UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2016

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 1-12002

ACADIA REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland	**23-2715194**
(State of incorporation)	(I.R.S. employer identification no.)

411 Theodore Fremd Avenue, Suite 300 Rye, NY 10580

(Address of principal executive offices)

(914) 288-8100

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Common Shares of Beneficial Interest, $.001 par value

(Title of Class)

New York Stock Exchange

(Name of Exchange on which registered)

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 x NO o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Securities Act.

YES o NO x

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 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES x NO o

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 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer x Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

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

YES o NO x

The aggregate market value of the voting and non-voting 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 was approximately $2,623.4 million, based on a price of $35.09 per share, the average sales price for the registrant's common shares of beneficial interest on the New York Stock Exchange on that date.

The number of shares of the registrant's common shares of beneficial interest outstanding on February 22, 2017 was 84,704,511.

DOCUMENTS INCORPORATED BY REFERENCE

Part III – Portions of the registrant's definitive proxy statement relating to its 2017 Annual Meeting of Shareholders presently scheduled to be held May 10, 2017 to be filed pursuant to Regulation 14A.

EXPLANATORY NOTE

This Amendment No. 1 (this "Amendment") to Acadia Realty Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission on February 24, 2017 (the "Original Form 10-K"), is being filed with the limited purpose of amending the Reports of Independent Registered Public Accounting Firm on pages 56 and F-2 and the Consent of Independent Registered Public Accounting Firm in Exhibit 23.1 of the Original Form 10-K to correct a scrivener's error with respect to the omission of the city and state thereof.

This Amendment is as of the filing date of the Original Form 10-K and should be read in conjunction with the Original Form 10-K. This Amendment does not reflect any subsequent information or events and no other information included in the Original Form 10-K has been modified or updated in any way, except as described above.

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PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements beginning on page F-1 of this Form 10-K/A are incorporated herein by reference.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management of Acadia Realty Trust is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13(a)-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016 as required by the Securities Exchange Act of 1934 Rule 13(a)-15(c). In making this assessment, we used the criteria set forth in the framework in Internal Control–Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Based on our evaluation under the COSO criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2016 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

BDO USA, LLP, an independent registered public accounting firm that audited our Financial Statements included in this Annual Report, has issued an attestation report on our internal control over financial reporting as of December 31, 2016, which appears below in this Item 9A.

Acadia Realty Trust
Rye, New York
February 24, 2017

Changes in Internal Control Over Financial Reporting

During the three months ended December 31, 2016, there were no changes in the Company's internal control over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm

Shareholders and Board of Trustees
Acadia Realty Trust
Rye, New York

We have audited Acadia Realty Trust's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Acadia Realty Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9(a), Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Acadia Realty Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acadia Realty Trust as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016, and our report dated February 24, 2017, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
February 24, 2017

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

1. Financial Statements: See "Index to Financial Statements" at page F-1 below.
2. Financial Statement Schedule: See "Schedule II—Valuation and Qualifying Accounts" at page F-48 below.
3. Financial Statement Schedule: See "Schedule III—Real Estate and Accumulated Depreciation" at page F-49 below.
4. Financial Statement Schedule: See "Schedule IV—Mortgage Loans on Real Estate" at page F-53 below.
5. Exhibits: The index of exhibits below is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

	ACADIA REALTY TRUST
	(Registrant)
By:	/s/ John Gottfried
	John Gottfried
	Senior Vice President and
	Chief Financial Officer

Dated: February 27, 2017

EXHIBIT INDEX

The following exhibits are filed as part of this amendment No. 1:

Exhibit No.	Description	Method of Filing
23.1	Consent of Registered Public Accounting Firm to incorporation by reference its reports into Forms S-3 and Forms S-8	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definitions Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Labels Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Document	Filed herewith

ACADIA REALTY TRUST AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Trustees
Acadia Realty Trust
Rye, New York

We have audited the accompanying consolidated balance sheets of Acadia Realty Trust (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. In connection with our audits of the financial statements, we have also audited the financial statement schedules listed in the accompanying index. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Acadia Realty Trust at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016**,** in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Acadia Realty Trust's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2017, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
February 24, 2017

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)	December 31, 2016	December 31, 2015
ASSETS		
Investments in real estate, at cost		
Operating real estate, net	$ 2,551,448	$ 1,828,006
Real estate under development, at cost	543,486	609,574
Net investments in real estate	3,094,934	2,437,580
Notes receivable, net	276,163	147,188
Investments in and advances to unconsolidated affiliates	272,028	173,277
Other assets, net	192,786	123,789
Cash and cash equivalents	71,805	72,776
Rents receivable, net	43,842	40,425
Restricted cash	22,904	37,284
Assets of properties held for sale	21,498	—
Total assets	$ 3,995,960	$ 3,032,319
LIABILITIES		
Mortgage and other notes payable, net	$ 1,055,728	$ 1,050,051
Unsecured notes payable, net	432,990	287,755
Unsecured line of credit	—	20,800
Accounts payable and other liabilities	208,672	101,563
Capital lease obligations	70,129	—
Dividends and distributions payable	36,625	37,552
Distributions in excess of income from, and investments in, unconsolidated affiliates	13,691	13,244
Total liabilities	1,817,835	1,510,965
Commitments and contingencies		
EQUITY		
Acadia shareholders' Equity		
Common shares, $0.001 par value, authorized 100,000,000 shares, issued and outstanding 83,597,741 and 70,258,415 shares, respectively	84	70
Additional paid-in capital	1,594,926	1,092,239
Accumulated other comprehensive loss	(798)	(4,463)
(Distributions in excess of accumulated earnings) retained earnings	(5,635)	12,642
Total Acadia shareholders’ equity	1,588,577	1,100,488
Noncontrolling interests	589,548	420,866
Total equity	2,178,125	1,521,354
Total liabilities and equity	$ 3,995,960	$ 3,032,319

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(dollars in thousands except per share amounts)	**2016**	**2015**	**2014**
Revenues			
Rental income	$ 152,814	$ 158,632	$ 145,103
Expense reimbursements	32,282	36,306	32,642
Other	4,843	4,125	1,936
Total revenues	189,939	199,063	179,681
Operating expenses			
Depreciation and amortization	70,011	60,751	49,645
General and administrative	40,648	30,368	27,433
Real estate taxes	25,630	25,384	23,062
Property operating	24,244	28,423	24,833
Other operating	7,517	4,675	3,776
Impairment of asset	—	5,000	—
Total operating expenses	168,050	154,601	128,749
Operating income	21,889	44,462	50,932
Equity in earnings and gains of unconsolidated affiliates	39,449	37,330	111,578
Interest income	25,829	16,603	12,607
Other	—	1,596	2,724
Interest expense	(34,645)	(37,297)	(39,426)
Income from continuing operations before income taxes	52,522	62,694	138,415
Income tax benefit (provision)	105	(1,787)	(629)
Income from continuing operations before gain on disposition of properties	52,627	60,907	137,786
Income from discontinued operations, net of tax	—	—	1,222
Gain on disposition of properties, net of tax	81,965	89,063	13,138
Net income	134,592	149,970	152,146
Noncontrolling interests			
Continuing operations	(61,816)	(84,262)	(80,059)
Discontinued operations	—	—	(1,023)
Net income attributable to noncontrolling interests	(61,816)	(84,262)	(81,082)
Net income attributable to Acadia	$ 72,776	$ 65,708	$ 71,064
Basic and diluted earnings per share			
Income from continuing operations attributable to Acadia	$ 0.94	$ 0.94	$ 1.18
Income from discontinued operations attributable to Acadia	—	—	—
Basic and diluted earnings per share	$ 0.94	$ 0.94	$ 1.18

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(in thousands)	2016	2015	2014
Net income	$ 134,592	$ 149,970	$ 152,146
Other comprehensive income (loss):			
Unrealized loss on valuation of swap agreements	(646)	(5,061)	(9,061)
Reclassification of realized interest on swap agreements	4,576	5,524	3,776
Other comprehensive income (loss)	3,930	463	(5,285)
Comprehensive income	138,522	150,433	146,861
Comprehensive income attributable to noncontrolling interests	(62,081)	(85,183)	(80,934)
Comprehensive income attributable to Acadia	$ 76,441	$ 65,250	$ 65,927

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Acadia Shareholders							
(in thousands, except per share amounts)	Common Shares	Share Amount	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	(Distributions in Excess of Accumulated Earnings) Retained Earnings	Total Common Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	**55,643**	**$ 56**	**$ 665,301**	**$ 1,132**	**$ 37,747**	**$ 704,236**	**$ 417,352**	**$ 1,121,588**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	136	—	3,181	—	—	3,181	(3,181)	—
Issuance of Common Shares, net of issuance costs	12,237	12	357,447	—	—	357,459	—	357,459
Issuance of OP Units to acquire real estate	—	—	—	—	—	—	44,051	44,051
Dividends declared ($1.23 per Common Share) [(a)]	—	—	—	—	(77,194)	(77,194)	(5,085)	(82,279)
Employee and trustee stock compensation, net	93	—	1,932	—	—	1,932	6,528	8,460
Noncontrolling interest distributions	—	—	—	—	—	—	(218,152)	(218,152)
Noncontrolling interest contributions	—	—	—	—	—	—	57,969	57,969
Comprehensive (loss) income	—	—	—	(5,137)	71,064	65,927	80,934	146,861
Balance at December 31, 2014	**68,109**	**$ 68**	**$ 1,027,861**	**$ (4,005)**	**$ 31,617**	**$ 1,055,541**	**$ 380,416**	**$ 1,435,957**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	101	—	2,451	—	—	2,451	(2,451)	—
Issuance of Common Shares, net of issuance costs	1,973	2	64,415	—	—	64,417	—	64,417
Dividends declared ($1.22 per Common Share) [(b)]	—	—	—	—	(84,683)	(84,683)	(5,983)	(90,666)
Acquisition of noncontrolling interests	—	—	(4,409)	—	—	(4,409)	(3,561)	(7,970)
Issuance of OP Units to acquire real estate	—	—	—	—	—	—	—	—
Employee and trustee stock compensation, net	75	—	1,921	—	—	1,921	6,723	8,644
Noncontrolling interest distributions	—	—	—	—	—	—	(74,950)	(74,950)
Noncontrolling interest contributions	—	—	—	—	—	—	35,489	35,489
Comprehensive (loss) income	—	—	—	(458)	65,708	65,250	85,183	150,433
Balance at December 31, 2015	**70,258**	**$ 70**	**$ 1,092,239**	**$ (4,463)**	**$ 12,642**	**$ 1,100,488**	**$ 420,866**	**$ 1,521,354**

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

(in thousands, except per share amounts)	Acadia Shareholders: Common Shares	Share Amount	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	(Distributions in Excess of Accumulated Earnings) Retained Earnings	Total Common Shareholders’ Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	**70,258**	**$ 70**	**$ 1,092,239**	**$ (4,463)**	**$ 12,642**	**$ 1,100,488**	**$ 420,866**	**$ 1,521,354**
Conversion of OP Units to Common Shares by limited partners of the Operating Partnership	351	1	7,891	—	—	7,892	(7,892)	—
Issuance of Common Shares, net of issuance costs	12,961	13	450,117	—	—	450,130	—	450,130
Issuance of OP Units to acquire real estate	—	—	—	—	—	—	31,429	31,429
Dividends declared ($1.16 per Common Share) (c)	—	—	—	—	(91,053)	(91,053)	(6,753)	(97,806)
Change in control of previously unconsolidated investment	—	—	—	—	—	—	(75,713)	(75,713)
Windfall tax benefit	—	—	555	—	—	555	—	555
Acquisition of noncontrolling interests	—	—	7,546	—	—	7,546	(25,925)	(18,379)
Employee and trustee stock compensation, net	28	—	926	—	—	926	12,768	13,694
Noncontrolling interest distributions	—	—	—	—	—	—	(80,769)	(80,769)
Noncontrolling interest contributions	—	—	—	—	—	—	295,108	295,108
Reallocation of noncontrolling interests	—	—	35,652	—	—	35,652	(35,652)	—
Comprehensive income	—	—	—	3,665	72,776	76,441	62,081	138,522
Balance at December 31, 2016	**83,598**	**$ 84**	**$ 1,594,926**	**$ (798)**	**$ (5,635)**	**$ 1,588,577**	**$ 589,548**	**$ 2,178,125**

(a) Includes a special dividend of $0.30 announced on December 5, 2014 and paid on January 15, 2015.
(b) Includes a special dividend of $0.25 declared on November 10, 2015 and paid on January 15, 2016.
(c) Includes a special cash dividend of $0.15 declared on November 8, 2016 and paid on January 13, 2017 (Note 10).

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

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 134,592	$ 149,970	$ 152,146
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on disposition of properties	(81,965)	(89,063)	(14,360)
Depreciation and amortization	70,011	60,751	49,645
Distributions of operating income from unconsolidated affiliates	7,256	12,291	9,579
Equity in earnings and gains of unconsolidated affiliates	(39,449)	(37,330)	(111,578)
Stock compensation expense	13,695	7,438	6,744
Amortization of financing costs	3,204	3,537	3,003
Impairment of asset	—	5,000	—
Other, net	(8,095)	(6,483)	(3,812)
Changes in assets and liabilities:			
Other liabilities	26,532	5,354	3,099
Prepaid expenses and other assets	(11,677)	12,690	852
Rents receivable, net	(4,847)	(5,673)	(8,097)
Cash in escrow	1,912	(6,168)	(686)
Accounts payable and accrued expenses	591	1,284	(4,016)
Net cash provided by operating activities	**111,760**	**113,598**	**82,519**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of real estate	(495,644)	(338,700)	(256,453)
Development and property improvement costs	(149,434)	(164,315)	(140,118)
Issuance of notes receivable	(157,352)	(48,500)	(31,169)
Proceeds from the disposition of properties	150,378	168,895	31,188
Investments in and advances to unconsolidated affiliates	(72,098)	(24,168)	(156,972)
Return of capital from unconsolidated affiliates	54,444	11,892	74,371
Proceeds from notes receivable	42,819	15,984	18,095
Proceeds from disposition of properties of unconsolidated affiliates	24,586	38,392	190,356
Deferred leasing costs	(7,515)	(8,207)	(3,914)
Change in control of previously consolidated affiliate	(2,578)	—	—
Deposits for properties under contract	1,424	(5,776)	6,100
Net cash used in investing activities	**(610,970)**	**(354,503)**	**(268,516)**

ACADIA REALTY TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(in thousands)	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on mortgage and other notes	(936,654)	(383,238)	(176,323)
Proceeds received on mortgage and other notes	888,787	507,659	284,303
Proceeds from issuance of Common Shares, net of issuance costs of $9,238, $1,150 and $2,112 respectively	450,130	63,234	357,459
Capital contributions from noncontrolling interests	295,108	35,489	57,970
Distributions to noncontrolling interests	(105,994)	(84,610)	(221,330)
Dividends paid to Common Shareholders	(91,334)	(86,353)	(53,210)
Deferred financing and other costs	(11,678)	(4,376)	(3,672)
Loan proceeds held as restricted cash	9,874	48,676	79,191
Purchase of convertible notes payable	—	(380)	—
Net cash provided by financing activities	**498,239**	**96,101**	**324,388**
(Decrease) increase in cash and cash equivalents	(971)	(144,804)	138,391
Cash and cash equivalents, beginning of year	72,776	217,580	79,189
Cash and cash equivalents, end of year	$ 71,805	$ 72,776	$ 217,580
Supplemental disclosure of cash flow information			
Cash paid during the period for interest, net of capitalized interest of $21,109, $16,447 and $12,650, respectively	$ 42,279	$ 47,960	$ 46,542
Cash paid for income taxes, net of refunds received of $0, $0 and $2,045, respectively	$ 2,036	$ 2,038	$ (1,772)
Supplemental disclosure of non-cash investing activities			
Acquisition of real estate through assumption of debt	$ 120,672	$ 91,885	$ 29,794
Acquisition of real estate through issuance of OP Units	$ 29,336	$ —	$ 38,937
Acquisition of capital lease obligation	$ 76,461	$ —	$ —
Mortgage debt financed at time of acquisition	$ 63,900	$ —	$ —
Assumption of accounts payable and accrued expenses through acquisition of real estate	$ 3,587	$ —	$ —
Assumption of prepaid expenses and other assets through acquisition of real estate	$ 2,226	$ —	$ —
Disposition of air rights through issuance of notes receivable	$ —	$ (29,539)	$ —
Acquisition of real estate through assumption of restricted cash	$ —	$ (28,912)	$ —
Acquisition of real estate through conversion of notes receivable	$ —	$ 13,386	$ 38,000
Disposition of real estate through forgiveness of debt	$ —	$ —	$ (22,865)
Investments in and advances to unconsolidated affiliates through issuance of OP Units	$ —	$ —	$ 5,114
Change in control of previously consolidated investment			
Real estate, net	$ 90,559	$ —	$ —
Investments in and advances to unconsolidated affiliates	(21,421)	—	—
Other assets and liabilities	3,997	—	—
Noncontrolling interest	(75,713)	—	—
Cash removed in de-consolidation of previously consolidated investment	$ (2,578)	$ —	$ —

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

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Organization

Acadia Realty Trust and subsidiaries (collectively, the "Company") is a fully-integrated equity real estate investment trust ("REIT") focused on the ownership, acquisition, development, and management of retail properties located primarily in high-barrier-to-entry, supply-constrained, densely-populated metropolitan areas in the United States.

All of the Company's assets are held by, and all of its operations are conducted through, Acadia Realty Limited Partnership (the "Operating Partnership") and entities in which the Operating Partnership owns an interest. As of December 31, 2016 and 2015, the Company controlled approximately 95% of the Operating Partnership as the sole general partner and is entitled to share, in proportion to its percentage interest, in the cash distributions and profits and losses of the Operating Partnership. The limited partners primarily represent entities or individuals that contributed their interests in certain properties or entities to the Operating Partnership in exchange for common or preferred units of limited partnership interest ("Common OP Units" or "Preferred OP Units") and employees who have been awarded restricted Common OP Units ("LTIP Units") as long-term incentive compensation (Note 13). Limited partners holding Common OP and LTIP Units are generally entitled to exchange their units on a one-for-one basis for common shares of beneficial interest of the Company ("Common Shares"). This structure is referred to as an umbrella partnership REIT or "UPREIT."

As of December 31, 2016, the Company has ownership interests in 117 properties within its core portfolio, which consist of those properties either 100% owned, or partially owned through joint venture interests, by the Operating Partnership, or subsidiaries thereof, not including those properties owned through its funds ("Core Portfolio"). The Company also has ownership interests in 65 properties within its opportunity funds, Acadia Strategic Opportunity Fund I, LP ("Fund I"), Acadia Strategic Opportunity Fund II, LLC ("Fund II"), Acadia Strategic Opportunity Fund III LLC ("Fund III"), Acadia Strategic Opportunity Fund IV LLC, and Acadia Strategic Opportunity Fund V LLC (("Fund V") and together with Funds I, II, III and IV, the "Funds"). The 182 Core Portfolio and Fund properties primarily consist of street and urban retail, and dense suburban shopping centers. In addition, the Company, together with the investors in the Funds, invest in operating companies through Acadia Mervyn Investors I, LLC ("Mervyns I"), Acadia Mervyn Investors II, LLC ("Mervyns II") and Fund II, all on a non-recourse basis. The Company consolidates the Funds as it has (i) the power to direct the activities that most significantly impact their economic performance, (ii) is obligated to absorb their losses and (iii) has the right to receive benefits from the Funds that could potentially be significant.

The Operating Partnership is the sole general partner or managing member of the Funds and Mervyns I and II and earns fees or priority distributions for asset management, property management, construction, development, leasing, and legal services. Cash flows from the Funds and Mervyns I and II are distributed pro-rata to their respective partners and members (including the Operating Partnership) until each receives a certain cumulative return ("Preferred Return") and the return of all capital contributions. Thereafter, remaining cash flow is distributed 20% to the Operating Partnership ("Promote") and 80% to the partners or members (including the Operating Partnership). All transactions between the Funds and the Operating Partnership have been eliminated in consolidation.

The following table summarizes the general terms and Operating Partnership's equity interests in the Funds and Mervyns I and II (dollars in millions):

Entity	Formation Date	Operating Partnership Share of Capital	Fund Size	Capital Called as of December 31, 2016 [a]	Unfunded Commitment	Equity Interest Held By Operating Partnership	Preferred Return	Total Distributions as of December 31, 2016 [e]
Fund I and Mervyns I [a]	9/2001	22.22%	$ 90.0	$ 86.6	$ —	37.78%	9%	$ 194.5
Fund II and Mervyns II [b] [c]	6/2004	28.33%	300.0	347.1	—	28.33%	8%	131.6
Fund III [d]	5/2007	24.54%	502.5	387.5	62.5	39.63%	6%	445.7
Fund IV	5/2012	23.12%	540.6	179.4	361.2	23.12%	6%	101.9
Fund V	8/2016	20.10%	520.1	—	520.1	20.10%	6%	—

(a) As of December 31, 2015, Fund I had been liquidated.
(b) During 2013, a distribution of $47.1 million was made to the Fund II investors, including the Operating Partnership. This amount was subject to recontribution to Fund II until December 2016, and was recontributed during 2016.

(c) During 2016, the Company acquired an additional 8.3% interest in Fund II from a limited partner for $18.4 million, giving the Operating Partnership an aggregate 28.33% interest.
(d) During 2015, the Company acquired an additional 4.6% interest in Fund III from a limited partner for $7.3 million, giving the Operating Partnership an aggregate 24.54% interest.
(e) Represents the total for the Funds, including the Operating Partnership and noncontrolling interests' shares.

Basis of Presentation

Segments

At December 31, 2016, the Company had three reportable operating segments: Core Portfolio, Funds and Structured Financing. The Company's chief operating decision maker may review operational and financial data on a property basis and does not differentiate properties on a geographical basis for purposes of allocating resources or capital. The Company evaluates individual property performance primarily based on net operating income before depreciation, amortization and certain nonrecurring items. Each property is considered a separate operating segment; however, each property on a stand-alone basis represents less than 10% of revenues, profit or loss, and assets of the combined reported operating segment and meets the majority of the aggregations criteria under the applicable standard.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and its investments in partnerships and limited liability companies in which the Company has control in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 "Consolidation" ("ASC Topic 810"). The ownership interests of other investors in these entities are recorded as noncontrolling interests. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company's share of the earnings (or losses) of these entities are included in consolidated net income.

Variable interest entities are accounted for within the scope of ASC Topic 810 and are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is the enterprise that has the power to direct the activities that most significantly impact the variable interest entity's economic performance and the obligation to absorb losses or the right to receive benefits of the variable interest entity that could be significant to the variable interest entity. Management has evaluated the applicability of ASC Topic 810 to its investments in certain joint ventures and determined that these joint ventures are not variable interest entities or that the Company is not the primary beneficiary and, therefore, consolidation of these ventures is not required. These investments are accounted for using the equity method of accounting.

At December 31, 2016, the Company had investments in three tenancy-in-common interests in various underlying properties. Consolidation of these investments is not required as such interests do not qualify as variable interest entities or meet the control requirement for consolidation. Accordingly, the Company accounts for these investments using the equity method of accounting because the shared decision-making involved in a tenancy-in-common interest investment provides the Company with significant influence on the operating and financial decisions of these investments.

Cost Method Investments

The Company has certain investments to which it applies the cost method of accounting. The Company recognizes as income distributions from net accumulated earnings of the investee since the date of acquisition. The net accumulated earnings of an investee subsequent to the date of investment are recognized by the Company only to the extent distributed by the investee. Distributions received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as reductions of cost of the investment. For the periods presented, there have been no events or changes in circumstances that may have a significant adverse effect on the fair value of the Company's cost-method investments.

Use of Estimates

Accounting principles generally accepted in the United States of America ("GAAP") require the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition and the collectability of notes receivable and rents receivable. Application of these estimates and assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from these estimates.

Out-of-Period Adjustments

During the year ended December 31, 2016, the Company identified and recorded out-of-period adjustments related to accounting for certain leases whose tenants have early termination and renewal options and for interest expense related to a loan that is in default. The Company's management concluded that these non-cash adjustments are not material to the consolidated financial statements for any of the periods presented. The net impact of the adjustments on the consolidated statement of income for the year ended December 31, 2016 is reflected as a decrease to rental income of $2.1 million, an increase to depreciation and amortization expense of $1.7 million, an increase in interest expense of $0.7 million and an increase to equity in earnings of unconsolidated affiliates of $0.2 million, resulting in a net decrease to net income of $4.2 million, of which $1.6 million was attributable to noncontrolling interests.

During the second quarter of 2016, management determined that certain transactions involving the issuance of Common Shares of the Company and Common OP Units, Preferred OP Units, and LTIP Units of the Operating Partnership, should have resulted in an adjustment to the Operating Partnership's non-controlling interest ("OPU NCI") and the Company's Additional Paid-in-Capital ("APIC") to reflect the difference between the fair value of the consideration received or paid and the book value of the Common Shares, Common OP Units, Preferred OP Units, and LTIP Units involving these changes in ownership (the "Rebalancing"). During the year ended December 31, 2016, the Company increased its APIC with an offsetting reduction to the OPU NCI of approximately $35.7 million, of which approximately $31.8 million of this Rebalancing related to prior years. Management concluded that the Rebalancing adjustments were not meaningful to the Company's financial position for any of the prior years, and the quarterly periods in 2016, and as such, this cumulative change was recorded in the consolidated balance sheet and statement of shareholder's equity in the second quarter of 2016 as an out-of-period adjustment. The misclassification had no impact on the previously reported consolidated assets, liabilities or total equity or on the consolidated statements of income, comprehensive income, or cash flows.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Summary of Significant Accounting Policies

Real Estate

Land, buildings, and personal property are carried at cost less accumulated depreciation. Improvements and significant renovations that extend the useful life of the properties are capitalized, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Real estate under development includes costs for significant property expansion and development.

Depreciation is computed on the straight-line basis over estimated useful lives of the assets as follows:

Buildings and improvements	Useful lives, ranging from 30 to 40 years
Furniture and fixtures	Useful lives, ranging from five years to 20 years
Tenant improvements	Shorter of economic life or lease terms

Purchase Accounting – Upon acquisitions of real estate, the Company assesses the fair value of acquired assets and assumed liabilities (including land, buildings and improvements, and identified intangibles such as above- and below-market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with *ASC Topic 805, "Business Combinations"* and *ASC Topic 350 "Intangibles – Goodwill and Other,"* and allocates the acquisition price based on these assessments.

The Company assesses fair value of its tangible assets acquired and assumed liabilities based on estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information at the measurement period. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property.

In determining the value of above- and below-market leases, the Company estimates the present value difference between contractual rent obligations and estimated market rate of leases at the time of the transaction. To the extent there were fixed-rate options at below-market rental rates, the Company included these along with the current term below-market rent in arriving at the fair value of the acquired leases. The discounted difference between contract and market rents is being amortized to rental income over the remaining applicable lease term, inclusive of any option periods.

In determining the value of acquired in-place leases and customer relationships, the Company considers market conditions at the time of the transaction and values the costs to execute similar leases during the expected lease-up period from vacancy to existing occupancy, including carrying costs. The value assigned to in-place leases and tenant relationships is amortized over the estimated remaining term of the leases. If a lease were to be terminated prior to its scheduled expiration, all unamortized costs relating to that lease would be written off.

The Company estimates the value of any assumption of mortgage debt based on market conditions at the time of acquisitions including prevailing interest rates, terms and ability to obtain financing for a similar asset. Mortgage debt discounts or premiums are amortized into interest expense over the remaining term of the related debt instrument.

Real Estate Under Development – The Company capitalizes certain costs related to the development of real estate. Interest and real estate taxes incurred during the period of the construction, expansion or development of real estate are capitalized and depreciated over the estimated useful life of the building. The Company will cease the capitalization of these costs when construction activities are substantially completed and the property is available for occupancy by tenants, but no later than one year from the completion of major construction activity at which time the project is placed in service and depreciation commences. If the Company suspends substantially all activities related to development of a qualifying asset, the Company will cease capitalization of interest and taxes until activities are resumed.

Real Estate Impairment – The Company reviews its real estate and real estate under development for impairment when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying costs to fair value. The determination of anticipated undiscounted cash flows is inherently subjective, requiring significant estimates made by management, and considers the most likely expected course of action at the balance sheet date based on current plans, intended holding periods and available market information. If the Company is evaluating the potential sale of an asset, the undiscounted future cash flows analysis is probability-weighted based upon management's best estimate of the likelihood of the alternative courses of action as of the balance sheet date. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. If an impairment is indicated, an impairment loss is recognized based on the excess of the carrying amount of the asset over its fair value.

The Company did not record any impairment charges during the years ended December 31, 2016 or 2014. During the year ended December 31, 2015, as a result of the loss of a key anchor tenant at a property located in Wilmington, Delaware, the Company recorded an impairment charge of $5.0 million, which is included in the statement of income for the year ended December 31, 2015. The Operating Partnership's share of this charge, net of the noncontrolling interest, was $1.1 million. The property is collateral for $26.3 million of non-recourse mortgage debt which matured July 1, 2016 and is currently in default.

Dispositions of Real Estate – The Company recognizes property sales in accordance with *ASC Topic 970 "Real Estate."* Sales of real estate include the sale of land, operating properties and investments in real estate joint ventures. Gains from dispositions are recognized using the full accrual or partial sale methods, provided that various criteria relating to the terms of sale and any subsequent involvement by the Company with the asset sold are met.

Real Estate Held for Sale – The Company generally considers assets to be held for sale when it has entered into a contract to sell the property, all material due diligence requirements have been satisfied, and management believes it is probable that the disposition will occur within one year. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value, less cost to sell.

Notes Receivable

Notes receivable include certain loans that are held for investment and are collateralized by real estate-related investments and may be subordinate to other senior loans. Notes receivable are recorded at stated principal amounts or at initial investment less accretive yield for loans purchased at a discount, which is accreted over the life of the note. The Company defers loan origination and commitment fees, net of origination costs, and amortizes them over the term of the related loan. The Company evaluates the collectability of both principal and interest based upon an assessment of the underlying collateral value to determine whether it is impaired. A reserve is recorded when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. The amount of the reserve is calculated by comparing the recorded investment to the value of the underlying collateral. As the underlying collateral for a majority of the notes receivable is real estate-related investments, the same valuation techniques are used to value the collateral as those used to determine the fair value of real estate investments for impairment purposes. Given the small number of notes outstanding, the Company does not provide for an additional reserve based on the grouping of loans, as the Company believes the characteristics of its notes are not sufficiently similar to allow an evaluation of these notes as a group for a possible loan loss allowance. As such, all of the Company's notes are evaluated individually for this purpose. Interest income on performing notes is accrued as earned. A note is placed on non-accrual status when, based upon current information and events, it is probable that the Company will not be able to collect all amounts due according to the existing contractual terms. Recognition of interest income on an accrual basis on non-performing notes is resumed when it is probable that the Company will be able to collect amounts due according to the contractual terms.

Investments in and Advances to Unconsolidated Joint Ventures

Some of the Company's joint ventures obtain non-recourse third-party financing on their property investments, contractually limiting the Company's exposure to losses. The Company recognizes income for distributions in excess of its investment where there is no recourse to the Company and no intention or obligation to contribute additional capital. For investments in which there is recourse to the Company or an obligation or intention to contribute additional capital exists, distributions in excess of the investment are recorded as a liability.

When characterizing distributions from equity investees within the Company's consolidated statements of cash flows, all distributions received are first applied as returns on investment to the extent there are cumulative earnings related to the respective investment and are classified as cash inflows from operating activities. If cumulative distributions are in excess of cumulative earnings, distributions are considered return of investment. In such cases, the distribution is classified as cash inflows from investing activities.

To the extent that the Company's carrying basis in an unconsolidated affiliate is different from the basis reflected at the joint venture level, the basis difference is amortized over the life of the related assets and included in the Company's share of equity in net income (loss) of investments in unconsolidated affiliates the joint venture.

The Company periodically reviews its investments in unconsolidated joint ventures for other-than-temporary losses in investment value. Any decline that is not expected to be recovered based on the underlying assets of the investment, is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. During the years ended December 31, 2016, 2015 and 2014, there were no impairment charges related to the Company's investments in unconsolidated joint ventures.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the limits insured by the Federal Deposit Insurance Corporation.

Restricted Cash

Restricted cash consists principally of cash held for real estate taxes, construction costs, property maintenance, insurance, minimum occupancy and property operating income requirements at specific properties as required by certain loan agreements.

Deferred Costs

Fees and costs paid in the successful negotiation of leases are deferred and amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred in connection with obtaining financing are deferred and amortized as a component of interest expense over the term of the related debt obligation on a straight-line basis, which approximates the effective interest method. The Company capitalizes salaries, commissions and benefits related to time spent by leasing and legal department personnel involved in originating leases.

Derivative Instruments and Hedging Activities

The Company measures derivative instruments at fair value and record them as assets or liabilities, depending on its rights or obligations under the applicable derivative contract. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative designated and that qualified as a cash flow hedge, the effective portion of the change in fair value of the derivative is recognized in Other comprehensive (loss) income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings.

Although the Company's derivative contracts are subject to master netting arrangements, which serve as credit mitigants to both the Company and its counterparties under certain situations, the Company does not net its derivative fair values or any existing rights or obligations to cash collateral on the consolidated balance sheets. The Company does not use derivatives for trading or speculative purposes. For the periods presented, all of the Company's derivatives qualified and were designated as cash flow hedges, and none of its derivatives were deemed ineffective.

Noncontrolling Interests

Noncontrolling interests represent the portion of equity that the Company does not own in those entities it consolidates. The Company identifies its noncontrolling interests separately within the equity section on the Company’s consolidated balance sheets. The amounts of consolidated net earnings attributable to the Company and to the noncontrolling interests are presented separately on the Company’s consolidated statements of income. Noncontrolling interests also include amounts related to common and preferred OP Units issued to unrelated third parties in connection with certain property acquisitions. In addition, the Company periodically issues common OP Units to certain employees of the Company under its share-based incentive program. Unit holders generally have the right to redeem their units for shares of the Company's common stock subject to blackout and other limitations. Common and restricted OP Units are included in the caption Noncontrolling interest within the equity section on the Company’s consolidated balance sheets.

Revenue Recognition and Accounts Receivable

Minimum rents from tenants are recognized using the straight-line method over the non-cancelable lease term of the respective leases. Lease termination fees are recognized upon the effective termination of a tenant’s lease when the Company has no further obligations under the lease. As of December 31, 2016 and 2015, unbilled rents receivable relating to the straight-lining of rents of $31.7 million and $31.3 million, respectively, are included in Rents Receivable, net on the accompanying consolidated balance sheets. Certain of these leases also provide for percentage rents based upon the level of sales achieved by the tenant. Percentage rent is recognized in the period when the tenants’ sales breakpoint is met. In addition, leases typically provide for the reimbursement to the Company of real estate taxes, insurance and other property operating expenses. These reimbursements are recognized as revenue in the period the related expenses are incurred.

The Company makes estimates of the uncollectability of its accounts receivable related to tenant revenues. An allowance for doubtful accounts has been provided against certain tenant accounts receivable that are estimated to be uncollectible. Once the amount is ultimately deemed to be uncollectible, it is written off. Rents receivable at December 31, 2016 and 2015 are shown net of an allowance for doubtful accounts of $5.7 million and $7.5 million, respectively.

Stock-Based Compensation

Stock-based compensation expense for all equity-classified stock-based compensation awards is based on the grant date fair value estimated in accordance with current accounting guidance for share-based payments. The Company recognizes these compensation costs for only those shares or units expected to vest on a straight-line or graded-vesting basis, as appropriate, over the requisite service period of the award. The Company includes stock-based compensation within the Additional paid-in capital caption of equity.

Income Taxes

The Company has made an election to be taxed, and believes it qualifies, as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). To maintain REIT status for Federal income tax purposes, the Company is generally required to distribute at least 90% of its REIT taxable income to its shareholders as well as comply with certain other income, asset and organizational requirements as defined in the Code. Accordingly, the Company is generally not subject to Federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

In connection with the REIT Modernization Act, the Company is permitted to participate in certain activities and still maintain its qualification as a REIT, so long as these activities are conducted in entities that elect to be treated as taxable subsidiaries under the Code. As such, the Company is subject to Federal and state income taxes on the income from these activities. The Protecting Americans from Tax Hikes Act (PATH Act) was enacted in December 2015, and included numerous law changes applicable to REITs. The provisions have various effective dates beginning as early as 2016. These changes did not materially impact the Company's operations or consolidated financial statements.

Although it may qualify for REIT status for Federal income tax purposes, the Company is subject to state income or franchise taxes in certain states in which some of its properties are located. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") is fully subject to Federal, state and local income taxes.

The Company accounts for TRS income taxes under the liability method as required by ASC Topic 740, "Income Taxes." Under the liability method, deferred income taxes are recognized for the temporary differences between the GAAP basis and tax basis of the TRS income, assets and liabilities.

The Company records net deferred tax assets to the extent it believes it is more likely than not that these assets will be realized and would record a valuation allowance to reduce deferred tax assets when it has determined that an uncertainty exists regarding their realization, which would increase the provision for income taxes. In making such determination, the Company considers all available positive and negative evidence, including forecasts of future taxable income, the reversal of other existing temporary differences, available net operating loss carry-forwards, tax planning strategies and recent results of operations. Several of these considerations require assumptions and significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates that the Company is utilizing to manage its business. To the extent facts and circumstances change in the future, adjustments to the valuation allowances may be required.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued *Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers."* ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 does not apply to the Company's lease revenues, but will apply to reimbursed tenant costs. Additionally, this guidance modifies disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for all entities by one year, until years beginning in 2018, with early adoption permitted but not before 2017. Entities may adopt ASU 2014-09 using either a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or a retrospective approach with the cumulative effect recognized at the date of adoption. While the Company is still completing the assessment of the impact of this standard to its consolidated financial statements, management believes the majority of the Company's revenue falls outside of the scope of this guidance. The Company intends to implement the standard retrospectively with the cumulative effect recognized in retained earnings at the date of application.

In February 2016, the FASB issued *ASU No. 2016-02, "Leases."* ASU 2016-02 outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the current model, with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard discussed above. The new guidance requires that internal leasing costs be expensed as incurred, as opposed to capitalized and deferred. ASU 2016-02 will also require extensive quantitative and qualitative disclosures and is effective beginning after December 15, 2018, but early adoption is permitted. The Company is evaluating the impact of the new standard and has not yet determined if it will have a material impact on its consolidated financial statements; however, the Company capitalized internal leasing costs of $1.1 million, $1.4 million and $0.9 million during the years ended December 31, 2016, 2015 and 2014, respectively.

In June 2016, the FASB issued *ASU No. 2016-13, "Financial Instruments – Credit Losses."* ASU 2016-13 introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 is effective for periods beginning after December 15, 2019, with adoption permitted for fiscal years beginning after December 15, 2018. Retrospective adjustments shall be applied through a cumulative-effect adjustment to retained earnings. The adoption of ASU 2016-13 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued *No. 2016-15, "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments."* ASU 2016-15 provides guidance on certain specific cash flow issues, including, but not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees. ASU 2016-15 is effective for periods beginning after December 15, 2017, with early adoption permitted and shall be applied retrospectively where practicable. The adoption of ASU 2016-15 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued *ASU No. 2017-01 "Business Combinations – Clarifying the Definition of a Business."* ASU 2017-01 clarifies that to be considered a business, the elements must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The new standard illustrates the circumstances under which real estate with in-place leases would be considered a business and provides guidance for the identification of assets and liabilities in purchase accounting. ASU 2017-01 is effective for periods beginning after December 15, 2017 and early adoption is permitted. The Company is currently evaluating the impact ASU 2014-15 will have on its consolidated financial statements; however, it is expected that the new standard would reduce the number of future real estate acquisitions that will be accounted for as business combinations and, therefore, reduce the amount of acquisition costs that will be expensed.

In January 2017, the FASB issued *ASU No. 2017-03 "Accounting Changes and Error Corrections (Topic 250) and Investments – Equity Method and Joint Ventures (Topic 323)."* ASU 2017-03 amends certain SEC guidance in the FASB Accounting Standards Codification in response to SEC staff announcements made during 2016 EITF meetings which addressed (i) the additional qualitative disclosures that a registrant is expected to provide when it cannot reasonably estimate the impact that ASUs 2014-09, 2016-02 and 2016-13 will have in applying the guidance in SAB Topic 11.M and (ii) guidance in ASC 323 related to the amendments made by ASU 2014-01 regarding use of the proportional amortization method in accounting for investments in qualified affordable housing projects (announcement made at the November 17, 2016, EITF meeting. The adoption of ASU 2017-03 is not expected to have a material impact on the Company's consolidated financial statements.

Recently Adopted Accounting Pronouncements

On January 1, 2016, the Company adopted *ASU No. 2015-01, "Income Statement – Extraordinary and Unusual Items."* ASU 2015-01 eliminates the concept of extraordinary items. However, the presentation and disclosure requirements for items that are either unusual in nature or infrequent in occurrence remain and will be expanded to include items that are both unusual in nature and infrequent in occurrence. The adoption did not have a material impact on the Company's consolidated financial statements.

On January 1, 2016, the Company adopted *ASU No. 2015-02, "Consolidation – Amendments to the Consolidation Analysis,"* which modified the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIE's"), particularly those with fee arrangements and related party relationships. Consolidated VIE's are those where the Company is considered to be the primary beneficiary of a VIE. The primary beneficiary is the entity that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: (i) the power to direct the activities that, when taken together, most significantly impact the VIE’s performance and (ii) the obligation to absorb losses or the right to receive the returns from the VIE that could potentially be significant to the VIE. The Company reviewed all of its entities in accordance with ASU 2015-02 and concluded that certain of its legal entities, including the Operating Partnership and the Funds, which have always been consolidated, are now VIE's. There were no entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption. As a result of the classification of the Operating Partnership as a VIE, substantially all of the Company's assets and liabilities are assets and liabilities of a VIE. Accordingly, the adoption of ASU 2015-02 had no other impact on the Company's consolidated financial statements.

2. Real Estate

The Company's consolidated real estate is comprised of the following (in thousands):

	December 31, 2016	December 31, 2015
Land	$ 693,252	$ 514,120
Buildings and improvements	1,916,288	1,457,351
Tenant improvements	132,220	135,999
Construction in progress	19,789	19,239
Properties under capital lease	76,965	—
Total	2,838,514	2,126,709
Less: Accumulated depreciation	(287,066)	(298,703)
Operating real estate, net	2,551,448	1,828,006
Real estate under development at cost	543,486	609,574
Net investment in real estate	$ 3,094,934	$ 2,437,580

Acquisitions

During 2016 and 2015, the Company acquired the following consolidated retail properties (dollars in thousands):

Property	Percent Acquired	Date of Acquisition	Purchase Price	Debt Assumed
2016 Acquisitions				
Core Portfolio:				
991 Madison Avenue - New York, NY [(a)]	100%	Mar 26, 2016	$ 76,628	$ —
165 Newbury Street - Boston, MA	100%	May 13, 2016	6,250	—
Concord & Milwaukee - Chicago, IL	100%	Jul 28, 2016	6,000	2,902
151 North State Street - Chicago, IL	100%	Aug 10, 2016	30,500	14,556
State & Washington - Chicago, IL	100%	Aug 22, 2016	70,250	25,650
North & Kingsbury - Chicago, IL	100%	Aug 29, 2016	34,000	13,409
Sullivan Center - Chicago, IL	100%	Aug 31, 2016	146,939	—
California & Armitage - Chicago, IL	100%	Sep 12, 2016	9,250	2,692
555 9th Street - San Francisco, CA	100%	Nov 2, 2016	139,775	60,000
Subtotal Core Portfolio			519,592	119,209
Fund IV:				
Restaurants at Fort Point - Boston, MA	100%	Jan 14, 2016	11,500	—
1964 Union Street - San Francisco, CA	90%	Jan 28, 2016	2,250	1,463
Wake Forest Crossing - Wake Forest, NC	100%	Sep 27, 2016	36,600	—
Airport Mall - Bangor, ME	100%	Oct 28, 2016	10,250	—
Colonie Plaza - Albany, NY	100%	Oct 28, 2016	15,000	—
Dauphin Plaza - Harrisburg, PA	100%	Oct 28, 2016	16,000	—
JFK Plaza - Waterville, ME	100%	Oct 28, 2016	6,500	—
Mayfair Shopping Center - Philadelphia, PA	100%	Oct 28, 2016	16,600	—
Shaw's Plaza - Waterville, ME	100%	Oct 28, 2016	13,800	—
Wells Plaza - Wells, ME	100%	Oct 28, 2016	5,250	—
717 N Michigan - Chicago, IL	100%	Dec 1, 2016	103,500	—
Subtotal Fund IV			237,250	1,463
Total 2016 Acquisitions			**$ 756,842**	**$ 120,672**

Property	Percent Acquired	Date of Acquisition	Purchase Price	Debt Assumed
2015 Acquisitions				
Core Portfolio:				
City Center - San Francisco, CA	100%	Mar 13, 2015	$ 155,000	$ —
163 Highland Avenue - Needham, MA	100%	Mar 26, 2015	24,000	9,765
Route 202 Shopping Center - Wilmington, DE	100%	Apr 1, 2015	5,643	—
Roosevelt Galleria - Chicago, IL	100%	Sep 11, 2015	19,600	—
Subtotal Core Portfolio			204,243	9,765
Fund II:				
City Point Tower I - Brooklyn, NY [(a)]	95%		100,800	81,000
Fund IV:				
1035 Third Avenue - New York, NY	100%	Jan 28, 2015	51,036	—
801 Madison Avenue - New York, NY	100%	Apr 1, 2015	33,000	—
650 Bald Hill Road - Warwick, RI [(a)]	90%	Sep 30, 2015	9,216	—
2208-2216 Fillmore Street - San Francisco, CA	90%	Oct 22, 2015	8,625	—
146 Geary Street - San Francisco, CA	100%	Nov 12, 2015	38,000	—
2207 Fillmore Street - San Francisco, CA	90%	Nov 19, 2015	2,800	1,120
1861 Union Street - San Francisco, CA	90%	Dec 2, 2015	3,500	—
Subtotal Fund IV			146,177	1,120
Total 2015 Acquisitions			**$ 451,220**	**$ 91,885**

(a) These acquisitions were accounted for as asset acquisitions.

All of the above acquisitions were deemed to be business combinations except 991 Madison Avenue, 1964 Union Street, City Point Tower I, and 650 Bald Hill Road. The Company expensed $5.5 million, $1.3 million and $4.8 million of acquisition costs for the years ended December 31, 2016, 2015 and 2014, respectively, related to the Core Portfolio; $0.2 million of acquisition costs for the year ended December 31, 2014 related to Fund III; and $2.7 million, $3.5 million and $2.7 million of acquisition costs for the years ended December 31, 2016, 2015 and 2014, respectively, related to Fund IV.

Purchase Price Allocations

With the exception of the asset acquisitions noted above, the above acquisitions have been accounted for as business combinations. The purchase prices for the business combinations were allocated to the acquired assets and assumed liabilities based on their estimated fair values at the dates of acquisition. The preliminary measurements of fair value reflected below are subject to change. The Company expects to finalize the valuations and complete the purchase price allocations within one year from the dates of acquisition. During 2016 and 2015, the Company acquired properties and recorded the preliminary allocation of the purchase price to the assets acquired based on provisional measurements of fair value. During 2016, the Company made certain measurement period adjustments related to its 2015 acquisitions.

The following table summarizes the allocation of the purchase price of properties acquired during 2016 and 2015 (in thousands):

	Year Ended December 31,			
	2016	2015		
	Purchase Price Allocation	Preliminary Purchase Price Allocation	Adjustments	Finalized Purchase Price Allocation
Net assets acquired:				
Land	$ 225,729	$ 83,890	$ 4,178	$ 88,068
Buildings and improvements	458,525	258,926	(14,023)	244,903
Other assets	3,481	—	—	—
Acquisition-related intangible assets (in Acquired lease intangibles, net)	63,606	—	22,660	22,660
Acquisition-related intangible liabilities (in Acquired lease intangibles, net)	(72,985)	—	(12,094)	(12,094)
Above and below market debt assumed (included in Mortgages and other notes payable, net)	(119,601)	(10,885)	(721)	(11,606)
Net assets acquired	$ 558,755	$ 331,931	$ —	$ 331,931
Consideration:				
Cash	$ 677,964			$ 342,816
Debt assumed	(119,209)			(10,885)
Total Consideration	$ 558,755			$ 331,931

Dispositions and Discontinued Operations

During 2016 and 2015, the Company disposed of the following consolidated properties (in thousands):

	Owner	Date Sold	Sale Price	Gain on Sale
2016 Dispositions:				
Cortlandt Town Center - 65% (Note 4)	Fund III	Jan 28, 2016	$ 107,250	$ 65,393
Heritage Shops	Fund III	Apr 26, 2016	46,500	16,572
Total 2016 Dispositions			**$ 153,750**	**$ 81,965**
2015 Dispositions:				
Lincoln Park Centre	Fund III	Jan 15, 2015	$ 64,000	$ 27,143
Liberty Avenue	Fund II	May 6, 2015	24,000	11,957
City Point - Air Rights	Fund II	May 29, 2015	115,600	49,884
Kroger-Safeway	Fund I	Aug 31, 2015	278	79
Total 2015 Dispositions			**$ 203,878**	**$ 89,063**

The aggregate rental revenue, expenses and pre-tax income reported within continuing operations for the aforementioned consolidated properties that were sold during 2016 and 2015 were as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Rental revenues	$ 3,503	$ 21,987	$ 26,374
Expenses	(1,179)	(16,246)	(19,753)
Gain on disposition of properties	81,965	89,063	—
Loss on extinguishment of debt	(15)	(111)	(181)
Provision for income taxes	—	(2)	(2)
Income from continuing operations of disposed properties, net of income taxes	$ 84,274	$ 94,691	$ 6,438
Amounts attributable to noncontrolling interests	$ (64,374)	$ (76,277)	$ —

In addition, during the year ended December 31, 2014, the Company reported one consolidated property sold within discontinued operations, comprised of a net gain on the disposition of properties of $1.2 million of which $1.0 million was attributable to noncontrolling interests.

Properties Held For Sale

At December 31, 2016, the Company had one property in Fund II classified as held-for-sale with net assets of $21.5 million and subject to a mortgage of $25.5 million, which will be repaid prior to the sale. The property held for sale had net income (loss) of $0.4 million, ($0.3 million) and $0.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2015 the Company had no properties classified as held for sale.

Pro Forma Financial Information (Unaudited)

The following unaudited pro forma operating data is presented for the year ended December 31, 2016, as if the acquisition of the properties acquired in 2016 were completed on January 1, 2015 and as if the acquisition of the properties acquired in 2015 were completed on January 1, 2014, including recognition of the related acquisition expenses of $8.2 million and $4.8 million, respectively. The unaudited supplemental pro forma operating data is not necessarily indicative of what the actual results of operations of the Company would have been, assuming the transactions had been completed as set forth above, nor do they purport to represent the Company's results of operations for future periods.

	Year Ended December 31,		
	2016	2015	2014
Pro forma revenues	$ 252,702	$ 274,972	$ 215,991
Pro forma income from continuing operations	$ 141,612	$ 150,498	$ 145,398
Pro forma net income attributable to Acadia	$ 79,680	$ 67,788	$ 67,888
Pro forma basic and diluted earnings per share	$ 0.94	$ 0.81	$ 1.03

Real Estate Under Development and Construction in Progress

Real estate under development represents the Company's consolidated properties which have not yet been placed into service while undergoing substantial development or construction. At December 31, 2015, the Company had two properties in Fund II, two properties in Fund III and four properties in Fund IV aggregating $609.6 million under development. During 2016, the Company acquired two properties in Fund IV that were under development. Also during 2016, the Company placed a portion of its City Point property in Fund II aggregating $187.4 million into service and capitalized $98.4 million related to City Point and $22.9 million relating to its other projects. At December 31, 2016, the Company had one Core property, two properties in Fund II, three properties in Fund III and four properties in Fund IV classified as real estate under development with accumulated costs aggregating $543.5 million.

Construction in progress pertains to the Company's operating properties which have already been placed into service.

3. Notes Receivable, Net

The Company’s notes receivable, net were collateralized either by the underlying properties, the borrower’s ownership interest in the entities that own the properties and/or by the borrower’s personal guarantee, and were as follows (dollars in thousands):

Description	Number of Instruments December 31, 2016	December 31, 2016	December 31, 2015	Maturity Date at December 31, 2016	Interest Rate at December 31, 2016
Core Portfolio	10	$ 216,400	$ 113,048	May 2017 - September 2019	6.0% - 9.0%
Fund II	1	31,007	30,234	May 2020	2.5%
Fund III	1	4,506	3,906	July 2017	18.0%
Fund IV	3	24,250	—	April 2017 - February 2021	6.0% - 15.3%
	15	$ 276,163	$ 147,188		

During 2016, the Company:

- issued one Core note receivable and three Fund IV notes receivable aggregating $47.5 million with a weighted-average effective interest rate of 9.8%, which were collateralized by four mixed-use real estate properties;
- received total collections of $42.8 million, including full repayment of five notes issued in prior periods aggregating $29.6 million; and
- restructured a $30.9 million Core mezzanine loan, which bore interest at 15.0%, and replaced it with a new $153.4 million loan collateralized by a first mortgage in the borrower's tenancy-in-common interest. The new loan, which was made to our partners in the Brandywine Portfolio, bears interest at 8.1% (Note 4).

During 2015, the Company:

- made total investments in six notes receivable of $78.0 million, with a weighted-average effective interest rate of 6.2%, which were collateralized by six mixed-use real estate properties; and
- received total collections of $29.4 million, including full repayment of four notes issued in prior periods aggregating $22.9 million.

At December 31, 2016 and 2015, one of the Core notes receivable in the amount of $12.0 million was in default; however, no principal reserve was established because the estimated fair value of the real estate collateral exceeded the carrying value of the note.

The Company monitors the credit quality of its notes receivable on an ongoing basis and considers indicators of credit quality such as loan payment activity, the estimated fair value of the underlying collateral, the seniority of the Company's loan in relation to other debt secured by the collateral and the prospects of the borrower.

Earnings from these notes and mortgages receivable are reported within the Company's Structured Financing segment (Note 12).

4. Investments In and Advances to Unconsolidated Affiliates

The Company accounts for its investments in and advances to unconsolidated affiliates under the equity method of accounting as it has the ability to exercise significant influence, but does not have financial or operating control over the investment, which is maintained by each of the unaffiliated partners who co-invest with the Company. The Company's investments in and advances to unconsolidated affiliates consist of the following (dollars in thousands):

Fund	Property	Nominal Ownership Interest at December 31, 2016	December 31, 2016	December 31, 2015
Core:				
	840 N. Michigan [a]	88.43%	$ 74,131	$ 76,898
	Renaissance Portfolio	20%	36,437	—
	Gotham	49%	29,421	—
	Brandywine Portfolio [a]	22.22%	20,755	—
	Georgetown Portfolio	50%	4,287	4,688
			165,031	81,586
Mervyns I & II:	KLA/Mervyn's, LLC [b]	10.5%	—	—
Fund III:				
	Fund III Other Portfolio	90%	8,108	12,784
	Self Storage Management [c]	95%	241	654
			8,349	13,438
Fund IV:				
	Broughton Street Portfolio	50%	54,839	43,786
	Fund IV Other Portfolio	90%	21,817	24,104
	650 Bald Hill Road	90%	18,842	9,072
			95,498	76,962
	Due from Related Parties [d]		2,193	725
	Other		957	566
	Investments in and advances to unconsolidated affiliates		**$ 272,028**	**$ 173,277**
Core:				
	Crossroads [e]	49%	$ 13,691	$ 13,244
	Distributions in excess of income from, and investments in, unconsolidated affiliates		**$ 13,691**	**$ 13,244**

(a) Represents a tenancy-in-common interest.
(b) Distributions have exceeded the Company's non-recourse investment, therefore the carrying value is zero.
(c) Represents a variable interest entity.
(d) Represents deferred fees.
(e) Distributions have exceeded the Company's investment; however, the Company recognizes a liability balance as it may fund future obligations of the entity.

Core Portfolio

The Company owns a 49% interest in a 311,000 square foot shopping center located in White Plains, New York ("Crossroads"), a 50% interest in a 28,000 square foot retail portfolio located in Georgetown, Washington D.C. (the "Georgetown Portfolio"), and a 88.43% tenancy-in-common interest in an 87,000 square foot retail property located in Chicago, Illinois.

During January 2016, the Company completed the acquisition of a 49% noncontrolling interest in an approximately 123,000 square foot retail property located in Manhattan, New York ("Gotham Plaza"), for a purchase price of $39.8 million. Consideration for this purchase consisted of the assumption of 49% of the existing non-recourse debt of $21.4 million and the issuance of both 442,478 Common and 141,593 Preferred OP Units (Note 10).

During June 2016, the Company completed the acquisition of a 20% noncontrolling interest in a 211,000 square-foot portfolio of 17 mixed-use properties, 16 of which are located in Georgetown, Washington D.C. and one which is located in Alexandria, Virginia (the "Renaissance Portfolio"), for a purchase price of $67.6 million and the assumption of $20 million in debt.

The Company owns a 22.22% interest in an approximately one million square foot retail portfolio (the "Brandywine Portfolio") located in Wilmington, Delaware. Prior to the second quarter of 2016, the Company had a controlling interest in the Brandywine Portfolio, and it was therefore consolidated within the Company’s financial statements. During April 2016, the arrangement with the partners of the Brandywine Portfolio was modified to change the legal ownership from a partnership to a tenancy-in-common interest, as well as to provide certain participating rights to the outside partners. As a result of these modifications, the Company de-consolidated the Brandywine Portfolio and accounts for its interest under the equity method of accounting effective May 1, 2016. Furthermore, as the owners of the Brandywine Portfolio had consistent ownership interests before and after the modification and the underlying net assets are unchanged, the Company has reflected the change from consolidation to equity method based upon its historical cost.

Additionally, in April 2016, the Company repaid the outstanding balance of $140.0 million of non-recourse debt collateralized by the Brandywine Portfolio. The Company provided a loan collateralized by the partners’ tenancy-in-common interest, as further described in Note 7, for their proportionate share of the repayment.

Fund Investments

Fund III Other Portfolio includes the Company's investment in Arundel Plaza. Fund IV Other Portfolio includes the Company's investment in 1701 Belmont Avenue, 2819 Kennedy Boulevard, Promenade at Manassas, and Eden Square.

Self-Storage Management, a Fund III investment, was determined to be a variable interest entity. Management has evaluated the applicability of ASC Topic 810 to this joint venture and determined that the Company is not the primary beneficiary and, therefore, consolidation of this venture is not required.

During April 2015, Fund III sold White City Shopping Center for $96.8 million resulting in a gain on sale of which the Operating Partnership's share was $16.2 million.

During September 2015, Fund IV entered into a joint venture with an unaffiliated entity and completed the acquisition of a 90% interest in a property under development located in Warwick, Rhode Island ("650 Bald Hill Road") for a purchase price of $9.2 million.

During January 2016, Fund III completed the disposition of a 65% interest in Cortlandt Town Center for $107.3 million resulting in a gain of $65.4 million and the deconsolidation of its remaining interest (Note 2). During December 2016, Fund III completed the disposition of its remaining 35% interest in Cortlandt Town Center for $57.8 million less $32.6 million debt repayment for a net sales price of $25.2 million resulting in a gain on sale of $36.0 million, of which the Operating Partnership's share was $8.8 million, which is included in equity earnings and gains from unconsolidated affiliates in the consolidated financial statements.

Revenues from Unconsolidated Affiliates

The Company earned property management, construction, development, legal and leasing fees from its investments in unconsolidated partnerships totaling $1.2 million, $0.3 million and $0.2 million for the years ended December 31, 2016, 2015 and 2014, respectively, which is included in other revenues in the consolidated financial statements.

In addition, the Company paid $1.1 million, $0.8 million, and $2.8 million to certain unaffiliated partners of our joint ventures partners during the the years ended December 31, 2016, 2015 and 2014, respectively.

Summarized Financial Information of Unconsolidated Affiliates

The following combined and condensed Balance Sheets and Statements of Income, in each period, summarize the financial information of the Company's investments in unconsolidated affiliates (in thousands):

	December 31,	
	2016	**2015**
Combined and Condensed Balance Sheets		
Assets:		
Rental property, net	$ 576,505	$ 302,976
Real estate under development	18,884	35,743
Investment in unconsolidated affiliates	6,853	6,853
Other assets	75,254	47,083
Total assets	$ 677,496	$ 392,655
Liabilities and partners' equity:		
Mortgage notes payable	$ 407,344	$ 262,130
Other liabilities	30,117	21,945
Partners' equity	240,035	108,580
Total liabilities and partners' equity	$ 677,496	$ 392,655
Company's share of accumulated equity	$ 191,049	$ 106,442
Basis differential	61,827	11,620
Deferred fees, net of portion related to the Company's interest	3,268	5,342
Amounts receivable by the Company	2,193	36,629
Investments in and advances to unconsolidated affiliates, net of Company's share of distributions in excess of income and investments in unconsolidated affiliates	$ 258,337	$ 160,033

Amounts receivable by the Company as of December 31, 2015 in the table above includes $35.9 million related to Broughton Street portfolio's note receivable which was converted to preferred equity during 2016.

	Year Ended December 31,		
	2016	**2015**	**2014**
Combined and Condensed Statements of Income			
Total revenues	$ 84,218	$ 43,990	$ 44,422
Operating and other expenses	(25,724)	(13,721)	(17,069)
Interest expense	(16,300)	(9,178)	(9,363)
Equity in earnings (losses) of unconsolidated affiliates	—	66,655	(328)
Depreciation and amortization	(35,432)	(12,154)	(10,967)
Loss on debt extinguishment	—	—	(187)
(Loss) gain on disposition of properties	(1,340)	32,623	142,615
Net income attributable to unconsolidated affiliates	$ 5,422	$ 108,215	$ 149,123
Company's share of equity in net income of unconsolidated affiliates	$ 40,538	$ 37,722	$ 111,970
Basis differential adjustments	(1,089)	(392)	(392)
Company's equity in earnings of unconsolidated affiliates	$ 39,449	$ 37,330	$ 111,578

Equity in earnings of unconsolidated affiliates in the table above for the year ended December 31, 2015 of $66.7 million, of which the Company's share was $5.9 million, is related to a sale of a property within the Mervyn's I and II portfolios.

5. Other Assets, net and Accounts Payable and Other Liabilities

Other assets, net and accounts payable and other liabilities are comprised of the following for the periods presented:

	December 31,	
(in thousands)	2016	2015
Other assets, net:		
Lease intangibles, net (Note 6)	$ 114,584	$ 52,593
Deferred charges, net	25,221	22,568
Prepaid expenses	14,351	14,707
Other receivables	9,514	9,486
Accrued interest receivable	9,354	11,039
Deposits	4,412	5,837
Due from seller	4,300	—
Deferred tax assets	3,733	2,664
Derivative financial instruments (Note 8)	2,921	818
Due from related parties	1,655	336
Corporate assets	1,241	2,985
Income taxes receivable	1,500	756
	$ 192,786	$ 123,789
Deferred charges, net:		
Deferred leasing and other costs	$ 40,728	$ 39,310
Deferred financing costs	5,915	4,072
	46,643	43,382
Accumulated amortization	(21,422)	(20,814)
Deferred charges, net	$ 25,221	$ 22,568
Accounts payable and other liabilities:		
Lease intangibles, net (Note 6)	$ 105,028	$ 31,808
Accounts payable and accrued expenses	48,290	38,755
Deferred income	35,267	8,334
Tenant security deposits, escrow and other	14,975	15,288
Derivative financial instruments (Note 8)	3,590	5,876
Income taxes payable (Note 14)	1,287	1,269
Other	235	233
	$ 208,672	$ 101,563

6. Lease Intangibles

Upon acquisitions of real estate accounted for as business combinations, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above- and below-market leases, including below- market options and acquired in-place leases) and assumed liabilities in accordance with ASC Topic 805. The lease intangibles are amortized over the remaining terms of the respective leases, including option periods where applicable.

Intangible assets and liabilities are summarized as follows (in thousands):

	December 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets						
In-place lease intangible assets	$ 156,420	$ (47,827)	$ 108,593	$ 84,443	$ (37,996)	$ 46,447
Above-market rent	16,649	(10,658)	5,991	19,545	(13,399)	6,146
	$ 173,069	$ (58,485)	$ 114,584	$ 103,988	$ (51,395)	$ 52,593
Amortizable Intangible Liabilities						
Below-market rent	$ (137,032)	$ 32,004	$ (105,028)	$ (65,607)	$ 33,799	$ (31,808)
	$ (137,032)	$ 32,004	$ (105,028)	$ (65,607)	$ 33,799	$ (31,808)

During the year ended December 31, 2016, the Company acquired in-place lease intangible assets of $62.9 million, above-market rents of $0.7 million and below-market rents of $73.0 million with weighted-average useful lives of 7.2, 5.8 and 15.8 years, respectively.

The scheduled amortization of acquired lease intangible assets and assumed liabilities as of December 31, 2016 is as follows (in thousands):

	Net Increase in Lease Revenues	Increase to Amortization	Net
2017	$ 9,253	$ 21,433	$ (12,180)
2018	9,415	17,966	(8,551)
2019	9,157	12,416	(3,259)
2020	8,117	10,413	(2,296)
2021	6,974	9,066	(2,092)
Thereafter	56,121	37,299	18,822
Total	$ 99,037	$ 108,593	$ (9,556)

7. Debt

A summary of the Company's consolidated indebtedness is as follows (dollars in thousands):

	Effective Interest Rate, December 31,		Maturity Date at December 31, 2016	Carrying Value, December 31,	
	2016	2015		2016	2015
Mortgages Payable					
Core Fixed Rate	3.88%-6.65%	3.50%-6.65%	July 2016 - April 2035	$ 234,875	$ 301,340
Core Variable Rate - Swapped [a]	1.71%-3.77%	1.75%-3.77%	September 2022 - June 2026	82,250	72,444
Total Core Mortgages Payable				**317,125**	**373,784**
Fund II Fixed Rate	1.00%-5.80%	1.00%-5.80%	October 2017 - May 2020	249,762	249,762
Fund II Variable Rate	LIBOR+0.62%-LIBOR+2.50%	LIBOR+1.39%-LIBOR+3.02%	August 2017 - November 2021	142,750	111,500
Fund II Variable Rate - Swapped [a]	2.88%	2.88%	November 2021	19,779	19,984
Total Fund II Mortgages Payable				**412,291**	**381,246**
Fund III Variable Rate	Prime+0.50%-LIBOR+4.65%	Prime+0.50%-LIBOR+4.65%	March 2017 - December 2021	**83,467**	**164,280**
Fund IV Fixed Rate	3.4%-4.50%	4.5%	October 2025-June 2026	10,503	1,120
Fund IV Variable Rate	LIBOR+1.70%-LIBOR+3.95%	LIBOR+1.70%-LIBOR+3.00%	May 2017 - January 2021	233,139	123,920
Fund IV Variable Rate - Swapped [a]	1.78%	1.78%	May 2019	14,509	14,904
Total Fund IV Mortgages Payable				**258,151**	**139,944**
Net unamortized debt issuance costs				(16,642)	(10,567)
Unamortized premium				1,336	1,364
Total Mortgages Payable				**$ 1,055,728**	**$ 1,050,051**
Unsecured Notes Payable					
Core Unsecured Term Loans	LIBOR+1.30%-LIBOR+1.60%	LIBOR+1.30%-LIBOR+1.60%	November 2019 - December 2022	$ 51,194	$ 841
Core Variable Rate Unsecured Term Loans - Swapped [a]	1.24%-3.77%	1.31%-3.77%	July 2018 - March 2025	248,806	149,159
Total Core Unsecured Notes Payable				300,000	150,000
Fund II Subscription Facility	LIBOR+2.75%	LIBOR+2.75%	October 2016	—	12,500
Fund IV Term Loan/Subscription Facility	LIBOR+1.65%-LIBOR+2.75%	LIBOR+1.65%-LIBOR+2.75%	February 2017- November 2017	134,636	126,410
Net unamortized debt issuance costs				(1,646)	(1,155)
Total Unsecured Notes Payable				**$ 432,990**	**$ 287,755**
Unsecured Line of Credit					
Core Unsecured Line of Credit	LIBOR+1.40%	LIBOR+1.40%	June 2020	$ —	$ 20,800
Total Unsecured Line of Credit				**$ —**	**$ 20,800**
Total Debt - Fixed and Effectively Fixed Rate				$ 860,486	$ 552,222
Total Debt - Variable Rate				645,185	816,740
Net unamortized debt issuance costs				(18,289)	(11,720)
Unamortized premium				1,336	1,364
Total Indebtedness				**$ 1,488,718**	**$ 1,358,606**

(a) At December 31, 2016, the stated rates ranged from LIBOR + 1.08% to LIBOR +1.90% for Core Variable rate debt; LIBOR + 1.70% to LIBOR +1.70% for Fund II Variable rate debt; LIBOR + 2.15% to LIBOR +2.15% for Fund IV rate debt; and LIBOR + 1.30% to LIBOR +1.60% for Core variable rate unsecured notes.

Mortgages Payable

During 2016, the Company obtained or assumed 14 new mortgages totaling $252.9 million with a weighted-average interest rate of 4.07% collateralized by 14 properties. During 2016, the Company repaid 15 mortgages in full aggregating $292.3 million with a weighted-average interest rate of 4.61% and made scheduled principal payments of $6.5 million. At December 31, 2016 and 2015, the Company's mortgages were collateralized by 39 properties and the related tenant leases. Certain loans are cross-collateralized and contain cross-default provisions. The loan agreements contain customary representations, covenants and events of default. Certain loan agreements require the Company to comply with affirmative and negative covenants, including the maintenance of debt service coverage and leverage ratios. A portion of the Company's variable-rate mortgage debt has been effectively fixed through certain cash flow hedge transactions (Note 8).

One of the mortgage loans in our Core Portfolio amounting to $26.3 million is in default at December 31, 2016 and is collateralized by a property, in which the Company holds a 22% controlling interest.

Unsecured Term Loans

At December 31, 2016 and 2015, the Company had a total of $9.9 million and $15.5 million, respectively, available under its unsecured term loans. A portion of the Company's variable-rate term loan debt has been effectively fixed through certain cash flow hedge transactions (Note 8). The Company completed the following transactions related to its unsecured term loans during the year ended December 31, 2016:

- The Company repaid a $50.0 million term loan in June 2016, which bore interest at LIBOR+1.30%.
- The Company closed on a new $150.0 million unsecured term loan in June, 2016, which bears interest at LIBOR+1.30% and matures on June 27, 2021.
- The Company closed on a new $50.0 million unsecured term loan in January 2016, which bears interest at LIBOR+1.30% and matures on January 4, 2021.
- The Company borrowed $12.5 million on its Fund II credit facility. The outstanding balance under this facility was $25.5 million, and was repaid upon maturity in October, 2016.
- The Company borrowed $5.6 million on its Fund IV term loan bringing the outstanding balance under this facility to $40.1 million as of December 31, 2016. At December 31, 2016, Fund IV was not in compliance with the liquidity covenant on its term loan. Consequently, this loan is recourse to the Company until the condition is cured. Fund IV expects to cure the covenant violation by repaying certain debt during the first quarter of 2017. During February 2017, the Company exercised its option to extend the maturity date of this loan by six months to August, 2017.
- The Company drew an additional $2.6 million on its Fund IV subscription line. The outstanding balance under this facility is $94.5 million as of December 31, 2016.

Unsecured Lines of Credit

At December 31, 2016 and 2015 the Company had a total of $203.0 million and $182.3 million, respectively available under its unsecured line of credit. The Company completed the following transactions related to its unsecured line of credit during the year ended December 31, 2016:

- The Company repaid the remaining $20.8 million of its revolving unsecured credit facility.
- The Company canceled the existing credit facility and entered into a new $150.0 million revolving unsecured credit facility. The new facility bears interest at LIBOR plus 140 basis points and matures June 27, 2020 with a one-year extension option. There is no outstanding balance as of December 31, 2016.

Scheduled Debt Principal Payments

The scheduled principal repayments of the Company's consolidated indebtedness, as of December 31, 2016 are as follows (in thousands):

2017	$ 395,999
2018	69,753
2019	205,295
2020	321,559
2021	253,927
Thereafter	259,138
	1,505,671
Unamortized fair market value of assumed debt	1,336
Net unamortized debt issuance costs	(18,289)
Total indebtedness	$ 1,488,718

See Note 4 for information about liabilities of the Company's unconsolidated affiliates.

8. Financial Instruments and Fair Value Measurements

The fair value of an asset is defined as the exit price, which is the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical instruments are available in active markets, such as money market funds, equity securities, and U.S. Treasury securities; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument, such as certain derivative instruments including interest rate caps and interest rate swaps; and Level 3, for financial instruments or other assets/liabilities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring us to develop our own assumptions.

Items Measured at Fair Value on a Recurring Basis

The methods and assumptions described below were used to estimate the fair value of each class of financial instrument. For significant Level 3 items, we have also provided the unobservable inputs along with their weighted-average ranges.

Money Market Funds — The Company has money market funds, which are included in Cash and cash equivalents in the consolidated financial statements, are comprised of government securities and/or U.S. Treasury bills. These funds were classified as Level 1 as we used quoted prices from active markets to determine their fair values.

Derivative Assets — Our derivative assets, which are included in Other assets, net in the consolidated financial statements, are comprised of interest rate swaps. The interest rate swaps were measured at fair value using readily observable market inputs, such as quotations on interest rates, and were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market. See "Derivative Financial Instruments," below.

Derivative Liabilities — Our derivative liabilities, which are included in Accounts payable and other liabilities in the consolidated financial statements, are comprised of interest rate swaps. These derivative instruments were measured at fair value using readily observable market inputs, such as quotations on interest rates, and were classified as Level 2 because they are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market. See "Derivative Financial Instruments," below.

We did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during either the years ended December 31, 2016 or 2015.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis (in thousands):

	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Money Market Funds	$ 20,001	$ —	$ —	$ 4	$ —	$ —
Derivative financial instruments	—	2,921	—	—	818	—
Liabilities						
Derivative financial instruments	—	3,590	—	—	5,876	—

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. The Company's 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.

Derivative Financial Instruments

The Company had the following interest rate swaps for the periods presented (in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Strike Rate Low		Strike Rate High	Balance Sheet Location	Fair Value at December 31, 2016	Fair Value at December 31, 2015
Core									
Interest Rate Swaps	$ 140,651	Oct 2011 - Mar 2015	Jul 2018 - Mar 2025	1.38%	—	3.77%	Other Liabilities	$ (3,218)	$ (5,255)
Interest Rate Swaps	190,407	Sep 2012 - Jul 2016	Jul 2020 - Jun 2026	1.24%	—	3.77%	Other Assets	2,609	815
	$ 331,058							$ (609)	$ (4,440)
Fund II									
Interest Rate Swaps	$ 19,779	Oct 2014	Nov 2021	2.88%	—	2.88%	Other Liabilities	$ (228)	$ (385)
Interest Rate Caps	29,500	Apr 2013	Apr 2018	4%	—	4%	Other Assets	—	3
	$ 49,279							$ (228)	$ (382)
Fund III									
Interest Rate Caps	$ 58,000	Dec 2016	Jan 2020	3%	—	3%	Other Assets	$ 127	$ —
Fund IV									
Interest Rate Swaps	$ 14,509	May 2014	May 2019	1.78%	—	1.78%	Other Liabilities	$ (144)	$ (236)
Interest Rate Caps	108,900	Jul 2016 - Nov 2016	Aug 2019 - Dec 2019	3%	—	3%	Other Assets	185	—
	$ 123,409							$ 41	$ (236)
Total asset derivatives								$ 2,921	$ 818
Total liability derivatives								$ (3,590)	$ (5,876)

These derivative instruments have been designated as cash flow hedges and hedge the future cash outflows on variable rate mortgage debt (Note 7).

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its debt funding and, from time to time, through the use of derivative financial instruments. The Company enters into derivative financial instruments to manage exposures that result in the receipt or payment of future known and uncertain cash amounts, the values of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

The Company is exposed to credit risk in the event of non-performance by the counterparties to the Swaps if the derivative position has a positive balance. The Company believes it mitigates its credit risk by entering into Swaps with major financial institutions. The Company continually monitors and actively manages interest costs on its variable-rate debt portfolio and may enter into additional interest rate swap positions or other derivative interest rate instruments based on market conditions. The Company has not entered, and does not plan to enter, into any derivative financial instruments for trading or speculative purposes.

The following table presents the location in the financial statements of the (losses) income recognized related to the Company's cash flow hedges (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Amount of loss related to the effective portion recognized in other comprehensive income (loss)	$ 646	$ 5,061	$ 9,061
Amount of loss related to the effective portion subsequently reclassified to earnings	—	—	—
Amount of gain (loss) related to the ineffective portion and amount excluded from effectiveness testing	—	—	—

Credit Risk-Related Contingent Features

The Company has agreements with each of its Swap counterparties that contain a provision whereby if the Company defaults on certain of its unsecured indebtedness the Company could also be declared in default on its swaps, resulting in an acceleration of payment under the swaps.

Other Financial Instruments

Our other financial instruments had the following carrying values and fair values as of the dates shown (dollars in thousands):

		December 31, 2016		December 31, 2015	
	Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Notes Receivable [(a)]	3	$ 276,163	$ 272,052	$ 147,188	$ 147,188
Mortgage and Other Notes Payable, net [(a)]	3	1,055,728	1,077,926	1,050,051	1,072,473
Investment in non-traded equity securities	3	802	25,194	411	25,194
Unsecured notes payable, net [(b)]	2	432,990	435,779	287,755	288,964
Unsecured line of credit [(c)]	2	—	—	20,800	20,881

(a) The Company determined the estimated fair value of these financial instruments using a discounted cash flow model with rates that take into account the credit of the borrower or tenant, where applicable, and interest rate risk. The Company also considered the value of the underlying collateral, taking into account the quality of the collateral, the credit quality of the borrower, the time until maturity and the current market interest rate environment.

(b) The Company determined the estimated fair value of the unsecured notes payable using quoted market prices in an open market with limited trading volume where available. In cases where there was no trading volume, the Company determined the estimated fair value using a discounted cash flow model using a rate that reflects the average yield of similar market participants.

(c) The Company determined the estimated fair value of the unsecured line of credit using a discounted cash flow model with rates that take into account the market-based credit spread and the Company's credit rating.

The Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and certain financial instruments included in other assets and other liabilities had fair values that approximated their carrying values at December 31, 2016 and 2015.

Items Measured at Fair Value on a Non-Recurring Basis (Including Impairment Charges)

During the year ended December 31, 2015, the Company determined that the value of one of the properties in its Brandywine Portfolio was impaired and recorded an impairment loss of $5.0 million. The Company estimated the fair value by using discounted future cash flows and applying a market-specific capitalization rate to the property's net operating income. The inputs used to determine this fair value are classified within Level 3 of the fair value hierarchy.

9. Commitments and Contingencies

The Company is involved in various matters of litigation arising in the normal course of business. While the Company is unable to predict with certainty the amounts involved, the Company’s management and counsel are of the opinion that, when such litigation is resolved, the Company’s resulting liability, if any, will not have a significant effect on the Company’s consolidated financial position, results of operations, or liquidity. The Company's policy is to accrue legal expenses as they are incurred.

During August 2009, the Company terminated the employment of a former Senior Vice President (the "Former Employee") for engaging in conduct that materially violated the Company's employee handbook. The Company determined that the behavior fell within the definition of "cause" in his severance agreement with us and therefore did not pay him anything thereunder. The Former Employee brought a lawsuit against the Company in New York State Supreme Court (the "Court"), in the amount of $0.9 million alleging breach of the severance agreement. On August 7, 2014, the Court granted summary judgment in favor of the Company, as defendant, and against plaintiff, the Former Employee, finding that his conduct in fact and law, constituted "cause" under his severance agreement. The Court rendered two decisions, one granting the Company’s motion for summary judgment and a second denying the Former Employee's motion to dismiss the Company’s answer as an abuse of judicial discretion. The Former Employee appealed the latter decision, but the decision of the Court was affirmed by the appellate court.

Commitments and Guaranties

In conjunction with the development and expansion of various properties, the Company has entered into agreements with general contractors for the construction or development of properties aggregating approximately $85.4 million as of December 31, 2016.

At December 31, 2016, the Company had letters of credit outstanding of $2.5 million. The Company has not recorded any obligation associated with these letters of credit. The majority of the letters of credit are collateral for existing indebtedness and other obligations of the Company.

In connection with certain of the Company’s unconsolidated joint ventures, the Company agreed to fund amounts due to the joint ventures' lenders, under certain circumstances, if such amounts are not paid by the joint venture based on the Company’s pro rata share of such amount, aggregating $165.7 million at December 31, 2016.

10. Shareholders’ Equity, Noncontrolling Interests and Other Comprehensive Income

Common Shares

The Company completed the following transactions in its common shares during the year ended December 31, 2016:

- The Company issued 4,500,000 Common Shares under its at-the-market ("ATM") equity programs, generating gross proceeds of $157.6 million and net proceeds of $155.7 million. The Company has established a new ATM equity program, effective July 2016, with an additional aggregate offering amount of up to $250.0 million of gross proceeds from the sale of Common Shares, replacing its $200.0 million program that was launched in 2014. As of December 31, 2016, there was $218.0 million remaining under this $250.0 million program.
- The Company entered into a forward sale agreement to issue 3,600,000 Common Shares for for gross proceeds of $126.8 million and net proceeds of $124.5 million. As of December 31, 2016, these shares have been physically settled.

- The Company issued 4,830,000 Common Shares in a public offering, generating gross proceeds of $175.2 million and net proceeds of $172.1 million.
- The Company withheld 3,152 Restricted Shares to pay the employees' statutory minimum income taxes due on the value of the portion of their Restricted Shares that vested. During 2016, the Company recognized accrued Common Share and Common OP Unit-based compensation totaling $10.9 million in connection with the vesting of Restricted Shares and Units (Note 13).

The Company completed the following transactions in its common shares during the year ended December 31, 2015:

- The Company withheld 2,481 Restricted Shares to pay the employees' statutory minimum income taxes due on the value of the portion of their Restricted Shares that vested. During 2015, the Company recognized accrued Common Share and Common OP Unit-based compensation totaling $6.8 million in connection with the vesting of Restricted Shares and Units (Note 13).
- The Company issued approximately 2,000,000 Common Shares from the ATM program generating net proceeds of approximately $64.4 million.

The Company completed the following transactions in its common shares during the year ended December 31, 2014:

- The Company issued approximately 4,700,000 Common Shares from the ATM program generating net proceeds of approximately $126.8 million and completed two public share offerings aggregating approximately 7,600,000 Common Shares generating net proceeds of approximately $230.7 million.

Share Repurchases

The Company has a share repurchase program that authorizes management, at its discretion, to repurchase up to $20.0 million of its outstanding Common Shares. The program may be discontinued or extended at any time. There were no Common Shares repurchased by the Company during the years ended December 31, 2016 or 2015. Under this program the Company has repurchased 2.1 million Common Shares, none of which were repurchased after December 2001. As of December 31, 2016, management may repurchase up to approximately $7.5 million of our outstanding Common Shares under this program.

Dividends and Distributions

On November 8, 2016, the Board of Trustees declared an increase of $0.01 to the regular quarterly cash dividend of $0.25 to $0.26 per Common Share, which was paid on January 13, 2017 to holders of record as of December 30, 2016. In addition, on November 8, 2016, the Board of Trustees declared a special cash dividend of $0.15 per Common Share with the same record and payment date as the regular quarterly dividend. The special dividend is a result of the taxable capital gains for 2016 arising from property dispositions within the Funds. See Note 14 for the characterization of the Company's distributions.

Accumulated Other Comprehensive Income

The following table sets forth the activity in accumulated other comprehensive income for the three years ended December 31, 2016 (in thousands):

	Gains or Losses on Derivative Instruments
Balance at January 1, 2014	**$ 1,132**
Other comprehensive loss before reclassifications	(9,061)
Reclassification of realized interest on swap agreements	3,776
Net current period other comprehensive loss	(5,285)
Net current period other comprehensive loss attributable to noncontrolling interests	148
Balance at December 31, 2014	**(4,005)**
Other comprehensive loss before reclassifications	(5,061)
Reclassification of realized interest on swap agreements	5,524
Net current period other comprehensive income	463
Net current period other comprehensive income attributable to noncontrolling interests	(921)
Balance at December 31, 2015	**(4,463)**
Other comprehensive loss before reclassifications	(646)
Reclassification of realized interest on swap agreements	4,576
Net current period other comprehensive income	3,930
Net current period other comprehensive income attributable to noncontrolling interests	(265)
Balance at December 31, 2016	**$ (798)**

Noncontrolling Interests

The following table summarizes the change in the noncontrolling interests for the periods presented (in thousands):

	Noncontrolling Interests in Operating Partnership [(a)]	Noncontrolling Interests in Partially-Owned Affiliates [(b)]	Total
Balance at December 31, 2013	**$ 48,948**	**$ 368,404**	**$ 417,352**
Distributions declared of $1.23 per Common OP Unit	(5,085)	—	(5,085)
Net income for the period January 1 through December 31, 2014	3,204	77,878	81,082
Conversion of 136,128 Common OP Units to Common Shares by limited partners of the Operating Partnership	(3,181)	—	(3,181)
Issuance of Common OP Units to acquire real estate	44,051	—	44,051
Other comprehensive income - unrealized loss on valuation of swap agreements	(345)	(902)	(1,247)
Reclassification of realized interest expense on swap agreements	115	984	1,099
Noncontrolling interest contributions	—	57,969	57,969
Noncontrolling interest distributions and other reductions	—	(218,152)	(218,152)
Employee Long-term Incentive Plan Unit Awards	6,528	—	6,528
Balance at December 31, 2014	**94,235**	**286,181**	**380,416**
Distributions declared of $1.22 per Common OP Unit	(5,983)	—	(5,983)
Net income for the period January 1 through December 31, 2015	3,836	80,426	84,262
Conversion of 100,620 Common OP Units to Common Shares by limited partners of the Operating Partnership	(2,451)	—	(2,451)
Acquisition of noncontrolling interests	—	(3,561)	(3,561)
Other comprehensive income - unrealized loss on valuation of swap agreements	(117)	(897)	(1,014)
Reclassification of realized interest expense on swap agreements	97	1,838	1,935
Noncontrolling interest contributions	—	35,489	35,489
Noncontrolling interest distributions and other reductions	—	(74,950)	(74,950)
Employee Long-term Incentive Plan Unit Awards	6,723	—	6,723
Balance at December 31, 2015	**96,340**	**324,526**	**420,866**
Distributions declared of $1.16 per Common OP Unit	(6,753)	—	(6,753)
Net income for the period January 1 through December 31, 2016	5,002	56,814	61,816
Conversion of 351,250 Common OP Units to Common Shares by limited partners of the Operating Partnership	(7,892)	—	(7,892)
Change in control of previously consolidated investment (Note 4)	(75,713)	—	(75,713)
Acquisition of noncontrolling interests [(c)]	—	(25,925)	(25,925)
Issuance of Common and Preferred OP Units to acquire real estate	31,429	—	31,429
Other comprehensive income - unrealized loss on valuation of swap agreements	(43)	(288)	(331)
Reclassification of realized interest expense on swap agreements	223	373	596
Noncontrolling interest contributions	—	295,108	295,108
Noncontrolling interest distributions and other reductions	—	(80,769)	(80,769)
Employee Long-term Incentive Plan Unit Awards	12,768	—	12,768
Rebalancing adjustment (Note 1)	(35,652)	—	(35,652)
Balance at December 31, 2016	**$ 19,709**	**$ 569,839**	**$ 589,548**

(a) Noncontrolling interests in the Operating Partnership are comprised of (i) the limited partners' 3,365,668 and 2,931,198 Common OP Units at December 31, 2016 and 2015, respectively; (ii) 188 Series A Preferred OP Units at December 31, 2016 and 2015; (iii) 141,593 Series C Preferred OP Units at December 31, 2016; and (iv) 1,996,388 and 1,922,623 LTIP units as of December 31, 2016 and 2015, respectively, as discussed in Share Incentive Plan (Note 13). Distributions declared for Preferred OP Units are reflected in net income in the table above.

(b) Noncontrolling interests in partially-owned affiliates comprise third-party interests in Fund I, II, III, IV and V, and Mervyns I and II, and six other subsidiaries.

(c) During 2016, the Company acquired an additional 8.3% interest in Fund II from a limited partner for $18.4 million, giving the Company an aggregate 28.33% interest. Amount in the table above represents the book value of this transaction.

Preferred OP Units

The Series A Preferred OP Units were issued in 1999 in connection with the acquisition of a property, have a stated value of $1,000 per unit, and are entitled to a preferred quarterly distribution of the greater of (i) $22.50 (9% annually) per Series A Preferred OP Unit or (ii) the quarterly distribution attributable to a Series A Preferred OP Unit if such unit was converted into a Common OP Unit. Through December 31, 2016, 1,392 Series A Preferred OP Units were converted into 185,600 Common OP Units and then into Common Shares. The 188 remaining Series A Preferred OP Units are currently convertible into Common OP Units based on the stated value divided by $7.50. Either the Company or the holders can currently call for the conversion of the Series A Preferred OP Units at the lesser of $7.50 or the market price of the Common Shares as of the conversion date.

During 2016, the Operating Partnership issued 442,478 Common OP Units and 141,593 Series C Preferred OP Units to a third party to acquire Gotham Plaza (Note 4). The Series C Preferred OP Units have a value of $100.00 per unit and are entitled to a preferred quarterly distribution of $0.9375 per unit and are convertible into Common OP Units at a rate based on the share price at the time of conversion. If the share price is below $28.80 on the conversion date, each Series C Preferred OP Unit will be convertible into 3.4722 Common OP Units. If the share price is between $28.80 and $35.20 on the conversion date, each Series C Preferred OP Units will be convertible a number of Common OP Units equal to $100.00 divided by the closing share price. If the share price is above $35.20 on the conversion date, each Series C Preferred OP Units will be convertible into 2.8409 Common OP Units. The Series C Preferred OP Units have a mandatory conversion date of December 31, 2025, at which time all units that have not been converted will automatically be converted into Common OP Units based on the same calculations.

During 2015, the Operating Partnership issued approximately 1,600,000 OP units to a third party to acquire real estate.

11. Leases

Operating Leases

The Company is engaged in the operation of shopping centers and other retail properties that are either owned or, with respect to certain shopping centers, operated under long-term ground leases that expire at various dates through June 20, 2066, with renewal options. Space in the shopping centers is leased to tenants pursuant to agreements that provide for terms ranging generally from one month to ninety nine years and generally provide for additional rents based on certain operating expenses as well as tenants' sales volumes.

The Company leases land at six of its shopping centers, which are accounted for as operating leases and generally provide the Company with renewal options. Ground rent expense was $2.5 million, $1.7 million, and $1.8 million (including capitalized ground rent at properties under development of $0.9 million, $0.9 million and $0.8 million) for the years ended December 31, 2016, 2015 and 2014, respectively. The leases terminate at various dates between 2020 and 2066. These leases provide the Company with options to renew for additional terms aggregating from 25 to 71 years. The Company also leases space for its corporate office. Office rent expense under this lease was $0.9 million, $1.4 million and $1.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Capital Leases

During 2016, the Company entered into a 49-year master lease at 991 Madison Avenue, which is accounted for as a capital lease. During the year ended December 31, 2016, lease payments totaling $7.8 million were made under this lease. The lease was initially valued at $76,628, which represents the total discounted payments to be made under the lease. Properties under capital leases are discussed in Note 2.

Lease Obligations

The scheduled future minimum rental revenues from rental properties under the terms of all non-cancelable tenant leases, assuming no new or renegotiated leases or option extensions for such premises and the scheduled minimum rental payments under the terms of all non-cancelable operating and capital leases in which the Company is the lessee, principally for office space and ground leases, as of December 31, 2016 are summarized as follows (in thousands):

	Minimum Rental Revenues	Minimum Rental Payments
2017	$ 152,464	$ 3,737
2018	147,025	3,756
2019	135,796	3,776
2020	122,071	3,669
2021	109,383	3,744
Thereafter	591,541	185,621
Total	$ 1,258,280	$ 204,303

A ground lease expiring during 2078 provides the Company with an option to purchase the underlying land during 2031. If the Company does not exercise the option, the rents that will be due are based on future values and as such are not determinable at this time. Accordingly, the above table does not include rents for this lease beyond 2031.

During the years ended December 31, 2016, 2015 and 2014, no single tenant collectively comprised more than 10% of the Company’s total revenues.

12. Segment Reporting

The Company has three reportable segments: Core Portfolio, Funds and Structured Financing. The Company's Core Portfolio consists primarily of high-quality retail properties located primarily in high-barrier-to-entry, densely-populated metropolitan areas with a long-term investment horizon. The Company's Funds hold primarily retail real estate in which the Company co-invests with high-quality institutional investors. The Company's Structured Financing segment consists of earnings and expenses related to notes and mortgages receivable which are held within the Core Portfolio or the Funds (Note 3). Fees earned by the Company as the general partner or managing member of the Funds are eliminated in the Company’s consolidated financial statements and are not presented in the Company's segments. During 2016, the Company revised how it allocates general and administrative and income tax expenses among its segments to reflect all such expenses as unallocated corporate expenses. The presentation of the years ended 2015 and 2014 has been revised to reflect this change.

The following tables set forth certain segment information for the Company (in thousands):

	As of or for the Year Ended December 31, 2016				
(dollars in thousands)	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 150,211	$ 39,728	$ —	$ —	$ 189,939
Property operating expenses, other operating and real estate taxes	(39,598)	(17,793)	—	—	(57,391)
General and administrative expenses	—	—	—	(40,648)	(40,648)
Depreciation and amortization	(54,582)	(15,429)	—	—	(70,011)
Operating income	56,031	6,506	—	(40,648)	21,889
Equity in earnings of unconsolidated affiliates	3,774	35,675	—	—	39,449
Interest income	—	—	25,829	—	25,829
Interest and other finance expense	(27,435)	(7,210)	—	—	(34,645)
Gain on disposition of properties	—	81,965	—	—	81,965
Income tax benefit	—	—	—	105	105
Net income	32,370	116,936	25,829	(40,543)	134,592
Net income attributable to noncontrolling interests	(3,411)	(58,405)	—	—	(61,816)
Net income attributable to Acadia	$ 28,959	$ 58,531	$ 25,829	$ (40,543)	$ 72,776
Real estate at cost	$ 1,982,763	$ 1,399,237	$ —	$ —	$ 3,382,000
Total assets	$ 2,271,620	$ 1,448,177	$ 276,163	$ —	$ 3,995,960
Acquisition of real estate	$ 323,880	$ 171,764	$ —	$ —	$ 495,644
Development and property improvement costs	$ 13,434	$ 136,000	$ —	$ —	$ 149,434

	As of or for the Year Ended December 31, 2015				
(dollars in thousands)	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 150,015	$ 49,048	$ —	$ —	$ 199,063
Property operating expenses, other operating and real estate taxes	(37,259)	(21,223)	—	—	(58,482)
General and administrative expenses	—	—	—	(30,368)	(30,368)
Depreciation and amortization	(46,223)	(14,528)	—	—	(60,751)
Impairment of asset	(5,000)	—	—	—	(5,000)
Operating income	61,533	13,297	—	(30,368)	44,462
Equity in (losses) earnings of unconsolidated affiliates	1,169	36,161	—	—	37,330
Interest income	—	—	16,603	—	16,603
Other	—	—	1,596	—	1,596
Interest and other finance expense	(27,945)	(9,352)	—	—	(37,297)
Gain on disposition of properties	—	89,063	—	—	89,063
Income tax provision	—	—	—	(1,787)	(1,787)
Net income	34,757	129,169	18,199	(32,155)	149,970
Net income attributable to noncontrolling interests	(140)	(84,122)	—	—	(84,262)
Net income attributable to Acadia	$ 34,617	$ 45,047	$ 18,199	$ (32,155)	$ 65,708
Real estate at cost	$ 1,572,681	$ 1,163,602	$ —	$ —	$ 2,736,283
Total assets	$ 1,662,092	$ 1,223,039	$ 147,188	$ —	$ 3,032,319
Acquisition of real estate	$ 181,884	$ 156,816	$ —	$ —	$ 338,700
Development and property improvement costs	$ 16,505	$ 147,810	$ —	$ —	$ 164,315

	As of or for the Year Ended December 31, 2014				
(in thousands)	Core Portfolio	Funds	Structured Financing	Unallocated	Total
Revenues	$ 125,022	$ 54,659	$ —	$ —	$ 179,681
Property operating expenses, other operating and real estate taxes	(33,097)	(18,574)	—	—	(51,671)
General and administrative expenses	—	—	—	(27,433)	(27,433)
Depreciation and amortization	(35,875)	(13,770)	—	—	(49,645)
Operating income	56,050	22,315	—	(27,433)	50,932
Equity in (losses) earnings of unconsolidated affiliates	(77)	111,655	—	—	111,578
Gain on disposition of properties	12,577	561	—	—	13,138
Interest income	—	—	12,607	—	12,607
Other	—	—	2,724	—	2,724
Interest and other finance expense	(27,024)	(12,402)	—	—	(39,426)
Income tax provision	—	—	—	(629)	(629)
Income from continuing operations	41,526	122,129	15,331	(28,062)	150,924
Income from discontinued operations	—	1,222	—	—	1,222
Net income	41,526	123,351	15,331	(28,062)	152,146
Net income attributable to noncontrolling interests	(3,222)	(77,860)	—	—	(81,082)
Net income attributable to Acadia	$ 38,304	$ 45,491	$ 15,331	$ (28,062)	$ 71,064
Real estate at cost	$ 1,366,017	$ 842,578	$ —	$ —	$ 2,208,595
Total assets	$ 1,613,290	$ 1,005,145	$ 102,286	$ —	$ 2,720,721
Acquisition of real estate	$ 206,203	$ 50,250	$ —	$ —	$ 256,453
Development and property improvement costs	$ 5,432	$ 134,686	$ —	$ —	$ 140,118

13. Share Incentive and Other Compensation

Share Incentive Plan

At the 2016 annual shareholders' meeting, the shareholders' approved the Second Amended and Restated 2006 Incentive Plan (the "Second Amended 2006 Plan"). This plan replaced all previous share incentive plans and increased the authorization to issue options, Restricted Shares and LTIP Units (collectively "Awards") available to officers and employees by 1,600,000 shares, for a total of 3,700,000 shares available to be issued.

Restricted Shares and LTIP Units

During 2016, the Company issued 319,244 LTIP Units and 11,092 Restricted Share Units to employees of the Company pursuant to the Share Incentive Plan. These awards were measured at their fair value on the grant date, which was established as the market price of the Company's Common Shares as of the close of trading on the day preceding the grant date. The total value of the above Restricted Share Units and LTIP Units as of the grant date was $10.1 million, of which $1.9 million was recognized as compensation expense in 2015, and $8.2 million will be recognized as compensation expense over the vesting period. Additionally, during the quarter ended September 30, 2016, in connection with the retirement of two executives, an additional 29,418 LTIP Units were issued. The value of these LTIP units was $1.1 million and was recognized as compensation expense during 2016. Also in connection with these retirements, the Company recognized $1.8 million as compensation expense relating to the acceleration of LTIP Units granted prior to 2016. Total long-term incentive compensation expense, including the expense related to the above mentioned plans, was $10.9 million, $6.8 million and $6.2 million for the years ended December 31, 2016, 2015 and 2014, respectively and is recorded in General and Administrative on the Consolidated Statements of Income.

In addition, members of the Board of Trustees (the "Board") have been issued units under the Share Incentive Plan. During 2016, the Company issued 13,491 Restricted Shares and 10,822 LTIP Units to Trustees of the Company in connection with Trustee fees. Vesting with respect to 4,674 of the Restricted Shares and 5,532 of the LTIP Units will be on the first anniversary of the date of issuance and 8,817 of the Restricted Shares and 5,290 of the LTIP Units vest over three years with 33% vesting on each of the next three anniversaries of the issuance date. The Restricted Shares do not carry voting rights or other rights of Common Shares until vesting and may not be transferred, assigned or pledged until the recipients have a vested non-forfeitable right to such shares. Dividends are not paid currently on unvested Restricted Shares, but are paid cumulatively from the issuance date through the applicable vesting date of such Restricted Shares. Total trustee fee expense, included the expense related to the above-mentioned plans, was $1.1 million and $0.9 million during 2016 and 2015, respectively.

In 2009, the Company adopted the Long Term Investment Alignment Program (the "Program") pursuant to which the Company may grant awards to employees, entitling them to receive up to 25% of any potential future payments of Promote to the Operating Partnership from Funds III and IV. The Company has awarded units to employees representing 25% of the potential Promote payments from Fund III to the Operating Partnership and 9.3% of the potential Promote payments from Fund IV to the Operating Partnership. Payments to senior executives under the Program require further Board approval at the time any potential payments are due pursuant to these grants. Compensation relating to these awards will be recognized in each reporting period in which Board approval is granted.

As payments to other employees are not subject to further Board approval, compensation relating to these awards will be recorded based on the estimated fair value at each reporting period in accordance with ASC Topic 718, *"Compensation– Stock Compensation."*

During 2016, compensation expense of $5.0 million was recognized related to the Program in connection with Fund III.

The awards in connection with Fund IV were determined to have no intrinsic value as of December 31, 2016.

A summary of the status of the Company's unvested Restricted Shares and LTIP Units is presented below:

Unvested Restricted Shares and LTIP Units	Common Restricted Shares	Weighted Grant-Date Fair Value	LTIP Units	Weighted Grant-Date Fair Value
Unvested at January 1, 2014	**63,737**	**$ 23.34**	**884,334**	**$ 21.62**
Granted	28,563	27.18	441,946	26.24
Vested	(34,598)	23.40	(263,556)	20.23
Forfeited	(2,684)	23.54	(800)	24.66
Unvested at December 31, 2014	**55,018**	**25.90**	**1,061,924**	**23.92**
Granted	22,819	32.78	258,464	34.00
Vested	(24,744)	25.44	(292,544)	22.82
Forfeited	(3,194)	26.25	(7,723)	25.90
Unvested at December 31, 2015	**49,899**	**25.90**	**1,020,121**	**23.92**
Granted	24,583	33.35	359,484	34.40
Vested	(24,886)	29.17	(522,680)	26.08
Forfeited	(189)	35.37	(48)	35.37
Unvested at December 31, 2016	**49,407**	**27.92**	**856,877**	**26.99**

The weighted-average fair value for Restricted Shares and LTIP Units granted for the years ended December 31, 2016, 2015 and 2014 were $34.50, $33.90 and $26.30, respectively. As of December 31, 2016, there was $15.5 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under share incentive plans. That cost is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of Restricted Shares that vested during the years ended December 31, 2016, 2015 and 2014 was $0.7 million, $0.6 million and $0.8 million, respectively. The total fair value of LTIP Units that vested during the years ended December 31, 2016, 2015 and 2014 was $13.6 million, $6.7 million and $5.3 million, respectively.

Stock Options

A summary of option activity under all option arrangements is presented below (dollars in thousands except exercise prices):

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding and exercisable at January 1, 2014	**113,086**	**$ 19.28**	**3.5**	**$ 628**
Granted	—	—	—	—
Exercised	(57,739)	17.68	—	828
Forfeited or Expired	—	—	—	—
Outstanding and exercisable at December 31, 2014	**55,347**	**$ 20.93**	**1.1**	**$ 614**
Granted	—	—	—	—
Exercised	(49,098)	20.76	—	608
Forfeited or Expired	(3,000)	22.40	—	—
Outstanding and exercisable at December 31, 2015	**3,249**	**$ 20.93**	**0.3**	**35**
Granted	—	—	—	—
Exercised	(3,000)	22.40	—	—
Forfeited or Expired	(249)	20.65	—	—
Outstanding and exercisable at December 31, 2016	**—**	**$ —**	**—**	**$ —**

The total intrinsic value of options exercised during the years ended December 31, 2016, 2015 and 2014 was less than $0.1 million, $0.6 million and $0.8 million, respectively. At December 31, 2016 there were no outstanding options and there was no stock-based compensation expense related to options during the periods presented.

Employee Share Purchase Plan

The Acadia Realty Trust Employee Share Purchase Plan (the "Purchase Plan"), allows eligible employees of the Company to purchase Common Shares through payroll deductions. The Purchase Plan provides for employees to purchase Common Shares on a quarterly basis at a 15% discount to the closing price of the Company’s Common Shares on either the first day or the last day of the quarter, whichever is lower. A participant may not purchase more the $25,000 in Common Shares per year. Compensation expense will be recognized by the Company to the extent of the above discount to the closing price of the Common Shares with respect to the applicable quarter. During the years ended December 31, 2016, 2015 and 2014, a total of 3,491, 3,761 and 4,668 Common Shares, respectively, were purchased by employees under the Purchase Plan. Associated compensation expense was insignificant for each of the years ended December 31, 2016, 2015 and 2014.

Deferred Share Plan

During May of 2006, the Company adopted a Trustee Deferral and Distribution Election ("Trustee Deferral Plan"), under which the participating Trustees have deferred compensation of $0.1 million for each of the three years ended December 31, 2016, 2015 and 2014.

Employee 401(k) Plan

The Company maintains a 401(k) plan for employees under which the Company currently matches 50% of a plan participant’s contribution up to 6% of the employee’s annual salary. A plan participant may contribute up to a maximum of 15% of their compensation, up to $18,000, for the year ended December 31, 2016. The Company contributed $0.3 million for each of the years ended December 31, 2016, 2015 and 2014.

14. Federal Income Taxes

The Company has elected to qualify as a REIT in accordance with Sections 856 through 860 of the Code, and intends at all times to qualify as a REIT under the Code. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual REIT taxable income to its shareholders. As a REIT, the Company generally will not be subject to corporate Federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. As the Company distributed sufficient taxable income for the years ended December 31, 2016, 2015 and 2014, no U.S. Federal income or excise taxes were incurred. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income taxes at the regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even though the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on any undistributed taxable income. In addition, taxable income from non-REIT activities managed through the Company's TRS's is subject to Federal, state and local income taxes. For taxable years beginning after 2017, no more than 20% of the value of our total assets may consist of the securities of one or more taxable REIT subsidiaries.

In the normal course of business, the Company or one or more of its subsidiaries is subject to examination by Federal, state and local jurisdictions as well as certain jurisdictions outside the United States, in which it operates, where applicable. The Company expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense. For the three years ended December 31, 2016, the Company recognized no material adjustments regarding its tax accounting treatment for uncertain tax provisions. As of December 31, 2016, the tax years that remain subject to examination by the major tax jurisdictions under applicable statutes of limitations are generally the year 2013 and forward.

Reconciliation of Net Income to Taxable Income

Reconciliation of GAAP net income attributable to Acadia to taxable income is as follows:

	Year Ended December 31,		
(dollars in thousands)	2016	2015	2014
Net income attributable to Acadia	$ 72,776	$ 65,708	$ 71,064
Deferred cancellation of indebtedness income	2,050	2,050	2,050
Deferred rental and other income [a]	1,610	82	2,120
Book/tax difference - depreciation and amortization [a]	15,189	9,983	7,337
Straight-line rent and above- and below-market rent adjustments [a]	(7,882)	(8,041)	(4,917)
Book/tax differences - equity-based compensation	10,307	5,833	4,540
Joint venture equity in earnings, net [a]	(2,011)	5,776	(105)
Impairment charges and reserves	769	(714)	3,735
Acquisition costs [a]	5,116	1,190	4,505
Gains	—	(760)	(11,663)
Book/tax differences - miscellaneous	(4,924)	2,573	(6,041)
Taxable income	$ 93,000	$ 83,680	$ 72,625
Distributions declared	$ 91,053	$ 84,683	$ 77,194

(a) Adjustments from certain subsidiaries and affiliates, which are consolidated for financial reporting but not for tax reporting, are included in the reconciliation item "Joint venture equity in earnings, net."

Characterization of Distributions

The Company has determined that the cash distributed to the shareholders for the periods presented is characterized as follows for Federal income tax purposes:

	Year Ended December 31,					
	2016		2015		2014	
	Per Share	%	Per Share	%	Per Share	%
Ordinary income	$ 0.77	66%	$ 0.83	68%	$ 0.85	69%
Qualified dividend	—	—%	—	—%	—	—%
Capital gain	0.39	34%	0.39	32%	0.38	31%
Total	$ 1.16	100%	$ 1.22	100%	$ 1.23	100%

Taxable REIT Subsidiaries

Income taxes have been provided for using the liability method as required by ASC Topic 740, "Income Taxes." The Company's TRS income and provision for income taxes associated with the TRS for the periods presented are summarized as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
TRS (loss) income before income taxes	$ (1,583)	$ 1,008	$ (36)
Benefit (provision) for income taxes:			
Federal	378	(526)	(377)
State and local	97	(134)	(97)
TRS net (loss) income before noncontrolling interests	(1,108)	348	(510)
Noncontrolling interests	(9)	(208)	(508)
TRS net (loss) income	$ (1,117)	$ 140	$ (1,018)

The income tax provision for the Company differs from the amount computed by applying the statutory Federal income tax rate to income before income taxes as follows. Amounts are not adjusted for temporary book/tax differences. (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Federal tax (benefit) provision at statutory tax rate	$ (538)	$ 343	$ (12)
TRS state and local taxes, net of Federal benefit	(84)	53	(2)
Tax effect of:			
Permanent differences, net	1,663	396	446
Prior year under-accrual, net	—	938	1
Other	(1,516)	(131)	41
REIT state and local income and franchise taxes	370	188	155
Total (benefit) provision for income taxes	$ (105)	$ 1,787	$ 629

15. Earnings Per Common Share

Basic earnings per Common Share is computed by dividing net income attributable to Common Shareholders by the weighted average Common Shares outstanding. At December 31, 2016, the Company has unvested LTIP Units which provide for non-forfeitable rights to dividend equivalent payments. Accordingly, these unvested LTIP Units are considered participating securities and are included in the computation of basic earnings per Common Share pursuant to the two-class method.

Diluted earnings per Common Share reflects the potential dilution of the conversion of obligations and the assumed exercises of securities including the effects of restricted share unit ("Restricted Share Units") and share option awards issued under the Company's Share Incentive Plans (Note 13). The effect of the assumed conversion of 188 Series A Preferred OP Units into 25,067 Common Shares would be anti-dilutive and therefore is not included in the computation of diluted earnings per share for the years ended December 2016, 2015 and 2014. The effect of the assumed conversion of 141,593 Series C Preferred OP Units into 407,845 Common Shares, would be anti-dilutive and therefore is not included in the computation of diluted earnings per share for the year ended December 2016.

The effect of the conversion of Common OP Units is not reflected in the computation of basic and diluted earnings per share, as they are exchangeable for Common Shares on a one-for-one basis. The income allocable to such units is allocated on this same basis and reflected as noncontrolling interests in the accompanying consolidated financial statements. As such, the assumed conversion of these units would have no net impact on the determination of diluted earnings per share.

	Year Ended December 31,		
(shares and dollars in thousands, except per share amounts)	2016	2015	2014
Numerator:			
Income from continuing operations	$ 72,776	$ 65,708	$ 70,865
Less: net income attributable to participating securities	(793)	(927)	(1,152)
Income from continuing operations net of income attributable to participating securities	$ 71,983	$ 64,781	$ 69,713
Denominator:			
Weighted average shares for basic earnings per share	76,231	68,851	59,402
Effect of dilutive securities:			
Employee share options	13	19	24
Denominator for diluted earnings per share	76,244	68,870	59,426
Basic earnings per Common Share from continuing operations attributable to Acadia	$ 0.94	$ 0.94	$ 1.18
Diluted earnings per Common Share from continuing operations attributable to Acadia	$ 0.94	$ 0.94	$ 1.18

16. Summary of Quarterly Financial Information (unaudited)

The quarterly results of operations of the Company for the years ended December 31, 2016 and 2015 are as follows (in thousands, except per share amounts):

	Three Months Ended [a, b, c, d]			
	March 31, 2016	**June 30, 2016**	**September 30, 2016**	**December 31, 2016**
Revenues	$ 48,045	$ 43,918	$ 43,855	$ 54,121
Net income	73,875	26,155	326	34,236
Net (income) loss attributable to noncontrolling interests	(44,950)	(8,237)	5,786	(14,415)
Net income attributable to Acadia	28,925	17,918	6,112	19,821
Earnings per share attributable to Acadia:				
Basic	$ 0.40	$ 0.24	$ 0.08	$ 0.24
Diluted	0.40	0.24	0.08	0.24
Weighted average number of shares:				
Basic	70,756	72,896	78,449	82,728
Diluted	71,215	72,896	78,624	82,728
Cash dividends declared per Common Share	$ 0.25	$ 0.25	$ 0.25	$ 0.41

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(a) The three months ended March 31, 2016 includes Fund III's $65.4 million gain on sale of its 65% consolidated interest in Cortlandt Town Center of which $49.4 million was attributable to noncontrolling interests (Note 2).
(b) The three months ended June 30, 2016 includes a $16.6 million gain on sale of Fund III's consolidated Heritage Shops property of which $12.5 million was attributable to noncontrolling interests (Note 2).
(c) The three months ended June 30, 2016, September 30, 2016 and December 31, 2016 reflect the impact of the de-consolidation of the Company's investment in the Brandywine portfolio, which was effective May 1, 2016 (Note 4).
(d) The three months ended December 31, 2016 reflect the impact of an out-of-period adjustment resulting in a net decrease to net income of $4.2 million, of which $1.6 million was attributable to noncontrolling interests (Note 1).

	Three Months Ended [a, b, c]			
	March 31, 2015	**June 30, 2015**	**September 30, 2015**	**December 31, 2015**
Revenues	$ 49,073	$ 49,176	$ 51,124	$ 51,286
Net income	38,537	85,458	18,104	7,871
Net (income) loss attributable to noncontrolling interests	(21,990)	(58,963)	(4,328)	1,019
Net income attributable to Acadia	16,547	26,495	13,776	8,890
Earnings per share attributable to Acadia:				
Basic	$ 0.24	$ 0.38	$ 0.20	$ 0.13
Diluted	0.24	0.38	0.20	0.13
Weighted average number of shares:				
Basic	68,295	68,825	68,943	69,328
Diluted	68,360	68,870	68,957	69,330
Cash dividends declared per Common Share	$ 0.24	$ 0.24	$ 0.24	$ 0.50

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(a) The three months ended March 31, 2015 includes a gain on the disposition of Fund III's consolidated Lincoln Park Centre property of $27.1 million of which $21.7 million was attributable to noncontrolling interests (Note 2).
(b) The three months ended June 30, 2015 includes: Acadia's $17.1 million share of the gain on disposition of Fund III's unconsolidated White City Shopping Center (Note 4); a $12.0 million gain on disposition of Fund II's consolidated Liberty Avenue property and a $49.9 million gain on disposition of Fund II's consolidated City Point property's air rights, of which a total of $15.8 million was attributable to noncontrolling interests (Note 2); and a $5.0 million asset impairment charge within the Brandywine portfolio inclusive of $3.9 million attributable to noncontrolling interests (Note 8).
(c) The three months ended September 30, 2015 includes Acadia's $6.9 million share of the gain on disposition of Fund III's unconsolidated Parkway Crossing property of which $5.6 million was attributable to noncontrolling interests.

17. Subsequent Events

Dispositions

In February 2017, Fund III completed the disposition of Arundel Plaza, located in Glen Burnie, MD, for a sales price of $28.8 million.

In January 2017, Fund IV completed the disposition of 2819 Kennedy Boulevard, located in North Bergen, NJ, for a sales price of $19.0 million.

In February 2017, there was an auction pursuant to an Order of the United States Bankruptcy Court for the Southern District of New York for the property which is collateral for the Company's non-performing note (Note 3). The winning bid was in excess of the Company's carrying value and accrued interest. The sale of this property is expected to be approved by Order of the Bankruptcy Court confirming the Chapter 11 Plan of Reorganization of the note issuer and close during the first half of 2017. In connection with this, the Company anticipates recovering its full carrying value of principal and accrued interest upon settlement of this transaction.

Financings

In February 2017, the Company completed the financing of Fund IV's Wake Forest property (Note 2) for $24.0 million. The new loan bears interest at LIBOR plus 160 basis points and matures February 14, 2020.

ACADIA REALTY TRUST

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Charged to Expenses	Adjustments to Valuation Accounts	Deductions	Balance at End of Year
Year ended December 31, 2016:					
Allowance for deferred tax asset	$ —	$ —	$ 859	$ —	$ 859
Allowance for uncollectible accounts	$ 7,451	$ —	$ —	$ (1,731)	$ 5,720
Allowance for notes receivable	$ —	$ —	$ —	$ —	$ —
Year ended December 31, 2015:					
Allowance for deferred tax asset	$ —	$ —	$ —	$ —	$ —
Allowance for uncollectible accounts	$ 5,952	$ 1,499	$ —	$ —	$ 7,451
Allowance for notes receivable	$ —	$ —	$ —	$ —	$ —
Year ended December 31, 2014:					
Allowance for deferred tax asset	$ —	$ —	$ —	$ —	$ —
Allowance for uncollectible accounts	$ 6,242	$ —	$ —	$ (290)	$ 5,952
Allowance for notes receivable	$ 3,681	$ —	$ —	$ (3,681)	$ —

ACADIA REALTY TRUST

SCHEDULE III-REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

		Initial Cost to Company			Amount at Which Carried at December 31, 2016						
Description	Encumbrances	Land	Buildings & Improvements	Increase (Decrease) in Net Investments	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)		Life on which Depreciation in Latest Statement of Income is Compared
Core Portfolio:											
Crescent Plaza Brockton, MA	$ —	$ 1,147	$ 7,425	$ 3,027	$ 1,147	$ 10,452	11,599	$ 7,395	1993	(a)	40 years
New Loudon Center Latham, NY	—	505	4,161	13,353	505	17,514	18,019	13,968	1993	(a)	40 years
Mark Plaza Edwardsville, PA	—	—	3,396	—	—	3,396	3,396	2,887	1993	(c)	40 years
Plaza 422 Lebanon, PA	—	190	3,004	2,765	190	5,769	5,959	5,155	1993	(c)	40 years
Route 6 Mall Honesdale, PA	—	1,664	—	12,437	1,664	12,437	14,101	8,559	1994	(c)	40 years
Abington Towne Center Abington, PA	—	799	3,197	2,400	799	5,597	6,396	3,754	1998	(a)	40 years
Bloomfield Town Square Bloomfield Hills, MI	—	3,207	13,774	22,463	3,207	36,237	39,444	19,922	1998	(a)	40 years
Elmwood Park Shopping Center Elmwood Park, NJ	—	3,248	12,992	15,860	3,798	28,302	32,100	18,112	1998	(a)	40 years
Merrillville Plaza Hobart, IN	24,779	4,288	17,152	5,647	4,288	22,799	27,087	11,276	1998	(a)	40 years
Marketplace of Absecon Absecon, NJ	—	2,573	10,294	4,900	2,577	15,190	17,767	7,612	1998	(a)	40 years
239 Greenwich Avenue Greenwich, CT	27,000	1,817	15,846	776	1,817	16,622	18,439	7,389	1998	(a)	40 years
Hobson West Plaza Naperville, IL	—	1,793	7,172	1,970	1,793	9,142	10,935	4,855	1998	(a)	40 years
Village Commons Shopping Center Smithtown, NY	—	3,229	12,917	4,225	3,229	17,142	20,371	8,852	1998	(a)	40 years
Town Line Plaza Rocky Hill, CT	—	878	3,510	7,736	907	11,217	12,124	8,914	1998	(a)	40 years
Branch Shopping Center Smithtown, NY	—	3,156	12,545	15,883	3,401	28,183	31,584	9,719	1998	(a)	40 years
Methuen Shopping Center Methuen, MA	—	956	3,826	993	961	4,814	5,775	2,369	1998	(a)	40 years
Gateway Shopping Center South Burlington, VT	—	1,273	5,091	12,258	1,273	17,349	18,622	8,902	1999	(a)	40 years
Mad River Station Dayton, OH	—	2,350	9,404	1,579	2,350	10,983	13,333	5,256	1999	(a)	40 years
Pacesetter Park Shopping Center Ramapo, NY	—	1,475	5,899	3,350	1,475	9,249	10,724	4,603	1999	(a)	40 years
Brandywine Holdings Wilmington, DE	26,250	5,063	15,252	2,495	5,201	17,609	22,810	6,392	2003	(a)	40 years
Bartow Avenue Bronx, NY	—	1,691	5,803	1,111	1,691	6,914	8,605	2,732	2005	(c)	40 years
Amboy Road Staten Island, NY	—	—	11,909	2,482	—	14,391	14,391	5,812	2005	(a)	40 years
Clark Diversey Chicago, IL	—	10,061	2,773	972	10,061	3,745	13,806	984	2006	(a)	40 years
Chestnut Hill Philadelphia, PA	—	8,289	5,691	4,509	8,289	10,200	18,489	3,175	2006	(a)	40 years
2914 Third Avenue Bronx, NY	—	11,108	8,038	4,701	11,855	11,992	23,847	2,456	2006	(a)	40 years
West Shore Expressway Staten Island, NY	—	3,380	13,499	—	3,380	13,499	16,879	3,732	2007	(a)	40 years
West 54th Street Manhattan, NY	—	16,699	18,704	992	16,699	19,696	36,395	4,837	2007	(a)	40 years
5-7 East 17th Street Manhattan, NY	—	3,048	7,281	5,147	3,048	12,428	15,476	2,027	2008	(a)	40 years

Description	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	Increase (Decrease) in Net Investments	Amount at Which Carried at December 31, 2016: Land	Amount at Which Carried at December 31, 2016: Buildings & Improvements	Amount at Which Carried at December 31, 2016: Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)		Life on which Depreciation in Latest Statement of Income is Compared
651-671 W Diversey Chicago, IL	—	8,576	17,256	8	8,576	17,264	25,840	2,409	2011	(a)	40 years
15 Mercer Street New York, NY	—	1,887	2,483	—	1,887	2,483	4,370	341	2011	(a)	40 years
4401 White Plains Bronx, NY	5,884	1,581	5,054	—	1,581	5,054	6,635	674	2011	(a)	40 years
Chicago Street Retail Portfolio Chicago, IL	—	18,521	55,627	1,923	18,560	57,511	76,071	6,761	2012	(a)	40 years
1520 Milwaukee Avenue Chicago, IL	—	2,110	1,306	—	2,110	1,306	3,416	161	2012	(a)	40 years
330-340 River Street Cambridge, MA	11,884	8,404	14,235	—	8,404	14,235	22,639	1,812	2012	(a)	40 years
Rhode Island Place Shopping Center Washington, D.C.	—	7,458	15,968	917	7,458	16,885	24,343	2,142	2012	(a)	40 years
930 Rush Street Chicago, IL	—	4,933	14,587	9	4,933	14,596	19,529	1,732	2012	(a)	40 years
28 Jericho Turnpike Westbury, NY	14,869	6,220	24,416	—	6,220	24,416	30,636	2,935	2012	(a)	40 years
181 Main Street Westport, CT	—	1,908	12,158	41	1,908	12,199	14,107	1,278	2012	(a)	40 years
83 Spring Street Manhattan, NY	—	1,754	9,200	—	1,754	9,200	10,954	1,035	2012	(a)	40 years
60 Orange Street Bloomfield, NJ	7,769	3,609	10,790	—	3,609	10,790	14,399	1,264	2012	(a)	40 years
179-53 & 1801-03 Connecticut Avenue Washington, D.C.	—	11,690	10,135	726	11,689	10,862	22,551	1,199	2012	(a)	40 years
639 West Diversey Chicago, IL	—	4,429	6,102	804	4,429	6,906	11,335	775	2012	(a)	40 years
664 North Michigan Chicago, IL	41,846	15,240	65,331	—	15,240	65,331	80,571	6,345	2013	(a)	40 years
8-12 E. Walton Chicago, IL	—	5,398	15,601	29	5,398	15,630	21,028	1,414	2013	(a)	40 years
3200-3204 M Street Washington, DC	—	6,899	4,249	168	6,899	4,417	11,316	401	2013	(a)	40 years
868 Broadway Manhattan, NY	—	3,519	9,247	5	3,519	9,252	12,771	711	2013	(a)	40 years
313-315 Bowery Manhattan, NY	—	—	5,516	—	—	5,516	5,516	670	2013	(a)	40 years
120 West Broadway Manhattan, NY	—	—	32,819	919	—	33,738	33,738	1,593	2013	(a)	40 years
11 E. Walton Chicago, IL	—	16,744	28,346	192	16,744	28,538	45,282	2,198	2014	(a)	40 years
61 Main Street Westport, CT	—	4,578	2,645	20	4,578	2,665	7,243	243	2014	(a)	40 years
865 W. North Avenue Chicago, IL	—	1,893	11,594	23	1,893	11,617	13,510	813	2014	(a)	40 years
152-154 Spring Street Manhattan, NY	—	8,544	27,001	—	8,544	27,001	35,545	1,834	2014	(a)	40 years
2520 Flatbush Avenue Brooklyn, NY	—	6,613	10,419	193	6,613	10,612	17,225	754	2014	(a)	40 years
252-256 Greenwich Avenue Greenwich, CT	—	10,175	12,641	119	10,175	12,760	22,935	978	2014	(a)	40 years
Bedford Green Bedford Hills, NY	28,697	12,425	32,730	1,801	12,425	34,531	46,956	2,264	2014	(a)	40 years
131-135 Prince Street Manhattan, NY	—	—	57,536	103	—	57,639	57,639	6,344	2014	(a)	40 years
Shops at Grand Ave Queens, NY	—	20,264	33,131	279	20,264	33,410	53,674	1,898	2014	(a)	40 years
201 Needham Street Newton, MA	—	4,550	4,459	105	4,550	4,564	9,114	303	2014	(a)	40 years
City Center San Francisco, CA	—	36,063	109,098	658	36,063	109,756	145,819	4,909	2015	(a)	40 years
163 Highland Avenue Needham, MA	9,359	12,679	11,213	—	12,679	11,213	23,892	624	2015	(a)	40 years
Roosevelt Galleria Chicago, IL	—	4,838	14,574	26	4,838	14,600	19,438	489	2015	(a)	40 years
Route 202 Shopping Center, Wilmington, DE	—	—	6,346	—	—	6,346	6,346	302	2015	(a)	40 years
991 Madison Avenue New York, NY	—		76,965	—	—	76,965	76,965	—	2016	(a)	40 years

Description	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Buildings & Improvements	Increase (Decrease) in Net Investments	Amount at Which Carried at December 31, 2016: Land	Amount at Which Carried at December 31, 2016: Buildings & Improvements	Amount at Which Carried at December 31, 2016: Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)		Life on which Depreciation in Latest Statement of Income is Compared
165 Newbury Street Boston, MA	—	1,918	3,980	—	1,918	3,980	5,898	66	2016	(a)	40 years
Concord & Milwaukee Chicago, IL	2,874	2,739	2,746	—	2,739	2,746	5,485	30	2016	(a)	40 years
State & Washington Chicago, IL	25,485	3,907	70,943	—	3,907	70,943	74,850	591	2016	(a)	40 years
151 N. State Street Chicago, IL	14,464	1,941	25,529	—	1,941	25,529	27,470	266	2016	(a)	40 years
North & Kingsbury Chicago, IL	13,292	18,731	16,292	—	18,731	16,292	35,023	141	2016	(a)	40 years
Sullivan Center Chicago, IL	—	13,433	137,327	10	13,443	137,327	150,770	1,145	2016	(a)	40 years
California & Armitage Chicago, IL	2,675	6,770	2,292	—	6,770	2,292	9,062	21	2016	(a)	40 years
555 9th Street San Francisco, CA	60,000	75,591	73,268	—	75,591	73,268	148,859	308	2016	(a)	40 years
Undeveloped Land	—	100	—	—	100	—	100	—			
Fund II:											
161st Street Bronx, NY	46,500	16,679	28,410	28,272	16,679	56,682	73,361	13,067	2005	(a)	40 years
City Point Brooklyn, NY	326,042	—	—	207,561	—	207,561	207,561	1,848	2010	(c)	40 years
Fund III:											
654 Broadway Manhattan, NY	8,615	9,040	3,654	2,869	9,040	6,523	15,563	656	2011	(a)	40 years
New Hyde Park Shopping Center New Hyde Park, NY	10,760	3,016	7,733	4,151	3,016	11,884	14,900	2,225	2011	(a)	40 years
640 Broadway Manhattan, NY	48,470	12,503	19,960	10,953	12,503	30,913	43,416	3,799	2012	(a)	40 years
3780-3858 Nostrand Avenue Brooklyn, NY	11,137	6,229	11,216	5,612	6,229	16,828	23,057	1,463	2013	(a)	40 years
Fund IV:											
Paramus Plaza Paramus, NJ	14,099	11,052	7,037	8,280	11,052	15,317	26,369	962	2013	(a)	40 years
1151 Third Ave Manhattan, NY	12,481	8,306	9,685	1,412	8,306	11,097	19,403	990	2013	(a)	40 years
Lake Montclair Center Dumfries, VA	14,509	7,077	12,028	439	7,077	12,467	19,544	1,103	2013	(a)	40 years
938 W. North Avenue Chicago, IL	12,500	2,314	17,067	176	2,314	17,243	19,557	1,310	2013	(a)	40 years
17 E. 71st Street Manhattan, NY	19,000	7,391	20,176	263	7,391	20,439	27,830	1,149	2014	(a)	40 years
1035 Third Ave Manhattan, NY	41,826	14,099	39,928	671	14,099	40,599	54,698	1,858	2015	(a)	40 years
801 Madison Avenue Manhattan, NY	—	4,178	28,470	—	4,178	28,470	32,648	890	2015	(a)	40 years
2208-2216 Fillmore Street San Francisco, CA	5,606	3,027	6,376	—	3,027	6,376	9,403	186	2015	(a)	40 years
146 Geary Street San Francisco, CA	27,700	9,500	28,500	7	9,500	28,507	38,007	831	2015	(a)	40 years
2207 Fillmore Street San Francisco, CA	1,120	1,498	1,735	108	1,498	1,843	3,341	48	2015	(a)	40 years
1861 Union Street San Francisco, CA	2,315	2,188	1,293	—	2,188	1,293	3,481	35	2015	(a)	40 years
Restaurants at Fort Point Boston, MA	6,500	1,041	10,905	—	1,041	10,905	11,946	273	2016	(a)	40 years
Wakeforest Crossing Wake Forest, NC	—	7,570	24,829	1	7,570	24,830	32,400	197	2016	(a)	40 years
Airport Mall Bangor, ME	—	2,294	7,067	11	2,294	7,078	9,372	40	2016	(a)	40 years
Colonie Plaza Albany, NY	—	2,852	9,619	—	2,852	9,619	12,471	48	2016	(a)	40 years
Dauphin Plaza Harrisburg, PA	—	5,290	9,464	4	5,290	9,468	14,758	50	2016	(a)	40 years
JFK Plaza Waterville, ME	—	751	5,991	2	751	5,993	6,744	32	2016	(a)	40 years
Mayfair Shopping Center Philadelphia, PA	—	6,178	9,266	2	6,178	9,268	15,446	42	2016	(a)	40 years
Shaw's Plaza Waterville, ME	—	828	11,814	1	828	11,815	12,643	55	2016	(a)	40 years

		Initial Cost to Company			Amount at Which Carried at December 31, 2016						
Description	Encumbrances	Land	Buildings & Improvements	Increase (Decrease) in Net Investments	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Acquisition (a) Construction (c)		Life on which Depreciation in Latest Statement of Income is Compared
Wells Plaza Wells, ME	—	1,892	2,585	—	1,892	2,585	4,477	18	2016	(a)	40 years
717 N. Michigan Chicago, IL	63,900	72,174	34,606	—	72,174	34,606	106,780	72	2016	(a)	40 years
Real Estate Under Development	55,327	105,442	61,172	376,872	58,403	485,083	543,486	—		(a)	
Debt of Assets Held For Sale	25,500										
Unamortized Loan Costs	(16,642)	—	—	—	—	—	—	—			
Unamortized Premium	1,336	—	—	—	—	—	—	—			
Total	$ 1,055,728	$ 796,928	$ 1,774,296	$ 810,776	$ 751,655	$ 2,630,345	$ 3,382,000	$ 287,066			

Notes:

1. Depreciation on buildings and improvements reflected in the consolidated statements of income is calculated over the estimated useful life of the assets as follows: Buildings at 30 to 40 years and improvements at the shorter of lease term or useful life.

2. The aggregate gross cost of property included above for Federal income tax purposes was $2,550.5 million as of December 31, 2016.

The following table reconciles the activity for real estate properties from January 1, 2014 to December 31, 2016 (in thousands):

	Year Ended December 31,		
	2016	**2015**	**2014**
Balance at beginning of year	$ 2,736,283	$ 2,208,595	$ 1,819,053
Other improvements	152,129	162,760	162,827
Property acquisitions	761,400	418,396	299,793
Property dispositions or held for sale assets	(134,332)	(66,359)	(73,078)
Prior year purchase price allocation adjustments	(9,844)	—	—
Deconsolidation of Previously Consolidated Investments	(123,636)	—	—
Consolidation of Previously Unconsolidated Investments	—	12,891	—
Balance at end of year	$ 3,382,000	$ 2,736,283	$ 2,208,595

The following table reconciles accumulated depreciation from January 1, 2014 to December 31, 2016 (in thousands):

	Year Ended December 31,		
	2016	**2015**	**2014**
Balance at beginning of year	$ 298,703	$ 256,015	$ 229,538
Depreciation related to real estate	49,269	49,775	26,477
Property Dispositions	(27,829)	(7,087)	—
Deconsolidation of Previously Consolidated Investments	(33,077)	—	—
Consolidation of previously unconsolidated investments	—	—	—
Balance at end of year	$ 287,066	$ 298,703	$ 256,015

ACADIA REALTY TRUST

SCHEDULE IV-MORTGAGE LOANS ON REAL ESTATE

(in thousands)

December 31, 2016

Description	Effective Interest Rate	Final Maturity Date	Face Amount of Notes Receivable	Net Carrying Amount of Notes Receivable as of December 31, 2016
First Mortgage Loan	6.0%	4/28/2017	$ 9,000	$ 9,000
First Mortgage Loan	6.0%	5/1/2017	15,000	15,000
Mezzanine Loan	18.0%	7/1/2017	3,007	4,506
First Mortgage Loan	LIBOR + 7.1%	6/25/2018	26,000	26,000
First Mortgage Loan	8.1%	4/30/2019	153,400	153,400
Preferred Equity	8.7%	9/9/2019	10,000	10,000
Zero Coupon Loan	2.5%	5/31/2020	29,793	31,007
Preferred Equity	15.3%	2/3/2021	14,000	15,250
First Mortgage Loan	9.0%	Demand	12,000	12,000
Total			$ 272,200	$ 276,163

The Company monitors the credit quality of its notes receivable on an ongoing basis and considers indicators of credit quality such as loan payment activity, the estimated fair value of the underlying collateral, the seniority of the Company's loan in relation to other debt secured by the collateral, the personal guarantees of the borrower and the prospects of the borrower. As of December 31, 2016, the Company held one non-performing note in the amount of $12.0 million.

The following table reconciles the activity for loans on real estate from January 1, 2014 to December 31, 2016 (in thousands):

	Reconciliation of Loans on Real Estate		
	Year Ended December 31,		
	2016	2015	2014
Balance at beginning of year	$ 147,188	$ 102,286	$ 126,656
Additions	171,794	48,500	31,169
Disposition of air rights through issuance of notes	—	29,539	—
Amortization and accretion	—	—	556
Repayments	(42,819)	(15,984)	(18,095)
Conversion to real estate through receipt of deed or through foreclosure	—	(13,386)	(38,000)
Other	—	(3,767)	—
Balance at end of year	$ 276,163	$ 147,188	$ 102,286

Exhibit 23.1

<u>Consent of Independent Registered Public Accounting Firm</u>

Acadia Realty Trust
Rye, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-157886, 333-31630, 333-139950, 333-114785, 333-126712, 333-180607, 333-104727, 333-195665 and 333-203236) and Form S-8 (Nos. 333-95966, 333-106758, 333-87993, 333-214923 and 333-184117) of Acadia Realty Trust of our reports dated February 24, 2017, relating to the consolidated financial statements and financial statement schedules and the effectiveness of Acadia Realty Trust's internal control over financial reporting, which appear in this Form 10-K/A.

/s/ BDO USA, LLP
New York, New York
February 27, 2017

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a - 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Kenneth F. Bernstein, certify that:

1. I have reviewed this annual report on Form 10-K/A of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth F. Bernstein
Kenneth F. Bernstein
President and Chief Executive Officer
February 27, 2017

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a - 14(a) (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, John Gottfried, certify that:

1. I have reviewed this annual report on Form 10-K/A of Acadia Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John Gottfried
John Gottfried
Senior Vice President and
Chief Financial Officer
February 27, 2017

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of Acadia Realty Trust (the “Company”) on Form 10-K/A for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kenneth F. Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Kenneth F. Bernstein
Kenneth F. Bernstein
President and Chief Executive Officer
February 27, 2017

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of Acadia Realty Trust (the “Company”) on Form 10-K/A for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Gottfried, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ John Gottfried
John Gottfried
Senior Vice President and
Chief Financial Officer
February 27, 2017