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With taxes rising elsewhere, downtown can add to its gains

Give credit where it's due to Miami's Downtown Development Authority for consistent, successful focus on enticing niche financial operations to Miami, adding high-income jobs, ultra-high-income residents, and large-scale economic clout.



Michael Lewis

Those victories have pushed the DDA higher up the scale of community impact by doing the economic development job that had eluded downtown for many years prior to this six-years-and-counting initiative.

What the authority has done is send small missions spearheaded from the start by board member Nitin Motwani, managing director of Miami Worldcenter Group LLC, to meet with high-level players at hedge funds and financial advisors and tell them the advantages of shifting operations to Miami.

While we have always had weather, sun, sand and surf, we had added far more advantages by the time the first mission left early in 2013 to bring New York firms

to Miami. Among our improved lures for Northeasterners were new arts and cultural offerings including performing arts and museums. Development of dining cuisine was another plus, as were improved public spaces and exciting new urban neighborhoods.

But the big advantage Miami had by 2013, and where we continue to gain, are financial comparisons with our targets' current homes.

First, Florida is one of only seven states with no personal income tax, and people we've been seeking are in top tax brackets. As New York, Connecticut and other states have raised taxes, Miami's comparative advantages multiplied rapidly.

Then, with last year's US tax revamp that capped state and local tax deductions at \$10,000, the highest effective state tax rates rose to 12.7% from 7.7% in New York City, to more than 10% from 6.5% in New Jersey, and to 7% from 4.2% in Connecticut. We, of course, had none.

For the big-money folks that the DDA has been targeting, these percentages equate to very high dollar totals—adding to Miami's substantial competitive advantage.

The effort to attract hedge funds was from the outset carefully targeted at people who could move here with no business disruption. They didn't need their Northeast locations, and Northeast sites had suddenly

become far more costly.

Now the DDA, as we reported last week, is targeting Illinois, where flight of those with high income has come in lock step with rising state income taxes.

By 2014 and 2015, the top two flight destinations for Illinois residents with higher than average income already were Texas and Florida. Illinois lost \$3.5 billion in adjusted gross income greater in out-migration than in-migration from spring 2014 to spring 2015.

New income tax changes in Illinois will multiply the burden. Until 2017, the state income tax was 3.75%. Then it rose to 4.95% for all Illinois residents, regardless of income. In June, however, Gov. J.B. Pritzker signed a bill raising taxes significantly on residents making more than \$250,000, with those earning \$1 million and up taxed at 7.95% of income.

Given tax disparities, Miami becomes more and more attractive, and the Downtown Development Authority team is well practiced by now in selling that advantage for us, without ever needing to offer so much as a dollar in tax incentives, which are the staples of economic development agencies like Enterprise Florida and this county's Beacon Council. The DDA deals in economic reasoning, not handouts.

It wasn't always thus. Eleven years ago, as the authority was beginning a search for

a new executive director, we noted that the DDA was being pushed away from development efforts and into the job of keeping streets clean and safe and giving tourist directions. We noted that major downtown development efforts had not been front and center. We suggested that the next executive director work to "sell big-name companies on locating here."

Now, as the authority looks to replace retiring Alyce Robertson, who got the job 11 years ago, we'd alter our advice, exchanging "big-name companies" for "big-buck companies." The strategy of picking off companies that fly under the radar has been working for the DDA. Build on the success.

The DDA itself lists growing ISquared Capital's Brickell office to 55 people with average salaries of \$100,000, getting Richmond Global Investors of New York to open its third US office in Miami in 2015, and similar successes. Since the initiative began in 2013, the number of wealth advisors and funds here has grown 54%, with the number of SEC-registered alternative investment firms in Florida growing 34%.

We trust the new DDA executive director will be chosen to build on these business and job recruitment successes. As other states tax high-income business leaders out the door, Miami should open its own doors even wider to welcome them in.