

THE WALL STREET JOURNAL.

May 16, 2013

UMV: 6,013,667

Miami to Hedge Funds: Come on In, the Water Is Warm

Miami is joining an interstate – and intrastate -- hunt for an elusive quarry: deep-pocketed hedge-fund managers.

By Juliet Chung



Miami is joining an interstate – and intrastate — hunt for an elusive quarry: deep-pocketed hedge-fund managers.

The city of white-sand beaches and LeBron James is launching a campaign to lure money managers away from New York and Connecticut for its climate and favorable tax structure for businesses. At the same time, it hopes to persuade them to bypass Palm Beach, which it says traditionally has been more of a draw for investors.

“We’re trying to get the word out to all the hedge funds who are tired of paying these high income taxes that, aside from coming here for vacation, they can also make this their permanent home,” said Nitin Motwani, a board member of the Miami Downtown Development Authority, the city agency spearheading the new push. “There’s no shortage of talented people, and there’s great real estate.”

The Miami agency is also attributing part of the city’s appeal to its proximity to Latin America and investment opportunities there.

Florida has no personal state income tax, while New York has an 8.82% personal income tax for the highest income brackets and Connecticut, a 6.7% rate. The savings “can be extremely significant” over time, said Kathleen Thies, a state tax analyst for CCH, though she said property taxes can complicate the picture.

As for Palm Beach, Miami’s neighbor to the north by 70 miles, “it’s more seasonal and quiet,” Motwani said. While some chief executives prefer Palm Beach, he said, firms headquartered in Miami would have an easier time attracting young professionals.

The Miami agency is sponsoring a hedge-fund symposium in Manhattan Thursday, when it plans to make a light-hearted pitch about Miami’s benefits during a panel discussion on investing in Latin America, and has planned meetings with individual firms in New York and Connecticut to press its case. The hope is that high-earning hedge-fund managers and employees will boost the local economy by spending in restaurants and entertainment venues while also supporting philanthropic causes.

Palm Beach appears to be taking Miami’s campaign in stride. “We are not in competition with anyone in our state,” said Kelly Smallridge, chief executive of the Palm Beach County Business Development Board, a public-private non-profit that made headlines earlier this year with its recent focus on wooing hedge-fund and private-equity firms to Palm Beach County. “If they land in Miami, that’s great.”

But Smallridge and her team are not skimping on their efforts. Focusing on hedge-fund and private-equity executives who already own a vacation home in Palm Beach County, the board has been giving “red-carpet tours” that includes introductions to tax lawyers and headmasters of private schools, plus tours of expensive residential neighborhoods and top-tier office space with ocean views.

“We’ve already been successful,” Smallridge said, saying the board so far has commitments from five hedge-fund and private-equity firms to move some staffers to Palm Beach County, if not for firm-wide relocations. She declined to identify the firms.