 and December 1, 2004. As a result, total debt service on the Senior Bonds is $4,407,663.75.

Port Authority Fee

The annual fee of the Port Authority is equal to 0.25% of the principal amount of the bonds outstanding. The amount of bonds outstanding is $40,500,000. As a result, the annual fee of the Port Authority for fiscal years 2003 and 2004 is equal to $101,250, resulting in total fees due to the Port Authority through December 31, 2004 of $202,500.

Administrative Expenses

Administrative expenses (other than the fee to the Port Authority) include the trustee and the administrator. The annual charges of the trustee are estimated to be $5,300. The fees and expenses of the administrator are estimated to be $12,250. Accordingly, total administrative expenses for fiscal year 2004 are estimated at $17,550.

The budget for administrative expenses (other than the fee to the Port Authority) for fiscal year 2003 was $17,550. As of June 30, 2003, $10,000 in administrative expenses had been paid, resulting in a balance of $7,550 that will need to be funded in fiscal year 2004. Accordingly, aggregate administrative expenses for fiscal years 2003 and 2004 are estimated to be $25,100.

Contingency

A contingency equal to three percent of annual debt service on the Senior Bonds due in 2004 is included as required by the definition of Aggregate Period Debt Service and Administrative Requirements.

<u>Table V-1</u>
Annual Required Installment

Aggregate Period Debt Service and Administrative Requirements	
Interest on Senior Bonds, December 1, 2003	$1,469,221
Principal on Senior Bonds, December 1, 2003	$0
Interest on Senior Bonds, June 1, 2004	$1,469,221
Interest on Senior Bonds, December 1, 2004	$1,469,221
Principal on Senior Bonds, December 1, 2004	$0
Sub-total debt service	$4,407,664
Port Authority Fee	$202,500
Administrative Expenses	$25,100
Contingency	$88,153
Total aggregate period debt service and administrative requirements	$4,723,417
Total Available Assets	
Estimated service payments	($900,127)
Service payments collected in prior year	($783,542)
Less: Debt service charges on the subordinate bonds	$18,000
Add: Subordinate capitalized interest account	($18,887)
Senior capitalized interest account	($5,898,469)
Reserve fund investment income	($0)
Total available assets	($7,583,025)
Annual Required Installment	$0

(iii.) Total Available Assets

Estimated Service Payments

Pursuant to Ordinance Number 2001-28, dated as of April 16, 2001, the improvements to the property within the district are exempt from real property taxation for a period of thirty years. However, according to the terms of the TIF Agreement, dated April 30, 2001, the developer has agreed to make service payments, together with all interest and penalties thereon for nonpayment of such service payments, for a period of thirty 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, 2002, which is the value calculated by the first day of the previous first of October (October 1, 2002), is $38,035,300. 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 $12,911,114. The incremental assessed value is, therefore, estimated to equal $25,124,186 ($38,035,300 - $12,911,114 = $25,124,186). Taxable property in Ohio is assessed at a rate of 35 percent of true value, resulting in an assessed value of $8,793,465 on the incremental value, as shown in the table below.

Table V-2
Estimated Service Payments
Collected in 2004

Estimated True Value @ 01/01/03	$38,035,000
Base Year True Value	$12,911,114
Incremental Value	$25,124,186
Assessed Value @ 35% of True Value	$8,793,465
Real Property Tax Rate per $1000 of Assessed Value	102.363213 mils
Estimated Service Payments	$900,127

The real property tax rate for Cleveland-Cuyahoga County in fiscal year 2003 is estimated to be 102.363213 mils per $1000 of assessed value. Accordingly, and as shown in the table above, based on the 35 percent assessment of the incremental true value of the taxable property in the district and the real property tax rate, service payment revenues are estimated to be equal to $900,127 for fiscal year 2003.

Service Payments Collected in Prior Year

As of June 23, 2003, the Cuyahoga County Auditor's Office reports that $1,062,216.26 in service payments has been received. This amount is based on the Cuyahoga County Auditor's estimate of the true value for the base year of $5,092,910, which is different from the base year true value contained in the Official Statement of $12,911,114. Until this discrepancy is resolved and in an effort to be conservative, service payment collections for 2002 will be based on the base year true value contained in the Official Statement. As a result, service payments collections for 2002 are estimated to be $900,127.

As of June 30, 2003, $116,585.46 in prior year administrative expenses and Port Authority fees were paid from the Construction Fund. A portion of the service payments will be used to reimburse the Construction Fund for these administrative expenses and Port Authority fees.

As per the TIF Agreement, the School Treasurer has confirmed that there are no additional ad valorem taxes due to the school district from an increase in the millage rate. As a result, $783,541.54 (*i.e.,* $900,127 - $116,585.46) of the estimated service payments collected by the county, $900,127 less the prior year administrative expenses and Port Authority fees mentioned above, will be made available to pay debt service and administrative expenses in fiscal years 2003 and 2004.

Subordinate Bonds

Debt service on the subordinate bonds includes interest payments of $6,000.00 due on December 31, 2003, June 1, 2004 and December 1, 2004. These payments equal interest on the outstanding principal amount of $100,000 for six months at an annual interest rate of 12.0%. There are no principal payments due on December 1, 2003 and December 1, 2004. As a result, total debt service on the Subordinate Bonds is $18,000.

The balance in the subordinate capitalized interest account as of June 30, 2003 was $18,886.52. These proceeds are available to apply to the debt service charges on the subordinate bonds due on December 1, 2003 and December 1, 2004.

Senior Capitalized Interest

The balance in the senior capitalized interest account as of June 30, 2003 was $5,898,469.37. These funds will be made available to pay debt service due on December 1, 2003, June 1, 2004 and December 1, 2004.

Reserve Fund Income

According to Section 5.05 of the Trust Indenture, investment income earned on the Reserve Fund prior to the earlier of the completion date or December 1, 2004 shall be transferred when earned to the Construction Account of the Project Fund. As a result, the estimated investment income on the Reserve Fund is assumed to not be available to pay the annual required installment for 2004.

<u>Summary</u>

Aggregate period debt service and administrative expenses are estimated to be equal to $4,723,417. Total available assets are estimated to be equal to $7,583,025, resulting in an estimated surplus of $2,859,608. As a result, special assessments to be collected in 2004 will be fully abated.

B. SPECIAL ASSESSMENTS LEVIED AND COLLECTED

Special assessments were fully abated for fiscal years 2003 and 2004. As a result, there are no delinquent special assessments for fiscal years 2003 and 2004.

C. DELINQUENT PROPERTY TAXES

The county reports that as of June 14, 2004, $1,393,161.92 in service payments were collected from property owners within the development site, representing 100.04 percent of the first half service payments due. As a result, there are no delinquent service payments at this time. According to the county, the increase in service payments was due to an increase of $5,092,910 in the assessed value of the property from the base year. This amount is based on the Cuyahoga County Auditor's estimate of the true value for the base year of $5,092,910, which is different from the base year true value contained in the Official Statement of $12,911,114.

D. COLLECTION EFFORTS

There are no delinquent ad valorem taxes at this time. As a result, thee are no collection efforts underway at this time.

VI. DISTRICT FINANCIAL INFORMATION

The information provided in this section is 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 March 31, 2004, unless otherwise stated.

A. FUND BALANCES

The fund balances in all of the funds and accounts provided for in the Indenture of Trust are included in Table IV-1 of Section IV, "Trustee Accounts," 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 since the bonds were issued.

C. CHANGES IN THE AD VALOREM TAX RATES

According to the county auditor's office the effective millage rate has decreased from 102.363213 to 102.204771 per $1,000.00 of assessed value for 2004.

D. CHANGES IN ASSESSED VALUE OF REAL PROPERTY

As of January 1, 2003, the assessed value of the property within the Development Site was $32,062,210, which represents an increase of $27,543,320 in the base year assessed value of $4,518,890. The current use of each parcel, true value and assessed value of the property within the Development Site as of January 1, 2003, is shown in Table VI-1 below.

Table VI-1
True and Assessed Values
As of January 1, 2003

Parcel Number	Current Use	True Value	Assessed Value
721-01-001	Vacant land	$32,872,200	$11,505,270
721-01-002	Kaufman Dept Store	$24,394,600	$8,538,110
721-01-003	Parking Garage	$15,363,700	$5,377,300
721-01-004	Target Store	$11,820,000	$4,137,000
721-01-301	Vacant land	$5,031,200	$1,760,920
721-01-064	National City Bank	$695,800	$243,530
721-01-147	Medical Clinic & Offices	$1,428,800	$500,080
Total		$91,606,300	$32,062,210

E. DISTRICT FINANCING PAYMENTS LEVIED

Special assessments were fully abated in fiscal year 2004. As a result, there are no delinquent special assessments.

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 on January 23, 2004 and July 8, 2004. The county reports that as of July 1, 2004, $1,393,161.92 in first half 2004 service payments were collected from property owners within the development site, which is $493,034.58 greater than estimated ($900,127.34) in the annual assessment levy report. According to the county, the increase in service payments was due to an increase of $5,092,910 in the assessed value of the property from the base year. This amount is based on the Cuyahoga County Auditor's estimate of the true value for the base year of $5,092,910, which is different from the base year true value contained in the Official Statement of $12,911,114.

G. ASSESSED VALUE APPPEALS

According to the Cuyahoga County Board of Revision, complaints against the valuation of real property have been filed for tax years 2002 and 2003 on parcel 721-01-002, which is owned by the May Company Department Stores.

The complainant's opinion of the true value of parcel 721-01-002 for the 2002 tax year was $9,900,000, which results in an assessed value of $3,465,000. The Board of Revision filed a counter complaint arguing that the true value for the 2002 tax year was $23,000,000, which results in an assessed value of $8,050,000. A decision by the Board of Revision, dated June 11, 2004, resulted in the reduction of the true value of the parcel to $15,000,000 for the 2002 tax year, resulting in a reduction in the assessed value of $5,250,000 for the 2002 tax year.

The complainant's opinion of the true value of parcel 721-01-002 for the 2003 tax year was $9,900,000, which results in an assessed value of $3,465,000. The Board of Revision has filed a counter complaint arguing that the true value for the 2003 tax year was $24,394,600, which results in an assessed value of $8,538,110. A decision by the Board of Revision is pending the submission of additional evidence supporting the reduction of the true value by the complainant.

H. PROPERTY OWNERSHIP

Transfer of title for the Target and Kaufmann's Department Stores took place on March 26, 2002. As a result, the current owners of the property within the development site is the developer, Starwood Wasserman University Heights Holding, LLC, Target and Kaufmann's.

I. LAND USE AMMENDMENTS

The developer reports that as of March 31, 2004, there have been no significant amendments to land use entitlements or legal challenges to the construction of the project.

J. CHANGES TO PROJECT AND DEVELOPMENT STATUS

The developer reports that as of March 31, 2004, no changes have been approved by the Port Authority relating to the status of development of the project to be constructed from those stated in the Cooperative Agreement.

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;

(iii) material default by the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of the development or the project;

(iv) material default by the developer or any affiliate thereof on any loan secured by property within the development site owned by the developer or any affiliate of the developer;

(v) payment default by the developer or any affiliate thereof on any loan to such party (whether or not such loan is secured by the property within the development site);

(vi) the filing by or against the developer or any affiliate thereof, the general partner of the developer or any owners of more than 25% interest in the developer of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the developer or an owner of interest in the developer or a subsidiary of the developer or any affiliate thereof is unable to pay its debts as they become due; and

(vii) the filing of any lawsuit with claim for damages in excess of $1,000,000 against the developer which may adversely affect the completion of the development, the project or the sale or development of the development site or litigation in excess of $1,000,000 which would materially adversely affect the financial condition of the developer.

Inquiries have been made with Starwood Wasserman University Heights Holding, LLC regarding the occurrence of any significant event and they have reported that no significant events have occurred as of March 31, 2004.

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 so long as the developer owns property in the district.

The administrator is not aware of the occurrence of any listed event as of the date of this report (July 2, 2004).