

Howard Hughes Corp
Form 10-Q
May 03, 2017
Table of Contents

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, 2017

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-34856

THE HOWARD HUGHES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	36-4673192
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

Edgar Filing: Howard Hughes Corp - Form 10-Q

13355 Noel Road, 22nd Floor, Dallas, Texas 75240

(Address of principal executive offices, including zip code)

(214) 741-7744

(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.

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).

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.

Large accelerated filer

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

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.

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

Yes No

The number of shares of common stock, \$0.01 par value, outstanding as of April 28, 2017 was 40,321,379.

Table of Contents

THE HOWARD HUGHES CORPORATION

INDEX

	PAGE NUMBER
 <u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1: Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u> <u>as of March 31, 2017 and December 31, 2016</u>	3
<u>Condensed Consolidated Statements of Operations</u> <u>for the three months ended March 31, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>for the three months ended March 31, 2017 and 2016</u>	5
<u>Condensed Consolidated Statements of Equity</u> <u>for the three months ended March 31, 2017 and 2016</u>	6
<u>Condensed Consolidated Statements of Cash Flows</u> <u>for the three months ended March 31, 2017 and 2016</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3: Quantitative and Qualitative Disclosures about Market Risk</u>	58
<u>Item 4: Controls and Procedures</u>	59
<u>PART II OTHER INFORMATION</u>	59
<u>Item 1: Legal Proceedings</u>	59
<u>Item 1A: Risk Factors</u>	59
<u>Item 2: Unregistered Sales of Equity Securities And Use Of Proceeds</u>	60

<u>Item 3:</u> <u>Default Upon Senior Securities</u>	60
<u>Item 4:</u> <u>Mine Safety Disclosures</u>	60
<u>Item 5:</u> <u>Other Information</u>	60
<u>Item 6:</u> <u>Exhibits</u>	60
<u>SIGNATURE</u>	61
<u>EXHIBIT INDEX</u>	62

Table of Contents

THE HOWARD HUGHES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

(In thousands, except share amounts)	March 31, 2017	December 31, 2016
Assets:		
Investment in real estate:		
Master Planned Community assets	\$ 1,672,484	\$ 1,669,561
Buildings and equipment	2,131,973	2,027,363
Land	314,259	320,936
Less: accumulated depreciation	(266,260)	(245,814)
Developments	994,864	961,980
Net property and equipment	4,847,320	4,734,026
Investment in Real Estate and Other Affiliates	70,381	76,376
Net investment in real estate	4,917,701	4,810,402
Cash and cash equivalents	541,508	665,510
Accounts receivable, net	10,177	10,038
Municipal Utility District receivables, net	160,189	150,385
Deferred expenses, net	64,155	64,531
Prepaid expenses and other assets, net	714,412	666,516
Total assets	\$ 6,408,142	\$ 6,367,382
Liabilities:		
Mortgages, notes and loans payable	\$ 2,750,254	\$ 2,690,747
Deferred tax liabilities	210,043	200,945
Warrant liabilities	313,797	332,170
Accounts payable and accrued expenses	516,742	572,010
Total liabilities	3,790,836	3,795,872
Commitments and Contingencies (see Note 15)		
Equity:		
Preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued	—	—
Common stock: \$.01 par value; 150,000,000 shares authorized, 40,324,040 shares		
issued and 40,311,979 outstanding as of March 31, 2017 and 39,802,064 shares		
issued and 39,790,003 outstanding as of December 31, 2016	404	398
Additional paid-in capital	2,893,042	2,853,269

Edgar Filing: Howard Hughes Corp - Form 10-Q

Accumulated deficit	(272,253)	(277,912)
Accumulated other comprehensive loss	(6,428)	(6,786)
Treasury stock, at cost, 12,061 shares as of March 31, 2017 and December 31, 2016, respectively	(1,231)	(1,231)
Total stockholders' equity	2,613,534	2,567,738
Noncontrolling interests	3,772	3,772
Total equity	2,617,306	2,571,510
Total liabilities and equity	\$ 6,408,142	\$ 6,367,382

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

THE HOWARD HUGHES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2017	2016
Revenues:		
Condominium rights and unit sales	\$ 80,145	\$ 122,094
Master Planned Community land sales	53,481	41,942
Minimum rents	46,326	41,309
Builder price participation	4,661	4,647
Tenant recoveries	11,399	10,528
Hospitality revenues	19,711	12,909
Other land revenues	10,582	3,033
Other rental and property revenues	5,457	3,204
Total revenues	231,762	239,666
Expenses:		
Condominium rights and unit cost of sales	60,483	74,815
Master Planned Community cost of sales	25,869	15,688
Master Planned Community operations	9,394	9,594
Other property operating costs	18,508	15,742
Rental property real estate taxes	7,537	6,748
Rental property maintenance costs	3,028	3,132
Hospitality operating costs	13,845	10,475
Provision for doubtful accounts	535	3,041
Demolition costs		