

Section 1: 10-Q (10-Q)

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 March 31, 2019.

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 LP)

AMERICAN CAMPUS COMMUNITIES, INC.
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP LP
(Exact name of registrant as specified in its charter)

Maryland (American Campus Communities, Inc.)
Maryland (American Campus Communities Operating
Partnership LP)
(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 LP)
(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 LP Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

American Campus Communities, Inc. Yes No

American Campus Communities Operating Partnership LP Yes No

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

American Campus Communities, Inc.

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

American Campus Communities Operating Partnership LP

Large accelerated filer

Accelerated Filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 LP

Yes No

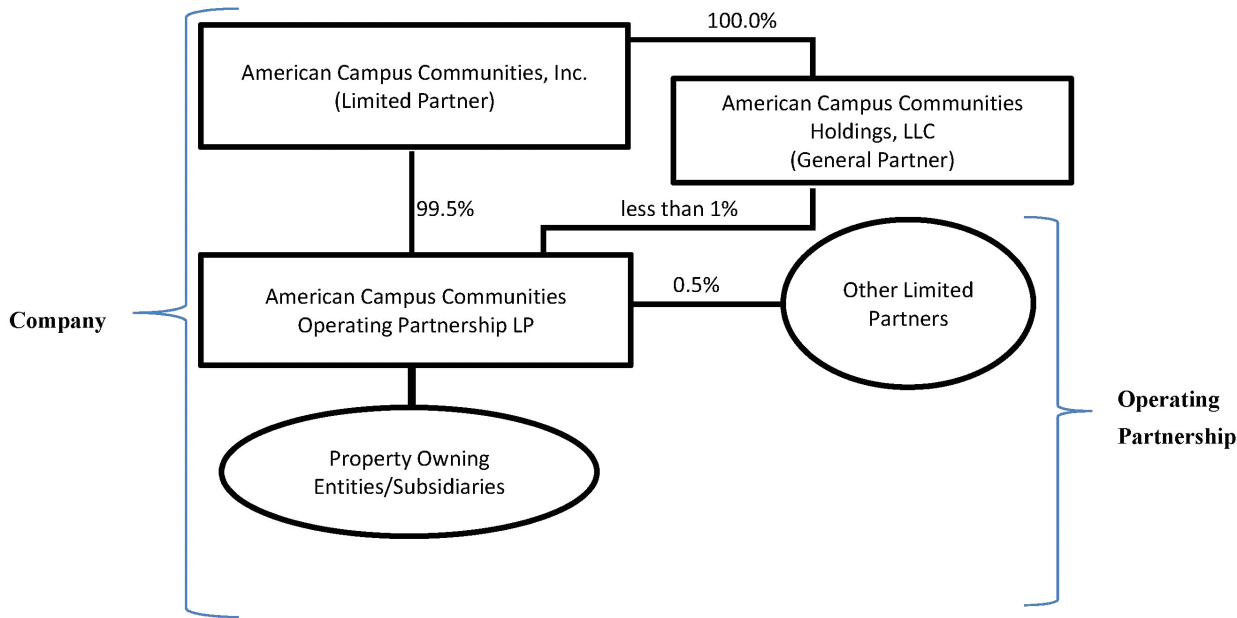
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value \$.01 per share	ACC	New York Stock Exchange

There were 137,260,121 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 April 26, 2019.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended March 31, 2019 of American Campus Communities, Inc. and American Campus Communities Operating Partnership LP. Unless stated otherwise or the context otherwise requires, references to “ACC” mean American Campus Communities, Inc., a Maryland corporation that has elected to be treated as a real estate investment trust (“REIT”) under the Internal Revenue Code, and references to “ACCOP” mean American Campus Communities Operating Partnership LP, 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 March 31, 2019, 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 March 31, 2019, ACC owned an approximate 99.5% 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.

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, the issuance of unsecured notes, 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.

FORM 10-Q
FOR THE QUARTER ENDED March 31, 2019
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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(Unaudited)	
Assets		
Investments in real estate:		
Owned properties, net	\$ 6,606,019	\$ 6,583,397
Owned property held for sale	9,258	—
On-campus participating properties, net	78,870	77,637
Investments in real estate, net	<u>6,694,147</u>	<u>6,661,034</u>
Cash and cash equivalents	46,166	71,238
Restricted cash	33,689	35,279
Student contracts receivable	14,056	8,565
Other assets	537,390	262,730
Total assets	<u>\$ 7,325,448</u>	<u>\$ 7,038,846</u>
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt, net	\$ 864,070	\$ 853,084
Unsecured notes, net	1,589,096	1,588,446
Unsecured term loans, net	198,857	198,769
Unsecured revolving credit facility	457,400	387,300
Accounts payable and accrued expenses	58,439	88,767
Operating lease liabilities	282,550	—
Other liabilities	185,234	191,233
Total liabilities	<u>3,635,646</u>	<u>3,307,599</u>
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	186,695	184,446
Equity:		
American Campus Communities, Inc. and Subsidiaries stockholders' equity:		
Common stock, \$0.01 par value, 800,000,000 shares authorized, 137,188,689 and 136,967,286 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	1,370	1,370
Additional paid in capital	4,455,948	4,458,240
Common stock held in rabbi trust, 71,432 and 69,603 shares at March 31, 2019 and December 31, 2018, respectively	(3,162)	(3,092)
Accumulated earnings and dividends	(1,005,041)	(971,070)
Accumulated other comprehensive loss	(10,191)	(4,397)
Total American Campus Communities, Inc. and Subsidiaries stockholders' equity	<u>3,438,924</u>	<u>3,481,051</u>
Noncontrolling interests - partially owned properties	64,183	65,750
Total equity	<u>3,503,107</u>	<u>3,546,801</u>
Total liabilities and equity	<u>\$ 7,325,448</u>	<u>\$ 7,038,846</u>

Consolidated variable interest entities' assets and debt included in the above balances:

Investments in real estate, net	\$ 1,056,632	\$ 1,042,585
Cash, cash equivalents and restricted cash	\$ 52,282	\$ 72,218

Other assets	\$	17,747	\$	11,918
Secured mortgage and construction debt, net	\$	465,744	\$	447,292
Accounts payable, accrued expenses and other liabilities	\$	47,981	\$	53,432

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except share and per share data)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Owned properties	\$ 224,419	\$ 205,532
On-campus participating properties	11,448	10,443
Third-party development services	3,171	846
Third-party management services	2,311	2,731
Resident services	782	857
Total revenues	242,131	220,409
Operating expenses:		
Owned properties	92,169	88,060
On-campus participating properties	3,957	3,425
Third-party development and management services	4,186	4,198
General and administrative	7,315	6,699
Depreciation and amortization	68,755	64,779
Ground/facility leases	3,549	2,842
Provision for real estate impairment	3,201	—
Total operating expenses	183,132	170,003
Operating income	58,999	50,406
Nonoperating income (expenses):		
Interest income	926	1,223
Interest expense	(27,061)	(23,684)
Amortization of deferred financing costs	(1,132)	(1,414)
Total nonoperating expenses	(27,267)	(23,875)
Income before income taxes	31,732	26,531
Income tax provision	(364)	(281)
Net income	31,368	26,250
Net income attributable to noncontrolling interests	(1,728)	(323)
Net income attributable to ACC, Inc. and Subsidiaries common stockholders	\$ 29,640	\$ 25,927
Other comprehensive (loss) income		
Change in fair value of interest rate swaps and other	(5,794)	465
Comprehensive income	\$ 23,846	\$ 26,392
Net income per share attributable to ACC, Inc. and Subsidiaries common shareholders		
Basic	\$ 0.21	\$ 0.19
Diluted	\$ 0.21	\$ 0.18
Weighted-average common shares outstanding:		
Basic	137,101,535	136,525,557
Diluted	138,152,378	137,499,963

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited, in thousands, except share data)

	Common Shares	Par Value of Common Shares	Additional Paid in Capital	Common Shares Held in Rabbi Trust	Common Shares Held in Rabbi Trust at Cost	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests – Partially Owned Properties	Total
Equity, December 31, 2018	136,967,286	\$ 1,370	\$ 4,458,240	69,603	\$ (3,092)	\$ (971,070)	\$ (4,397)	\$ 65,750	\$ 3,546,801
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	(2,547)	—	—	—	—	—	(2,547)
Amortization of restricted stock awards and vesting of restricted stock units	—	—	3,765	—	—	—	—	—	3,765
Vesting of restricted stock awards	180,961	—	(3,831)	—	—	—	—	—	(3,831)
Distributions to common and restricted stockholders and other (\$0.46 per common share)	—	—	—	—	—	(63,611)	—	—	(63,611)
Contributions by noncontrolling interests - partially owned properties	—	—	—	—	—	—	—	625	625
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	—	—	(3,661)	(3,661)
Conversion of common and preferred operating partnership units to common stock	42,271	—	251	—	—	—	—	—	251
Change in fair value of interest rate swaps and other	—	—	—	—	—	—	(5,794)	—	(5,794)
Deposits to deferred compensation plan, net of withdrawals	(1,829)	—	70	1,829	(70)	—	—	—	—
Net income	—	—	—	—	—	29,640	—	1,469	31,109
Equity, March 31, 2019	137,188,689	\$ 1,370	\$ 4,455,948	71,432	\$ (3,162)	\$ (1,005,041)	\$ (10,191)	\$ 64,183	\$ 3,503,107

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited, in thousands, except share data)

	Common Shares	Par Value of Common Shares	Additional Paid in Capital	Common Shares Held in Rabbi Trust	Common Shares Held in Rabbi Trust at Cost	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests – Partially Owned Properties	Total
Equity, December 31, 2017	136,362,728	\$ 1,364	\$ 4,326,910	63,778	\$ (2,944)	\$ (837,644)	\$ (2,701)	\$ 13,973	\$ 3,498,958
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	4,526	—	—	—	—	—	4,526
Amortization of restricted stock awards and vesting of restricted stock units	3,040	—	3,443	—	—	—	—	—	3,443
Vesting of restricted stock awards	165,263	1	(2,758)	—	—	—	—	—	(2,757)
Distributions to common and restricted stockholders and other (\$0.44 per common share)	—	—	—	—	—	(60,564)	—	—	(60,564)
Contributions by noncontrolling interests - partially owned properties	—	—	—	—	—	—	—	9,515	9,515
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	—	—	(47)	(47)
Conversion of common and preferred operating partnership units to common stock	68,448	1	477	—	—	—	—	—	478
Change in fair value of interest rate swaps and other	—	—	—	—	—	—	465	—	465
Withdrawals from deferred compensation plan, net of deposits	1,160	—	(127)	(1,160)	127	—	—	—	—
Net income	—	—	—	—	—	25,927	—	113	26,040
Equity, March 31, 2018	136,600,639	\$ 1,366	\$ 4,332,471	62,618	\$ (2,817)	\$ (872,281)	\$ (2,236)	\$ 23,554	\$ 3,480,057

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2019	2018
Operating activities		
Net income	\$ 31,368	\$ 26,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for real estate impairment	3,201	—
Depreciation and amortization	68,755	64,779
Amortization of deferred financing costs and debt premiums/discounts	(19)	(16)
Share-based compensation	3,765	3,443
Income tax provision	364	281
Amortization of interest rate swap terminations and other	102	102
Changes in operating assets and liabilities:		
Student contracts receivable	(5,491)	(556)
Other assets	(7,723)	2,100
Accounts payable and accrued expenses	(30,595)	(1,088)
Other liabilities	16,885	12,845
Net cash provided by operating activities	80,612	108,140
Investing activities		
Capital expenditures for owned properties	(10,751)	(11,338)
Investments in owned properties under development	(104,768)	(122,912)
Capital expenditures for on-campus participating properties	(230)	(1,146)
Other investing activities	(1,123)	(1,314)
Net cash used in investing activities	(116,872)	(136,710)
Financing activities		
Pay-off of mortgage and construction loans	—	(10,375)
Proceeds from revolving credit facility	180,600	234,900
Paydowns of revolving credit facility	(110,500)	(144,500)
Proceeds from construction loans	14,174	32,966
Scheduled principal payments on debt	(2,040)	(2,248)
Debt issuance and assumption costs	(1,853)	—
Contribution by noncontrolling interests	625	854
Taxes paid on net-share settlements	(3,831)	(2,757)
Distributions paid to common and restricted stockholders	(63,611)	(60,564)
Distributions paid to noncontrolling interests	(3,966)	(491)
Net cash provided by financing activities	9,598	47,785
Net change in cash, cash equivalents, and restricted cash	(26,662)	19,215
Cash, cash equivalents, and restricted cash at beginning of period	106,517	64,772
Cash, cash equivalents, and restricted cash at end of period	\$ 79,855	\$ 83,987
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	\$ 46,166	\$ 55,502
Restricted cash	33,689	28,485
Total cash, cash equivalents, and restricted cash at end of period	\$ 79,855	\$ 83,987
Supplemental disclosure of non-cash investing and financing activities		
Conversion of common and preferred operating partnership units to common stock	\$ 251	\$ 478
Non-cash contribution from noncontrolling interest	\$ —	\$ 8,729

Change in accrued construction in progress	\$ (13,915)	\$ 12,118
Change in fair value of derivative instruments, net	\$ (5,896)	\$ 363
Adjustment to reflect redeemable noncontrolling interests at fair value	\$ (2,547)	\$ 4,526
Initial recognition of operating lease right of use assets	\$ 280,687	\$ —
Initial recognition of operating lease liabilities	\$ 279,982	\$ —
Supplemental disclosure of cash flow information		
Interest paid	\$ 20,912	\$ 17,911

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP LP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	March 31, 2019	December 31, 2018
	(Unaudited)	
Assets		
Investments in real estate:		
Owned properties, net	\$ 6,606,019	\$ 6,583,397
Owned property held for sale	9,258	—
On-campus participating properties, net	78,870	77,637
Investments in real estate, net	6,694,147	6,661,034
Cash and cash equivalents	46,166	71,238
Restricted cash	33,689	35,279
Student contracts receivable	14,056	8,565
Other assets	537,390	262,730
Total assets	\$ 7,325,448	\$ 7,038,846
Liabilities and capital		
Liabilities:		
Secured mortgage, construction and bond debt, net	\$ 864,070	\$ 853,084
Unsecured notes, net	1,589,096	1,588,446
Unsecured term loans, net	198,857	198,769
Unsecured revolving credit facility	457,400	387,300
Accounts payable and accrued expenses	58,439	88,767
Operating lease liabilities	282,550	—
Other liabilities	185,234	191,233
Total liabilities	3,635,646	3,307,599
Commitments and contingencies (Note 12)		
Redeemable limited partners	186,695	184,446
Capital:		
Partners' capital:		
General partner - 12,222 OP units outstanding at both March 31, 2019 and December 31, 2018	52	55
Limited partner - 137,247,899 and 137,024,667 OP units outstanding at March 31, 2019 and December 31, 2018, respectively	<div style="text-align: right; font-	