KITE REALTY GROUP TRUST
Form 10-Q
August 04, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to

Commission File Number: 001-32268 (Kite Realty Group Trust)
Commission File Number: 333-202666-01 (Kite Realty Group, L.P.)

Kite Realty Group Trust
Kite Realty Group, L.P.
(Exact Name of Registrant as Specified in its Charter)

Maryland (Kite Realty Group Trust)	11-3715772
Delaware (Kite Realty Group, L.P.)	20-1453863
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

30 S. Meridian Street, Suite 1100
Indianapolis, Indiana 46204
(Address of principal executive offices) (Zip code)

Telephone: (317) 577-5600
(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 90 days.

Kite Realty Group Trust Yes x No o Kite Realty Group, L.P. Yes x No o

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).

Kite Realty Group Trust Yes x No o Kite Realty Group, 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, 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.
Kite Realty Group Trust:

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
			Emerging growth company o

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. o
Kite Realty Group, L.P.:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller reporting company o
			Emerging growth company o

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. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Kite Realty Group Trust Yes o No x Kite Realty Group, L.P. Yes o No x
The number of Common Shares of Kite Realty Group Trust outstanding as of August 2, 2017 was 83,594,250 ($.01 par value).

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 30, 2017 of Kite Realty Group Trust, Kite Realty Group, L.P. and its subsidiaries. Unless stated otherwise or the context otherwise requires, references to "Kite Realty Group Trust" or the "Parent Company" mean Kite Realty Group Trust, and references to the "Operating Partnership" mean Kite Realty Group, L.P. and its consolidated subsidiaries. The terms "Company," "we," "us," and "our" refer to the Parent Company and the Operating Partnership, collectively, and those entities owned or controlled by the Parent Company and/or the Operating Partnership.

The Operating Partnership is engaged in the ownership and operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers in select markets in the United States. The Parent Company is the sole general partner of the Operating Partnership and as of June 30, 2017 owned approximately 97.7% of the common partnership interests in the Operating Partnership (“General Partner Units”). The remaining 2.3% of the common partnership interests (“Limited Partner Units” and, together with the General Partner Units, the “Common Units”) were owned by the limited partners.

We believe combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into this single report benefits investors by:

- enhancing investors' understanding of the Parent 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;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation of information because a substantial portion of the Company's disclosure applies to both the Parent Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between the Parent Company and the Operating Partnership in the context of how we operate as an interrelated consolidated company. The Parent Company has no material assets or liabilities other than its investment in the Operating Partnership. The Parent Company issues public equity from time to time but does not have any indebtedness as all debt is incurred by the Operating Partnership. In addition, the Parent Company currently does not nor does it intend to guarantee any debt of the Operating Partnership. The Operating Partnership has numerous wholly-owned subsidiaries, and it also owns interests in certain joint ventures. These subsidiaries and joint ventures own and operate retail shopping centers and other real estate assets. The Operating Partnership is structured as a partnership with no publicly-traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for General Partner Units, the Operating Partnership generates the capital required by the business through its operations, its placement of indebtedness and the issuance of Limited Partner Units to third parties.

Shareholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of the Parent Company and those of the Operating Partnership. In order to highlight this and other differences between the Parent Company and the Operating Partnership, there are separate sections in this report, as applicable, that separately discuss the Parent Company and the Operating Partnership, including separate financial statements and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the Parent Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the collective Company.

KITE REALTY GROUP TRUST AND KITE REALTY GROUP, L.P. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

TABLE OF CONTENTS

Part I. FINANCIAL INFORMATION

Item 1.

Kite Realty Group Trust
Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and per share data)

	June 30, 2017	December 31, 2016
Assets:		
Investment properties, at cost	$ 3,939,999	$ 3,996,065
Less: accumulated depreciation	(608,233)	(560,683)
	3,331,766	3,435,382
Cash and cash equivalents	27,635	19,874
Tenant and other receivables, including accrued straight-line rent of $29,818 and $28,703 respectively, net of allowance for uncollectible accounts	52,270	53,087
Restricted cash and escrow deposits	8,717	9,037
Deferred costs and intangibles, net	119,699	129,264
Prepaid and other assets	10,188	9,727
Total Assets	$ 3,550,275	$ 3,656,371
Liabilities and Equity:		
Mortgage and other indebtedness, net	$ 1,675,064	$ 1,731,074
Accounts payable and accrued expenses	88,482	80,664
Deferred revenue and intangibles, net and other liabilities	103,302	112,202
Total Liabilities	1,866,848	1,923,940
Commitments and contingencies	—	—
Limited partners' interests in Operating Partnership and other redeemable noncontrolling interests	73,051	88,165
Equity:		
Kite Realty Group Trust Shareholders' Equity:		
Common Shares, $.01 par value, 225,000,000 shares authorized, 83,595,490 and 83,545,398 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	836	835
Additional paid in capital and other	2,067,795	2,062,360
Accumulated other comprehensive income (loss)	736	(316)
Accumulated deficit	(459,689)	(419,305)
Total Kite Realty Group Trust Shareholders' Equity	1,609,678	1,643,574
Noncontrolling Interests	698	692
Total Equity	1,610,376	1,644,266
Total Liabilities and Equity	$ 3,550,275	$ 3,656,371

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

Kite Realty Group Trust
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
Minimum rent	$68,395	$68,455	$137,341	$135,918
Tenant reimbursements	18,521	17,006	37,091	35,161
Other property related revenue	5,733	2,114	8,330	5,046
Total revenue	92,649	87,575	182,762	176,125
Expenses:				
Property operating	12,139	11,346	25,091	23,538
Real estate taxes	11,228	10,503	21,559	21,637
General, administrative, and other	5,488	4,856	10,958	10,147
Transaction costs	—	2,771	—	2,771
Impairment charge	—	—	7,411	—
Depreciation and amortization	42,710	43,841	88,540	86,082
Total expenses	71,565	73,317	153,559	144,175
Operating income	21,084	14,258	29,203	31,950
Interest expense	(16,433)	(15,500)	(32,878)	(30,825)
Income tax (expense) benefit of taxable REIT subsidiary	(3)	(338)	30	(748)
Other expense, net	(80)	(110)	(219)	(94)
Income (loss) from continuing operations	4,568	(1,690)	(3,864)	283
Gains on sales of operating properties	6,290	194	15,160	194
Consolidated net income (loss)	10,858	(1,496)	11,296	477
Net income attributable to noncontrolling interests	(678)	(399)	(1,110)	(971)
Net income (loss) attributable to Kite Realty Group Trust common shareholders	$10,180	$(1,895)	$10,186	$(494)
Net income (loss) per common share - basic & diluted	$0.12	$(0.02)	$0.12	$(0.01)
Weighted average common shares outstanding - basic	83,585,736	83,375,765	83,575,587	83,362,136
Weighted average common shares outstanding - diluted	83,652,627	83,375,765	83,640,327	83,362,136
Common dividends declared per common share	$0.3025	$0.2875	$0.6050	$0.5750
Consolidated net income (loss)	$10,858	$(1,496)	$11,296	$477
Change in fair value of derivatives	(420)	(2,619)	1,076	(9,932)
Total comprehensive income (loss)	10,438	(4,115)	12,372	(9,455)
Comprehensive income attributable to noncontrolling interests	(668)	(340)	(1,134)	(744)
Comprehensive income (loss) attributable to Kite Realty Group Trust	$9,770	$(4,455)	$11,238	$(10,199)

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

Kite Realty Group Trust
Consolidated Statement of Shareholders' Equity
(Unaudited)
(in thousands, except share data)

	Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total
	Shares	Amount				
Balances, December 31, 2016	83,545,398	$ 835	$2,062,360	$ (316)	$ (419,305)	$1,643,574
Stock compensation activity	50,092	1	2,597	—	—	2,598
Other comprehensive income attributable to Kite Realty Group Trust	—	—	—	1,052	—	1,052
Distributions declared to common shareholders	—	—	—	—	(50,570)	(50,570)
Net income attributable to Kite Realty Group Trust	—	—	—	—	10,186	10,186
Acquisition of partner's noncontrolling interest in Fishers Station operating property	—	—	(3,750)	—	—	(3,750)
Adjustment to redeemable noncontrolling interests	—	—	6,588	—	—	6,588
Balances, June 30, 2017	83,595,490	$ 836	$2,067,795	$ 736	$ (459,689)	$1,609,678

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

Kite Realty Group Trust
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Consolidated net income	$11,296	$477
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Straight-line rent	(2,420)	(2,842)
Depreciation and amortization	89,749	87,713
Gains on sales of operating properties	(15,160)	(194)
Impairment charge	7,411	—
Provision for credit losses	1,790	1,291
Compensation expense for equity awards	3,122	2,573
Amortization of debt fair value adjustment	(1,486)	(2,128)
Amortization of in-place lease liabilities, net	(1,800)	(3,252)
Changes in assets and liabilities:		
Tenant receivables and other	(1,606)	3,456
Deferred costs and other assets	(7,109)	(5,917)
Accounts payable, accrued expenses, deferred revenue and other liabilities	(2,688)	(232)
Net cash provided by operating activities	81,099	80,945
Cash flows from investing activities:		
Capital expenditures, net	(34,947)	(44,223)
Net proceeds from sales of operating properties	76,076	139
Collection of note receivable	—	500
Change in construction payables	(1,598)	(1,260)
Net cash provided by (used in) investing activities	39,531	(44,844)
Cash flows from financing activities:		
Repurchases of common shares upon the vesting of restricted shares	(780)	(755)
Acquisition of partner's interest in Fishers Station operating property	(3,750)	—
Loan proceeds	54,200	178,970
Loan transaction costs	—	(887)
Loan payments	(109,933)	(160,597)
Distributions paid – common shareholders	(50,553)	(46,676)
Distributions paid – redeemable noncontrolling interests	(2,053)	(1,941)
Distributions to noncontrolling interests	—	(193)
Net cash used in financing activities	(112,869)	(32,079)
Net change in cash and cash equivalents	7,761	4,022
Cash and cash equivalents, beginning of period	19,874	33,880
Cash and cash equivalents, end of period	$27,635	$37,902

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Balance Sheets
(unaudited)
(in thousands, except unit data)

	June 30, 2017	December 31, 2016
Assets:		
Investment properties, at cost	$3,939,999	$3,996,065
Less: accumulated depreciation	(608,233)	(560,683)
	3,331,766	3,435,382
Cash and cash equivalents	27,635	19,874
Tenant and other receivables, including accrued straight-line rent of $29,818 and $28,703 respectively, net of allowance for uncollectible accounts	52,270	53,087
Restricted cash and escrow deposits	8,717	9,037
Deferred costs and intangibles, net	119,699	129,264
Prepaid and other assets	10,188	9,727
Total Assets	$3,550,275	$3,656,371
Liabilities and Equity:		
Mortgage and other indebtedness, net	$1,675,064	$1,731,074
Accounts payable and accrued expenses	88,482	80,664
Deferred revenue and intangibles, net and other liabilities	103,302	112,202
Total Liabilities	1,866,848	1,923,940
Commitments and contingencies	—	—
Redeemable Limited Partners' and other redeemable noncontrolling interests	73,051	88,165
Partners Equity:		
Parent Company:		
Common equity, 83,595,490 and 83,545,398 units issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1,608,942	1,643,890
Accumulated other comprehensive income (loss)	736	(316)
Total Partners Equity	1,609,678	1,643,574
Noncontrolling Interests	698	692
Total Equity	1,610,376	1,644,266
Total Liabilities and Equity	$3,550,275	$3,656,371

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(in thousands, except unit and per unit data)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenue:				
Minimum rent	$68,395	$ 68,455	$137,341	$135,918
Tenant reimbursements	18,521	17,006	37,091	35,161
Other property related revenue	5,733	2,114	8,330	5,046
Total revenue	92,649	87,575	182,762	176,125
Expenses:				
Property operating	12,139	11,346	25,091	23,538
Real estate taxes	11,228	10,503	21,559	21,637
General, administrative, and other	5,488	4,856	10,958	10,147
Transaction costs	—	2,771	—	2,771
Impairment charge	—	—	7,411	—
Depreciation and amortization	42,710	43,841	88,540	86,082
Total expenses	71,565	73,317	153,559	144,175
Operating income	21,084	14,258	29,203	31,950
Interest expense	(16,433)	(15,500)	(32,878)	(30,825)
Income tax (expense) benefit of taxable REIT subsidiary	(3)	(338)	30	(748)
Other expense, net	(80)	(110)	(219)	(94)
Income (loss) from continuing operations	4,568	(1,690)	(3,864)	283
Gains on sales of operating properties	6,290	194	15,160	194
Consolidated net income (loss)	10,858	(1,496)	11,296	477
Net income attributable to noncontrolling interests	(438)	(461)	(870)	(983)
Net income (loss) attributable to common unitholders	$10,420	$ (1,957)	$10,426	$(506)
Allocation of net income (loss):				
Limited Partners	$240	$ (62)	$240	$(12)
Parent Company	10,180	(1,895)	10,186	(494)
	$10,420	$ (1,957)	$10,426	$(506)
Net income (loss) per unit - basic & diluted	$0.12	$ (0.02)	$0.12	$(0.01)
Weighted average common units outstanding - basic	85,572,566	85,320,923	85,551,356	85,295,968
Weighted average common units outstanding - diluted	85,639,457	85,420,633	85,616,096	85,394,353
Distributions declared per common unit	$0.3025	$ 0.2875	$0.6050	$0.5750
Consolidated net income (loss)	$10,858	$ (1,496)	$11,296	$477
Change in fair value of derivatives	(420)	(2,619)	1,076	(9,932)
Total comprehensive income (loss)	10,438	(4,115)	12,372	(9,455)
Comprehensive income attributable to noncontrolling interests	(438)	(461)	(870)	(983)
Comprehensive income (loss) attributable to common unitholders	$10,000	$ (4,576)	$11,502	$(10,438)

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Statements of Partners' Equity
(Unaudited)
(in thousands)

	General Partner		
	Common Equity	Accumulated Other Comprehensive (Loss) Income	Total
Balances, December 31, 2016	$1,643,890	$ (316)	$1,643,574
Stock compensation activity	2,598	—	2,598
Other comprehensive income attributable to Parent Company	—	1,052	1,052
Distributions declared to Parent Company	(50,570)	—	(50,570)
Net income	10,186	—	10,186
Acquisition of partner's interest in Fishers Station operating property	(3,750)	—	(3,750)
Adjustment to redeemable noncontrolling interests	6,588	—	6,588
Balances, June 30, 2017	$1,608,942	$ 736	$1,609,678

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

Kite Realty Group, L.P. and subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended June 30, 2017	2016
Cash flows from operating activities:		
Consolidated net income	$11,296	$477
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Straight-line rent	(2,420)	(2,842)
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Gains on sales of operating properties	(15,160)	(194)
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Cash and cash equivalents, beginning of period	19,874	33,880
Cash and cash equivalents, end of period	$27,635	$37,902

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

Kite Realty Group Trust and Kite Realty Group, L.P. and subsidiaries
Notes to Consolidated Financial Statements
June 30, 2017
(Unaudited)
(in thousands, except share and per share data)

Note 1. Organization

Kite Realty Group Trust (the "Parent Company"), through its majority-owned subsidiary, Kite Realty Group, L.P. (the “Operating Partnership”), owns interests in various operating subsidiaries and joint ventures engaged in the ownership and operation, acquisition, development and redevelopment of high-quality neighborhood and community shopping centers in select markets in the United States. The terms "Company," "we," "us," and "our" refer to the Parent Company and the Operating Partnership, collectively, and those entities owned or controlled by the Parent Company and/or the Operating Partnership.

The Operating Partnership was formed on August 16, 2004, when the Parent Company contributed properties and the net proceeds from an initial public offering of shares of its common stock to the Operating Partnership. The Parent Company was organized in Maryland in 2004 to succeed in the development, acquisition, construction and real estate businesses of its predecessor. We believe the Company qualifies as a real estate investment trust (a “REIT”) under provisions of the Internal Revenue Code of 1986, as amended.

The Parent Company is the sole general partner of the Operating Partnership, and as of June 30, 2017 owned approximately 97.7% of the common partnership interests in the Operating Partnership (“General Partner Units”). The remaining 2.3% of the common partnership interests (“Limited Partner Units” and, together with the General Partner Units, the “Common Units”) were owned by the limited partners. As the sole general partner of the Operating Partnership, the Parent Company has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership. The Parent Company and the Operating Partnership are operated as one enterprise. The management of the Parent Company consists of the same members as the management of the Operating Partnership. As the sole general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have any significant assets other than its investment in the Operating Partnership.

At June 30, 2017, we owned interests in 117 operating and redevelopment properties totaling approximately 23.1 million square feet. We also owned one development project under construction as of this date.

Note 2. Basis of Presentation, Consolidation, Investments in Joint Ventures, and Noncontrolling Interests

We have prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited financial statements as of June 30, 2017 and for the three and six months ended June 30, 2017 and 2016 include all adjustments, consisting of normal recurring adjustments, necessary in the opinion of management to present fairly the financial information set forth therein. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the combined Annual Report on Form 10-K of the Parent Company and the Operating Partnership for the year ended December 31, 2016.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reported period. Actual results could differ from these estimates. The results of operations for the interim periods are not necessarily indicative of the results that may be expected on an annual basis.

Components of Investment Properties

The composition of the Company's investment properties as of June 30, 2017 and December 31, 2016 was as follows:

($ in thousands)	Balance at June 30, 2017	December 31, 2016
Investment properties, at cost:		
Land, buildings and improvements	$3,830,947	$ 3,885,223
Furniture, equipment and other	7,550	7,246
Land held for development	31,981	34,171
Construction in progress	69,521	69,425
	$3,939,999	$ 3,996,065

Consolidation and Investments in Joint Ventures

The accompanying financial statements are presented on a consolidated basis and include all accounts of the Parent Company, the Operating Partnership, the taxable REIT subsidiary of the Operating Partnership, subsidiaries of the Operating Partnership that are controlled and any variable interest entities ("VIEs") in which the Operating Partnership is the primary beneficiary. In general, a VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) has equity investors that do not provide sufficient financial resources for the entity to support its activities, (b) does not have equity investors with voting rights or (c) has equity investors whose votes are disproportionate from their economics and substantially all of the activities are conducted on behalf of the investor with disproportionately fewer voting rights.

The Operating Partnership accounts for properties that are owned by joint ventures in accordance with the consolidation guidance. The Operating Partnership evaluates each joint venture and determines first whether to follow the VIE or the voting interest entity ("VOE") model. Once the appropriate consolidation model is identified, the Operating Partnership then evaluates whether it should consolidate the joint venture. Under the VIE model, the Operating Partnership consolidates an entity when it has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the VOE model, the Operating Partnership consolidates an entity when (i) it controls the entity through ownership of a majority voting interest if the entity is not a limited partnership or (ii) it controls the entity through its ability to remove the other partners or owners in the entity, at its discretion, when the entity is a limited partnership.

In determining whether to consolidate a VIE with the Operating Partnership, we consider all relationships between the Operating Partnership and the applicable VIE, including development agreements, management agreements and other contractual arrangements, in determining whether we have the power to direct the activities of the VIE that most significantly affect the VIE's performance. As of June 30, 2017, we owned investments in three joint ventures that were VIEs in which the partners did not have substantive participating rights and we were the primary beneficiary. As of this date, these VIEs had total debt of $238.8 million, which were secured by assets of the VIEs totaling $497.9 million. The Operating Partnership guarantees the debts of these VIEs.

The Operating Partnership is considered a VIE as the limited partners do not hold kick-out rights or substantive participating rights. The Parent Company consolidates the Operating Partnership as it is the primary beneficiary in accordance with the VIE model.

Income Taxes and REIT Compliance

Parent Company

The Parent Company, which is considered a corporation for federal income tax purposes, has been organized and intends to continue to operate in a manner that will enable it to maintain its qualification as a REIT for federal income tax purposes. As a result, it generally will not be subject to federal income tax on the earnings that it distributes to the extent it distributes its “REIT taxable income” (determined before the deduction for dividends paid and excluding net capital gains) to shareholders of the Parent Company and meets certain other requirements on a recurring basis. To the extent that it satisfies this distribution requirement, but distributes less than 100% of its taxable income, it will be subject to federal corporate income tax on its undistributed REIT taxable income. REITs are subject to a number of organizational and operational requirements. If the Parent Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate rates for a period of four years following the year in which qualification is lost. We may also be subject to certain federal, state and local taxes on our income and property and to federal income and excise taxes on our undistributed taxable income even if the Parent

Company does qualify as a REIT. The Operating Partnership intends to continue to make distributions to the Parent Company in amounts sufficient to assist the Parent Company in adhering to REIT requirements and maintaining its REIT status.

We have elected to treat Kite Realty Holdings, LLC as a taxable REIT subsidiary of the Operating Partnership, and we may elect to treat other subsidiaries as taxable REIT subsidiaries in the future. This election enables us to receive income and provide services that would otherwise be impermissible for a REIT. Deferred tax assets and liabilities are established for temporary differences between the financial reporting bases and the tax bases of assets and liabilities at the tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Operating Partnership

The allocated share of income and loss, other than the operations of our taxable REIT subsidiary, is included in the income tax returns of the Operating Partnership's partners. Accordingly, the only federal income taxes included in the accompanying consolidated financial statements are in connection with the Operating Partnership's taxable REIT subsidiary.

Noncontrolling Interests

We report the non-redeemable noncontrolling interests in subsidiaries as equity, and the amount of consolidated net income attributable to these noncontrolling interests is set forth separately in the consolidated financial statements. The non-redeemable noncontrolling interests in consolidated properties for the six months ended June 30, 2017 and 2016 were as follows:

	2017	2016
Noncontrolling interests balance January 1	$692	$773
Net income allocable to noncontrolling interests, excluding redeemable noncontrolling interests	6	118
Distributions to noncontrolling interests	—	(193)
Noncontrolling interests balance at June 30	$698	$698

Redeemable Noncontrolling Interests - Limited Partners

Limited Partner Units are redeemable noncontrolling interests in the Operating Partnership. We classify redeemable noncontrolling interests in the Operating Partnership in the accompanying consolidated balance sheets outside of permanent equity because we may be required to pay cash to holders of Limited Partner Units upon redemption of their interests in the Operating Partnership or deliver registered shares upon their conversion. The carrying amount of the redeemable noncontrolling interests in the Operating Partnership is reflected at the greater of historical book value or redemption value with a corresponding adjustment to additional paid-in capital. At June 30, 2017, the redemption value of the redeemable noncontrolling interests did not exceed the historical book value. At December 31, 2016, the redemption value of the redeemable noncontrolling interests exceeded the historical book value, and the balance was accordingly adjusted to redemption value.

We allocate net operating results of the Operating Partnership after noncontrolling interests in the consolidated properties based on the partners’ respective weighted average ownership interest. We adjust the redeemable noncontrolling interests in the Operating Partnership at the end of each reporting period to reflect their interests in the Operating Partnership or redemption value. This adjustment is reflected in our shareholders’ and Parent Company's equity. For the three and six months ended June 30, 2017 and 2016, the weighted average interests of the Parent

Company and the limited partners in the Operating Partnership were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Parent Company’s weighted average basic interest in Operating Partnership	97.7%	97.7%	97.7%	97.7%
Limited partners' weighted average basic interests in Operating Partnership	2.3 %	2.3 %	2.3 %	2.3 %

At June 30, 2017 and December 31, 2016, the Parent Company's interest and the limited partners' redeemable noncontrolling ownership interests in the Operating Partnership were 97.7% and 2.3% as of the end of each period presented.

Concurrent with the Parent Company's initial public offering and related formation transactions, certain individuals received Limited Partner Units of the Operating Partnership in exchange for their interests in certain properties. The limited partners have the right to redeem Limited Partner Units for cash or, at the Parent Company's election, common shares of the Parent Company in an amount equal to the market value of an equivalent number of common shares of the Parent Company at the time of redemption. Such common shares must be registered, which is not fully in the Parent Company's control. Therefore, the limited partners' interest is not reflected in permanent equity. The Parent Company also has the right to redeem the Limited Partner Units directly from the limited partner in exchange for either cash in the amount specified above or a number of its common shares equal to the number of Limited Partner Units being redeemed.

There were 1,986,830 and 1,942,340 Limited Partner Units outstanding as of June 30, 2017 and December 31, 2016, respectively. The increase in Limited Partner Units outstanding from December 31, 2016 is due to non-cash compensation awards made to our executive officers in the form of Limited Partner Units.

Redeemable Noncontrolling Interests - Subsidiaries

Prior to the merger with Inland Diversified Real Estate Trust, Inc. ("Inland Diversified") in 2014, Inland Diversified formed joint ventures with the previous owners of certain properties and issued Class B units in three joint ventures that indirectly own those properties. The Class B units related to two of these three joint ventures remain outstanding subsequent to the merger with Inland Diversified and are accounted for as noncontrolling interests in these properties. A portion of the Class B units became redeemable at our partner's election in March 2017, and the remaining Class B units will become redeemable at our partner's election in October 2022 based on the applicable joint venture and the fulfillment of certain redemption criteria. Beginning in December 2020 and November 2022, with respect to the applicable joint venture, the Class B units can be redeemed at the election of either our partner or us for cash or Limited Partner Units in the Operating Partnership. None of the issued Class B units have a maturity date and none are mandatorily redeemable unless either party has elected for the units to be redeemed. We consolidate these joint ventures because we control the decision making of each of the joint ventures and our joint venture partners have limited protective rights.

We received notice from one of our partners exercising their right to redeem $8.3 million of their Class B units for cash. The amount that will be redeemed was reclassified from temporary equity to accrued expenses in the consolidated balance sheets. We expect to fund the redemption using cash prior to December 27, 2017.

We classify the remainder of the redeemable noncontrolling interests in certain subsidiaries in the accompanying consolidated balance sheets outside of permanent equity because, under certain circumstances, we may be required to pay cash to Class B unitholders in specific subsidiaries upon redemption of their interests. The carrying amount of these redeemable noncontrolling interests is required to be reflected at the greater of initial book value or redemption value with a corresponding adjustment to additional paid-in capital. As of June 30, 2017 and December 31, 2016, the redemption amounts of these interests did not exceed the fair value of each interest, nor did they exceed the initial book value.

The redeemable noncontrolling interests in the Operating Partnership and subsidiaries for the six months ended June 30, 2017 and 2016 were as follows:

15

	2017	2016
Redeemable noncontrolling interests balance January 1	$88,165	$92,315
Net income allocable to redeemable noncontrolling interests	1,105	853
Distributions declared to redeemable noncontrolling interests	(2,066)	(1,983)
Liability reclassification due to exercise of partial redemption option by joint venture partner	(8,261)	—
Other, net, including adjustments to redemption value	(5,892)	8,994
Total limited partners' interests in Operating Partnership and other redeemable noncontrolling interests balance at June 30	$73,051	$100,179

Limited partners' interests in Operating Partnership	$40,520	$55,743
Other redeemable noncontrolling interests in certain subsidiaries	32,531	44,436
Total limited partners' interests in Operating Partnership and other redeemable noncontrolling interests balance at June 30	$73,051	$100,179

Fair Value Measurements

We follow the framework established under accounting standard FASB ASC 820 for measuring fair value of non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis but only in certain circumstances, such as a business combination or upon determination of an impairment.

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

- Level 1 fair value inputs are quoted prices in active markets for identical instruments to which we have access.

- Level 2 fair value inputs are inputs other than quoted prices included in Level 1 that are observable for similar instruments, either directly or indirectly, and appropriately consider counterparty creditworthiness in the valuations.

- Level 3 fair value inputs reflect our best estimate of inputs and assumptions market participants would use in pricing an instrument at the measurement date. The inputs are unobservable in the market and significant to the valuation estimate.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing GAAP revenue recognition guidance. It will also affect the existing GAAP guidance governing the sale of nonfinancial assets. The new standard’s core principle is that a company will recognize revenue when it satisfies performance obligations by transferring promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for fulfilling those performance obligations. In doing so, companies will need to exercise more judgment and make more estimates than under existing GAAP guidance.

Under this standard, entities will now generally recognize the sale, and any associated gain or loss, of a real estate property when control of the property transfers, as long as collectability of the consideration is probable.

We have preliminarily evaluated our revenue streams and less than 1% of our recurring revenue will be impacted by this new standard upon its initial adoption. Additionally, we have primarily disposed of property and land in all cash transactions with no continuing future involvement in the operations, and therefore, do not expect the new standard to significantly impact the recognition of property and land sales. During the first six months of 2017, we disposed of several operating properties and land parcels in all cash transactions with no continuing future involvement. The gains recognized were approximately 11% of our total revenue for the six months ended June 30, 2017. As we do not have any continuing involvement in the operations of the operating properties and land sold, the accounting for the transactions would have remained the same under ASC 2014-09.

ASU 2014-09 is effective for public entities for annual and interim reporting periods beginning after December 15, 2017. ASU 2014-09 allows for either recognizing the cumulative effect of application (i) at the start of the earliest comparative period presented (with the option to use any or all of three practical expedients) or (ii) as a cumulative effect adjustment as of the date of initial application, with no restatement of comparative periods presented. We expect to adopt ASU 2014-09 using the modified retrospective approach.

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making certain changes to lessor accounting, including the accounting for sales-type and direct financing leases. ASU 2016-02 will be effective for annual and interim reporting periods beginning on or after December 15, 2018, with early adoption permitted. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. As a result of the adoption of ASU 2016-02, we expect common area maintenance reimbursements that are of a fixed nature to be recognized on a straight line basis over the term of the lease as these tenant reimbursements will be considered a non-lease component and will be subject to ASU 2014-09. We also expect to recognize right of use assets on our balance sheet related to certain ground leases where we are the lessee. In addition to evaluating the impact adopting the new accounting standard will have on our consolidated financial statements, we are performing an inventory of existing lease contracts, evaluating our current and potential system capabilities, and evaluating our current compensation structure.

The new leasing standard also amends ASC 340-40, Other Assets and Deferred Costs - Contracts with Customers. Under ASC 340-40, incremental costs of obtaining a contract are recognized as an asset if the entity expects to recover them, which will reduce the leasing costs currently capitalized. Upon adoption of the new standard, we expect an increase in general, administrative, and other expense and a decrease in amortization expense on our consolidated statement of operations, but the magnitude of that change is dependent upon the leasing compensation structure in place at the time of adoption.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 amends the existing accounting standards for business combinations, by providing a screen to determine when a set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the assets and activities are not a business. This screen reduces the number of transactions that will likely qualify as business combinations. ASU 2017-01 will be effective for annual and interim reporting periods beginning on or after December 15, 2017, with early adoption permitted. We adopted ASU 2017-01 in the first quarter of 2017. As a result of the adoption, we expect future acquisitions of single investment properties will not result in the recognition of transaction cost expenses, as the single investment properties will likely not meet the definition of a business and all direct transaction costs will be capitalized.

Note 3. Earnings Per Share or Unit

Basic earnings per share or unit is calculated based on the weighted average number of common shares or units outstanding during the period. Diluted earnings per share or unit is determined based on the weighted average common number of shares or units outstanding during the period combined with the incremental average common shares or units that would have been outstanding assuming the conversion of all potentially dilutive common shares or units into common shares or units as of the earliest date possible.

Potentially dilutive securities include outstanding options to acquire common shares; Limited Partner Units, which may be exchanged for either cash or common shares, at the Parent Company's option and under certain circumstances; units under our Outperformance Incentive Compensation Plan ("Outperformance Plan"); and deferred common share units, which may be credited to the personal accounts of non-employee trustees in lieu of the payment of cash compensation or the issuance of common shares to such trustees. Limited Partner Units have been omitted from the Parent Company's denominator for the purpose of computing diluted earnings per share since the effect of including these amounts in the denominator would have no dilutive impact. Weighted average Limited Partner Units outstanding for the six months ended June 30, 2017 and 2016 were 2.0 million and 1.9 million, respectively.

Approximately 0.1 million outstanding options to acquire common shares were excluded from the computations of diluted earnings per share or unit for both the three and six months ended June 30, 2017, because their impact was not dilutive. Due to the net loss allocable to common shareholders and Common Unit holders for the three and six months ended June 30, 2016, no securities had a dilutive impact for these periods.

Note 4. Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following as of June 30, 2017 and December 31, 2016:

	As of June 30, 2017			
	Principal	Unamortized Net Premiums	Unamortized Debt Issuance Costs	Total
Senior unsecured notes - fixed rate	$550,000	$ —	$ (5,916)	$544,084
Unsecured revolving credit facility	33,100	—	(2,320)	30,780
Unsecured term loans	400,000	—	(1,986)	398,014
Mortgage notes payable - fixed rate	579,105	10,623	(873)	588,855
Mortgage notes payable - variable rate	114,005	—	(674)	113,331
Total mortgage and other indebtedness	$1,676,210	$ 10,623	$ (11,769)	$1,675,064

	As of December 31, 2016			
	Principal	Unamortized Net Premiums	Unamortized Debt Issuance Costs	Total
Senior unsecured notes - fixed rate	$550,000	$ —	$ (6,140)	$543,860
Unsecured revolving credit facility	79,600	—	(2,723)	76,877
Unsecured term loans	400,000	—	(2,179)	397,821
Mortgage notes payable - fixed rate	587,762	12,109	(994)	598,877
Mortgage notes payable - variable rate	114,388	—	(749)	113,639
Total mortgage and other indebtedness	$1,731,750	$ 12,109	$ (12,785)	$1,731,074

Consolidated indebtedness, including weighted average maturities and weighted average interest rates as of June 30, 2017, considering the impact of interest rate swaps, is summarized below:

	Outstanding Amount	Ratio	Weighted Average Interest Rate	Weighted Average Maturity (Years)
Fixed rate debt[1]	$1,589,907	95 %	4.08 %	6.1
Variable rate debt	86,303	5 %	2.73 %	4.6
Net debt premiums and issuance costs, net	(1,146)	N/A	N/A	N/A
Total	$1,675,064	100 %	4.01 %	6.0

1 Fixed rate debt includes, and variable rate date excludes, the portion of such debt that has been hedged by interest rate derivatives. As of June 30, 2017, $460.8 million in variable rate debt is hedged for a weighted average 2.3 years.

Mortgage indebtedness is collateralized by certain real estate properties and leases, and is generally due in monthly installments of interest and principal and matures over various terms through 2030.

Variable interest rates on mortgage indebtedness are based on LIBOR plus spreads ranging from 160 to 225 basis points. At June 30, 2017, the one-month LIBOR interest rate was 1.22%. Fixed interest rates on mortgage indebtedness range from 3.78% to 6.78%.

Debt Issuance Costs

Debt issuance costs are amortized on a straight-line basis over the terms of the respective loan agreements.

The accompanying consolidated statements of operations include amortization of debt issuance costs as a component of interest expense as follows:

($ in thousands)	Six Months Ended June 30,	
	2017	2016
Amortization of debt issuance costs	$1,350	$1,631

Unsecured Revolving Credit Facility and Unsecured Term Loans

We have an unsecured revolving credit facility with a total commitment of $500 million that matures in July 2020 (inclusive of two six-month extension options), a $200 million unsecured term loan maturing in July 2021("Term Loan") and a $200 million seven-year unsecured term loan maturing in October 2022.

The Operating Partnership has the option to increase the borrowing availability of the unsecured revolving credit facility to $1 billion and the option to increase the Term Loan to provide for an additional $200 million, in each case subject to certain conditions, including obtaining commitments from one or more lenders.

As of June 30, 2017, $33.1 million was outstanding under the unsecured revolving credit facility. Additionally, we had letters of credit outstanding which totaled $5.4 million, against which no amounts were advanced as of June 30, 2017.

The amount that we may borrow under our unsecured revolving credit facility is limited by the value of the assets in our unencumbered asset pool. As of June 30, 2017, the value of the assets in our unencumbered asset pool was $426.7 million. Taking into account outstanding borrowings and letters of credit, we had $388.2 million available under our unsecured revolving credit facility for future borrowings as of June 30, 2017.

Our ability to borrow under the unsecured revolving credit facility is subject to our compliance with various restrictive and financial covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. As of June 30, 2017, we were in compliance with all such covenants.

Senior Unsecured Notes

The Operating Partnership has $550 million of senior unsecured notes maturing at various dates through September 2027 (the "Notes"). The Notes contain a number of customary financial and restrictive covenants. As of June 30, 2017, we were in compliance with all such covenants.

Other Debt Activity

For the six months ended June 30, 2017, we had total new borrowings of $54.2 million and total repayments of $109.9 million. In addition to the items mentioned above, the remaining components of this activity were as follows:

- We retired the $6.7 million loan secured by our Pleasant Hill Commons operating property through a draw on our unsecured revolving credit facility (the "Credit Facility");
- We borrowed $47.5 million on the Credit Facility to fund development activities, redevelopment activities, and tenant improvement costs;
- We used the $76.1 million net proceeds from the sale of four operating properties to pay down the Credit Facility; and

- We made scheduled principal payments on indebtedness totaling $2.4 million.

Fair Value of Fixed and Variable Rate Debt

As of June 30, 2017, the estimated fair value of our fixed rate debt was $1.2 billion compared to the book value of $1.1 billion. The fair value was estimated using Level 2 and 3 inputs with cash flows discounted at current borrowing rates for similar instruments, which ranged from 3.78% to 6.78%. As of June 30, 2017, the fair value of variable rate debt was $583.0 million compared to the book value of $547.1 million. The fair value was estimated using Level 2 and 3 inputs with cash flows discounted at current borrowing rates for similar instruments, which ranged from 2.52% to 3.47%.

Note 5. Derivative Instruments, Hedging Activities and Other Comprehensive Income

In order to manage potential future variable interest rate risk, we enter into interest rate derivative agreements from time to time. All such agreements are designated as cash flow hedges. We do not use interest rate derivative agreements for trading or speculative purposes. The agreements with each of our derivative counterparties provide that, in the event of default on any of our indebtedness, we could also be declared in default on our derivative obligations.

As of June 30, 2017, we were party to various cash flow derivative agreements with notional amounts totaling $460.8 million. These derivative agreements effectively fix the interest rate underlying certain variable rate debt instruments over expiration dates through 2021. Utilizing a weighted average interest rate spread over LIBOR on all variable rate debt resulted in fixing the weighted average interest rate at 3.12%.

These interest rate derivative agreements are the only assets or liabilities that we record at fair value on a recurring basis. The valuation of these assets and liabilities is determined using widely accepted techniques including discounted cash flow analysis. These techniques consider the contractual terms of the derivatives (including the period to maturity) and use observable market-based inputs such as interest rate curves and implied volatilities. We also incorporate credit valuation adjustments into the fair value measurements to reflect nonperformance risk on both our part and that of the respective counterparties.

We determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, although the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. As of June 30, 2017 and December 31, 2016, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and determined the credit valuation adjustments were not significant to the overall valuation of our derivatives. As a result, we determined our derivative valuations were classified within Level 2 of the fair value hierarchy.

As of June 30, 2017, the estimated fair value of our interest rate derivatives represented a net liability of $0.5 million, including accrued interest of $0.2 million. As of June 30, 2017, $1.1 million was reflected in prepaid and other assets and $1.6 million was reflected in accounts payable and accrued expenses on the accompanying consolidated balance sheets. At December 31, 2016, the estimated fair value of our interest rate hedges was a net liability of $2.2 million, including accrued interest of $0.4 million. As of December 31, 2016, $0.9 million was reflected in prepaid and other assets and $3.1 million was reflected in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to earnings over time as the hedged items are recognized in earnings. Approximately $1.7 million and $2.1 million was reclassified as a reduction to earnings during the six months ended June 30, 2017 and 2016, respectively. As the interest payments on our hedges are made over the next 12 months, we estimate the increase to interest expense to be $0.6 million, assuming the current LIBOR curve.

Unrealized gains and losses on our interest rate derivative agreements are the only components of the change in accumulated other comprehensive loss.

Note 6. Shareholders' Equity

Distribution Payments

Our Board of Trustees declared a cash distribution of $0.3025 for the second quarter of 2017 to common shareholders and Common Unit holders of record as of July 6, 2017. The distribution was paid on July 13, 2017.

Note 7. Deferred Costs and Intangibles, net

Deferred costs consist primarily of acquired lease intangible assets, broker fees and capitalized salaries and related benefits incurred in connection with lease originations. Deferred leasing costs, lease intangibles and similar costs are amortized on a straight-line basis over the terms of the related leases. At June 30, 2017 and December 31, 2016, deferred costs consisted of the following:

	June 30, 2017	December 31, 2016
Acquired lease intangible assets	$114,432	$ 125,144
Deferred leasing costs and other	66,662	63,810
	181,094	188,954
Less—accumulated amortization	(61,395)	(59,690)
Total	$119,699	$ 129,264

Amortization of deferred leasing costs, leasing intangibles and other is included in depreciation and amortization expense in the accompanying consolidated statements of operations. The amortization of above market lease intangibles is included as a reduction to revenue. The amounts of such amortization included in the accompanying consolidated statements of operations are as follows:

	Six Months Ended June 30,	
	2017	2016
Amortization of deferred leasing costs, lease intangibles and other	$12,113	$13,242
Amortization of above market lease intangibles	2,199	3,796

Note 8. Deferred Revenue, Intangibles, Net and Other Liabilities

Deferred revenue and other liabilities consist of the unamortized fair value of in-place lease liabilities recorded in connection with purchase accounting, retainage payables for development and redevelopment projects, and tenant rent payments received in advance of the month in which they are due. The amortization of in-place lease liabilities is recognized as revenue over the remaining life of the leases (including option periods for leases with below market renewal options) through 2046. Tenant rent payments received in advance are recognized as revenue in the period to which they apply, which is typically the month following their receipt.

At June 30, 2017 and December 31, 2016, deferred revenue, intangibles, net and other liabilities consisted of the following:

	June 30, 2017	December 31, 2016
Unamortized in-place lease liabilities	$86,815	$ 95,360
Retainage payables and other	5,030	5,437
Tenant rent payments received in advance	11,457	11,405
Total	$103,302	$ 112,202

The amortization of below market lease intangibles is included as a component of minimum rent in the accompanying consolidated statements and was $4.0 million and $7.0 million for the