

REGENCY CENTERS CORP
Form 10-Q
August 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934
x

For the quarterly period ended June 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934
o

For the transition period from to

Commission File Number 1-12298 (Regency Centers Corporation)

Commission File Number 0-24763 (Regency Centers, L.P.)

REGENCY CENTERS CORPORATION
REGENCY CENTERS, L.P.

(Exact name of registrant as specified in its charter)

FLORIDA (REGENCY CENTERS CORPORATION) 59-3191743

DELAWARE (REGENCY CENTERS, L.P) 59-3429602

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

One Independent Drive, Suite 114

Jacksonville, Florida 32202

(904) 598-7000

(Address of principal executive offices) (zip code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Regency Centers Corporation YES x NO o Regency Centers, L.P. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Regency Centers Corporation YES x NO o Regency Centers, L.P. YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Regency Centers Corporation:

Large accelerated filer x Accelerated filer o

Non-accelerated filer o Smaller reporting company o

Regency Centers, L.P.:

Large accelerated filer o Accelerated filer x

Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Regency Centers Corporation YES o NO x Regency Centers, L.P. YES o NO x

The number of shares outstanding of the Regency Centers Corporation's voting common stock was 94,156,976 as of July 31, 2015.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2015 of Regency Centers Corporation and Regency Centers, L.P. Unless stated otherwise or the context otherwise requires, references to “Regency Centers Corporation” or the “Parent Company” mean Regency Centers Corporation and its controlled subsidiaries; and references to “Regency Centers, L.P.” or the “Operating Partnership” mean Regency Centers, L.P. and its controlled subsidiaries. The term “the Company” or “Regency” means the Parent Company and the Operating Partnership, collectively.

The Parent Company is a real estate investment trust (“REIT”) and the general partner of the Operating Partnership. The Operating Partnership's capital includes general and limited common Partnership Units (“Units”). As of June 30, 2015, the Parent Company owned approximately 99.8% of the Units in the Operating Partnership and the remaining limited Units are owned by investors. The Parent Company owns all of the Series 6 and 7 Preferred Units of the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has exclusive control of the Operating Partnership's day-to-day management.

The Company believes combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of the Parent Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- eliminates duplicative disclosure and provides a more streamlined and readable presentation; and

- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports. Management operates the Parent Company and the Operating Partnership as one business. The management of the Parent Company consists of the same individuals as the management of the Operating Partnership. These individuals are officers of the Parent Company and employees of the Operating Partnership.

The Company believes it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how the Parent Company and the Operating Partnership operate as a consolidated company. The Parent Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing certain debt of the Operating Partnership. The Parent Company does not hold any indebtedness, but guarantees all of the unsecured public debt and approximately 15% of the secured debt of the Operating Partnership. The Operating Partnership holds all the assets of the Company and retains the ownership interests in the Company's joint ventures. Except for net proceeds from public equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates all remaining capital required by the Company's business. These sources include the Operating Partnership's operations, its direct or indirect incurrence of indebtedness, and the issuance of partnership units.

Stockholders' equity, partners' capital, and noncontrolling interests are the main areas of difference between the consolidated financial statements of the Parent Company and those of the Operating Partnership. The Operating Partnership's capital includes general and limited common Partnership Units, and Series 6 and 7 Preferred Units owned by the Parent Company. The limited partners' units in the Operating Partnership owned by third parties are accounted for in partners' capital in the Operating Partnership's financial statements and outside of stockholders' equity in noncontrolling interests in the Parent Company's financial statements. The Series 6 and 7 Preferred Units owned by the Parent Company are eliminated in consolidation in the accompanying consolidated financial statements of the Parent Company and are classified as preferred units of general partner in the accompanying consolidated financial statements of the Operating Partnership.

In order to highlight the differences between the Parent Company and the Operating Partnership, there are sections in this report that separately discuss the Parent Company and the Operating Partnership, including separate financial statements, controls and procedures sections, and separate Exhibit 31 and 32 certifications. In the sections that

combine disclosure for the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company.

As general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have assets other than its investment in the Operating Partnership. Therefore, while stockholders' equity and partners' capital differ as discussed above, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

REGENCY CENTERS CORPORATION

Consolidated Balance Sheets

June 30, 2015 and December 31, 2014

(in thousands, except share data)

	2015	2014
	(unaudited)	
Assets		
Real estate investments at cost:		
Land	\$ 1,405,931	1,380,211
Buildings and improvements	2,817,680	2,790,137
Properties in development	216,408	239,538
	4,440,019	4,409,886
Less: accumulated depreciation	990,744	933,708
	3,449,275	3,476,178
Operating properties held for sale	29,017	—
Investments in real estate partnerships	309,544	333,167
Net real estate investments	3,787,836	3,809,345
Cash and cash equivalents	27,114	113,776
Restricted cash	6,726	8,013
Accounts receivable, net of allowance for doubtful accounts of \$5,066 and \$4,523 at June 30, 2015 and December 31, 2014, respectively	25,506	30,999
Straight-line rent receivable, net of reserve of \$767 and \$652 at June 30, 2015 and December 31, 2014, respectively	59,168	55,768
Notes receivable	12,281	12,132
Deferred costs, less accumulated amortization of \$82,561 and \$81,822 at June 30, 2015 and December 31, 2014, respectively	74,978	71,502
Acquired lease intangible assets, less accumulated amortization of \$41,058 and \$36,112 at June 30, 2015 and December 31, 2014, respectively	46,737	52,365
Trading securities held in trust, at fair value	29,530	28,134
Other assets	28,392	15,136
Total assets	\$ 4,098,268	4,197,170
Liabilities and Equity		
Liabilities:		
Notes payable	\$ 1,868,700	1,946,357
Unsecured credit facilities	120,000	75,000
Accounts payable and other liabilities	142,415	181,197
Acquired lease intangible liabilities, less accumulated accretion of \$15,718 and \$13,993 at June 30, 2015 and December 31, 2014, respectively	30,125	32,143
Tenants' security and escrow deposits and prepaid rent	27,161	25,991
Total liabilities	2,188,401	2,260,688
Commitments and contingencies (note 12)		
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 30,000,000 shares authorized; 13,000,000 Series 6 and 7 shares issued and outstanding at June 30, 2015 and December 31, 2014, with liquidation preferences of \$25 per share	325,000	325,000
	943	941

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Common stock, \$0.01 par value per share, 150,000,000 shares authorized; 94,347,602 and 94,108,061 shares issued at June 30, 2015 and December 31, 2014, respectively		
Treasury stock at cost, 412,745 and 425,246 shares held at June 30, 2015 and December 31, 2014, respectively	(19,390)	(19,382)
Additional paid in capital	2,539,008	2,540,153
Accumulated other comprehensive loss	(48,799)	(57,748)
Distributions in excess of net income	(916,027)	(882,372)
Total stockholders' equity	1,880,735	1,906,592
Noncontrolling interests:		
Exchangeable operating partnership units, aggregate redemption value of \$9,093 and \$9,833 at June 30, 2015 and December 31, 2014, respectively	(1,940)	(1,914)
Limited partners' interests in consolidated partnerships	31,072	31,804
Total noncontrolling interests	29,132	29,890
Total equity	1,909,867	1,936,482
Total liabilities and equity	\$ 4,098,268	4,197,170
See accompanying notes to consolidated financial statements.		

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REGENCY CENTERS CORPORATION

Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues:				
Minimum rent	\$ 102,390	97,778	\$ 203,695	192,314
Percentage rent	300	545	2,108	1,930
Recoveries from tenants and other income	32,431	30,316	63,479	61,357
Management, transaction, and other fees	6,008	6,253	12,246	12,572
Total revenues	141,129	134,892	281,528	268,173
Operating expenses:				
Depreciation and amortization	36,225	36,023	72,218	73,929
Operating and maintenance	20,185	19,498	41,358	40,003
General and administrative	15,099	15,223	31,477	29,421
Real estate taxes	15,667	14,898	30,798	29,697
Other operating expenses	1,779	1,795	2,943	3,968
Total operating expenses	88,955	87,437	178,794	177,018
Other expense (income):				
Interest expense, net	26,675	27,445	53,308	54,580
Provision for impairment	—	—	—	225
Early extinguishment of debt	—	—	(61) —
Net investment income, including unrealized losses (gains) of \$892 and (\$290), and \$475 and (\$183) for the three and six months ended June 30, 2015 and 2014, respectively	(367	) (628	) (1,000	) (821
Total other expense	26,308	26,817	52,247	53,984
Income from operations before equity in income of investments in real estate partnerships	25,866	20,638	50,487	37,171
Equity in income of investments in real estate partnerships	6,757	8,832	12,324	16,640
Income from operations	32,623	29,470	62,811	53,811
Gain on sale of real estate	5,657	1,691	6,460	2,406
Net income	38,280	31,161	69,271	56,217
Noncontrolling interests:				
Exchangeable operating partnership units	(61	) (53	) (110	) (95
Limited partners' interests in consolidated partnerships	(473	) (360	) (977	) (719
Income attributable to noncontrolling interests	(534	) (413	) (1,087	) (814
Net income attributable to the Company	37,746	30,748	68,184	55,403
Preferred stock dividends	(5,266	) (5,266	) (10,531	) (10,531
Net income attributable to common stockholders	\$ 32,480	25,482	\$ 57,653	44,872
Income per common share - basic	\$ 0.35	0.28	\$ 0.61	0.48
Income per common share - diluted	\$ 0.34	0.28	\$ 0.61	0.48

See accompanying notes to consolidated financial statements.

REGENCY CENTERS CORPORATION
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income	\$ 38,280	31,161	\$ 69,271	56,217
Other comprehensive loss:				
Loss on settlement of derivative instruments:				
Amortization of loss on settled derivative instruments recognized in net income	2,107	2,165	4,215	4,532
Effective portion of change in fair value of derivative instruments:				
Effective portion of change in fair value of derivative instruments	18,376	(11,153)	4,494	(24,953)
Less: reclassification adjustment for change in fair value of derivative instruments included in net income	143	153	285	305
Available for sale securities				
Unrealized (loss) gain on available-for-sale securities (note 4)	(30)	914	(30)	914
Other comprehensive income (loss)	20,596	(7,921)	8,964	(19,202)
Comprehensive income	58,876	23,240	78,235	37,015
Less: comprehensive income (loss) attributable to noncontrolling interests:				
Net income attributable to noncontrolling interests	534	413	1,087	814
Other comprehensive income (loss) attributable to noncontrolling interests	119	(108)	15	(194)
Comprehensive income attributable to noncontrolling interests	653	305	1,102	620
Comprehensive income attributable to the Company	\$ 58,223	22,935	\$ 77,133	36,395

See accompanying notes to consolidated financial statements.

REGENCY CENTERS CORPORATION

Consolidated Statements of Equity

For the six months ended June 30, 2015 and 2014

(in thousands, except per share data)

(unaudited)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Comprehensive Net Income	Total Stockholders' Equity	Exchange Operative Partnership Units	Public's Interest Consolidated Partnerships	Total Noncontrolling Interests	Total Equity
Balance at December 31, 2013	\$325,000	923	(16,726)	2,426,477	(17,404)	(874,916)	1,843,354	(1,426)	19,206	17,780	1,861,134
Net income	—	—	—	—	—	55,403	55,403	95	719	814	56,217
Other comprehensive loss	—	—	—	—	(19,008)	—	(19,008)	(34)	(160)	(194)	(19,202)
Deferred compensation plan, net	—	—	(2,226)	2,226	—	—	—	—	—	—	—
Restricted stock issued, net of amortization	—	—	—	5,831	—	—	5,831	—	—	—	5,831
Common stock redeemed for taxes withheld for stock based compensation, net	—	—	—	(3,210)	—	—	(3,210)	—	—	—	(3,210)
Common stock issued for dividend reinvestment plan	—	—	—	604	—	—	604	—	—	—	604
Redemption of partnership units	—	—	—	—	—	—	—	(300)	—	(300)	(300)
Contributions from partners	—	—	—	—	—	—	—	—	15,551	15,551	15,551
Distributions to partners	—	—	—	—	—	—	—	—	(1,008)	(1,008)	(1,008)
Cash dividends declared: Preferred stock/unit	—	—	—	—	—	(10,531)	(10,531)	—	—	—	(10,531)

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Common stock/unit (\$0.94 per share)	—	—	—	—	—	(86,532)	(86,532)	(152)	—	(152)	(86,684)
Balance at June 30, 2014	\$325,000	923	(18,952)	2,431,928	(36,412)	(916,576)	1,785,911	(1,817)	34,308	32,491	1,818,402
Balance at December 31, 2014	\$325,000	941	(19,382)	2,540,153	(57,748)	(882,372)	1,906,592	(1,914)	31,804	29,890	1,936,482
Net income	—	—	—	—	—	68,184	68,184	110	977	1,087	69,271
Other comprehensive income	—	—	—	—	8,949	—	8,949	15	—	15	8,964
Deferred compensation plan, net	—	—	(8)	8	—	—	—	—	—	—	—
Restricted stock issued, net of amortization	—	3	—	7,001	—	—	7,004	—	—	—	7,004
Common stock redeemed for taxes withheld for stock based compensation, net	—	(1)	—	(9,792)	—	—	(9,793)	—	—	—	(9,793)
Common stock issued for dividend reinvestment plan	—	—	—	683	—	—	683	—	—	—	683
Common stock issued for stock offerings, net of issuance costs	—	—	—	955	—	—	955	—	—	—	955
Contributions from partners	—	—	—	—	—	—	—	—	256	256	256
Distributions to partners	—	—	—	—	—	—	—	—	(1,965)	(1,965)	(1,965)

REGENCY CENTERS CORPORATION
 Consolidated Statements of Equity
 For the six months ended June 30, 2015 and 2014
 (in thousands, except per share data)
 (unaudited)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Income	Total Stockholders' Equity	Exchangeable Operating Partnership Units	Noncontrolling Interests Limited Partners' Interest Consolidated Partnerships	Total Noncontrolling Interests	Total Equity
Cash dividends declared:											
Preferred stock/unit	—	—	—	—	—	(10,531)	(10,531)	—	—	—	(10,531)
Common stock/unit (\$0.97 per share)	—	—	—								