

Nitze-Stagen buys Laird Norton's challenging Pioneer Square project

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Canton Lofts is proposed for the corner of Third Avenue South and South Washington Street in Seattle's Pioneer Square.

WEINSTEIN A+U RENDERING

[Nitze-Stagen & Co.](#) on Friday paid [Laird Norton](#) Properties nearly \$5.3 million for Canton Lofts, a mixed-use apartment project in Pioneer Square for people who make too much to qualify for housing subsidies but not enough to live in Seattle.

The \$30 million project is now an opportunity zone play, the first in Pioneer Square. The [new federal opportunity zone tax incentive program](#) directs long-term investments to low-income places with the goal of sparking further investment in areas like Third Avenue South and South Washington Street, site of Canton Lofts.

Dotted with the tents of homeless people, it's a pocket of persistent poverty in a neighborhood that continues to attract large amounts investment capital.

The historic Pioneer Square district also is attracting tech and traditional employers like Weyerhaeuser. It helps that the neighborhood is a regional mass transit hub and the south end of Seattle's 20-acre waterfront park scheduled for completion in 2023.

"But it also has a homelessness problem. We feel like what we can do is create new opportunities like Canton Lofts. It won't solve the problem, but it will certainly help,

particularly on that block which the city has really struggled with," said Gabe Grant, principal at [Spectrum Development Solutions](#), the Seattle company that is managing the development.

He said general contractor STS will start construction this summer. Seattle-based Weinstein A+U designed the development.

For [Laird Norton](#), the project did not pencil out in the end, company president and CEO [Jeff Vincent](#) said this year. At the time, he wondered whether Canton Lofts' location in a designated opportunity zone would entice another capital partner.

"This the first of what we hope will be a number of projects in Pioneer Square," Nitze-Stagen President and CEO [Peter Nitze](#) said.

He declined to name the dozen or so mostly Seattle-area investors, but said they see the long-term potential of the neighborhood as well as the challenges. Addressing them requires patience, and that makes the opportunity zone program a good fit for the project.

The opportunity zone program allows investors to defer paying taxes on capital gained from enterprises in designated areas. Following five years of ownership, 10 percent of capital gains is excluded from taxation. Another 5 percent of the capital is excluded after seven years of ownership. Those who keep the investment 10 years owe no taxes their investments.

The opportunity zone program isn't a reason to start a project, but it can make catalytic projects more attractive, Nitze said.

Nitze hopes to use the tool to develop more workforce housing and other projects in the neighborhood, where Nitze-Stagen has been active for decades. He said he thinks this can be a national model in "harnessing the social equity benefits of the OZ program."

Canton Lofts will have housing who make about \$61,000 a year or less or two-member families earning \$69,500.