

REGENCY CENTERS CORP
 Form 10-Q
 November 05, 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

For the quarterly period ended September 30, 2015
 or

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

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 NO Regency Centers, L.P. YES NO

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 NO Regency Centers, L.P. YES NO

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 Accelerated filer

Non-accelerated filer Smaller reporting company

Regency Centers, L.P.:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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 NO Regency Centers, L.P. YES NO

The number of shares outstanding of the Regency Centers Corporation's voting common stock was 94,162,229 as of October 30, 2015.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 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 September 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 21% 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.

TABLE OF CONTENTS

Form 10-Q
Report Page

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Regency Centers Corporation:

Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014	<u>1</u>
Consolidated Statements of Operations for the periods ended September 30, 2015 and 2014	<u>2</u>
Consolidated Statements of Comprehensive Income for the periods ended September 30, 2015 and 2014	<u>3</u>
Consolidated Statements of Equity for the periods ended September 30, 2015 and 2014	<u>4</u>
Consolidated Statements of Cash Flows for the periods ended September 30, 2015 and 2014	<u>6</u>

Regency Centers, L.P.:

Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014	<u>8</u>
Consolidated Statements of Operations for the periods ended September 30, 2015 and 2014	<u>9</u>
Consolidated Statements of Comprehensive Income for the periods ended September 30, 2015 and 2014	<u>10</u>
Consolidated Statements of Capital for the periods ended September 30, 2015 and 2014	<u>11</u>
Consolidated Statements of Cash Flows for the periods ended September 30, 2015 and 2014	<u>12</u>
Notes to Consolidated Financial Statements	<u>14</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>26</u>
---	-----------

Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>51</u>
--	-----------

Item 4. Controls and Procedures	<u>51</u>
---------------------------------	-----------

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	<u>52</u>
---------------------------	-----------

Item 1A. Risk Factors	<u>52</u>
-----------------------	-----------

Edgar Filing: REGENCY CENTERS CORP - Form 10-Q

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>52</u>
Item 3. Defaults Upon Senior Securities	<u>52</u>
Item 4. Mine Safety Disclosures	<u>52</u>
Item 5. Other Information	<u>52</u>
Item 6. Exhibits	<u>53</u>
SIGNATURES	<u>54</u>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

REGENCY CENTERS CORPORATION

Consolidated Balance Sheets

September 30, 2015 and December 31, 2014

(in thousands, except share data)

	2015	2014
	(unaudited)	
Assets		
Real estate investments at cost:		
Land	\$ 1,431,612	1,380,211
Buildings and improvements	2,880,141	2,790,137
Properties in development	187,240	239,538
	4,498,993	4,409,886
Less: accumulated depreciation	1,014,788	933,708
	3,484,205	3,476,178
Investments in real estate partnerships	321,164	333,167
Net real estate investments	3,805,369	3,809,345
Cash and cash equivalents	23,880	113,776
Restricted cash	5,142	8,013
Accounts receivable, net of allowance for doubtful accounts of \$5,377 and \$4,523 at September 30, 2015 and December 31, 2014, respectively	24,642	30,999
Straight-line rent receivable, net of reserve of \$1,176 and \$652 at September 30, 2015 and December 31, 2014, respectively	61,435	55,768
Notes receivable	11,314	12,132
Deferred costs, less accumulated amortization of \$85,591 and \$81,822 at September 30, 2015 and December 31, 2014, respectively	77,599	71,502
Acquired lease intangible assets, less accumulated amortization of \$43,350 and \$36,112 at September 30, 2015 and December 31, 2014, respectively	108,400	52,365
Trading securities held in trust, at fair value	28,291	28,134
Other assets	24,815	15,136
Total assets	\$ 4,170,887	4,197,170
Liabilities and Equity		
Liabilities:		
Notes payable	\$ 1,808,652	1,946,357
Unsecured credit facilities	215,000	75,000
Accounts payable and other liabilities	171,304	181,197
Acquired lease intangible liabilities, less accumulated accretion of \$16,689 and \$13,993 at September 30, 2015 and December 31, 2014, respectively	43,161	32,143
Tenants' security, escrow deposits and prepaid rent	24,726	25,991
Total liabilities	2,262,843	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 September 30, 2015 and December 31, 2014, with liquidation preferences of \$25 per share	325,000	325,000
Common stock, \$0.01 par value per share, 150,000,000 shares authorized; 94,161,761 and 94,108,061 shares issued at September 30, 2015 and December 31, 2014, respectively	942	941

Edgar Filing: REGENCY CENTERS CORP - Form 10-Q

Treasury stock at cost, 414,541 and 425,246 shares held at September 30, 2015 and December 31, 2014, respectively	(19,438)	(19,382)
Additional paid in capital	2,542,791	2,540,153
Accumulated other comprehensive loss	(62,307)	(57,748)
Distributions in excess of net income	(907,962)	(882,372)
Total stockholders' equity	1,879,026	1,906,592
Noncontrolling interests:		
Exchangeable operating partnership units, aggregate redemption value of \$9,582 and \$9,833 at September 30, 2015 and December 31, 2014, respectively	(1,940)	(1,914)
Limited partners' interests in consolidated partnerships	30,958	31,804
Total noncontrolling interests	29,018	29,890
Total equity	1,908,044	1,936,482
Total liabilities and equity	\$ 4,170,887	4,197,170
See accompanying notes to consolidated financial statements.		

1

REGENCY CENTERS CORPORATION

Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,		
	2015	2014	2015	2014	
Revenues:					
Minimum rent	\$ 105,071	98,620	\$ 308,766	290,935	
Percentage rent	486	371	2,593	2,301	
Recoveries from tenants and other income	30,725	28,787	94,205	90,144	
Management, transaction, and other fees	5,786	5,781	18,032	18,353	
Total revenues	142,068	133,559	423,596	401,733	
Operating expenses:					
Depreciation and amortization	37,032	36,417	109,249	110,345	
Operating and maintenance	19,761	18,149	61,119	58,152	
General and administrative	14,750	14,463	46,227	43,883	
Real estate taxes	16,044	14,832	46,842	44,529	
Other operating expenses	1,880	2,062	4,825	5,665	
Total operating expenses	89,467	85,923	268,262	262,574	
Other expense (income):					
Interest expense, net	25,099	27,561	78,407	82,141	
Provision for impairment	—	—	—	225	
Early extinguishment of debt	—	—	(61) —	
Net investment loss (income), including unrealized losses of \$1,296 and \$472, and \$1,771 and \$289 for the three and nine months ended September 30, 2015 and 2014, respectively	1,190	(94) 190	(915)
Total other expense	26,289	27,467	78,536	81,451	
Income from operations before equity in income of investments in real estate partnerships	26,312	20,169	76,798	57,708	
Equity in income of investments in real estate partnerships	5,667	5,713	17,991	22,353	
Income from operations	31,979	25,882	94,789	80,061	
Gain on sale of real estate	27,755	27,558	34,215	29,598	
Net income	59,734	53,440	129,004	109,659	
Noncontrolling interests:					
Exchangeable operating partnership units	(94) (90) (204) (185)
Limited partners' interests in consolidated partnerships	(643) (142) (1,619) (863)
Income attributable to noncontrolling interests	(737) (232) (1,823) (1,048)
Net income attributable to the Company	58,997	53,208	127,181	108,611	
Preferred stock dividends	(5,266) (5,266) (15,797) (15,797)
Net income attributable to common stockholders	\$ 53,731	47,942	\$ 111,384	92,814	
Income per common share - basic	\$ 0.57	0.52	\$ 1.18	1.00	
Income per common share - diluted	\$ 0.57	0.52	\$ 1.18	1.00	

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income	\$ 59,734	53,440	\$ 129,004	109,659
Other comprehensive loss:				
Loss on settlement of derivative instruments:				
Amortization of loss on settled derivative instruments recognized in net income	2,011	2,107	6,225	6,639
Effective portion of change in fair value of derivative instruments:				
Effective portion of change in fair value of derivative instruments	(15,768)	(3,651)	(11,274)	(28,603)
Less: reclassification adjustment for change in fair value of derivative instruments included in net income	144	153	429	459
Available for sale securities				
Unrealized (loss) gain on available-for-sale securities (note 4)	(43)	3,895	(73)	4,809
Other comprehensive (loss) income	(13,656)	2,504	(4,693)	(16,696)
Comprehensive income	46,078	55,944	124,311	92,963
Less: comprehensive income (loss) attributable to noncontrolling interests:				
Net income attributable to noncontrolling interests	737	232	1,823	1,048
Other comprehensive (loss) income attributable to noncontrolling interests	(149)	56	(134)	(137)
Comprehensive income attributable to noncontrolling interests	588	288	1,689	911
Comprehensive income attributable to the Company	\$ 45,490	55,656	\$ 122,622	92,052

See accompanying notes to consolidated financial statements.

REGENCY CENTERS CORPORATION

Consolidated Statements of Equity

For the nine months ended September 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	—	—	—	—	—	108,611	108,611	185	863	1,048	109,659
Other comprehensive loss	—	—	—	—	(16,559)	—	(16,559)	(29)	(108)	(137)	(16,696)
Deferred compensation plan, net	—	—	(2,441)	2,441	—	—	—	—	—	—	—
Restricted stock issued, net of amortization	—	—	—	8,747	—	—	8,747	—	—	—	8,747
Common stock redeemed for taxes withheld for stock based compensation, net	—	—	—	(3,528)	—	—	(3,528)	—	—	—	(3,528)
Common stock issued for dividend reinvestment plan	—	—	—	895	—	—	895	—	—	—	895
Common stock issued for partnership units exchanged	—	—	—	137	—	—	137	(137)	—	(137)	—
Common stock issued for stock offerings, net of issuance costs	—	9	—	49,291	—	—	49,300	—	—	—	49,300
	—	—	—	—	—	—	—	(300)	—	(300)	(300)

Redemption of partnership units												
Contributions from partners	—	—	—	—	—	—	—	—	15,933	15,933	15,933	
Distributions to partners	—	—	—	—	—	—	—	—	(5,051)	(5,051)	(5,051))
Cash dividends declared:												
Preferred stock/unit	—	—	—	—	—	(15,797)	(15,797)	—	—	—	(15,797))
Common stock/unit (\$1.41 per share)	—	—	—	—	—	(129,939)	(129,939)	(228)	—	(228)	(130,167))
Balance at September 30, 2014	\$325,000	932	(19,167)	2,484,460	(33,963)	(912,041)	1,845,221	(1,935)	30,843	28,908	1,874,129	
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	—	—	—	—	—	127,181	127,181	204	1,619	1,823	129,004	
Other comprehensive income	—	—	—	—	(4,559)	—	(4,559)	(7)	(127)	(134)	(4,693))
Deferred compensation plan, net	—	—	(56)	56	—	—	—	—	—	—	—	
Restricted stock issued, net of amortization	—	—	—	10,441	—	—	10,441	—	—	—	10,441	
Common stock redeemed for taxes withheld for stock based compensation, net	—	—	—	(9,770)	—	—	(9,770)	—	—	—	(9,770))
Common stock issued for dividend reinvestment plan	—	—	—	966	—	—	966	—	—	—	966	

REGENCY CENTERS CORPORATION

Consolidated Statements of Equity

For the nine months ended September 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 Retained Earnings Net Income	Total Stockholders' Equity	Exchangeable Operating Partnership Units	Limited Partners' Interest in Consolidated Partnerships	Total Noncontrolling Interests	Total Equity
Common stock issued for stock offerings, net of issuance costs	—	1	—	945	—	—	946	—	—	—	946
Contributions from partners	—	—	—	—	—	—	—	—	454	454	454
Distributions to partners	—	—	—	—	—	—	—	—	(2,792)	(2,792)	(2,792)
Cash dividends declared:											