

Opportunity Zone Buy Means More Apartments in Miami Arts and Entertainment District

Two Miami development companies in the vacant site betting on an opportunity zone fund partnering with them on their planned multifamily tower.

By Lidia Dinkova | abril 02, 2019 at 01:03 PM



From left, TSG Group managing partner Camilo Lopez, and Linéaire Group managing partner Diego Bonet, both based in Miami. Courtesy photos

Two developers beat competitors to a coveted property in Miami's growing Arts and Entertainment District by chasing the deal when others might have been more hesitant.

TSG Group and Linéaire Group, both based in Miami, paid \$5.9 million for the 30,000-square-foot, six-lot vacant property at 1765 N. Miami Ave. on March 14.

They plan to develop an 18- to 24-story apartment tower with ground-floor retail. Construction is set to start in early 2020 and finish in early 2022.

The property northeast of Miami Avenue and 17th Street is in an opportunity zone, one of many areas across the U.S. poised to get an influx of investment under a change in federal law.

The 2017 Tax Cuts and Jobs Act created the opportunity zone concept, allowing investors to defer taxes on their capital gains from commercial ventures and put the gains into opportunity zone developments.

The so-called OZ designation pushed TSG and Linéaire to move forward with the purchase. When they put the assemblage under contract six months ago, the federal government had not yet released guidelines on investments in these zones.

Many investors were waiting for the rules before moving forward, which in turn worked favorably for TSG and Linéaire.

“We saw an opportunity because a lot of people were waiting on the sidelines to see how the regulation was going to come out,” said Diego Bonet, Linéaire managing partner. “All the big players were waiting on the sidelines, so we wanted to make sure we were one of the early movers and jump on this before all of the guidance had come out.”

In the end, the two developers were happy with the preliminary OZ guidelines. The final rules are expected soon.

TSG and Linéaire don’t stand to get any of the tax breaks under the change in tax law. They bought the land betting on partnering with an OZ fund on the multifamily project.

“Before we closed on the transaction, I have spoken to some opportunity zone funds. So we have been gauging their interest since we first looked at the site, and they have been showing interest,” Bonet said, adding there are at least three interested investors.

The property is in a growing district that’s becoming a hub for new multifamily projects. Among them is the 37-story, 513-unit Canvas condominium at 1630 NE First Ave., finished last year.

With the creation of state-designated opportunity zones, developers have been buying properties in an anticipation of bigger profits.

TSG also owns OZ land northeast of Miami Avenue and Northeast 41st Street, where it plans to build 9,000 square feet of retail, likely again in partnership with Linéaire.

“They have the expertise with all the opportunity funds,” said Camilo Lopez, TSG managing partner. “Since we are doing this (Arts and Entertainment District) fund together, it makes sense we partner up on this deal as well.”