

AMERICAN CAMPUS COMMUNITIES INC

Form 10-Q

August 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2014.

o 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 001-32265 (American Campus Communities, Inc.)

Commission file number 333-181102-01 (American Campus Communities Operating Partnership, L.P.)

AMERICAN CAMPUS COMMUNITIES, INC.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P.

(Exact name of registrant as specified in its charter)

Maryland (American Campus Communities, Inc.)  
Maryland (American Campus Communities Operating  
Partnership, L.P.)  
(State or Other Jurisdiction of  
Incorporation or Organization)

76-0753089 (American Campus Communities, Inc.)  
56-2473181 (American Campus Communities Operating  
Partnership, L.P.)  
(IRS Employer Identification No.)

12700 Hill Country Blvd., Suite T-200  
Austin, TX  
(Address of Principal Executive Offices)

78738  
(Zip Code)

(512) 732-1000

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.

American Campus Communities, Inc. Yes x No o

American Campus Communities Operating Partnership, 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

American Campus Communities, Inc. Yes x No o

American Campus Communities Operating Partnership, L.P. Yes x No o

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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.

American Campus Communities,  
Inc.

Large accelerated filer  x

Accelerated Filer  o

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Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

American Campus Communities Operating Partnership, L.P.

Large accelerated filer

Accelerated Filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

American Campus Communities, Inc.

Yes  No

American Campus Communities Operating Partnership, L.P.

Yes  No

There were 104,931,996 shares of the American Campus Communities, Inc.'s common stock with a par value of \$0.01 per share outstanding as of the close of business on August 4, 2014.

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## EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2014 of American Campus Communities, Inc. and American Campus Communities Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to “ACC” mean American Campus Communities, Inc., a Maryland real estate investment trust (“REIT”), and references to “ACCOP” mean American Campus Communities Operating Partnership, L.P., a Maryland limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. The following chart illustrates the Company’s and the Operating Partnership’s corporate structure:

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of June 30, 2014, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of June 30, 2014, ACC owned an approximate 98.8% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of ACC consists of the same members as the management of ACCOP. The Company is structured as an umbrella partnership REIT (“UPREIT”) and ACC contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, ACC receives a number of units of the Operating Partnership (“OP Units,” see definition below) equal to the number of common shares it has issued in the equity offering. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in the Operating Partnership. Based on the terms of ACCOP’s partnership agreement, OP Units can be exchanged for ACC’s common shares on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units of the Operating Partnership issued to ACC and ACC Holdings and the common shares issued to the public. The Company believes that combining the reports on Form 10-Q of ACC and ACCOP into this single report provides the following benefits:

- (1) enhances investors’ understanding of the 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;
  - (2) eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
  - (3) creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.
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ACC consolidates ACCOP for financial reporting purposes, and ACC essentially has no assets or liabilities other than its investment in ACCOP. Therefore, the assets and liabilities of the Company and the Operating Partnership are the same on their respective financial statements. However, the Company believes it is important to understand the few differences between the Company and the Operating Partnership in the context of how the entities operate as a consolidated company. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership. ACC also issues public equity from time to time and guarantees certain debt of ACCOP, as disclosed in this report. ACC does not have any indebtedness, as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from ACC's equity offerings, which are contributed to the capital of ACCOP in exchange for OP Units on a one-for-one common share per OP Unit basis, the Operating Partnership generates all remaining capital required by the Company's business. These sources include, but are not limited to, the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its credit facility, and proceeds received from the disposition of certain properties. Noncontrolling interests, stockholders' equity, and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements consist of the interests of unaffiliated partners in various consolidated joint ventures. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level and OP Unit holders of the Operating Partnership. The differences between stockholders' equity and partners' capital result from differences in the equity issued at the Company and Operating Partnership levels.

To help investors understand the significant differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership. A single set of consolidated notes to such financial statements is presented that includes separate discussions for the Company and the Operating Partnership when applicable (for example, noncontrolling interests, stockholders' equity or partners' capital, earnings per share or unit, etc.). A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents discrete information related to each entity, as applicable. This report also includes separate Part I, Item 4 Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company operates its business through the Operating Partnership. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

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 FOR THE QUARTER ENDED JUNE 30, 2014  
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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

|  | June 30, 2014<br>(Unaudited) | December 31, 2013 |
|--|------------------------------|-------------------|
| Assets   |                              |                   |
| Investments in real estate:  |                              |                   |
| Wholly-owned properties, net   | \$5,291,661                  | \$5,199,008       |
| Wholly-owned property held for sale  | —                            | 14,408            |
| On-campus participating properties, net  | 90,480                       | 73,456            |
| Investments in real estate, net  | 5,382,141                    | 5,286,872         |
| Cash and cash equivalents  | 64,324                       | 38,751            |
| Restricted cash  | 35,132                       | 35,451            |
| Student contracts receivable, net  | 8,947                        | 9,238             |
| Other assets   | 230,449                      | 227,728           |
| Total assets   | \$5,720,993                  | \$5,598,040       |
| Liabilities and equity   |                              |                   |
| Liabilities:   |                              |                   |
| Secured mortgage, construction and bond debt   | \$1,425,398                  | \$1,507,216       |
| Secured agency facility  | 87,750                       | 87,750            |
| Unsecured notes  | 798,224                      | 398,721           |
| Unsecured term loans   | 600,000                      | 600,000           |
| Unsecured revolving credit facility  | —                            | 150,700           |
| Accounts payable and accrued expenses  | 58,436                       | 65,088            |
| Other liabilities  | 113,987                      | 110,036           |
| Total liabilities  | 3,083,795                    | 2,919,511         |
| Commitments and contingencies (Note 14)  |                              |                   |
| Redeemable noncontrolling interests  | 53,054                       | 47,964            |
| Equity:  |                              |                   |
| American Campus Communities, Inc. stockholders' equity:  |                              |                   |
| Common stock, \$.01 par value, 800,000,000 shares<br>authorized, 104,931,996 and 104,782,817 shares issued and outstanding<br>at June 30, 2014 and December 31, 2013, respectively | 1,043                        | 1,043             |
| Additional paid in capital   | 3,013,401                    | 3,017,631         |
| Accumulated earnings and dividends   | (428,676                     | ) (392,338        |
| Accumulated other comprehensive loss   | (7,290                       | ) )               |