

AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
August 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 June 30, 2012.

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)

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

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

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 No

American Campus Communities Operating Partnership, 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 (§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).

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American Campus Communities, Inc.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
American Campus Communities Operating Partnership, L.P.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

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 <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)		Smaller reporting company <input type="checkbox"/>

American Campus Communities Operating Partnership, L.P.

Large accelerated filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)		Smaller reporting company <input type="checkbox"/>

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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
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American Campus Communities Operating Partnership, L.P.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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There were 91,982,368 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 July 31, 2012.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2012 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, 2012, 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, 2012, ACC owned an approximate 98.7% 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 ACCOP (“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 ACCOP. 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 ACCOP 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 the Company and the Operating Partnership into this single report provides the following benefits:

- 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;
- 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
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

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 facilities, 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 ACCOP. 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.

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2012

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Investments in real estate:		
Wholly-owned properties, net	\$ 3,016,961	\$ 2,761,757
Wholly-owned property held for sale	-	27,300
On-campus participating properties, net	58,298	59,850
Investments in real estate, net	3,075,259	2,848,907
Cash and cash equivalents	17,606	22,399
Restricted cash	39,803	22,956
Student contracts receivable, net	3,908	5,324
Other assets	103,933	108,996
Total assets	\$ 3,240,509	\$ 3,008,582
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt	\$ 919,847	\$ 858,530
Unsecured term loan	350,000	200,000
Unsecured revolving credit facility	241,000	273,000
Secured agency facility	116,000	116,000
Accounts payable and accrued expenses	38,144	36,884
Other liabilities	76,122	77,840
Total liabilities	1,741,113	1,562,254
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	42,884	42,529
Equity:		
American Campus Communities, Inc. stockholders' equity:		
Common stock, \$.01 par value, 800,000,000 shares authorized, 74,732,368 and 72,759,546 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	744	725
Additional paid in capital	1,737,397	1,664,416
Accumulated earnings and dividends	(305,054)	(286,565)
Accumulated other comprehensive loss	(5,165)	(3,360)
Total American Campus Communities, Inc. stockholders' equity	1,427,922	1,375,216
Noncontrolling interests - partially owned properties	28,590	28,583
Total equity	1,456,512	1,403,799

Total liabilities and equity	\$	3,240,509	\$	3,008,582
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See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues				
Wholly-owned properties	\$ 96,561	\$ 81,801	\$ 196,151	\$ 167,425
On-campus participating properties	4,712	4,457	12,679	12,104
Third-party development services	3,866	758	5,960	4,582
Third-party management services	1,638	1,803	3,396	3,633
Resident services	185	274	528	615
Total revenues	106,962	89,093	218,714	188,359
Operating expenses				
Wholly-owned properties	45,160	37,348	88,883	74,942
On-campus participating properties	2,801	2,881	5,296	4,625
Third-party development and management services	2,626	2,631	5,411	5,313
General and administrative	4,638	3,278	8,178	6,051
Depreciation and amortization	24,482	21,477	48,881	42,712
Ground/facility leases	804	658	1,768	1,814
Total operating expenses	80,511	68,273	158,417	135,457
Operating income	26,451	20,820	60,297	52,902
Nonoperating income and (expenses)				
Interest income	414	159	930	209
Interest expense	(12,808)	(12,178)	(26,090)	(26,191)
Amortization of deferred financing costs	(981)	(1,329)	(1,982)	(2,559)
(Loss) income from unconsolidated joint ventures	-	(13)	444	(25)
Other nonoperating loss	-	-	(122)	-
Total nonoperating expenses	(13,375)	(13,361)	(26,820)	(28,566)
Income before income taxes and discontinued operations				
Income tax provision	13,076	7,459	33,477	24,336
Income tax provision	(156)	(142)	(312)	(285)
Income from continuing operations	12,920	7,317	33,165	24,051
Discontinued operations				
Income attributable to discontinued operations	4	290	564	1,436
Gain from disposition of real estate	83	14,574	83	14,574
Total discontinued operations	87	14,864	647	16,010
Net income	13,007	22,181	33,812	40,061
Net income attributable to noncontrolling interests				
Redeemable noncontrolling interests	(188)	(334)	(475)	(621)

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Partially owned properties	(491)	(107)	(983)	(287)
Net income attributable to noncontrolling interests	(679)	(441)	(1,458)	(908)
Net income attributable to common shareholders	\$ 12,328	\$ 21,740	\$ 32,354	\$ 39,153
Other comprehensive (loss) income				
Change in fair value of interest rate swaps	(5,209)	182	(1,805)	927
Comprehensive income	\$ 7,119	\$ 21,922	\$ 30,549	\$ 40,080
Income per share attributable to common shareholders - basic				
Income from continuing operations per share	\$ 0.16	\$ 0.10	\$ 0.42	\$ 0.34
Net income per share	\$ 0.16	\$ 0.31	\$ 0.43	\$ 0.57
Income per share attributable to common shareholders - diluted				
Income from continuing operations per share	\$ 0.16	\$ 0.10	\$ 0.41	\$ 0.34
Net income per share	\$ 0.16	\$ 0.31	\$ 0.42	\$ 0.57
Weighted-average common shares outstanding				
Basic	74,718,934	68,655,732	74,467,893	67,810,944
Diluted	75,305,780	69,211,856	75,085,040	68,387,966
Distributions declared per common share	\$ 0.3375	\$ 0.3375	\$ 0.675	\$ 0.675

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited, in thousands, except share data)

	Common Shares	Par Value of Common Shares	Additional Paid in Capital	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Equity, December 31, 2011	72,759,546	\$ 725	\$ 1,664,416	\$ (286,565)	\$ (3,360)	\$ 28,583	\$ 1,403,799
Net proceeds from sale of common stock	1,802,306	18	73,205	-	-	-	73,223
Adjustments to reflect redeemable noncontrolling interests at fair value	-	-	(1,489)	-	-	-	(1,489)
Amortization of restricted stock awards	-	-	2,623	-	-	-	2,623
Vesting of restricted stock awards	113,345	-	(2,156)	-	-	-	(2,156)
Distributions to common and restricted stockholders	-	-	-	(50,843)	-	-	(50,843)
Distributions to joint venture partners	-	-	-	-	-	(976)	(976)
Conversion of common units to common stock	57,171	1	888	-	-	-	889
Redemption of common units	-	-	(90)	-	-	-	(90)
Change in fair value of interest rate swaps	-	-	-	-	(1,805)	-	(1,805)
Net income	-	-	-	32,354	-	983	33,337
Equity, June 30, 2012	74,732,368	\$ 744	\$ 1,737,397	\$ (305,054)	\$ (5,165)	\$ 28,590	\$ 1,456,512

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended June 30,	
	2012	2011
Operating activities		
Net income	\$ 33,812	\$ 40,061
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from disposition of real estate	(83)	(14,574)
Loss on remeasurement of equity method investment	122	-
Depreciation and amortization	48,881	44,376
Amortization of deferred financing costs and debt premiums/discounts	1,444	(419)
Share-based compensation	2,623	2,191
(Income) loss from unconsolidated joint ventures	(444)	25
Income tax provision	312	285
Changes in operating assets and liabilities:		
Restricted cash	(2,755)	(1,880)
Student contracts receivable, net	1,487	2,120
Other assets	4,429	(9,444)
Accounts payable and accrued expenses	(4,131)	(5,704)
Other liabilities	(4,338)	(4,284