

MACK CALI REALTY CORP
Form 10-Q
May 01, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

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: 1-13274 Mack-Cali Realty Corporation

Commission File Number: 333-57103 Mack-Cali Realty, L.P.

Mack-Cali Realty Corporation

Mack-Cali Realty, L.P.

(Exact name of registrant as specified in its charter)

Maryland (Mack-Cali Realty Corporation)

Delaware (Mack-Cali Realty, L.P.)

(State or other jurisdiction of incorporation or organization)

22-3305147 (Mack-Cali Realty Corporation)

22-3315804 (Mack-Cali Realty, L.P.)

(I.R.S. Employer Identification No.)

Harborside 3, 210 Hudson St., Ste. 400, Jersey City, New Jersey

(Address of principal executive offices)

07311

(Zip Code)

(732) 590-1010

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 ninety (90) days.

Mack-Cali Realty Corporation

YES x NO o

Mack-Cali Realty, L.P.

YES x NO o

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).

Mack-Cali Realty Corporation

YES x NO o

Mack-Cali Realty, L.P.

YES x NO o

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.

Mack-Cali Realty Corporation:

Large accelerated filer X

Accelerated filer O

Non-accelerated filer O

Smaller reporting company Emerging Growth Company
O O

Mack-Cali Realty, L.P.:

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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.

Mack-Cali Realty Corporation

Mack-Cali Realty, L.P.

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

Mack-Cali Realty Corporation YES NO

Mack-Cali Realty, L.P. YES NO

As of April 29, 2019, there were 90,338,180 shares of Mack-Cali Realty Corporation's Common Stock, par value \$0.01 per share, outstanding.

Mack-Cali Realty, L.P. does not have any class of common equity that is registered pursuant to Section 12 of the Exchange Act.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2019 of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P. Unless stated otherwise or the context otherwise requires, references to the Operating Partnership mean Mack-Cali Realty, L.P., a Delaware limited partnership, and references to the General Partner mean Mack-Cali Realty Corporation, a Maryland corporation and real estate investment trust (REIT), and its subsidiaries, including the Operating Partnership. References to the Company, we, us and our mean collectively the General Partner, the Operating Partnership and those entities/subsidiaries consolidated by the General Partner.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development, construction and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies is the entity through which all of the General Partner's operations are conducted. The General Partner is the sole general partner of the Operating Partnership and has exclusive control of the Operating Partnership's day-to-day management.

As of March 31, 2019, the General Partner owned an approximate 90 percent common unit interest in the Operating Partnership. The remaining approximate 10 percent common unit interest is owned by limited partners. The limited partners of the Operating Partnership are (1) persons who contributed their interests in properties to the Operating Partnership in exchange for common units (each, a Common Unit) or preferred units of limited partnership interest in the Operating Partnership or (2) recipients of long term incentive plan units of the Operating Partnership pursuant to the General Partner's executive compensation plans.

A Common Unit of the Operating Partnership and a share of common stock of the General Partner (the Common Stock) have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Company. The General Partner owns a number of common units of the Operating Partnership equal to the number of issued and outstanding shares of the General Partner's common stock. Common unitholders (other than the General Partner) have the right to redeem their Common Units, subject to certain restrictions under the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended (the Partnership Agreement) and agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance. The redemption is required to be satisfied in shares of Common Stock of the General Partner, cash, or a combination thereof, calculated as follows: one share of the General Partner's Common Stock, or cash equal to the fair market value of a share of the General Partner's Common Stock at the time of redemption, for each Common Unit. The General Partner, in its sole discretion, determines the form of redemption of Common Units (i.e., whether a common unitholder receives Common Stock of the General Partner, cash, or any combination thereof). If the General Partner elects to satisfy the redemption with shares of Common Stock of the General Partner as opposed to cash, the General Partner is obligated to issue shares of its Common Stock to the redeeming unitholder. Regardless of the rights described above, the common unitholders may not put their units for cash to the Company or the General Partner under any circumstances. With each such redemption, the General Partner's percentage ownership in the Operating Partnership will increase. In addition, whenever the General Partner issues shares of its Common Stock other than to acquire Common Units, the General Partner must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to the General Partner an equivalent number of Common Units. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the quarterly reports on Form 10-Q of the General Partner and the Operating Partnership into this single report provides the following benefits:

- enhance investors' understanding of the General Partner 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 of the Company;

- eliminate duplicative disclosure and provide a more streamlined and readable presentation because a substantial portion of the disclosure applies to both the General Partner and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between the General Partner and the Operating Partnership in the context of how they operate as a consolidated company. The financial results of the Operating Partnership are consolidated into the financial statements of the General Partner. The General Partner does not have any other significant assets, liabilities or operations, other than its interests in the Operating Partnership, nor does the Operating Partnership have employees of its own. The Operating Partnership, not the General Partner, generally executes all significant business relationships other than transactions involving the securities of the General Partner. The Operating Partnership holds substantially all of the assets of the General Partner, including ownership interests in joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership

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with no publicly traded equity. Except for the net proceeds from equity offerings by the General Partner, which are contributed to the capital of the Operating Partnership in consideration of common or preferred units in the Operating Partnership, as applicable, the Operating Partnership generates all remaining capital required by the Company's business. These sources include working capital, net cash provided by operating activities, borrowings under the Company's unsecured revolving credit facility and unsecured term loan facilities, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of properties and joint ventures.

Shareholders' equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of the General Partner and the Operating Partnership. The limited partners of the Operating Partnership are accounted for as partners' capital in the Operating Partnership's financial statements as is the General Partner's interest in the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements comprise the interests of unaffiliated partners in various consolidated partnerships and development joint venture partners. The noncontrolling interests in the General Partner's financial statements are the same noncontrolling interests at the Operating Partnership's level and include limited partners of the Operating Partnership. The differences between shareholders' equity and partners' capital result from differences in the equity issued at the General Partner and Operating Partnership levels.

To help investors better understand the key differences between the General Partner and the Operating Partnership, certain information for the General Partner and the Operating Partnership in this report has been separated, as set forth below:

- Item 1. Financial Statements (unaudited), which includes the following specific disclosures for Mack-Cali Realty Corporation and Mack-Cali Realty, L.P.:
 - Note 2. Significant Accounting Policies, where applicable;
 - Note 14. Redeemable Noncontrolling Interests;
 - Note 15. Mack-Cali Realty Corporation's Stockholders' Equity and Mack-Cali Realty, L.P.'s Partners' Capital;
 - Note 16. Noncontrolling Interests in Subsidiaries; and
 - Note 17. Segment Reporting, where applicable.

- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where 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 General Partner and the Operating Partnership in order to establish that the requisite certifications have been made and that the General Partner and 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.

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MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

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MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

Part I Financial Information

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of operations, of comprehensive income, of changes in equity, and of cash flows and related notes thereto, have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments consisting only of normal, recurring adjustments, which are, in the opinion of management, necessary for a fair statement for the interim periods.

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in Mack-Cali Realty Corporation's and Mack-Cali Realty, L.P.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

The results of operations for the three-month period ended March 31, 2019 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS** *(in thousands, except per share amounts) (unaudited)*

	March 31, 2019	December 31, 2018
ASSETS		
Rental property		
Land and leasehold interests	\$ 814,694	\$ 807,236
Buildings and improvements	4,067,589	4,109,797
Tenant improvements	296,654	335,266
Furniture, fixtures and equipment	58,192	53,718
	5,237,129	5,306,017
Less accumulated depreciation and amortization	(935,339)	(1,097,868)
	4,301,790	4,208,149
Rental property held for sale, net	33,239	108,848
Net investment in rental property	4,335,029	4,316,997
Cash and cash equivalents	12,061	29,633
Restricted cash	20,561	19,921
Investments in unconsolidated joint ventures	212,961	232,750
Unbilled rents receivable, net	91,846	100,737
Deferred charges, goodwill and other assets, net	594,624	355,234
Accounts receivable, net of allowance for doubtful accounts of \$602 and \$1,108	7,202	5,372
Total assets	\$ 5,274,284	\$ 5,060,644
LIABILITIES AND EQUITY		
Senior unsecured notes, net	\$ 570,607	\$ 570,314
Unsecured revolving credit facility and term loans	588,805	790,939
Mortgages, loans payable and other obligations, net	1,526,905	1,431,398
Dividends and distributions payable	21,341	21,877
Accounts payable, accrued expenses and other liabilities	196,707	168,115
Rents received in advance and security deposits	33,140	41,244
Accrued interest payable	14,417	9,117
Total liabilities	2,951,922	3,033,004
Commitments and contingencies		
Redeemable noncontrolling interests	379,195	330,459
Equity:		
Mack-Cali Realty Corporation stockholders' equity:		
Common stock, \$0.01 par value, 190,000,000 shares authorized, 90,325,783 and 90,320,306 shares outstanding	903	903
Additional paid-in capital	2,553,652	2,561,503
Dividends in excess of net earnings	(855,659)	(1,084,518)
Accumulated other comprehensive income (loss)	5,122	8,770
Total Mack-Cali Realty Corporation stockholders' equity	1,704,018	1,486,658
Noncontrolling interests in subsidiaries:		
Operating Partnership	188,829	168,373
Consolidated joint ventures	50,320	42,150
Total noncontrolling interests in subsidiaries	239,149	210,523
Total equity	1,943,167	1,697,181

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Total liabilities and equity	\$	5,274,284	\$	5,060,644
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS** *(in thousands, except per share amounts)* *(unaudited)*

	Three Months Ended March 31,	
	2019	2018
REVENUES		
Revenue from leases	\$ 123,015	\$ 125,693
Real estate services	3,842	4,661
Parking income	4,941	5,327
Hotel income	283	
Other income	2,168	3,286
Total revenues	134,249	138,967
EXPENSES		
Real estate taxes	17,077	18,361
Utilities	10,451	12,504
Operating services	24,962	25,618
Real estate services expenses	4,266	4,936
Leasing personnel costs	742	
General and administrative	12,593	16,085
Depreciation and amortization	48,046	41,297
Total expenses	118,137	118,801
OTHER (EXPENSE) INCOME		
Interest expense	(24,774)	(20,075)
Interest and other investment income (loss)	824	1,128
Equity in earnings (loss) of unconsolidated joint ventures	(681)	1,572
Gain on change of control of interests	13,790	
Realized gains (losses) and unrealized losses on disposition of rental property, net	268,109	58,186
Gain on sale of investment in unconsolidated joint venture	903	
Gain (loss) from extinguishment of debt, net	1,311	(10,289)
Total other income (expense)	259,482	30,522
Net income	275,594	50,688
Noncontrolling interests in consolidated joint ventures	1,248	30
Noncontrolling interests in Operating Partnership	(27,680)	(4,883)
Redeemable noncontrolling interests	(4,667)	(2,799)
Net income available to common shareholders	\$ 244,495	\$ 43,036
Basic earnings per common share:		
Net income available to common shareholders	\$ 2.67	\$ 0.45
Diluted earnings per common share:		
Net income available to common shareholders	\$ 2.66	\$ 0.45
Basic weighted average shares outstanding	90,498	90,263
Diluted weighted average shares outstanding	100,943	100,604

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** *(in thousands) (unaudited)*

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 275,594	\$ 50,688
Other comprehensive income:		
Net unrealized gain (loss) on derivative instruments for interest rate swaps	(4,061)	5,145
Comprehensive income	\$ 271,533	\$ 55,833
Comprehensive (income) loss attributable to noncontrolling interests in consolidated joint ventures	1,248	30
Comprehensive (income) loss attributable to redeemable noncontrolling interests	(4,667)	(2,799)
Comprehensive (income) loss attributable to noncontrolling interests in Operating Partnership	(27,267)	(5,407)
Comprehensive income attributable to common shareholders	\$ 240,847	\$ 47,657

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(in thousands) (unaudited)*

	Common Stock		Additional	Dividends in	Accumulated	Noncontrolling	Total Equity
	Shares	Par Value	Paid-In Capital	Excess of Net Earnings	Other Comprehensive Income (Loss)	Interests in Subsidiaries	
Balance at January 1, 2019	90,320	\$ 903	\$ 2,561,503	\$ (1,084,518)	\$ 8,770	\$ 210,523	\$ 1,697,181
Net income				244,495		31,099	275,594
Common stock dividends				(18,065)			(18,065)
Common unit distributions						(1,696)	(1,696)
Redeemable noncontrolling interests			(3,152)			(5,024)	(8,176)
Change in noncontrolling interests in consolidated joint ventures			(1,958)			9,418	7,460
Redemption of common units for common stock	5		82			(82)	
Redemption of common units			(1,665)			(4,965)	(6,630)
Shares issued under Dividend Reinvestment and Stock Purchase Plan	1		10				10
Directors' deferred compensation plan			130				130
Stock compensation			265			1,615	1,880
Cancellation of unvested LTIP units				2,819		(2,889)	(70)
Other comprehensive income (loss)				(390)	(3,648)	(413)	(4,451)
Rebalancing of ownership percentage between parent and subsidiaries			(1,563)			1,563	
Balance at March 31, 2019	90,326	\$ 903	\$ 2,553,652	\$ (855,659)	\$ 5,122	\$ 239,149	\$ 1,943,167

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS** *(in thousands)* *(unaudited)*

	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 275,594	\$ 50,688
Adjustments to reconcile net income (loss) to net cash provided by Operating activities:		
Depreciation and amortization, including related intangible assets	47,294	39,489
Amortization of directors deferred compensation stock units	130	125
Amortization of stock compensation	1,880	2,532
Amortization of deferred financing costs	1,189	1,096
Amortization of debt discount and mark-to-market	(237)	(237)
Write-off of unamortized deferred finance costs related to early extinguishment		105
Equity in (earnings) loss of unconsolidated joint ventures	681	(1,572)
Distributions of cumulative earnings from unconsolidated joint ventures	1,553	2,119
Gain on change of control of interests	(13,790)	
Realized (gains) losses and unrealized losses on disposition of rental property, net	(268,109)	(58,186)
Gain on sale of investments in unconsolidated joint ventures	(903)	
(Gain)Loss from extinguishment of debt	(1,311)	10,289
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(2,789)	(3,788)
Increase in deferred charges, goodwill and other assets	(6,774)	(1,899)
Increase in accounts receivable, net	(1,830)	(545)
Increase in accounts payable, accrued expenses and other liabilities	15,942	14,134
Decrease in rents received in advance and security deposits	(7,784)	(2,118)
Increase in accrued interest payable	5,301	4,667
Net cash provided by operating activities	\$ 46,037	\$ 56,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental property acquisitions and related intangibles	\$ (222,893)	\$ (365)
Rental property additions and improvements	(43,307)	(55,935)
Development of rental property and other related costs	(38,568)	(50,038)
Proceeds from the sales of rental property	330,369	243,244
Proceeds from the sale of investments in unconsolidated joint ventures	4,039	
Repayment of notes receivable	125	3,337
Investment in unconsolidated joint ventures	(2,443)	(1,266)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	1,566	4,571
Net cash provided by investing activities	\$ 28,888	\$ 143,548
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from revolving credit facility	\$ 92,000	\$ 322,000
Repayment of revolving credit facility	(204,000)	(281,000)
Repayment of unsecured term loan	(90,000)	
Proceeds from mortgages and loans payable	121,537	41,090
Repayment of mortgages, loans payable and other obligations	(25,183)	(277,287)
Acquisition of noncontrolling interests	(5,017)	
Issuance of redeemable noncontrolling interests, net	45,000	10,000
Payment of financing costs	(1,363)	(255)
Distributions to noncontrolling interests	(99)	
Payment of dividends and distributions	(24,732)	(22,830)

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Net cash used in financing activities	\$	(91,857)	\$	(208,282)
Net decrease in cash and cash equivalents	\$	(16,932)	\$	(7,835)
Cash, cash equivalents and restricted cash, beginning of period (1)		49,554		67,972
Cash, cash equivalents and restricted cash, end of period (2)	\$	32,622	\$	60,137

(1) Includes Restricted Cash of \$19,921 and \$39,792 as of December 31, 2018 and 2017, respectively.

(2) Includes Restricted Cash of \$20,561 and \$34,830 as of March 31, 2019 and 2018, respectively.

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS** *(in thousands, except per unit amounts) (unaudited)*

	March 31, 2019	December 31, 2018
ASSETS		
Rental property		
Land and leasehold interests	\$ 814,694	\$ 807,236
Buildings and improvements	4,067,589	4,109,797
Tenant improvements	296,654	335,266
Furniture, fixtures and equipment	58,192	53,718
	5,237,129	5,306,017
Less accumulated depreciation and amortization	(935,339)	(1,097,868)
	4,301,790	4,208,149
Rental property held for sale, net	33,239	108,848
Net investment in rental property	4,335,029	4,316,997
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Restricted cash	20,561	19,921
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Unbilled rents receivable, net	91,846	100,737
Deferred charges, goodwill and other assets, net	594,624	355,234
Accounts receivable, net of allowance for doubtful accounts of \$602 and \$1,108	7,202	5,372
Total assets	\$ 5,274,284	\$ 5,060,644
LIABILITIES AND EQUITY		
Senior unsecured notes, net	\$ 570,607	\$ 570,314
Unsecured revolving credit facility and term loans	588,805	790,939
Mortgages, loans payable and other obligations, net	1,526,905	1,431,398
Distributions payable	21,341	21,877
Accounts payable, accrued expenses and other liabilities	196,707	168,115
Rents received in advance and security deposits	33,140	41,244
Accrued interest payable	14,417	9,117
Total liabilities	2,951,922	3,033,004
Commitments and contingencies		
Redeemable noncontrolling interests	379,195	330,459
Partners' Capital:		
General Partner, 90,325,783 and 90,320,306 common units outstanding	1,636,068	1,413,497
Limited partners, 10,009,355 and 10,229,349 common units/LTIPs outstanding	251,657	232,764
Accumulated other comprehensive income (loss)	5,122	8,770
Total Mack-Cali Realty, L.P. partners' capital	1,892,847	1,655,031
Noncontrolling interests in consolidated joint ventures	50,320	42,150
Total equity	1,943,167	1,697,181
Total liabilities and equity	\$ 5,274,284	\$ 5,060,644

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS** *(in thousands, except per unit amounts) (unaudited)*

	Three Months Ended March 31,	
	2019	2018
REVENUES		
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Utilities	10,451	12,504
Operating services	24,962	25,618
Real estate services expenses	4,266	4,936
Leasing personnel costs	742	
General and administrative	12,593	16,085
Depreciation and amortization	48,046	41,297
Total expenses	118,137	118,801
OTHER (EXPENSE) INCOME		
Interest expense	(24,774)	(20,075)
Interest and other investment income (loss)	824	1,128
Equity in earnings (loss) of unconsolidated joint ventures	(681)	1,572
Gain on change of control of interests	13,790	
Realized gains (losses) and unrealized losses on disposition of rental property, net	268,109	58,186
Gain on sale of investment in unconsolidated joint venture	903	
Gain (loss) from extinguishment of debt, net	1,311	(10,289)
Total other income (expense)	259,482	30,522
Net income	275,594	50,688
Noncontrolling interests in consolidated joint ventures	1,248	30
Redeemable noncontrolling interests	(4,667)	(2,799)
Net income available to common unitholders	\$ 272,175	\$ 47,919
Basic earnings per common unit:		
Net income available to common unitholders	\$ 2.67	\$ 0.45
Diluted earnings per common unit:		
Net income available to common unitholders	\$ 2.66	\$ 0.45
Basic weighted average units outstanding	100,740	100,505
Diluted weighted average units outstanding	100,943	100,604

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** *(in thousands) (unaudited)*

	Three Months Ended	
	March 31,	
	2019	2018
Net income	\$ 275,594	\$ 50,688
Other comprehensive income:		
Net unrealized gain (loss) on derivative instruments for interest rate swaps	(4,061)	5,145
Comprehensive income	\$ 271,533	\$ 55,833
Comprehensive (income) loss attributable to noncontrolling interests in consolidated joint ventures	1,248	30
Comprehensive (income) loss attributable to redeemable noncontrolling interests	(4,667)	(2,799)
Comprehensive income attributable to common unitholders	\$ 268,114	\$ 53,064

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(in thousands) (unaudited)*

	General Partner Common Units	Limited Partner Common Units/ Vested LTIP Units	General Partner Common Unitholders	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest Joint Ventures	Total Equity
Balance at January 1, 2019	90,320	10,229	\$ 1,413,497	\$ 232,764	\$ 8,770	\$ 42,150	\$ 1,697,181
Net income			244,495	27,680		3,419	275,594
Distributions			(18,065)	(1,696)			(19,761)
Redeemable noncontrolling interests			(3,152)	(357)		(4,667)	(8,176)
Change in noncontrolling interests in consolidated joint ventures			(1,958)			9,418	7,460
Redemption of limited partner common units for shares of general partner common units	5	4	82	(82)			
Vested LTIP units		77					
Redemption of limited partners common units		(301)	(1,665)	(4,965)			(6,630)
Shares issued under Dividend Reinvestment and Stock Purchase Plan	1		10				10
Directors' deferred compensation plan			130				130
Other comprehensive income			(390)	(413)	(3,648)		(4,451)
Stock compensation			265	1,615			1,880
Cancellation of unvested LTIP units			2,819	(2,889)			(70)
Balance at March 31, 2019	90,326	10,009	\$ 1,636,068	\$ 251,657	\$ 5,122	\$ 50,320	\$ 1,943,167

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS** *(in thousands)* *(unaudited)*

	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 275,594	\$ 50,688
Adjustments to reconcile net income (loss) to net cash provided by Operating activities:		
Depreciation and amortization, including related intangible assets	47,294	39,489
Amortization of directors deferred compensation stock units	130	125
Amortization of stock compensation	1,880	2,532
Amortization of deferred financing costs	1,189	1,096
Amortization of debt discount and mark-to-market	(237)	(237)
Write-off of unamortized deferred finance costs related to early extinguishment		105
Equity in (earnings) loss of unconsolidated joint ventures	681	(1,572)
Distributions of cumulative earnings from unconsolidated joint ventures	1,553	2,119
Gain on change of control of interests	(13,790)	
Realized (gains) losses and unrealized losses on disposition of rental property, net	(268,109)	(58,186)
Gain on sale of investments in unconsolidated joint ventures	(903)	
(Gain)Loss from extinguishment of debt	(1,311)	10,289
Changes in operating assets and liabilities:		
Increase in unbilled rents receivable, net	(2,789)	(3,788)
Increase in deferred charges, goodwill and other assets	(6,774)	(1,899)
Increase in accounts receivable, net	(1,830)	(545)
Increase in accounts payable, accrued expenses and other liabilities	15,942	14,134
Decrease in rents received in advance and security deposits	(7,784)	(2,118)
Increase in accrued interest payable	5,301	4,667
Net cash provided by operating activities	\$ 46,037	\$ 56,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental property acquisitions and related intangibles	\$ (222,893)	\$ (365)
Rental property additions and improvements	(43,307)	(55,935)
Development of rental property and other related costs	(38,568)	(50,038)
Proceeds from the sales of rental property	330,369	243,244
Proceeds from the sale of investments in unconsolidated joint ventures	4,039	
Repayment of notes receivable	125	3,337
Investment in unconsolidated joint ventures	(2,443)	(1,266)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	1,566	4,571
Proceeds from investment receivable		
Net cash provided by investing activities	\$ 28,888	\$ 143,548
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from revolving credit facility	\$ 92,000	\$ 322,000
Repayment of revolving credit facility	(204,000)	(281,000)
Repayment of unsecured term loan	(90,000)	
Proceeds from mortgages and loans payable	121,537	41,090
Repayment of mortgages, loans payable and other obligations	(25,183)	(277,287)
Acquisition of noncontrolling interests	(5,017)	
Issuance of redeemable noncontrolling interests, net	45,000	10,000
Payment of financing costs	(1,363)	(255)
Distributions to noncontrolling interests	(99)	
Payment of distributions	(24,732)	(22,830)

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Net cash used in financing activities	\$	(91,857)	\$	(208,282)
Net decrease in cash and cash equivalents	\$	(16,932)	\$	(7,835)
Cash, cash equivalents and restricted cash, beginning of period (1)		49,554		67,972
Cash, cash equivalents and restricted cash, end of period (2)	\$	32,622	\$	60,137

(1) Includes Restricted Cash of \$19,921 and \$39,792 as of December 31, 2018 and 2017, respectively.

(2) Includes Restricted Cash of \$20,561 and \$34,830 as of March 31, 2019 and 2018, respectively.

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

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MACK-CALI REALTY CORPORATION, MACK-CALI REALTY, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively, the General Partner) is a fully-integrated self-administered, self-managed real estate investment trust (REIT). The General Partner controls Mack-Cali Realty, L.P., a Delaware limited partnership, together with its subsidiaries (collectively, the Operating Partnership), as its sole general partner and owned a 90.0 and 89.8 percent common unit interest in the Operating Partnership as of March 31, 2019 and December 31, 2018, respectively. The General Partner's business is the ownership of interests in and operation of the Operating Partnership and all of the General Partner's expenses are incurred for the benefit of the Operating Partnership. The General Partner is reimbursed by the Operating Partnership for all expenses it incurs relating to the ownership and operation of the Operating Partnership.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies, is the entity through which all of the General Partner's operations are conducted. Unless stated otherwise or the context requires, the Company refers to the General Partner and its subsidiaries, including the Operating Partnership and its subsidiaries.

As of March 31, 2019, the Company owned or had interests in 74 real estate properties (the Properties). The Properties are comprised of 45 office buildings totaling approximately 11.9 million square feet and leased to approximately 400 tenants (which include two buildings, aggregating approximately 0.2 million square feet owned by unconsolidated joint ventures in which the Company has investment interests), 22 multi-family properties, totaling 6,879 apartment units (which include seven properties aggregating 2,611 apartment units owned by unconsolidated joint ventures in which the Company has investment interests), four parking/retail properties totaling approximately 113,800 square feet (which include two buildings aggregating 81,700 square feet owned by unconsolidated joint ventures in which the Company has investment interests), two hotels (one of which is owned by an unconsolidated joint venture in which the Company has an investment interest) and a parcel of land leased to a third party. The Properties are located in four states in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of the Operating Partnership and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. See Note 2: Significant Accounting Policies Investments in Unconsolidated Joint Ventures, for the Company's treatment of unconsolidated joint venture interests. Intercompany accounts and transactions have been eliminated.

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Accounting Standards Codification (ASC) 810, Consolidation, provides guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities or VIEs) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack (i) the ability to make decisions about the entity s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; (2) the equity investment at risk is insufficient to finance that entity s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and substantially all of the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity s performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

On January 1, 2016, the Company adopted accounting guidance under ASC 810, Consolidation, modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a variable interest entity of the parent company, Mack-Cali Realty Corporation. As the Operating Partnership is already consolidated in the balance sheets of Mack-Cali Realty Corporation, the identification of this entity as a variable interest entity has no impact on the consolidated financial statements of Mack-Cali Realty Corporation. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption.

As of March 31, 2019 and December 31, 2018, the Company s investments in consolidated real estate joint ventures, which are variable interest entities in which the Company is deemed to be the primary beneficiary, other than Roseland Residential, L.P. (See Note 14:

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Rockpoint Transaction), have total real estate assets of \$679.5 million and \$480.4 million, respectively, mortgages of \$361.4 million and \$241.5 million, respectively, and other liabilities of \$22.4 million and \$23 million, respectively.

The financial statements have been prepared in conformity with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.