

SL GREEN REALTY CORP
Form 10-Q
May 09, 2016

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, 2016

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: 1-13199 (SL Green Realty Corp.)

Commission File Number: 33-167793-02 (SL Green Operating Partnership, L.P.)

SL GREEN REALTY CORP.
SL GREEN OPERATING PARTNERSHIP, L.P.
(Exact name of registrant as specified in its charter)

SL Green Realty Corp.	Maryland	13-3956755
SL Green Operating Partnership, L.P.	Delaware	13-3960938
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, New York, NY 10170
(Address of principal executive offices—Zip Code)

(212) 594-2700
(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.

SL Green Realty Corp. Yes No SL Green Operating Partnership, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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).

SL Green Realty Corp. Yes No SL Green Operating Partnership, 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.

SL Green Realty Corp.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting

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company)

SL Green Operating Partnership, L.P.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

(Do not check if a
smaller reporting company)

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

SL Green Realty Corp. Yes No SL Green Operating Partnership, L.P. Yes No

As of May 6, 2016, 100,236,718 shares of SL Green Realty Corp.'s common stock, par value \$0.01 per share, were outstanding. As of May 6, 2016, 1,497,718 common units of limited partnership interest of SL Green Operating Partnership, L.P. were held by non-affiliates. There is no established trading market for such units.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2016 of SL Green Realty Corp. and SL Green Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to "SL Green Realty Corp.," the "Company" or "SL Green" mean SL Green Realty Corp. and its consolidated subsidiaries; and references to "SL Green Operating Partnership, L.P.," the "Operating Partnership" or "SLGOP" mean SL Green Operating Partnership, L.P. and its consolidated subsidiaries. The terms "we," "our" and "us" mean the Company and all the entities owned or controlled by the Company, including the Operating Partnership. The Company is a Maryland corporation which operates as a self-administered and self-managed real estate investment trust, or REIT, and is the sole managing general partner of the Operating Partnership. As a general partner of the Operating Partnership, the Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

As of March 31, 2016, the Company owned 96.16% of the outstanding general and limited partnership interest in the Operating Partnership and noncontrolling investors held, in aggregate, a 3.84% limited partnership interest in the Operating Partnership. The Company also owns 9,200,000 Series I Preferred Units of the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one entity. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

Noncontrolling interests in the Operating Partnership, stockholders' equity of the Company and partners' capital of the Operating Partnership are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The common limited partnership interests in the Operating Partnership not owned by the Company are accounted for as partners' capital in the Operating Partnership's consolidated financial statements and as noncontrolling interests, within mezzanine equity, in the Company's consolidated financial statements.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- Combined reports enhance 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;
- Combined reports eliminate duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership; and
- Combined reports create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
 - Note 11, Noncontrolling Interests on the Company's Consolidated Financial Statements;
 - Note 12, Stockholders' Equity of the Company;
 - Note 13, Partners' Capital of the Operating Partnership;

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership, respectively, in order to establish that the Chief Executive Officer and the Chief Financial Officer of the Company, in both their capacity as the principal executive officer and principal financial officer of the Company and the principal executive officer and principal financial officer of the general partner of the Operating Partnership, have made the requisite certifications and that the Company and the Operating Partnership are compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended.

SL GREEN REALTY CORP. AND SL GREEN OPERATING PARTNERSHIP, L.P.
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PART I

ITEM 1.

SL Green Realty Corp.

Consolidated Balance Sheets

(in thousands, except per share data)

	March 31, 2016 (unaudited)	December 31, 2015
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$4,115,982	\$4,779,159
Building and improvements	9,334,385	10,423,739
Building leasehold and improvements	1,431,238	1,431,259
Properties under capital lease	47,445	47,445
	14,929,050	16,681,602
Less: accumulated depreciation	(2,100,109)	(2,060,706)
	12,828,941	14,620,896
Assets held for sale	1,891,575	34,981
Cash and cash equivalents	316,205	255,399
Restricted cash	179,938	233,578
Investments in marketable securities	43,915	45,138
Tenant and other receivables, net of allowance of \$17,829 and \$17,618 in 2016 and 2015, respectively	55,441	63,491
Related party receivables	15,148	10,650
Deferred rents receivable, net of allowance of \$23,088 and \$21,730 in 2016 and 2015, respectively	428,334	498,776
Debt and preferred equity investments, net of discounts and deferred origination fees of \$14,935 and \$18,759 in 2016 and 2015, respectively	1,378,616	1,670,020
Investments in unconsolidated joint ventures	1,146,085	1,203,858
Deferred costs, net	246,503	239,920
Other assets	1,055,267	850,939
Total assets	\$ 19,585,968	\$ 19,727,646
Liabilities		
Mortgages and other loans payable, net	\$5,585,171	\$6,881,920
Revolving credit facility, net	766,733	985,055
Term loan and senior unsecured notes, net	2,056,623	2,308,478
Accrued interest payable	36,941	42,406
Other liabilities	247,950	168,477
Accounts payable and accrued expenses	168,322	196,213
Deferred revenue	414,686	399,102
Capital lease obligations	41,554	41,360
Deferred land leases payable	2,010	1,783
Dividend and distributions payable	80,038	79,790
Security deposits	67,001	68,023
Liabilities related to assets held for sale	1,612,001	29,000
	100,000	100,000

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Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities

Total liabilities	11,179,030	11,301,607
Commitments and contingencies	—	—
Noncontrolling interests in Operating Partnership	407,046	424,206
Preferred units	304,869	282,516

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SL Green Realty Corp.
 Consolidated Balance Sheets
 (in thousands, except per share data)

	March 31, 2016 (unaudited)	December 31, 2015
Equity		
SL Green stockholders' equity:		
Series I Preferred Stock, \$0.01 par value, \$25.00 liquidation preference, 9,200 issued and outstanding at both March 31, 2016 and December 31, 2015	221,932	221,932
Common stock, \$0.01 par value, 160,000 shares authorized and 100,168 and 100,063 issued and outstanding at March 31, 2016 and December 31, 2015, respectively (including 87 shares held in treasury at March 31, 2016 and December 31, 2015)	1,002	1,001
Additional paid-in-capital	5,451,787	5,439,735
Treasury stock at cost	(10,000) (10,000)
Accumulated other comprehensive loss	(17,222) (8,749)
Retained earnings	1,620,669	1,643,546
Total SL Green stockholders' equity	7,268,168	7,287,465
Noncontrolling interests in other partnerships	426,855	431,852
Total equity	7,695,023	7,719,317
Total liabilities and equity	\$ 19,585,968	\$ 19,727,646

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Realty Corp.
 Consolidated Statements of Operations
 (unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Rental revenue, net	\$345,607	\$303,329
Escalation and reimbursement	45,611	40,969
Investment income	54,737	42,069
Other income	9,489	9,932
Total revenues	455,444	396,299
Expenses		
Operating expenses, including \$3,462 in 2016 and \$3,808 in 2015 of related party expenses	79,520	76,777
Real estate taxes	61,674	55,723
Ground rent	8,308	8,188
Interest expense, net of interest income	94,672	75,807
Amortization of deferred financing costs	7,932	6,615
Depreciation and amortization	179,308	108,337
Transaction related costs	1,279	1,143
Marketing, general and administrative	24,032	25,464
Total expenses	456,725	358,054
(Loss) income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, gain on sale of real estate and loss on early extinguishment of debt	(1,281) 38,245
Equity in net income from unconsolidated joint ventures	10,096	4,030
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	9,915	—
Gain on sale of real estate, net	13,773	—
Loss on early extinguishment of debt	—	(49
Income from continuing operations	32,503	42,226
Net income from discontinued operations	—	427
Gain on sale of discontinued operations	—	12,983
Net income	32,503	55,636
Net income attributable to noncontrolling interests:		
Noncontrolling interests in the Operating Partnership	(922) (1,743
Noncontrolling interests in other partnerships	(1,974) (5,927
Preferred units distributions	(2,648) (951
Net income attributable to SL Green	26,959	47,015
Perpetual preferred stock dividends	(3,738) (3,738
Net income attributable to SL Green common stockholders	\$23,221	\$43,277

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SL Green Realty Corp.
 Consolidated Statements of Operations
 (unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Amounts attributable to SL Green common stockholders:		
Income from continuing operations before purchase price fair value adjustment, gains on sale and discontinued operations	\$438	\$30,387
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	9,536	—
Net income from discontinued operations	—	410
Gain on sale of discontinued operations	—	12,480
Gain on sale of real estate	13,247	—
Net income attributable to SL Green common stockholders	\$23,221	\$43,277
Basic earnings per share:		
Income from continuing operations before purchase price fair value adjustment, gains on sale and discontinued operations	\$—	\$0.31
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.10	—
Net income from discontinued operations	—	—
Gain on sale of discontinued operations	—	0.13
Gain on sale of real estate	0.13	—
Net income attributable to SL Green common stockholders	\$0.23	\$0.44
Diluted earnings per share:		
Income from continuing operations before purchase price fair value adjustment, gains on sale and discontinued operations	\$—	\$0.31
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.10	—
Net income from discontinued operations	—	—
Gain on sale of discontinued operations	—	0.13
Gain on sale of real estate	0.13	—
Net income attributable to SL Green common stockholders	\$0.23	\$0.44
Dividends per share	\$0.72	\$0.60
Basic weighted average common shares outstanding	100,051	98,402
Diluted weighted average common shares and common share equivalents outstanding	104,259	103,019

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Realty Corp.
 Consolidated Statements of Comprehensive Income
 (unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Net income	\$32,503	\$55,636
Other comprehensive income (loss):		
Change in net unrealized (loss) gain on derivative instruments, including SL Green's share of joint venture net unrealized (loss) gain on derivative instruments	(7,572)	(5,680)
Change in unrealized (loss) gain on marketable securities	(1,223)	650
Other comprehensive (loss) income	(8,795)	(5,030)
Comprehensive income	23,708	50,606
Net income attributable to noncontrolling interests and preferred units distributions	(5,544)	(8,621)
Other comprehensive income (loss) attributable to noncontrolling interests	322	200
Comprehensive income attributable to SL Green	\$18,486	\$42,185

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Realty Corp.
Consolidated Statement of Equity
(unaudited, in thousands, except per share data)

SL Green Realty Corp. Stockholders

Common Stock

	Series A Preferred Stock	Series B Preferred Stock	Series C Preferred Stock	Common Shares	Par Value	Additional Paid- In-Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2015	\$-	\$221,932		99,976	\$1,001	\$5,439,735	\$(10,000)	\$(8,749)	\$1,643,546	\$431,852	\$7,719,317
Net income									26,959	1,974	28,933
Other comprehensive loss								(8,473)			(8,473)
Preferred dividends									(3,738)		(3,738)
DRSP proceeds						45					45
Conversion of units of the Operating Partnership to common stock				63	1	7,152					7,153
Reallocation of noncontrolling interest in the Operating Partnership									25,867		25,867
Deferred compensation plan and stock award, net				25		(2,220)					(2,220)
Amortization of deferred compensation plan						5,864					5,864
Proceeds from stock options exercised				17		1,211					1,211
Contributions to consolidated joint venture interests										934	934

Cash distributions to noncontrolling interests								(7,905)	(7,905)								
Cash distributions declared (\$0.72 per common share, none of which represented a return of capital for federal income tax purposes)								(71,965)	(71,965)								
Balance at March 31, 2016	\$	-\$221,932	100,081	\$	1,002	\$	5,451,787	\$	(10,000)	\$	(17,222)	\$	1,620,669	\$	426,855	\$	7,695,023

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Realty Corp.
 Consolidated Statements of Cash Flows
 (unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2016	2015
Operating Activities		
Net income	\$32,503	\$55,636
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	187,240	114,955
Equity in net income from unconsolidated joint ventures	(10,096)	(4,030)
Distributions of cumulative earnings from unconsolidated joint ventures	8,891	15,489
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(9,915)	—
Gain on sale of real estate	(13,773)	—
Gain on sale of discontinued operations	—	(12,983)
Loss on early extinguishment of debt	—	49
Deferred rents receivable	(652)	(32,367)
Other non-cash adjustments	(14,920)	4,590
Changes in operating assets and liabilities:		
Restricted cash—operations	(5,318)	(1,652)
Tenant and other receivables	7,829	7,096
Related party receivables	(4,503)	(353)
Deferred lease costs	(13,133)	(11,017)
Other assets	(46,736)	(38,280)
Accounts payable, accrued expenses and other liabilities and security deposits	(20,630)	(20,230)
Deferred revenue and land leases payable	17,303	14,056
Net cash provided by operating activities	114,090	90,959
Investing Activities		
Acquisitions of real estate property	(37,728)	(6,290)
Additions to land, buildings and improvements	(62,500)	(47,117)
Escrowed cash—capital improvements/acquisition deposits/deferred purchase price	60,059	(3,084)
Investments in unconsolidated joint ventures	(6,603)	(83,772)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	95,004	45,546
Net proceeds from disposition of real estate/joint venture interest	139,594	485,540
Proceeds from sale of marketable securities	—	133
Purchases of marketable securities	—	(7,769)
Other investments	(4,103)	(5,424)
Origination of debt and preferred equity investments	(117,119)	(174,420)
Repayments or redemption of debt and preferred equity investments	272,253	26,954
Net cash provided by investing activities	338,857	230,297

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SL Green Realty Corp.

Consolidated Statements of Cash Flows

(unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2016	2015
Financing Activities		
Proceeds from mortgages and other loans payable	\$227,892	\$—
Repayments of mortgages and other loans payable	(127,695)	(481,608)
Proceeds from revolving credit facility and senior unsecured notes	520,000	665,000
Repayments of revolving credit facility and senior unsecured notes	(994,296)	(530,000)
Proceeds from stock options exercised and DRIP issuance	1,256	109,840
Proceeds from sale of common stock	—	120,597
Redemption of preferred stock	(440)	(200)
Distributions to noncontrolling interests in other partnerships	(7,905)	(110,867)
Contributions from noncontrolling interests in other partnerships	934	—
Distributions to noncontrolling interests in the Operating Partnership	(2,881)	(2,349)
Dividends paid on common and preferred stock	(78,103)	(62,903)
Other obligations related to mortgage loan participations	76,500	25,000
Deferred loan costs and capitalized lease obligation	(7,403)	(4,405)
Net cash used in financing activities	(392,141)	(271,895)
Net increase in cash and cash equivalents	60,806	49,361
Cash and cash equivalents at beginning of year	255,399	281,409
Cash and cash equivalents at end of period	\$316,205	\$330,770
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Issuance of common stock as deferred compensation	\$2,195	\$1,306
Issuance of units in the operating partnership	18,140	22,114
Redemption of units in the operating partnership	7,153	37,407
Derivative instruments at fair value	8,141	4,426
Exchange of debt investment for equity in joint venture	68,581	10,151
Transfer of restricted cash to operating cash and cash equivalents as a result of sale	—	21,578
Acquisition of subsidiary interest from noncontrolling interest	—	3,500
Issuance of preferred units relating to the real estate acquisition	22,750	—
Tenant improvements and capital expenditures payable	18,165	17,664
Fair value adjustment to noncontrolling interest in operating partnership	25,867	45,456
Transfer of assets to assets held for sale	1,891,575	—
Transfer of liabilities related to assets held for sale	1,612,001	—
Deferred leasing payable	1,699	2,372
Removal of fully depreciated commercial real estate properties	4,822	—
Issuance of preferred units (Stonehenge)	—	40,000
The accompanying notes are an integral part of these consolidated financial statements.		

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SL Green Operating Partnership, L.P.
 Consolidated Balance Sheets
 (in thousands, except per unit data)

	March 31, 2016 (unaudited)	December 31, 2015
Assets		
Commercial real estate properties, at cost:		
Land and land interests	\$4,115,982	\$4,779,159
Building and improvements	9,334,385	10,423,739
Building leasehold and improvements	1,431,238	1,431,259
Property under capital lease	47,445	47,445
	14,929,050	16,681,602
Less: accumulated depreciation	(2,100,109)	(2,060,706)
	12,828,941	14,620,896
Assets held for sale		
Cash and cash equivalents	1,891,575	34,981
Restricted cash	316,205	255,399
Investments in marketable securities	179,938	233,578
Tenant and other receivables, net of allowance of \$17,829 and \$17,618 in 2016 and 2015, respectively	43,915	45,138
Related party receivables	55,441	63,491
Deferred rents receivable, net of allowance of \$23,088 and \$21,730 in 2016 and 2015, respectively	15,148	10,650
Debt and preferred equity investments, net of discounts and deferred origination fees of \$14,935 and \$18,759 in 2016 and 2015, respectively	428,334	498,776
Investments in unconsolidated joint ventures	1,378,616	1,670,020
Deferred costs, net	1,146,085	1,203,858
Other assets	246,503	239,920
Total assets	1,055,267	850,939
	\$ 19,585,968	\$ 19,727,646
Liabilities		
Mortgages and other loans payable, net	\$5,585,171	\$6,881,920
Revolving credit facility, net	766,733	985,055
Term loan and senior unsecured notes, net	2,056,623	2,308,478
Accrued interest payable	36,941	42,406
Other liabilities	247,950	168,477
Accounts payable and accrued expenses	168,322	196,213
Deferred revenue	414,686	399,102
Capital lease obligations	41,554	41,360
Deferred land leases payable	2,010	1,783
Dividend and distributions payable	80,038	79,790
Security deposits	67,001	68,023
Liabilities related to assets held for sale	1,612,001	29,000
Junior subordinated deferrable interest debentures held by trusts that issued trust preferred securities	100,000	100,000
Total liabilities	11,179,030	11,301,607

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Commitments and contingencies	—	—
Limited partner interests in SLGOP (4,001 and 3,746 limited partner common units outstanding at March 31, 2016 and December 31, 2015, respectively)	407,046	424,206
Preferred units	304,869	282,516

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	March 31, 2016 (unaudited)	December 31, 2015
Capital		
SLGOP partners' capital:		
Series I Preferred Units, \$25.00 liquidation preference, 9,200 issued and outstanding at both March 31, 2016 and December 31, 2015	221,932	221,932
SL Green partners' capital (1,041 and 1,035 general partner common units and 99,041 and 98,941 limited partner common units outstanding at March 31, 2016 and December 31, 2015, respectively)	7,063,458	7,074,282
Accumulated other comprehensive loss	(17,222) (8,749)
Total SLGOP partners' capital	7,268,168	7,287,465
Noncontrolling interests in other partnerships	426,855	431,852
Total capital	7,695,023	7,719,317
Total liabilities and capital	\$ 19,585,968	\$ 19,727,646

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Operating Partnership, L.P.
Consolidated Statements of Operations
(unaudited, in thousands, except per unit data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Rental revenue, net	\$345,607	\$303,329
Escalation and reimbursement	45,611	40,969
Investment income	54,737	42,069
Other income	9,489	9,932
Total revenues	455,444	396,299
Expenses		
Operating expenses, including \$3,462 in 2016 and \$3,808 in 2015 of related party expenses	79,520	76,777
Real estate taxes	61,674	55,723
Ground rent	8,308	8,188
Interest expense, net of interest income	94,672	75,807
Amortization of deferred financing costs	7,932	6,615
Depreciation and amortization	179,308	108,337
Transaction related costs	1,279	1,143
Marketing, general and administrative	24,032	25,464
Total expenses	456,725	358,054
(Loss) Income from continuing operations before equity in net income from unconsolidated joint ventures, equity in net gain on sale of interest in unconsolidated joint venture/real estate, gain on sale of real estate and loss on early extinguishment of debt	(1,281) 38,245
Equity in net income from unconsolidated joint ventures	10,096	4,030
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	9,915	—
Gain on sale of real estate, net	13,773	—
Loss on early extinguishment of debt	—	(49)
Income from continuing operations	32,503	42,226
Net income from discontinued operations	—	427
Gain on sale of discontinued operations	—	12,983
Net income	32,503	55,636
Net income attributable to noncontrolling interests in other partnerships	(1,974)	(5,927)
Preferred unit distributions	(2,648)	(951)
Net income attributable to SLGOP	27,881	48,758
Perpetual preferred unit distributions	(3,738)	(3,738)
Net income attributable to SLGOP common unitholders	\$24,143	\$45,020

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SL Green Operating Partnership, L.P.
 Consolidated Statements of Operations
 (unaudited, in thousands, except per unit data)

	Three Months Ended March 31,	
	2016	2015
Amounts attributable to SLGOP common unitholders:		
Income from continuing operations before purchase price fair value adjustment, gains on sale and discontinued operations	\$455	\$31,610
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	9,915	—
Net income from discontinued operations	—	427
Gain on sale of discontinued operations	—	12,983
Gain on sale of real estate	13,773	—
Net income attributable to SLGOP common unitholders	\$24,143	\$45,020
Basic earnings per unit:		
Income from continuing operations before gains on sale and discontinued operations	\$—	\$0.31
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.10	—
Net income from discontinued operations	—	—
Gain on sale of discontinued operations	—	0.13
Gain on sale of real estate	0.13	—
Net income attributable to SLGOP common unitholders	\$0.23	\$0.44
Diluted earnings per unit:		
Income from continuing operations before gains on sale and discontinued operations	\$—	\$0.31
Equity in net gain on sale of interest in unconsolidated joint venture/real estate	0.10	—
Net income from discontinued operations	—	—
Gain on sale of discontinued operations	—	0.13
Gain on sale of real estate	0.13	—
Net income attributable to SLGOP common unitholders	\$0.23	\$0.44
Dividends per unit	0.72	\$0.60
Basic weighted average common units outstanding	104,025	102,366
Diluted weighted average common units and common unit equivalents outstanding	104,259	103,019

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Operating Partnership, L.P.
 Consolidated Statements of Comprehensive Income
 (unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Net income	\$32,503	\$55,636
Other comprehensive income (loss):		
Change in net unrealized (loss) gain on derivative instruments, including SLGOP's share of joint venture net unrealized (loss) gain on derivative instruments	(7,572)	(5,680)
Change in unrealized (loss) gain on marketable securities	(1,223)	650
Other comprehensive (loss) income	(8,795)	(5,030)
Comprehensive income	23,708	50,606
Net income attributable to noncontrolling interests	(1,974)	(5,927)
Other comprehensive income (loss) attributable noncontrolling interests	322	200
Comprehensive income attributable to SLGOP	\$22,056	\$44,879

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Operating Partnership, L.P.
 Consolidated Statement of Capital
 (unaudited, in thousands, except per unit data)

	SL Green Operating Partnership Unitholders Partners' Interest						Total
	Series C Preferred Units	Series I Preferred Units	Common Units	Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	
Balance at December 31, 2015	\$ —	\$221,932	99,976	\$7,074,282	\$ (8,749)	\$ 431,852	\$7,719,317
Net income				26,959		1,974	28,933
Other comprehensive (loss)					(8,473)		(8,473)
Preferred distributions				(3,738)			(3,738)
DRSPP proceeds				45			45
Conversion of common units			63	7,153			7,153
Reallocation of noncontrolling interests in the operating partnership				25,867			25,867
Deferred compensation plan and stock award, net			25	(2,220)			(2,220)
Amortization of deferred compensation plan				5,864			5,864
Contribution to consolidated joint venture interests						934	934
Contributions - proceeds from stock options exercised			17	1,211			1,211
Cash distributions to noncontrolling interests						(7,905)	(7,905)
Cash distributions declared (\$0.72 per common unit, none of which represented a return of capital for federal income tax purposes)				(71,965)			(71,965)
Balance at March 31, 2016	\$ —	\$221,932	100,081	\$7,063,458	\$ (17,222)	\$ 426,855	\$7,695,023

The accompanying notes are an integral part of these consolidated financial statements.

Table of ContentsSL Green Operating Partnership, L.P.
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Operating Activities		
Net income	\$32,503	\$55,636
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	187,240	114,955
Equity in net income from unconsolidated joint ventures	(10,096)	(4,030)
Distributions of cumulative earnings from unconsolidated joint ventures	8,891	15,489
Equity in net gain on sale of interest in unconsolidated joint venture interest/real estate	(9,915)	—
Gain on sale of real estate	(13,773)	—
Gain on sale of discontinued operations	—	(12,983)
Loss on early extinguishment of debt	—	49
Deferred rents receivable	(652)	(32,367)
Other non-cash adjustments	(14,920)	4,590
Changes in operating assets and liabilities:		
Restricted cash—operations	(5,318)	(1,652)
Tenant and other receivables	7,829	7,096
Related party receivables	(4,503)	(353)
Deferred lease costs	(13,133)	(11,017)
Other assets	(46,736)	(38,280)
Accounts payable, accrued expenses and other liabilities and security deposits	(20,630)	(20,230)
Deferred revenue and land leases payable	17,303	14,056
Net cash provided by operating activities	114,090	90,959
Investing Activities		
Acquisitions of real estate property	(37,728)	(6,290)
Additions to land, buildings and improvements	(62,500)	(47,117)
Escrowed cash—capital improvements/acquisition deposits/deferred purchase price	60,059	(3,084)
Investments in unconsolidated joint ventures	(6,603)	(83,772)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	95,004	45,546
Net proceeds from disposition of real estate/joint venture interest	139,594	485,540
Proceeds from sale of marketable securities	—	133
Purchases of marketable securities	—	(7,769)
Other investments	(4,103)	(5,424)
Origination of debt and preferred equity investments	(117,119)	(174,420)
Repayments or redemption of debt and preferred equity investments	272,253	26,954
Net cash provided by investing activities	338,857	230,297

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SL Green Operating Partnership, L.P.
 Consolidated Statements of Cash Flows
 (unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Financing Activities		
Proceeds from mortgages and other loans payable	\$227,892	\$—
Repayments of mortgages and other loans payable	(127,695)	(481,608)
Proceeds from revolving credit facility, term loan and senior unsecured notes	520,000	665,000
Repayments of revolving credit facility, term loan and senior unsecured notes	(994,296)	(530,000)
Proceeds from stock options exercised and DRIP issuance	1,256	109,840
Net proceeds from sale of common stock	—	120,597
Redemption of preferred units	(440)	(200)
Distributions to noncontrolling interests in other partnerships	(7,905)	(110,867)
Contributions from noncontrolling interests in other partnerships	934	—
Distributions paid on common and preferred units	(80,984)	(65,252)
Other obligations related to mortgage loan participations	76,500	25,000
Deferred loan costs and capitalized lease obligation	(7,403)	(4,405)
Net cash used in financing activities	(392,141)	(271,895)
Net increase in cash and cash equivalents	60,806	49,361
Cash and cash equivalents at beginning of year	255,399	281,409
Cash and cash equivalents at end of period	\$316,205	\$330,770
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Issuance of common stock as deferred compensation	\$2,195	\$1,306
Issuance of units in the operating partnership	18,140	22,114
Redemption of units in the operating partnership	7,153	37,407
Derivative instruments at fair value	8,141	4,426
Exchange of debt investment for equity in joint venture	68,581	10,151
Transfer of restricted cash to operating cash and cash equivalents as a result of sale	—	21,578
Acquisition of subsidiary interest from noncontrolling interest	—	3,500
Issuance of preferred units relating to the real estate acquisition	22,750	—
Tenant improvements and capital expenditures payable	18,165	17,664
Fair value adjustment to noncontrolling interest in the operating partnership	25,867	—
Transfer of assets to assets held for sale	1,891,575	—
Transfer of liabilities related to assets held for sale	1,612,001	—
Deferred leasing payable	1,699	2,372
Removal of fully depreciated commercial real estate properties	4,822	—
Issuance of preferred units (Stonehenge)	—	40,000

The accompanying notes are an integral part of these consolidated financial statements.

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SL Green Realty Corp. and SL Green Operating Partnership, L.P.
Notes to Consolidated Financial Statements
March 31, 2016

1. Organization and Basis of Presentation

SL Green Realty Corp., which is referred to as the Company or SL Green, a Maryland corporation, and SL Green Operating Partnership, L.P., which is referred to as SLGOP or the Operating Partnership, a Delaware limited partnership, were formed in June 1997 for the purpose of combining the commercial real estate business of S.L. Green Properties, Inc. and its affiliated partnerships and entities. The Operating Partnership received a contribution of interest in the real estate properties, as well as 95% of the economic interest in the management, leasing and construction companies which are referred to as the Service Corporation. All of the management, leasing and construction services that are provided to the properties that are wholly-owned by us and that are provided to certain joint ventures are conducted through SL Green Management LLC which is 100% owned by the Operating Partnership. The Company has qualified, and expects to qualify in the current fiscal year, as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, and operates as a self-administered, self-managed REIT. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to minimize the payment of Federal income taxes at the corporate level. Unless the context requires otherwise, all references to "we," "our" and "us" means the Company and all entities owned or controlled by the Company, including the Operating Partnership.

Substantially all of our assets are held by, and all of our operations are conducted through, the Operating Partnership. The Company is the sole managing general partner of the Operating Partnership. As of March 31, 2016, noncontrolling investors held, in the aggregate, a 3.84% limited partnership interest in the Operating Partnership. We refer to these interests as the noncontrolling interests in the Operating Partnership. The Operating Partnership is considered a variable interest entity, or VIE, in which we are the primary beneficiary. See Note 11, "Noncontrolling Interests on the Company's Consolidated Financial Statements."

Reckson Associates Realty Corp., or Reckson, and Reckson Operating Partnership, L.P., or ROP, are wholly-owned subsidiaries of SL Green Realty Corp.

As of March 31, 2016, we owned the following interests in properties in the New York Metropolitan area, primarily in midtown Manhattan. Our investments in the New York Metropolitan area also include investments in Brooklyn, Long Island, Westchester County, Connecticut and New Jersey, which are collectively known as the Suburban properties:

Location	Property Type	Consolidated Number of Properties	Consolidated Approximate Square Feet of Properties (unaudited)	Unconsolidated Number of Properties	Unconsolidated Approximate Square Feet of Properties (unaudited)	Total Number of Properties	Total Approximate Square Feet of Properties (unaudited)	Weighted Average Occupancy(1) (unaudited)	
Commercial:									
Manhattan	Office	27(2)	21,003,606	6	4,244,139	33	25,247,745	95.9	%
	Retail	10(3)	418,093	9	347,970	19	766,063	88.1	%
	Development/Redevelopment	3	42,635	3	733,624	6	776,259	30.5	%
	Fee Interest	1	176,530	—	—	1	176,530	100.0	%
		41	21,640,864	18	5,325,733	59	26,966,597	93.8	%
Suburban	Office	26	4,235,300	2	640,000	28	4,875,300	81.7	%
	Retail	1	52,000	—	—	1	52,000	100.0	%
	Development/Redevelopment	1	1,000	1	—	2	1,000	100.0	%
		28	4,288,300	3	640,000	31	4,928,300	81.9	%
Total commercial properties		69	25,929,164	21	5,965,733	90	31,894,897	92.0	%
Residential:									
Manhattan	Residential	4	(3)762,587	17					