

RAMCO GERSHENSON PROPERTIES TRUST

Form 10-K

February 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2015

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 1-10093

RAMCO-GERSHENSON PROPERTIES TRUST
(Exact Name of Registrant as Specified in its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

13-6908486

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

31500 Northwestern Highway, Suite 300

48334

Farmington Hills, Michigan

(Zip Code)

(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: 248-350-9900

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Shares of Beneficial Interest, (\$0.01 Par Value Per Share)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Edgar Filing: RAMCO GERSHENSON PROPERTIES TRUST - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [X] Accelerated Filer [] Non-Accelerated Filer [] Small Reporting Company []

(Do not check if small reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

The aggregate market value of the common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2015) was \$1,267,495,868. As of February 16, 2016 there were outstanding 79,178,042 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual meeting of shareholders to be held May 11, 2016 are in incorporated by reference into Part III.

TABLE OF CONTENTS

Item	PART I	Page
1.	<u>Business</u>	<u>1</u>
1A.	<u>Risk Factors</u>	<u>5</u>
1B.	<u>Unresolved Staff Comments</u>	<u>13</u>
2.	<u>Properties</u>	<u>14</u>
3.	<u>Legal Proceedings</u>	<u>23</u>
4.	<u>Mine Safety Disclosures</u>	<u>23</u>
	PART II	
5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>24</u>
6.	<u>Selected Financial Data</u>	<u>26</u>
7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
8.	<u>Financial Statements and Supplementary Data</u>	<u>39</u>
9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>40</u>
9A.	<u>Controls and Procedures</u>	<u>40</u>
9B.	<u>Other Information</u>	<u>40</u>
	PART III	
10.	<u>Directors, Executive Officers and Corporate Governance</u>	<u>41</u>
11.	<u>Executive Compensation</u>	<u>41</u>
12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>41</u>
13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>41</u>
14.	<u>Principal Accountant Fees and Services</u>	<u>41</u>
	PART IV	
15.	<u>Exhibits and Financial Statement Schedule</u>	<u>42</u>
	<u>Consolidated Financial Statements and Notes</u>	<u>F-1</u>

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as “may,” “will,” “should,” “believe,” “expect,” “estimate,” “anticipate,” “continue,” “predict” or similar terms. Although the forward-looking statements made in this document are based on our good-faith beliefs, reasonable assumptions and our best judgment based upon current information, certain factors could cause actual results to differ materially from those in the forward-looking statements, including: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; the cost and availability of capital, which depends in part on our asset quality and our relationships with lenders and other capital providers; our business prospects and outlook; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a real estate investment trust (“REIT”); and other factors discussed elsewhere in this document and our other filings with the Securities and Exchange Commission (the “SEC”). Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

PART I

Item 1. Business

The terms “Company,” “we,” “our” or “us” refer to Ramco-Gershenson Properties Trust, Ramco-Gershenson Properties, L.P., and/or its subsidiaries, as the context may require.

General

Ramco-Gershenson Properties Trust is a fully integrated, self-administered, publicly-traded equity real estate investment trust (“REIT”) organized in Maryland. Our primary business is the ownership and management of large multi-anchored shopping centers primarily in twelve of the largest metropolitan markets in the United States. We aim to own multiple properties in each of these metropolitan areas to leverage our management platform and to operate our centers efficiently in these markets. Our target submarkets are affluent communities where our centers can offer value, convenience and a sense of place to the residents of the trade area.

As of December 31, 2015, our property portfolio consisted of 70 wholly owned shopping centers and one office building comprising approximately 15.3 million square feet. We also have ownership interests, ranging from 7% to 30%, in four joint ventures, three of which own a single shopping center. Our joint ventures are reported using equity method accounting. We earn fees from the joint ventures for managing, leasing, and redeveloping the shopping centers they own. In addition, we own various parcels of land available for development or for sale, the majority of which are adjacent to certain of our existing developed properties.

We conduct substantially all of our business through our operating partnership, Ramco-Gershenson Properties, L.P. (the “Operating Partnership”), a Delaware limited partnership. The Operating Partnership, either directly or indirectly through partnerships or limited liability companies, holds fee title to all owned properties. As general partner of the Operating Partnership, we have the exclusive power to manage and conduct the business of the Operating Partnership. As of December 31, 2015, we owned approximately 97.6% of the interests in the Operating Partnership. The limited partners are reflected as noncontrolling interests in our financial statements and are generally individuals or entities that contributed interests in certain assets or entities to the Operating Partnership in exchange for units of limited partnership interest (“OP Units”). The holders of OP units are entitled to exchange them for our common shares on a 1:1 basis or for cash. The form of payment is at our election.

We operate in a manner intended to qualify as a REIT pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the “Code”). Certain of our operations, including property and asset management, as well as ownership of certain land parcels, are conducted through taxable REIT subsidiaries, (“TRSs”), which are subject to federal and state income taxes.

1

Business Objectives, Strategies and Significant Transactions

Our business objective is to own and manage high quality shopping centers that generate cash flow for distribution to our shareholders and that have the potential for capital appreciation. To achieve this objective, we seek to acquire, develop, or redevelop shopping centers that meet our investment criteria. We also seek to recycle capital through the sale of land or shopping centers that we deem to be fully valued or that no longer meet our investment criteria. We use debt to finance our activities and focus on managing the amount, structure, and terms of our debt to limit the risks inherent in debt financing. From time to time, we enter into joint venture arrangements where we believe we can benefit by owning a partial interest in shopping centers and by earning fees for managing the centers for our partners.

We invest primarily in large, multi-anchored shopping centers that include national chain store tenants and market dominant supermarket tenants. National chain anchor tenants in our centers include, among others, TJ Maxx/Marshalls, Bed Bath and Beyond, Home Depot and Dick's Sporting Goods. Supermarket anchor tenants in our centers include, among others, Publix Super Market, Whole Foods, Kroger and Sprouts. Our shopping centers are primarily located in metropolitan markets such as Metro Detroit, Southeast Florida, Greater Denver, Cincinnati, St. Louis, Jacksonville, Tampa/Lakeland, Milwaukee, Chicago and Atlanta.

We also own land which is available for development or sale. At December 31, 2015, we had one project in pre-development and two projects where Phase I of the development was completed. The remaining future phases at those projects are in pre-development. We estimate that if we proceed with the development of the projects, up to approximately 750,000 square feet of gross leasable area ("GLA") could be developed, excluding various outparcels of land. It is our policy to start vertical construction on new development projects only after the project has received entitlements, significant anchor commitments and construction financing, if appropriate.

Our development and construction activities are subject to risks and uncertainties such as our inability to obtain the necessary governmental approvals for a project, our determination that the expected return on a project is not sufficient to warrant continuation of the planned development, or our change in plan or scope for the development. If any of these events occur, we may record an impairment provision.

Operating Strategies and Significant Transactions

Our operating objective is to maximize the risk-adjusted return on invested capital at our shopping centers. We seek to do so by increasing the property operating income of our centers, controlling our capital expenditures, monitoring our tenants' credit risk and taking actions to mitigate our exposure to that tenant credit risk.

During 2015, our consolidated properties reported the following leasing activity:

	Leasing Transactions	Square Footage	Base Rent/SF ⁽¹⁾	Prior Rent/SF	Tenant Improvements/SF	Leasing Commissions/SF
Renewals	202	1,321,966	\$13.51	\$12.47	\$ 0.10	\$ 0.13
New Leases - Comparable	29	101,669	17.72	15.11	5.79	4.08
New Leases - Non-Comparable ⁽²⁾	55	371,416	17.05	N/A	36.21	3.66
Total	286	1,795,051	\$14.48	N/A	\$ 7.89	\$ 1.09

⁽¹⁾ Base rent represents contractual minimum rent under the new lease for the first 12 months of the term.

⁽²⁾ Non-comparable lease transactions include leases for space vacant for greater than 12 months, leases for space which has been combined from smaller spaces or demised from larger spaces, and leases structured differently from the prior lease. As a result, there is no comparable prior rent per square foot to compare to the base rent per square foot of the new lease.

Investing Strategies and Significant Transactions

Our investing objective is to generate an attractive risk-adjusted return on capital invested in acquisitions and developments. In addition, we seek to sell land or shopping centers that we deem to be fully valued or that no longer meet our investment criteria. We underwrite acquisitions based upon current cash flow, projections of future cash flow, and scenario analyses that take into account the risks and opportunities of ownership. We underwrite development of new shopping centers on the same basis, but also take into account the unique risks of entitling land, constructing buildings, and leasing newly built space.

At December 31, 2015, we had ten redevelopment, expansion or re-anchoring projects in process with an anticipated cost of \$76.8 million, of which \$51.5 million remained to be invested. Completion dates are anticipated during 2016 and early 2017.

In July 2015, we acquired our partner's 80% interest in six properties held in the Ramco 450 Venture LLC ("Ramco 450") and subsequently own 100% of the related properties. We consolidated the six properties based upon a value of approximately \$191.1 million, together with the assumption of three mortgage loans with unpaid principal balances totaling approximately \$60.1 million, plus any related assets and liabilities. Total consideration paid for the properties was approximately \$105.8 million, including closing costs. As part of the same transaction, we sold our 20% interest in one property owned by the same joint venture to our partner, which generated net cash proceeds to us of \$10.6 million. The remaining property in the joint venture was sold to a third party in October 2015, generating net proceeds to us of \$5.9 million.

In August 2015, we acquired our partner's 70% interest in one property held in the Ramco/Lion Venture L.P. ("RLV"). We consolidated the property based upon a value of approximately \$47.0 million, with total consideration paid of \$41.6 million, including approximately \$8.7 million of our proportionate share of \$29.8 million debt repaid at closing.

As a result of the above transactions, we gained control of the properties and recognized a gain on remeasurement of unconsolidated joint ventures of \$7.9 million which represents the difference between the carrying value and the fair value of our previously held equity investment in the properties. Refer to [Note 7](#) for additional information regarding our joint venture activity.

In addition to the above, we completed \$16.1 million of acquisitions and \$49.8 million of dispositions in 2015. Refer to Note 4 for additional information related to acquisitions and dispositions.

Financing Strategies and Significant Transactions

Our financing objective is to maintain a strong and flexible balance sheet in order to ensure access to capital at a competitive cost. In general, we seek to increase our financial flexibility by increasing our pool of unencumbered properties and borrowing on an unsecured basis. In keeping with our objective, we routinely benchmark our balance sheet on a variety of measures to our peers in the shopping center sector and to REITs in general.

Specifically, we completed the following financing transactions:

Debt

During 2015, we issued \$150.0 million in senior unsecured notes, repaid \$86.5 million in mortgage notes and assumed \$60.1 million in mortgage notes related to our acquisitions. Refer to [Note 9](#) for additional information related to our debt.

Equity

Through our controlled equity offering we issued 0.9 million common shares at an average share price of \$19.28 and received approximately \$17.1 million in net proceeds during the twelve months ended December 31, 2015. As of December 31, 2015, there were 3.1 million shares remaining under this program.

In April 2015, we converted preferred shares with a liquidation preference of \$7.6 million into 532,628 common shares pursuant to the terms set forth in the convertible preferred shares prospectus supplement dated April 27, 2011 and incurred conversion costs of approximately \$0.5 million.

As of December 31, 2015 we had net debt to total market capitalization of 42.3% as compared to 35.7%, at December 31, 2014. At December 31, 2015 and 2014 we had \$286.5 million and \$335.9 million, respectively, available to draw under our unsecured revolving line of credit.

Competition

See page 6 of Item 1A. "Risk Factors" for a description of competitive conditions in our business.

Environmental Matters

See page 12 of Item 1A. "Risk Factors" for a description of environmental risks for our business.

3

Employment

As of December 31, 2015, we had 120 full-time employees. None of our employees are represented by a collective bargaining unit. We believe that our relations with our employees are good.

Available Information

All reports we electronically file with, or furnish to, the SEC, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to such reports, are available, free of charge, on our website at www.rgpt.com, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the SEC. Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and Board of Trustees' committee charters also are available on our website.

Shareholders may request free copies of these documents from:

Ramco-Gershenson Properties Trust
Attention: Investor Relations
31500 Northwestern Highway, Suite 300
Farmington Hills, MI 48334

Item 1A. Risk Factors

You should carefully consider each of the risks and uncertainties described below and elsewhere in this Annual Report on Form 10-K, as well as any amendments or updates reflected in subsequent filings with the SEC. We believe these risks and uncertainties, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results and could materially and adversely affect our business operations, results of operations and financial condition. Further, additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our results and business operations.

Operating Risks

National economic conditions and retail sales trends may adversely affect the performance of our properties.

Demand to lease space in our shopping centers generally fluctuates with the overall economy. Economic downturns often result in a lower rate of retail sales growth, or even declines in retail sales. In response, retailers that lease space in shopping centers typically reduce their demand for retail space during such downturns. As a result, economic downturns and unfavorable retail sales trends may diminish the income, cash flow, and value of our properties.

Our concentration of properties in Michigan and Florida makes us more susceptible to adverse market conditions in these states.

Our performance depends on the economic conditions in the markets in which we operate. In 2015, our wholly-owned properties located in Michigan and Florida accounted for approximately 29%, and 21%, respectively, of our annualized base rent. In 2014 Michigan and Florida accounted for approximately 29% and 23%, respectively. To the extent that market conditions in these or other states in which we operate deteriorate, the performance or value of our properties may be adversely affected.

Changes in the supply and demand for the type of space we lease to our tenants could affect the income, cash flow, and value of our properties.

Our shopping centers generally compete for tenants with similar properties located in the same neighborhood, community, or region. Although we believe we own high quality centers, competing centers may be newer, better located, or have a better tenant mix. In addition, new centers or retail stores may be developed, increasing the supply of retail space competing with our centers or taking retail sales from our tenants. Our tenants also compete with alternate forms of retailing, including on-line shopping, home shopping networks, and mail order catalogs. Alternate forms of retailing may reduce the demand for space in our shopping centers.

As a result, we may not be able to renew leases or attract replacement tenants as leases expire. When we do renew tenants or attract replacement tenants, the terms of renewals or new leases may be less favorable to us than current lease terms. In order to lease our vacancies, we often incur costs to reconfigure or modernize our properties to suit the needs of a particular tenant. Under competitive circumstances, such costs may exceed our budgets. If we are unable to lease vacant space promptly, if the rental rates upon a renewal or new lease are lower than expected, or if the costs incurred to lease space exceed our expectations, then the income and cash flow of our properties will decrease.

Our reliance on key tenants for significant portions of our revenues exposes us to increased risk of tenant bankruptcies that could adversely affect our income and cash flow.

As of December 31, 2015, we received 39.5% of our combined annualized base rents from our top 25 tenants, including our top four tenants: TJ Maxx/Marshalls (4.1%), Bed Bath & Beyond (2.8%), LA Fitness (2.4%) and Dick's

Sporting Goods (2.0%). No other tenant represented more than 2.0% of our total annualized base rent. The credit risk posed by our major tenants varies.

If any of our major tenants experiences financial difficulties or files for bankruptcy protection, our operating results could be adversely affected. Bankruptcy filings by our tenants or lease guarantors generally delay our efforts to collect pre-bankruptcy receivables and could ultimately preclude full collection of these sums. If a tenant rejects a lease, we would have only a general unsecured claim for damages, which may be collectible only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. In 2015, no key tenant of ours filed for bankruptcy protection.

5

Our properties generally rely on anchor tenants to attract customers. The loss of anchor tenants may adversely impact the performance of our properties.

If any of our anchor tenants becomes insolvent, suffers a downturn in business, abandons occupancy, or decides not to renew its lease, such event would adversely impact the performance of the affected center. An abandonment or lease termination by an anchor tenant may give other tenants in the same shopping center the right to terminate their leases or pay less rent pursuant to the terms of their leases. Our leases with anchor tenants may, in certain circumstances, permit them to transfer their leases to other retailers. The transfer to a new anchor tenant could result in lower customer traffic to the center, which would affect our other tenants. In addition, a transfer of a lease to a new anchor tenant could give other tenants the right to make reduced rental payments or to terminate their leases.

We may be restricted from leasing vacant space based on existing exclusivity lease provisions with some of our tenants.

In a number of cases, our leases give a tenant the exclusive right to sell clearly identified types of merchandise or provide specific types of services at a particular shopping center. In other cases, leases with a tenant may limit the ability of other tenants to sell similar merchandise or provide similar services to that tenant. When leasing a vacant space, these restrictions may limit the number and types of prospective tenants suitable for that space. If we are unable to lease space on satisfactory terms, our operating results would be adversely impacted.

Increases in operating expenses could adversely affect our operating results.

Our operating expenses include, among other items, property taxes, insurance, utilities, repairs, and the maintenance of the common areas of our shopping centers. We may experience increases in our operating expenses, some or all of which may be out of our control. Most of our leases require that tenants pay for a share of property taxes, insurance and common area maintenance costs. However, if any property is not fully occupied or if recovery income from tenants is not sufficient to cover operating expenses, then we could be required to expend our own funds for operating expenses. In addition, we may be unable to renew leases or negotiate new leases with terms requiring our tenants to pay all the property tax, insurance, and common area maintenance costs that tenants currently pay, which would adversely affect our operating results.

If we suffer losses that are uninsured or in excess of our insurance coverage limits, we could lose invested capital and anticipated profits.

Catastrophic losses, such as losses resulting from wars, acts of terrorism, earthquakes, floods, hurricanes, and tornadoes or other natural disasters, pollution or environmental matters, generally are either uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. Although we currently maintain “all risk” replacement cost insurance for our buildings, rents and personal property, commercial general liability insurance, and pollution and environmental liability insurance, our insurance coverage may be inadequate if any of the events described above occurs to, or causes the destruction of, one or more of our properties. Under that scenario, we could lose both our invested capital and anticipated profits from that property.

Our real estate assets may be subject to additional impairment provisions based on market and economic conditions.

On a periodic basis, we assess whether there are any indicators that the value of our real estate properties and other investments may be impaired. Under generally accepted accounting principles (“GAAP”) a property’s value is impaired only if the estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. In our estimate of cash flows, we consider factors such as

