

Seattle's first Opportunity Zone development breaks ground in Pioneer Square

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1 of 4 | Workers hang an image of the Canton Lofts apartment building being built in an Opportunity Zone in Pioneer Square by... (Steve Ringman / The Seattle Times) [More](#) ✓

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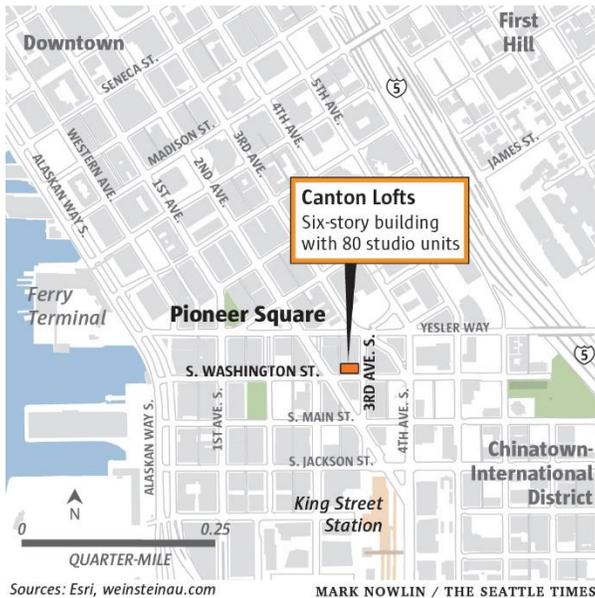
The Opportunity Zones program was marketed as a way to help poor communities by offering major capital-gains tax breaks for investors to park their cash in 8,000 designated low-income census tracts.

Instead, critics have labelled it a “[tax scam](#),” “the [latest example](#) of urban renewal” and “a [bonanza for the rich](#).”

Early reports have highlighted the program’s success in building opulent hotels and luxurious apartment towers, often in already-expensive areas — including some financed by associates of President Donald Trump, who signed the program into law in 2017.

That’s why around here, investors and developers have been at pains to emphasize that their opportunity zone projects are very, very different. On the horizon in Washington’s opportunity zones: Student housing in Bellingham. A mixed-use development in downtown Bremerton. Office parks in Arlington.

This week, developers broke ground on Seattle’s first opportunity zone development, an 80-unit Pioneer Square apartment building called Canton Lofts. The \$1,795 studio apartments are aimed at people making between \$60,000 and \$90,000, the developers say.



That’s hopefully low enough so that “people who work in Pioneer Square’s hospitality industry can afford to live here,” said Deputy Mayor David Moseley at the Tuesday groundbreaking.

Developers could hardly have chosen a more telling location to highlight how they hope Seattle’s opportunity zone projects will beat the headlines.

“This part of the street ... has been a little bit down at the heels,” said City Councilmember Sally Bagshaw at the groundbreaking at Third Avenue and Washington Street.

The Canton Lofts development is spread across two rundown parcels (one is currently a parking lot; the other, a decaying parking garage). It’s around the corner

from the Union Gospel Mission. And it backs up to subsidized apartments operated by the nonprofit Low Income Housing Institute.

“This project can’t be successful unless the entire neighborhood is successful,” said developer Peter Nitze, of the Seattle real estate firm Nitze-Stagen.

Driving the \$30 million Canton Lofts development is capital assembled by Pinnacle Partners and Nitze-Stagen from local technology executives attracted by the chance to shelter company stock cash-outs from capital gains taxes, as well as philanthropically inclined investors hoping to get some returns on a project with social impact. (Investors defer paying capital gains taxes on the money they keep in an opportunity zone. And if they keep it there long enough, they won’t be taxed on the returns from the opportunity zone project itself.)

Tax breaks for helping poor communities aren’t new. But opportunity zones differ from programs like the low-income housing tax credit and others, in that there aren’t any strings attached: Backers of opportunity zone projects don’t need to create jobs or report on their progress.

They’ll receive the tax credit, no matter how they deploy their money in such zones — and no one is tracking how they deploy their money.

That’s raised alarm bells among anti-gentrification advocates. Much of Seattle’s affordable housing under development in those targeted census tracts will never turn a profit, meaning it’s out of the running for opportunity zone funding.

In essence, they say, opportunity zones are a siren song luring investors looking for even higher returns on market-rate housing to the neighborhoods most vulnerable to displacement. And even poorer neighborhoods in Seattle are better at attracting capital than most opportunity zones in the country, according to an analysis by the Urban Institute, raising the question of whether Seattle needs opportunity zones at all.

Canton Lofts, though sometimes [described as affordable housing](#), doesn’t have an income limit. That means anyone can rent the apartments, even people making well above the area median income.

“It’s better than doing high-rent units, and anyone can rent them,” said Tony To, director of nonprofit affordable housing developer Homesight. “But in this environment, that’s considered very charitable.”

Opportunity zone funding is backing market-rate apartments in Homesight's four-building Othello Square project, scheduled to break ground later this year. The [rest of the development](#) includes a community clinic, a housing co-op for families making under 80% of the area median income, a charter school and affordable commercial spaces.

In the absence of any official checks and balances on the program, Mayor Jenny Durkan's administration has been working to articulate a set of norms to try to direct investment in those census tracts to benefit low- and middle-income Seattleites, including by urging investors to tackle affordability.

The developers behind Canton Lofts believe they're heeding that call.

It's a good thing that the project was one of the first opportunity zone projects in Seattle, said Lisa Nitze, Nitze-Stagen's marketing director, because its focus on affordability is "a good model to be followed."

"This is an anti-gentrification tool," she said.

The city's first opportunity fund-backed project was Nitze-Stagen's purchase this summer of a Sodo warehouse. Elsewhere in Seattle, forthcoming opportunity zone developments include market-rate housing targeting middle-class earners, similar to Canton Lofts, at 500 Broadway, 510 Broadway and 622 Rainier Avenue.

And one block away from Canton Lofts, developer Alexandria Real Estate Equities, which here has primarily focused on biomedical buildings in South Lake Union and Eastlake, recently purchased an entire city block in the Pioneer Square opportunity zone. The company declined to comment on its plans for the property.



2 of 4 | Seattle's first Opportunity Zone development is being built on this property in the Pioneer Square neighborhood. (Steve Ringman / The Seattle Times)



3 of 4 | A rendering of the planned Canton Lofts, which will have 80 apartments. The project is scheduled for completion late next year. (Courtesy of Nitze-Stagen)



4 of 4 | Canton Lofts, Seattle's first Opportunity Zone development. (Courtesy of Nitze-Stagen)