

Big Money: How Miami is becoming a haven for rich investors



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David Tepper, founder of Appaloosa Management, is one of the investors that has moved from the Northeast to South Florida.



By Keith Larsen – Reporter, South Florida Business Journal
Dec 11, 2017, 1:23pm EST Updated Dec 11, 2017, 5:29pm

As thousands of visitors flocked to Miami to look at priceless works of art last week, the Miami Downtown Development Authority pitched hedge funds managers and investors to move to South Florida's financial center.

Since 2013, the DDA has been courting hedge fund managers and big time investors living in New York and Connecticut to move down to Miami's burgeoning investment hub. Since then, the DDA has helped recruit 50 money managers and service providers to move to South Florida, according to the agency.

And next year, the pitch could get much easier, according to some experts.

Provisions in the tax bills passed by both the U.S. House of Representatives and U.S. Senate proposed federal deductions for state and local taxes (SALT). While Congress is working to pass the final bill, removing these deductions would mean that states with high state incomes taxes such as New York and New Jersey might not be able to qualify for these tax write-offs.

[Alan Lips](#), a CPA and partner at the Miami-based accounting firm [Gerson Preston](#), said that by removing these federal deductions, he expects more high-net worth investment managers will move to South Florida, where there is no state income tax.

“This absolutely helps,” Lips said. “The proposed state income tax deductions make South Florida that much more attractive to Northeast and foreign investors.”

With these investors potentially comes more high-skilled jobs and more money flowing into South Florida’s local economy. In addition, some observers say there could be a ripple effect, where these investments spawn a growth in financial services in South Florida.

While South Florida has always been a vacation destination and a place for the retired high-net worth investor, Miami DDA Board Member [Nitin Motwani](#), managing principal of Miami Worldcenter, said the organization wants to make Miami a permanent home for these investors.

So the DDA began meeting with investors and hedge fund managers in New York and Connecticut with a simple pitch to make them considering moving to Miami.

"Miami is more than just fun, sun and good taxes, it has a great art, culture and is a place people want to be," Motwani said. "I think that the pitch is that telling people what we in Miami already know."

Motwani said part of the challenge is making these investors aware of all of the things Miami and South Florida has to offer, including the education system and the already existing talent base here.

Highlighting this point, a recent survey by the [Hedge Fund Association](#) on behalf of the Miami DDA, found that out of 65 money managers and financial service providers, 92 percent believed Miami has a pro-business tax environment and 71 percent believe this is a perception that has changed over the past 3 to 5 years.

Miami is now home to more than 150 alternative investment companies, including hedge fund management firms, wealth management firms, private equity groups and international banks. Some of these new firms include:

- **Universa Investments:** Moved from California to downtown Miami in 2014.
- **Leste Capital:** Opened an office on Brickell in 2016, marking the fund manager’s first expansion into the U.S. market.
- **Scout Ventures:** Opened its first location outside of New York in Miami.

Not to mention, [David Tepper](#)'s Appaloosa Management, which is estimated to have about \$17 billion in assets under management, and relocated to Miami in 2016 from New Jersey. Forbes estimates that Tepper alone has a net worth of \$11 billion.

In addition to Miami, Palm Beach County has been working to attract big time investors and hedge funds as well.

Kelly Smallridge, president and CEO of the [Business Development Board of Palm Beach County](#), said there are about 60 to 70 hedge fund, private equity and wealth management firms that have moved into the Palm Beach County in the last four years.

"This industry has continued to express an interest in South Florida primarily to escape the state tax on personal income imposed on them in states such as New York, Connecticut, New Jersey and Massachusetts," Smallridge said.

But attracting large money managers like Tepper remains a challenge, according to Motwani. Most of these investors still reside in New York - which has an extensive talent pool of people working in the financial sector.

"One challenge is inertia. It's hard to get them to move," Motwani said. "Some people don't have any understanding of the dynamic in South Florida."

Yet, Mitch Ackles, the president and the Hedge Fund Association, said he sees South Florida's hedge fund landscape, like the Miami skyline, changing in five years to ten years as more investors realize they don't need to be in New York to do business.

"I see South Florida taking its rightful place as a hub for hedge funds," Ackles said. "We are not yet a center for the alternative investment sector but we will be."