

MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Eric Carpenter, City Manager

DATE: February 21, 2025

TITLE: DISCUSSION ON COMMERCIAL RETAIL VACANCIES AND POTENTIAL LEASING INCENTIVES FOR OWNERS OF VACANT PROPERTIES

RECOMMENDATION

The Administration recommends that the Finance and Economic Resiliency Committee review key considerations, outlined herein, for the potential implementation of a vacant storefront registry program. The Administration seeks direction on whether to explore other alternatives or proceed with developing and implementing the program.

BACKGROUND/HISTORY

On July 24, 2024, the Mayor and City Commission referred a discussion, to the Finance and Economic Resiliency Committee (FERC), on potential incentives to encourage commercial property owners to lease vacant spaces. The referral highlighted how persistent vacancies negatively impact Miami Beach commercial corridors, diminishing the aesthetic appeal, weakening economic activity, and necessitating frequent interventions from Police, Fire, and Building departments—straining City resources.

Key Committee Discussion on Commercial Vacancies:

- September 20, 2024 (FERC Meeting): The Economic Development Department presented a comprehensive strategy to address commercial vacancies, highlighting existing business incentives and assistance programs.
- October 18, 2024 (FERC Meeting): FERC requested a detailed vacancy and rent report for Lincoln Road and other key commercial corridors and sought updates on the feasibility of a vacant storefront registry program and a potential grease trap abatement program in partnership with Miami-Dade County's Department of Environmental Resources Management (DERM) to provide relief for small businesses.
- December 20, 2024 (FERC Meeting): The Administration provided retail market data analysis for Lincoln Road, Washington Avenue, Collins Avenue, and the 41st Street Corridor. In addition to making a favorable recommendation on an application to the City's Job Creation Incentive Program (JCIP) by EDGE LORD LLC, FERC requested further exploration of a Vacant Storefront Registry Program, including business community outreach to assess interest and feasibility.

ANALYSIS

Commercial retail is a cornerstone of the Miami Beach economy and an essential component of its cultural identity. A thriving commercial sector generates jobs, enhances public spaces, and strengthens the City's tax base, reinforcing Miami Beach's reputation as a premier global business destination.

However, visible retail vacancies threaten economic stability and degrade the pedestrian

experience along major corridors, including Lincoln Road, Washington Avenue, Collins Avenue, 41st Street and 71st Street.

Key contributing factors include:

- **High Rent Costs:** above-average rents can push out retailers, particularly small businesses.
- **E-commerce Growth:** the rise of online shopping has contributed to storefront vacancies.
- **Market Shifts:** emerging retail hubs across South Florida are drawing potential tenants elsewhere.
- **Renovation Expenses:** the cost of renovating space may not justify the lease rate.
- **Tax Incentives:** some property owners may benefit more from taking a tax loss on a vacant storefront.
- **Overpricing & Inflation:** inflationary rent values and/or owner reluctance to lower rates can deter even national chain tenants.

To combat these challenges, the City actively prioritizes business attraction, retention, and expansion, with initiatives such as collaborating with Business Improvement Districts (BIDs) to explore and pilot programs met to strengthen the resilience of key commercial areas.

Market Insights and Data

The Administration monitors retail trends through multiple sources, including CoStar Analytics, Colliers, Cushman & Wakefield, CBRE, and Jones Lang LaSalle (JLL). While methodologies differ, data consistently identifies Miami Beach as a high-rent submarket, particularly in South Beach and Lincoln Road.

According to CoStar Analytics, today, Miami Beach maintains the highest retail rents across all Miami submarkets, despite a moderation in retail activity following peak levels in early 2023. Compared to Q3 2024, both vacancy rates and average asking rents in Miami Beach declined slightly in Q4 2024, hinting at market stabilization.

Retail Market Comparison: Q3 & Q4 2024							
Source	Market	Vacancy			Average Asking Rent		
		Q3	Q4	(Q3 v. Q4)	Q3	Q4	(Q3 v. Q4)
Colliers	1. Miami Beach	5.6%	5.2%	-7.1%	\$108.59	\$ 101.11	-6.89%
	2. Miami-Dade	2.8%	2.8%	0.0%	\$ 46.00	\$ 46.05	0.11%
	3. Downtown Miami	13.7%	12.8%	-6.6%	\$ 36.81	\$ 36.81	0.00%
	4. Wynwood	6.5%	8.0%	23.1%	\$ 78.43	\$ 73.15	-6.73%
Cushman & Wakefield	1. Miami Beach	5.5%	5.4%	-1.8%	\$ 92.12	\$ 96.29	4.53%
	2. Miami-Dade	2.8%	2.7%	-3.6%	\$ 47.88	\$ 48.94	2.21%
	3. Miami	2.4%	3.0%	25.0%	\$ 34.54	\$ 34.99	1.30%
	4. Wynwood	7.5%	7.1%	-5.3%	\$ 70.47	\$ 70.77	0.43%
CoStar	1. Miami Beach	5.3%	5.3%	-1.1%	\$ 95.18	\$ 96.74	1.64%
	2. Miami-Dade	2.6%	2.8%	7.3%	\$ 48.92	\$ 48.97	0.10%
	3. Downtown Miami	12.7%	11.7%	-7.9%	\$ 34.54	\$ 44.47	28.75%
	4. Wynwood-Design District	6.8%	7.2%	6.7%	\$ 70.32	\$ 71.01	0.98%
Miami Beach Average		5.47%	5.29%	-3.36%	\$ 98.63	\$ 98.05	-0.24%

Vacant Storefront Registry Program

In 2022, the Mayor and City Commission referred a discussion to the Public Safety and Neighborhood Quality of Life Committee (“PSNQLC”) regarding the adoption of a Vacant Storefront Registry ordinance, sponsored by Commissioner Rosen Gonzalez. The Administration conducted analysis of existing programs throughout the country in preparation for the PSNQLC discussion. On September 21, 2022, the PSNQLC favorably recommended the City Commission enact a program, however, the item sponsor determined that further discussion of the proposal be tabled.

Best Practices Research and Case Studies

Following the December 2024 FERC meeting, the Administration conducted research and outreach to municipalities with existing registry programs, including:

- New York, NY
- San Francisco, CA
- Long Beach, CA
- Washington, D.C.
- New Haven, CT
- Lowell, MA
- Arlington, MA
- New Bedford, MA

Findings include:

Standard Elements:

- Vacancy is defined as unoccupied, abandoned, unleased, not properly registered, or no person or entity is conducting a lawfully licensed business in property.
- Vacancies are identified via CoStar, Code, referrals, and visually.
- Property owners must register the property within 30–90 days of vacancy.

- Annual registration fees range from \$250 - \$1,000 flat rate or \$1,000 -5,000 based on sq footage.
- Annual registration fees support program administration.
- Failure to register results in fine.
- Cities send reminder letters prior to issuing fines for not registering.

Benefits:

- Registries improve communication between cities and property owners; Registry is a resource to connect property owners with real estate agents and/or tenants.
- Registry is for internal use only and is not publicly published.

Opportunities:

- Offer fee waivers where property owners take active leasing measures; has proof of financial hardship; installing public art; installation of storefront cover at owner's expense; and/or Pop-Up business activation.
- Focus on high traffic streets/corridors.
- Non-refundable fee structure can double each year (e.g. \$1,000 for year 1; \$2,000 year 2; \$4,000 year 3; \$8,000 year 4, etc.).
- Engage a service provider, such as UpNext , which identifies and facilitates short-term leases (Pop-Up businesses) that are likely to transition into long-term leases.
- Incentivize potential tenants with marching funds (e.g. \$10,000 - \$50,000) to assist with start-up costs associated with new lease build-out.

Challenges:

- Some Programs are time-consuming and labor intensive.
- Most cities report limited success with the registry programs, even after several years of implementation.
- Property owners either did not pay fees or the fee structure was not a deterrent for property owners who just paid the fees.

Proposed Framework: Miami Beach Vacant Storefront Registry Program

Currently, the Abandoned and Vacant Properties Registry is codified in the Miami Beach City Code, within Article III (Property Maintenance Standards) of Chapter 58 (Housing). Established pursuant to Ordinance No. 2020-4345, the existing regulations were enacted to regulate abandoned, unsafe structures and currently apply only to properties within the City's local historic districts.

If the City decides to proceed with a Vacant Storefront Registry Program (the "Program") to address vacancies, an ordinance amendment could be adopted to augment the compliance and enforcement elements of the City's existing Ch. 58 regulations. Specifically, the amendment could increase registration fees and fines for noncompliance, enhance required building maintenance standards, and strengthen the inspection and enforcement provisions.

i. Purpose and Objectives:

The Program would offer a proactive mechanism for tracking and managing vacant commercial spaces, while fostering collaboration between the City and property owners for storefront activation. The Program would aim to:

- Improve property owner engagement by requiring registration and providing direct City support;
- Encourage storefront activation by facilitating tenant connections and temporary activations;
- Ensure compliance with maintenance standards to prevent blight; and
- Reduce long-term vacancies by tracking market trends and challenges.

ii. Guidelines and Requirements:

Definitions:

- Commercial Storefront: any area within a building that may be individually leased or rented for any purpose other than Residential Use.
- Abandoned and/or Vacant: a Commercial Storefront shall be deemed Vacant or Abandoned if it is:
 - § (a) unoccupied and unsecured; or
 - § (b) unoccupied and secured by boarding or other similar means; or
 - § (c) unoccupied and unsafe; or
 - § (d) unoccupied and has multiple code violations; or
 - § (e) unoccupied for a minimum of 30 days.

Exemptions: a Commercial Storefront shall not be considered Vacant or Abandoned if

- There exists a valid building permit for repair, rehabilitation, or construction within one year from the date the initial permit was issued, unless the city, in its sole discretion determines that the owner needs additional time to complete the repair, rehabilitation or construction of the Commercial Storefront; or
- The owner or leaseholder has filed an application for, and is actively seeking to obtain authorization, permits or a license required by state or local law permitting the lawful use and occupancy of the Commercial Storefront; or
- The Commercial Storefront complies with all code provisions of state and local law, does not contribute to blight, is ready for occupancy, and is actively being offered for sale, lease, or rent.

Duty to Register:

- The owner of a Vacant or Abandoned Commercial Storefront shall, within 30 days after it has become vacant or abandoned, register the Commercial Storefront with the City of Miami Beach on the online registry.
- The registry shall include a vacancy form requiring the Owner to describe the methods by which the owner has secured the Commercial Storefront against unauthorized entry, provide phone and email contact for the party responsible for maintenance of the Commercial Storefront, and specify the most recent permitted use of the property, its square footage, details regarding property and liability insurance coverage, and any other information the City may require.

Registration Fee:

- Registration includes a compulsory registration fee to cover administrative costs associated with maintaining a registry and monitoring compliance with Program requirements.
- The amount of the annual registration fee is proposed as a sliding scale based on the duration of the vacancy, described in the schedule below.

Proposed Annual Registration Fee	
<i>Fee</i>	<i>Duration of Vacancy</i>
\$300	Less than one (1) year
\$600	One (1) year or more but less than two (2) years
\$1,000	Two (2) years or more but less than three (3) years
\$2,000	Three (3) years or more

- Change of Status:

- Within thirty (30) days of a change in the status of a vacant and/or abandoned property, due to sale or lease, new occupancy or other circumstance, the owner shall notify the City of such change of status.

iii. Additional Considerations:

A Miami Beach Vacant Storefront Registry could include:

- Targeted implementation in high-traffic areas or general citywide applicability.
- Mandatory registration for vacant properties after a defined period (e.g., 60 days).
- Establish annual registration fees to cover administrative costs, with potential waivers for proactive owners.
- Compliance and enforcement measures.
- A registry would allow property owners and brokers to self-enroll on an interactive platform that could connect properties with potential tenants.

Stakeholder Engagement

Developing effective strategies to eradicate commercial vacancies will require collaboration with the private sector. In February 2025, the Administration held a virtual meeting with business stakeholders including Business Improvement Districts (BIDs), business associations, and the Miami Beach Chamber of Commerce. The purpose of the meeting was to foster a collaborative approach to addressing commercial vacancies.

The discussion provided valuable input on program guidelines and alternative solutions to combat economic blight. In addition, the Administration regularly attends BID and community association meetings, to learn about shared challenges, discuss concerns, and explore solutions with property owners and community representatives.

Staff Recommendation

The Administration is prepared to implement the Program and further explore suitable requirements. However, it is recommended that we further explore alternative options to engage property owners and stimulate potential tenants.

Discussions with staff from other local governments, that have implemented similar programs, did not produce confidence regarding the overall effectiveness of such a program..

Common concerns including limited enforcement mechanisms, administrative burdens, and challenges in achieving meaningful reductions in commercial vacancies are problematic. Additionally, existing programs have had mixed success in incentivizing property owners to activate vacant spaces. Outreach indicates that development of such a program is not largely seen by the business community as beneficial, and public support is key to the success of such a program.

Next Steps

The Administration would like to:

- Expand education and outreach on a potential Program (if supported by FERC);
- Continue outreach with business stakeholders;
- Monitor economic data to track vacancy trends;
- Assess the impact of existing business incentives and explore citywide expansion; and
- Present a comprehensive quarterly report on economic development activities at the April 16, 2025 FERC meeting.

FISCAL IMPACT STATEMENT

A Vacant Storefront Registry Program is expected to have a minimal fiscal impact on the City's budget. The Program would be structured with a registration fee to cover administrative costs, ensuring financial sustainability. By reducing long-term vacancies and increasing commercial

activity, the Program may also enhance property values and tax revenues, strengthening the City's economic resilience.

Does this Ordinance require a Business Impact Estimate?
(FOR ORDINANCES ONLY)

The Business Impact Estimate (BIE) was published on
See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notices/>

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FINANCIAL INFORMATION

The cost of administering the Vacant Storefront Registry Program would be offset by annual registration fees paid by vacant property owners. Additionally, the City may explore cost-sharing agreements or grant funding opportunities to support activation strategies for vacant spaces. If the FERC and City Commission support Program development, a detailed financial analysis will be conducted to determine the most effective fee structure and ensure cost neutrality for the City.

CONCLUSION

Addressing commercial vacancies is critical to Miami Beach's economic health. A Vacant Storefront Registry Program might provide a structured, proactive approach to managing vacancies, engaging property owners, and encouraging storefront activation. Notwithstanding, the Administration does not recommend implementing a Vacant Storefront Registry Program at this time.

The Administration seeks the Committee's direction on whether to continue exploring options, or proceed with Program development and implementation.

Applicable Area

Citywide

**Is this a "Residents Right to Know" item,
pursuant to City Code Section 2-17?**

No

**Is this item related to a G.O. Bond
Project?**

No

**Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481,
includes a principal engaged in lobbying?** No

If so, specify the name of lobbyist(s) and principal(s):

Department

Economic Development

Sponsor(s)

Mayor Steven Meiner

Co-sponsor(s)

Commissioner Tanya K. Bhatt
Commissioner Alex Fernandez
Commissioner Kristen Rosen Gonzalez

Condensed Title

Discuss Commercial Vacancies and Potential Leasing Incentives for Owners of Vacant Properties