

# Opportunity Zone Investment Profile



## KOZ on MLK

Location: **Tacoma, WA**

Congressional District: **WA-6th**

Opportunity Fund Name: **Catalyst Opportunity Fund I**

Opportunity Fund Manager: **Catalyst Opportunity Funds**

Investment Date: **Q2 2021**

Project Details: **Locally designed, community-driven, mixed-use building**

## MWBE Developer Delivers Community-Driven Project in Transitioning Neighborhood

Affordable and workforce housing developer, [Koz Development](#) (Koz), utilized an \$8.7 million Opportunity Zones (OZ) investment from [Catalyst Opportunity Funds](#) (Catalyst) to develop new homes and neighborhood-oriented commercial space in Tacoma, Washington’s Hilltop community. The Hilltop community has slowly seen reinvestment over the past several decades, but poverty rates remain outsized, and median income remains low relative to the City of Tacoma and Pierce County. Many long-time residents now fear that they may be forced to leave their community, as affordable housing pressures in nearby Seattle have resulted in an influx of new residents and increased housing prices in the Hilltop community.

KOZ on MLK has expanded opportunities for low-income and working families to live in the Hilltop neighborhood. All 161 homes at KOZ on MLK are affordable to those earning 79 percent or less of the Area Median Income (AMI), and the project’s mix of studios, one-bedroom, two-bedroom, and three-bedroom apartments provides affordable living options for all household types.

In addition to affordable housing, the project also provides new amenities that serve existing residents. After identifying that the neighborhood lacked adequate access to nutritious food and financial services providers, Catalyst and Koz worked together with the Tacoma Economic Development Office to provide commercial space for a food co-op and a local community credit union. Koz also worked with the City of Tacoma and the Tacoma Housing Authority to secure land and tenants for the project.

KOZ on MLK opened its doors in May 2022. One of its early residents was a family of Ukrainian refugees who relocated to Tacoma after they were forced to leave their home in Kherson in March 2022.

## Projected Impact

|                                     |   |
|-------------------------------------|---|
| MWBE partnership:                   | Koz Development - a female, minority-led firm |
| New affordable and workforce homes: | 161   |
| New commercial space:               | 6,000 square feet                             |

## Community Stats

|                              | Census Tract 614: | Seattle-Tacoma-Bellevue MSA: |
|------------------------------|-------------------|------------------------------|
| Median Family Income:        | \$31,250          | \$104,953                    |
| Poverty Rate:                | 38.1%             | 9.0%                         |
| Adults Not Working:          | 62.0%             | 18.7%                        |
| Minority Population:         | 50.0%             | 36.7%                        |
| Bachelor’s Degree or Higher: | 18.9%             | 43.0%                        |
| Housing Vacancy:             | 18.6%             | 4.8%                         |

“Koz on MLK is an example of the type of project that neighborhoods like the Hilltop aspire to welcome to their community. Quality design and construction along a transit corridor paired with affordable housing, and greatly needed new commercial space to provide much needed and sought out services in this important part of the city experiencing rapid change and pressured by the forces of gentrification.”

- Jeff Robinson, Director of Community and Economic Development, City of Tacoma

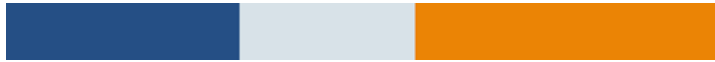
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## Capital Stack

KOZ on MLK received a total of \$15.2 million in OZ investment from multiple Qualified Opportunity Funds. Catalyst provided an \$8.7 million OZ investment, and Koz raised an additional \$6.5 million OZ investment. Koz also secured a \$11.3 million loan from Sound Community Bank.

**Total development cost: \$26.5 million**

### Key sources of financing:



- \$8.7 million - OZ equity from Catalyst
- \$6.5 million - Additional OZ equity
- \$11.3 million - Loan from Sound Community Bank

Given the need for affordable homes in Hilltop, the City of Tacoma provided the land for KOZ on MLK at an extremely low land basis. In addition, the City granted Koz a 12-year tax abatement on the property. These subsidies were an essential piece of the project's capital stack.

## The Impact of Opportunity Zone Financing

Both Koz and Catalyst were authentically aligned around leveraging the OZ program to support a high-impact project that responds to community concerns about the rising cost of housing as well as addresses existing community needs. KOZ on MLK provides individuals and families with new affordable and workforce homes, which are sustainably designed and located adjacent to public transportation, healthcare services, childcare services, and multiple colleges. Further, it expands access to fresh and affordable food as well as access to banking and lending services in the community.

## About the Investment

Catalyst made an \$8.7 million OZ equity investment to support the financing of KOZ on MLK. Koz retains a right of first refusal to purchase the property once Catalyst exits, meaning that there is a mechanism in place to preserve the affordable homes and neighborhood-serving retail at the property over the long term.

Catalyst is a Qualified Opportunity Fund (QOF) manager that invests in high-potential but historically underserved, low-to-moderate-income communities across the U.S., including BIPOC neighborhoods where residents experience intergenerational poverty, housing instability, and reduced life expectancy due to decades of divestment and structural racism. Catalyst targets its OZ investments to projects that expand the availability of affordable and workforce housing, address the service and amenity needs of current residents, are positioned to help revitalize local economies, and address climate change and inequity in the built environment. KOZ on MLK is one of 18 such projects in their current portfolio.

## About Opportunity Zones

Opportunity Zones are a new national investment tool designed to spur economic growth and community development by encouraging long-term private equity investment in distressed urban, suburban, and rural communities across America. In 2018, local leaders in every state, U.S. territory, and Washington, D.C. supported the nomination of more than 8,700 low-income census tracts for Opportunity Zone designation. Individuals and companies can receive a series of graduated tax benefits based on the amount of time invested in a Qualified Opportunity Fund, which must have 90 percent of assets invested in real property or operating businesses located in Opportunity Zones. The Opportunity Zones policy is based on the bipartisan Investing in Opportunity Act, which was championed by a regionally and politically diverse coalition of congressional cosponsors.

## About The Economic Innovation Group (EIG)

EIG is a bipartisan ideas laboratory and advocacy organization whose mission is to advance solutions that empower entrepreneurs and investors to forge a more dynamic American economy. Headquartered in Washington, D.C., EIG convenes leading experts from the public and private sectors, produces original research, and works to advance creative legislative proposals that will bring new jobs, investment, and economic growth to communities across the nation.

EIG leads a coalition of stakeholders as part of its efforts to support the formation of a robust Opportunity Zones ecosystem. For more information, contact [info@eig.org](mailto:info@eig.org)