

Nitze-Stagen buys workforce housing project in Pioneer Square for \$5M

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Rendering by Weinstein A+U [\[enlarge\]](#)

All the permits are in place for Canton Lofts, which is expected to break ground late this summer.

A corner property at [224 S. Washington St. in Pioneer Square](#) has sold for a little over \$5.2 million. A fully entitled development project with 80 small apartments called Canton Lofts is planned for the site.

King County recorded the sale on Friday. The buyer was an LLC associated with Nitze-Stagen, which issued a press release on Monday.

Nitze-Stagen says it will complete the Canton Lofts workforce housing plan developed by Spectrum Development Solutions for the prior family ownership. Weinstein A+U is the architect for the six-story building. STS Construction will be the general contractor. New to the team is venture capital firm Pioneer Square Labs, which rents offices around the corner. It's one of about a dozen investors in Canton Lofts.

Nitze-Stagen hopes to break ground late this summer.

In a statement, Peter Nitze said of Pioneer Square, “For many years it has lacked the housing options that make a neighborhood attractive to a diversity of residents. The neighborhood has added luxury and subsidized affordable housing, but not middle-class, workforce housing.”

Canton Lofts will benefit from being in a federal Opportunity Zone. This will allow the new owner(s) to roll prior capital gains from past projects into the new project, thus deferring their

tax bills. Tax benefits could extend anywhere from five to seven years, or until Canton Lofts is sold.

Two years ago, when Laird Norton Properties and Spectrum announced a \$500 million venture to create 1,000 units of workforce housing, Canton Lofts was to be part of that effort. However, Laird Norton is now out of the project.

Fee developer Spectrum will continue to manage the project.

When Canton Lofts is completed, probably by early 2021, rents will be capped to those making 80% of area median income. The building will target LEED Silver certification.

The seller was 123 Third LLC, an entity of philanthropists John and Shari Behnke, who acquired the property in 2013 for almost \$2.8 million. It's been unoccupied, except for parking, ever since. Their old plan for 123 Third Ave. S., as it was then known, was to be a 12-story mixed-use building to include office space for their New Foundation, plus affordable artist housing.

Spectrum came on board two years ago with the new Canton Lofts plan, which has five levels of apartments above 2,400 square feet of retail/commercial space. (No broker has been announced for that.) That space was originally to be occupied by the nonprofit Path With Art, which instead recently opted for Plymouth Housing Group's 2nd & Mercer affordable housing development planned in Lower Queen Anne. (Path With Art currently leases space in Pioneer Square.)

Brokers were not announced for last week's sale. The deal was worth about \$732 per square foot. The Canton Lofts site is north across the street from Union Gospel Mission. The project has all its permits and approvals, including that of the Pioneer Square Preservation Board.

Nitze-Stagen is primarily known for office and retail projects, and adaptive reuse efforts like the old Sears building in Sodo (now Starbucks Center), not as a residential developer. Other past preservation projects in Pioneer Square have included Merrill Place and the Cadillac Hotel. Merrill Place does include some market-rate condominiums.

More recently, Nitze-Stagen was part of the early planning and ownership of the Ainsworth & Dunn building, but Meriwether Partners bought out its partner and completed that project with offices — in the old warehouse — and a new companion apartment building on the same waterfront block.

Nitze-Stagen says it hopes to do more affordable workforce housing in the future.

Now on the corner of Washington and Third, the five-story 1971 Walthew Building — named for the law firm that once occupied it — will be removed. It was built about the same time the Pioneer Square Preservation District was created. The Walthew Building replaced the 1894 Canton Building (hence the new project name), which was demolished at some point in the middle of the last century.

The apartments will range from about 276 to 312 square feet. All will be studios with sleeping lofts. Tenant amenities will include a landscaped roof deck (with dog walk) and bike room.

The E-shaped building will have two lightwells facing north toward a three-story garage, which is part of the Low Income Housing Institute's Frye Apartments property. Since the Frye, a former hotel, has south-facing windows, it's unlikely that the garage will ever be redeveloped.

Total project size is about 34,300 square feet. The Canton Lofts team also includes KPFF, structural engineer; SiteWise Design, civil engineer; Greenbusch Group, energy consultant; and Fazio & Associates, landscape architect.

Until now, the four-year-old Pioneer Square Labs has been known as a technology startup incubator (through PSL Studio) and investor (through PSL Ventures). Its own investment backers have included Madrona Venture Group, Zillow CEO Rich Barton, Vulcan Capital and the private venture capital arm for Jeff Bezos, Bezos Expeditions.

Last year it launched a new \$80 million fund, but not for Opportunity Zones. Canton Lofts appears to be its first foray into real estate.