

Commercial Real Estate & Office Space

Drive to end commercial real estate tax gains renewed life

BY SUSAN DANSEYAR

Proponents of legislation to end taxes on commercial real estate are optimistic that this might be the year when Florida lawmakers pass measures that begin the process of eliminating the financial burden on business tenants.

The commercial real estate industry would like a 1% reduction in the tax yearly until it's completely extinguished, said Michael Silver, first vice president for CBRE and board member of the South Florida chapter of NAIOP, a national commercial real estate development association. "We are hopeful, and thinking in a positive way that it will go through and generate more jobs for the state of Florida."

Florida law requires commercial tenants to pay sales tax equal to 6% of their total rent. Mr. Silver said this sales tax is not limited to monthly payments specifically described as rent; additional rent and any common area maintenance

charges or fees are considered rent and are thus also subject to the tax.

In addition to the state sales tax of 6%, commercial tenants are also responsible for paying any discretionary sales surtax required by the county where the real property sits.

Consequently, many Florida businesses end up paying 6.5% to 7.5% sales tax on their total rent obligations. The state takes in around \$1.4 billion in yearly revenue from the tax.

Mr. Silver said Rep. Greg Steube, a Bradenton Republican, has filed HB 101, which has the reduction in taxes on commercial leases included along with other tax issues.

Sen. Dorothy Hukill, a Port Orange Republican, has filed SB 140, asking for the 1% reduction yearly in commercial lease tax.

The Florida Legislature convenes March 3.

If lawmakers in Tallahassee pass the 1% reduction, Mr. Silver said, the state

won't get \$150 million in the first year. He said the Senate's Committee on Finances and Tax asked for examples of what it means if the sales tax is eliminated and how the tax affects jobs.

"The commercial real estate industry has seen companies that won't move to this state or, if they're here, won't expand in their existing buildings because of this tax," Mr. Silver said.

He said the issue has been a priority for the Florida Association of Realtors, the Miami Association of Realtors, the International Council of Shopping Centers and other industry groups.

At the close of the 2014 legislative session, the Florida legislature declined to extend tax relief to tenants of commercial real property.

Opponents of ending the tax say it would drain government coffers and hurt public services. Proponents say eliminating the tax would allow landlords to collect higher rents, boosting commissions for commercial agents and

brokers, or give landlords the option of lowering their rents to be more price competitive in leasing their space, thus freeing up money for expansion of jobs.

The two measures brought forth by Sen. Hukill and Rep. Steube start to phase down the applicable sales tax on commercial rents, said Trey Price, public policy representative for Florida Realtors. While the Senate bill would simply lower it one point beginning Jan. 1, 2016, he said, the House bill would put the tax on a set glide path down over six years.

"We're hopeful that the Legislature will begin the process of lowering the tax in the coming session," said Mr. Price. "Florida is the only state in the nation that charges this tax, although there are parts of New York City that have it, and Arizona (the last state to phase it out, in the 1990s) has left local governments the ability to charge a small amount of sales tax on commercial rents."

Offices, dining, retail, five-star hotel on boards for One Brickell project

BY JOHN CHARLES ROBBINS

The Related Group's plan for a prime parcel on the Miami River is destined to bring more than 40,000 square feet of new office space to Brickell.

One Brickell is also planning to deliver about 25,000 square feet of retail uses, new restaurants and a five-star hotel with views of the river and Biscayne Bay.

Colorful renderings show three residential glass towers rising from an eight-story podium and parking structure that will be hugged by Brickell Avenue, the river and Southeast Fifth Street. A major selling point for the developer is a promise to create a public access under the Brickell Avenue Bridge to the Miami Circle, a park at the mouth of the river of historical significance to the region.

The project is making its way through the approval process, on its way to the Miami City Commission.

The Miami River Commission gave its unanimous backing to the development last week.

Following the lead of its urban infill and greenways committees, the full river commission recommends approval of One Brickell subject to the condition that impact fees or public benefits program payments be used to construct transportation improvements in the Miami River District.

Those improvements include transportation projects that would improve traffic during temporary regulated bridge openings, including re-use of a recently removed vehicle lane on the Brickell Avenue Bridge,

placement of smart signage warning motorists of bridge openings and providing alternate route information, and a Southeast 10th Street cut-through beneath the Metrorail in order to access alternate routes.

Another condition requires the developer to install a temporary walkway under the bridge to the Miami Circle if it becomes necessary to build the project in phases. Last year the plan called for at least two phases, but the current desire of the developer is one phase, river commission members were told Feb. 2.

The developer agrees to the conditions, according to Iris Escarra, an attorney representing The Related Group.

River commission member and county Commissioner Bruno A. Barreiro said he hopes the project is built in one clean time period.

"This whole phasing thing scares me," he said.

River commission members had worked for many weeks with the developer and architectural firm Arquitectonica to fine-tune the plan.

Plenty will be going on at the high-profile site on the western side of the Brickell Avenue Bridge bearing the address 444 Brickell Ave.

The three-building complex is to form a courtyard, and the towers will have ground floor retail. Loading is to be in the lower level of the central area, and all vehicle access will be from Southeast Fifth Street only.

The towers are designed at 75, 55 and 80 stories. In all, the project is to create more than

1,400 residential units.

The development team said Related seeks to buy 868,399 more square feet of density above 48 stories, and beyond the site's current zoning, by paying about \$15,474,870 to the city's public benefits program.

The river commission wants to see the bulk of the \$15.4 million spent on riverwalk construction and improvements, and the transportation enhancements in the area.

The tower closest to Brickell, to be constructed last, is to be home to the hotel with about 250 rooms and apartments on the upper floors.

What is identified as Tower II is planned for the southern portion the site, 55 stories with office space on the first through eighth floors, part of the podium topped by a shared amenity deck. The offices will face southward into Brickell, over Southeast Fifth Street.

Related hired veteran archaeologist Bob Carr for required archeological work on the site, especially due to the close proximity to the Miami Circle and plans for work under the bridge.

Ms. Escarra said the developer was also considering providing 30 public paid parking spots within the new parking pedestal of One Brickell, which could be used by people wishing to visit the circle.

The site has an existing marine operating permit and state submerged land lease for up to six vessels. Last week, Ms. Escarra said if approved the developer would provide a docking area for a water taxi.

At the urging of river com-



The Miami River Commission voted last week to support the project.

mission member Dr. Ernie Martin, the Feb. 2 motion included a directive to the developer to "explore" every possible means to maintaining a 50-foot public setback from the river so outside dining would be at ground level. The plan now shows an elevated terrace and stairs rising to outside dining areas the architects described as "semi-public."

Mr. Martin spoke of the valuable nature of the site, arguably the "cradle of our community." He said it was vital to make the very best of use of the land for

generations to come.

"This whole area is of immense significance," he said.

Existing at the site are a 10-story office building erected by long-time developer Tibor Hollo and parking garage, and two smaller buildings and elevated parking deck. The 10-story building's ground level is home to Capital Grille. Representatives for Related said Capital Grille has expressed interest in one of the new riverfront spaces in the new development, and talks are ongoing for a new lease.