

Corporate Influx

The pandemic boosted longstanding efforts to recruit hedge firms and other financial businesses to Florida.

By Amy Martinez

Last spring, Ian Campbell, CEO of technology consulting firm Nucleus Research, called a staff Zoom meeting to announce that he would be leaving Boston and moving to Miami. Campbell, who founded the firm in Boston in 2000, felt it made sense to open an office in Miami.

Boston's high cost of living and traffic were making it increasingly difficult to attract and retain young, talented workers, he says. Meanwhile, he and his staff had proven during the coronavirus shutdown that they could make telecommuting work. He gave his 15 employees the choice of staying in Boston or moving to Miami. All but two chose the latter.

"Most of them are under the age of 30, and they skew male. One of my employees told me that within 30 seconds of my leaving that meeting, they'd all changed their Tinder profiles to Miami," Campbell says, referring to the dating app. "They could work anywhere, and they choose to work here."

The staff worked out of Campbell's Miami Beach home for several months until he found office space on Biscayne Boulevard

north of downtown Miami. The company's health care costs declined significantly after the move, and Campbell passed on the savings to his employees, who now pay no premiums. He says they generally earn around \$80,000 a year and can afford a better lifestyle in Miami, translating to high morale and productivity.

After the initial transition period, "they got enough golf games in and enough time on the beach, and it was back to a steady state of work," he says. "Our actual output has been up, and our revenues are up."

Campbell, a native Bostonian, is part of a new wave of finance and tech executives moving to South Florida amid the pandemic. Many are coming from the Northeast, California and Chicago, lured by sunshine and beaches, tax advantages and what they describe as a business-friendly climate. Along with smaller startups and private equity firms, the arrivals include billionaire financiers Carl Icahn and Barry Sternlicht, hedge fund managers Paul Singer and Steve Cohen and venture capitalists Peter Thiel and Keith Rabois.

"With all of the VC companies moving here, you can sense that this will be one of the hubs where people will do business," Campbell says. "If you were to put a pin on the map of where the tech hot spots will be in the next 10 years, you've got to put a pin on Miami."

While South Florida has long appealed to wealthy people from colder, more expensive cities and states, the pandemic-induced shift to remote work could be a game changer, economic developers say. They're quick to point out that the current migration trend includes both new businesses and new residents: Icahn recently moved his investment firm to Sunny Isle Beach. Sternlicht's Starwood Capital Group is building a headquar-

photo: Nick Garcia

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"Pre-COVID, the thinking was, 'Yeah, I'll dip my toe in the water and put a little regional office in Palm Beach County.' Now it's, 'I'm signing an eight-year lease, and I'm probably going to bring a headquarters to your area.' Post-COVID, executives realize that technology allows you to do business anywhere. They want some sort of office environment, but maybe they don't need the top four floors in Manhattan, so why not come and take 50,000 square feet at one of the brand new buildings in Palm Beach County."

— Kelly Smalridge, president/CEO, Business Development Board of Palm Beach County

ters for 300 employees in Miami Beach. Singer's hedge fund, Elliott Management, is relocating from Manhattan to West Palm Beach, and Cohen's Point72 Asset Management will open an office with 45 employees in West Palm Beach. In addition, Maryland-based mortgage lender NewDay USA will expand to South Florida and create 600 jobs, and New York-based Blackstone Group will employ 215 at a new technology office in downtown Miami. Goldman Sachs reportedly will move part of its asset-management division to West Palm Beach, and Microsoft is said to be in the market for office space.

"People realized with COVID that having all your eggs in one basket isn't a good thing. Look at Blackstone," says Miami real estate developer Nitin Motwani, a board member for the city's Downtown Development Authority (DDA). "Blackstone isn't leaving New York City; it's just saying, 'We want to have outposts in other markets,' and Miami is now one of those markets."

Motwani and the Miami DDA have been trying to attract finance and tech companies to Miami since 2013. Although there were some early successes — hedge fund Universa Investments moved from Santa Monica, Calif., to Miami in 2014, for example — the DDA's vision of turning the city into a finance and tech hub didn't truly begin to materialize until 2020 and the arrival of COVID-19, he says.

Last fall, in anticipation of winter and another surge in COVID cases, the DDA launched a campaign, called Follow the Sun, offering businesses up to \$150,000 in cash over three years to relocate or expand to downtown Miami. By late March, the DDA had secured commitments from 10 companies, including Blackstone. All told, the companies plan to create more than 700 jobs with an average annual salary of \$162,000 in downtown Miami.

"Now, if you're considering moving to Miami, you can talk to a number of people who've already moved here and had no problems retaining and attracting talent or raising assets under management," says Motwani, who's developing Miami Worldcenter, a 10-block mixed-use project on 27 acres in downtown Miami.

The pandemic also has lowered the opportunity costs of moving from one state to another for families with school-aged children — traditionally the most reluctant to pick up and leave their home states — says Bilzin Sumberg

attorney Anthony De Yurre, whose clients include real estate developers and wealthy people interested in relocating to South Florida. He says private schools that have remained open during the pandemic are seeing strong enrollment numbers, especially among families relocating from states where COVID restrictions generally were more stringent.

"It is because they have school-aged children that they're now coming down here," De Yurre says. "I don't want to get into the politics of COVID, but it speaks to the fact that we are an open-air society. We can be outdoors and safe at the same time."

Indeed, the migration trend — which extends beyond tech and finance companies — represents a bright spot for some business sectors. Ugo Colombo, a long-time developer of high-end condos in Miami's Brickell area, says out-of-state transplants to South Florida have helped make up for lost sales from international buyers due to border closures and the strong U.S. dollar compared to currencies in Latin America.

Colombo's most recently completed development, Brickell Flatiron, a 64-story condo tower in Miami, has sold about \$100 million in units since September — mostly to buyers relocating from other states, he says. "They're buying a place to live rather than an investment or a place to rent out," he says. "During the lockdown, they decided they were better off in Miami than in New York, and they started looking at Miami as a real city."

Danet Linares, vice chair of Blanca Commercial Real Estate, says demand for top-tier office space in Miami is at a record high. She says companies from outside Miami are in the market for a total of about 1.5 million square feet of office space, prompting developers to move forward with new projects.

"All of the class A office buildings have increased their rents from last year, so now you're seeing buildings pulling in over \$60 a square foot," Linares says, noting that similar office space in New York would cost at least \$30 more per square foot.

Kelly Smalridge, president and CEO of the Business Development Board of Palm Beach

Other Newcomers

The migration trend doesn't just include private-equity firms, hedge funds and other high-finance companies.

- ▶ San Francisco-based **Zumper**, an online apartment rental platform, will open an office in Miami with up to 150 employees.
- ▶ **CrossBorder Solutions**, a provider of corporate tax software and services, moved from Tarrytown, N.Y., to St. Petersburg, where it plans to hire about 300.
- ▶ **Windstar Cruises**, a small-ship cruise line, will relocate its headquarters from Seattle to Miami, attributing the move, in part, to employees' ability to adapt to remote work.
- ▶ **Pfizer** will lease more than 100,000 square feet in Tampa.
- ▶ New York-based gun manufacturer **Dark Storm Industries** is considering moving to Brevard County, where it would build a 25,000-sq.-ft. manufacturing plant.
- ▶ Cyber-security firm **OPSWAT** moved its headquarters from San Francisco to Tampa. The move, which followed OPSWAT's 2019 acquisition of Tampa-based cyber-security firm Impulse, is expected to generate 100 new jobs over the next three years.
- ▶ **JetBlue** reportedly is considering moving its headquarters from Long Island City to Florida.
- ▶ Milford, Conn.-based sandwich chain **Subway** will open an office with up to 100 employees near Miami International Airport.

County, a public-private economic development agency, says the influx of entrepreneurs and financiers will ripple through the economy.

"Those are exactly the people who have the expendable income to go to restaurants and the dry cleaners and to shop in our stores," she says. "Second, most of them are going into downtown environments, and they have high hopes that 50% or more of their employees will walk to work."

She adds that many newcomers plan to get involved in civic and philanthropic causes. "These executives are asking us how they can become part of the community and how they can give back," she says. "And for the most part, they're not taking big incentives packages, so the net gain to the community is very large."

Smalridge launched an initiative in 2012 to persuade Wall Street executives, bankers and fund managers with second homes in Palm Beach County to relocate some or all of their business operations to the area. Since then, more than 70 financial services firms have moved to downtown West Palm Beach, she says.

In addition to hedge funds led by Singer and Cohen, New York-based financial technology company Virtu Financial is headed to Palm Beach County, bringing about 50 employees with an average annual salary of \$165,000. Virtu CEO Doug Cifu, co-owner of the National Hockey League's Florida Panthers, says



Ugo Colombo says that in the past year, most of the buyers at his upscale Brickell Flatiron development in Miami are relocating from other states, helping to make up for lost sales from international buyers.

COVID Relocations

employees relocating from the Northeast to Palm Beach County will take home 11% more in pay at their current salaries because Florida has no personal income tax.

"Doing business in Florida is more inviting and more welcoming," Cifu told Bloomberg News, pointing to proposals for an income tax on high earners in New York and a proposed financial transaction tax in New Jersey. "There are parts of the political class in New York and New Jersey that just don't value the jobs and the industry."

Virtu will occupy about 10,000 square feet of office space in Palm Beach Gardens. Also, real estate investment trust Colony Capital recently moved from Los Angeles to Palm Beach County, and New York-based Wealthspire Advisors, which has \$13 billion in assets under management, will open an office in Boca Raton.

"We're finally gaining great momentum," Smallridge says. "People simply want to get out of the Northeast!"



Danet Linares of Blanca Commercial Real Estate says demand for class A office space in Miami is at a record level.

Eye Popping — *Even for Palm Beach*



Private equity investor Scott Shleifer paid \$122.7 million for this spec home on the beach.

The island of Palm Beach lends itself to the extravagant. But even by Palm Beach standards, the last year in real estate there has amazed.

New York private equity figure Scott Shleifer set a record for Palm Beach and likely for Florida by paying \$122.7 million for a spec-built oceanfront home. Developed by Mark Pulte of Boca Raton-based Mark Timothy — Pulte is the son of the founder of Pulte Homes — the house sits on part of a six-acre site Donald Trump sold in 2008.

The chronicler of all things Palm Beach, the *Palm Beach Daily News*, has reported that the county clerk recorded 20 homes that sold for more than \$20 million in 2020, double 2019's tally. The rush by refugees from COVID, state income taxes or dreary winters shows no signs of abatement.

Asset manager and billionaire Janie Goldman sold the renovated former Kennedy winter White House oceanfront estate for \$70 million, more than double what she paid in 2015.

David Tepper, the hedge-fund founder and Carolina Panthers owner who is one of Florida's richest men, paid \$68 million for an estate.

A spectrum of buyers from the Northeast, California, Midwest and Canada, young families and senior financiers make up the buying binge.

"Palm Beach is pretty much the center of the universe from a real estate perspective," says Jay Phillip Parker, CEO for Douglas Elliman's Florida brokerage.

"We've seen prices and velocity go through the roof while at the same time inventory is at an all-time low."

— By Mike Vogel

Tax Advantages

Moving to Florida can mean big tax savings for high-income earners from the Northeast, Chicago and California.

Individual income taxes paid to the state by a married couple filing jointly with an annual income of:

State	Income (married filing jointly)			
	\$5 million	\$1 million	\$500,000	\$100,000
Florida	0	0	0	0
California	\$584,099	\$94,079	\$40,757	\$3,782
Connecticut	342,700	63,100	28,600	4,600
Illinois	247,500	49,500	24,750	4,950
Massachusetts	250,000	50,000	25,000	5,000
New Jersey	502,658	72,658	27,808	2,750
New York	588,234	103,471	49,134	8,238

Source: BDO

Estate taxes paid to the state if the size of a taxable estate is:

State	Size of Estate		
	\$100 million	\$50 million	\$25 million
Florida	0	0	0
California	0	0	0
Connecticut	\$11.3 million	\$5.3 million	\$2.3 million
Illinois	15.5 million	7.5 million	3.5 million
Massachusetts	15.5 million	7.5 million	3.5 million
New Jersey	0	0	0
New York	15.5 million	7.5 million	3.5 million

Source: BDO

Real estate taxes paid to the state if a property's assessed value is:

State	Assessed Value of Property		
	\$5 million	\$3 million	\$1 million
Florida	\$82,470	\$49,482	\$16,494
California	56,001	33,600	11,200
Connecticut	58,410	35,046	11,682
Illinois	344,500	206,700	68,900
Massachusetts	52,800	31,680	10,560
New Jersey	139,450	83,670	27,890
New York	105,835	63,501	21,167

Source: BDO

Corporate income taxes paid to the state if a company's taxable income is:

State	Company's Taxable Income		
	\$10 million	\$5 million	\$1 million
Florida	\$443,571	\$220,671	\$42,351
California	884,000	442,000	88,400
Connecticut	750,000	375,000	75,000
Illinois	950,000	475,000	95,000
Massachusetts	800,000	400,000	80,000
New Jersey	1.2 million	575,000	115,000
New York	1.5 million	767,500	153,500

Source: BDO



Developer Jon Paul Perez: \$850 a square foot would be "like workforce housing" in New York.

Selling Points

Florida is one of nine states that do not have a personal income tax. It also does not have an estate tax or a capital gains tax, and its corporate taxes are low compared to those of California, Connecticut, Illinois, Massachusetts, New Jersey and New York.

The 2017 federal tax law, which reduced the amount of state and local taxes that high-income earners can deduct on their annual taxes, fortified Florida's tax advantages.

According to Miami's Downtown Development Authority, a person who makes \$1 million a year pockets about \$640,000 in Miami vs. \$590,000 in Chicago, \$535,000 in New York and \$532,000 in California after taxes.

Wealthy out-of-state transfers to Florida might also find their money goes further when it comes to housing. "We're going to be the most expensive project in Tampa, and we're going to be selling units for around \$850 a square foot," says Jon Paul Perez, president of Miami-based Related Group, which plans to develop a 27-story Ritz-Carlton condo tower and 12 townhomes on Bayshore Boulevard in Tampa.

Perez says Related will market the luxury units to potential buyers in California, the Midwest and Northeast, among other places. "For \$850 a square foot in New York, you would be living in, like, workforce housing," he says.

A married couple who realized \$100 million from the sale of a business in Florida vs. New York would save \$12.6 million in taxes, according to BDO.

COVID Relocations

Blumberg says the diversity of thought in South Florida is a refreshing change from San Francisco, where his conservative political views made him an oddity in his former neighborhood of Haight-Ashbury.



RELOCATION SPOTLIGHT

‘For the Best’

David Blumberg
Blumberg Capital

A fourth-generation Californian, David Blumberg grew up in Fresno, an agricultural town in the state's inland Central Valley. He went to Harvard and planned to become a diplomat, but he changed his mind about working for the government after interning in Washington, D.C.

"I decided, I don't think this is the place that's solving problems. I think it's causing more problems than it's solving," he recalled in 2019. "At the same time, I was running a business at Harvard" — a campus newspaper distribution service — "and I thought, wow, even in a boring little business like this, it's so much fun to be an entrepreneur."

Blumberg got his MBA from Stanford and spent several years managing investments for private equity firms and family offices. In 1991, he founded Blumberg Capital, a venture capital firm based in San Francisco.

With more than \$650 million in assets under management, Blumberg Capital invests in early-stage technology startups in North America, Israel, Germany and the U.K. and is

now expanding to Latin America.

Last year, Blumberg joined what some are calling the Silicon Valley exodus to Florida. "Big news, bittersweet news, but for the best," he wrote on Facebook in late November. "As of last night, we have moved out of California, and are now happier residents of southern Florida."

Blumberg, who is openly gay — *Business Insider* named him one of the "23 most powerful LGBTQ+ people in tech" — has two school-aged children with his partner. He also is an outspoken Republican. He supported Donald Trump for president and contributed more than \$400,000 in 2020 to help get Republican candidates elected to national offices, according to the website OpenSecrets.org.

In a recent Zoom interview from his home office in Golden Beach, a waterfront enclave in north Miami-Dade County, Blumberg expressed frustration with the governance of California, citing high taxes, regulatory burdens and other issues like rising homelessness. He says his decision to leave California "was based on the realization that I could work anywhere and remain highly productive and engaged. I'm joining a wider trend of investors and entrepreneurs who are relocating to emerging tech hubs such as Miami, Austin and Nashville."

He says he finds the diversity of thought in

South Florida a refreshing change from San Francisco, where his political views made him an oddity in his former neighborhood of Haight-Ashbury. He says he has talked with Gov. Ron DeSantis and Miami Mayor Francis Suarez, both Republicans, and is impressed with their commitments to attracting investment and stimulating growth. He quotes former Citibank Chairman and CEO Walter Wriston, who liked to say that capital goes wherever it is wanted and treated well.

During their meeting, DeSantis asked Blumberg, "What should we be doing," Blumberg recalls. "I said, 'well, as far as I can tell, you guys are doing pretty well, so keep it up and maybe don't follow the examples of the places that people are leaving.'"

Blumberg's firm employs more than two dozen people in San Francisco, Miami, New York and Tel Aviv. "We're growing and expanding," he says. "Business is going incredibly well." He says Miami is an ideal place to look for new investment opportunities in Latin America. And when he and his family want to escape the summer heat, he says, Colorado is only a plane trip away.

"We know it'll get hot here and there will be storms. We're not little flowers that will wilt," he says. "We're here to contribute. We want to be builders of this community, and we want to spread the good things that are happening in Florida to other parts of the country. I'd love California to rise to its potential, as well."



John Stecher
Blackstone Group



RELOCATION SPOTLIGHT

'Diversity of Perspective'

Last fall, New York-based Blackstone Group, the world's largest private equity firm, announced it would open an office in downtown Miami with 215 employees focused on in-house technology initiatives.

Chief technology officer John Stecher says Blackstone chose Miami because of the city's large and diverse pool of tech talent as well as its vibrant nightlife, cosmopolitan atmosphere and direct flights to New York. He says Blackstone will try to fill most jobs locally with workers from the region's colleges and universities and existing tech companies.

"If everybody is from New York and goes to Yale, everybody thinks a very specific way," Stecher said during a November panel discussion hosted by Wyncode Academy, a private coding school in Miami. "Being able to capture and bring into the fold folks from Latin America, Miami and Florida in general goes to building the highest quality team because you get diversity of perspective."

In another sign of Blackstone's confidence in the economic future of Miami, Blackstone Real Estate, a separate unit from the technology division, recently paid \$230 million for two office buildings at Miami Central, a mixed-use, transit-oriented development spanning six blocks downtown. Among the tenants is Blackstone's tech unit, which has leased 41,000 square feet.

"We are high conviction, thematic investors focused on investing in growing markets with strong demographic tailwinds and talent pipelines," David Levine, senior managing director of Blackstone Real Estate, said in a statement.

Miami Pitchman



In December, when a California venture capitalist suggested on Twitter that Silicon Valley move to Miami, the city's mayor, Francis Suarez, replied in four words: "How can I help?" The tweet went viral and became a catchphrase for Suarez, who describes it as "sort of an earth-shattering moment."

"People were like, 'Oh, finally, an elected official that gets it,' that understands having companies that are building wealth and creating high-paying jobs is something that benefits a city," Suarez told financial news channel CNBC.

Earlier this year, Suarez put up a billboard (pictured) in San Francisco laying out the welcome mat to tech entrepreneurs and investors. 

