



Executive Girmay Zahilay

Chinook Building, CNK-EX-0800
401 Fifth Avenue, Suite 800
Seattle, WA 98104-2391

March 25, 2026

The Honorable Sarah Perry
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Perry:

This letter transmits a proposed Ordinance that if approved, would amend King County Code (KCC) section 24.22, which governs the County's Interim Loan Program administered by the Department of Community and Human Services (DCHS), to provide the Executive with authority to extend the initial interim loan term by up to five years and modify the permissible permanent uses. This proposed Ordinance is transmitted concurrently with the Report Describing Next Steps Required for the Aurora Oaks Enhanced Shelter to Maintain Operations as a Shelter in response to Ordinance 20023, Section 109, Proviso P3.

King County provided an \$8.1 million interim loan to Catholic Housing Services (CHS) in June 2021 to acquire a 2.6-acre site in Shoreline formerly known as the Oaks at Forest Bay Skilled Nursing Facility. The purposes of the loan were:

- to give CHS time to plan and secure funding to redevelop the site as PSH or an alternate housing strategy, and
- to allow Lake City Partners Ending Homelessness to operate the property as the 60-bed Aurora Oaks Enhanced Shelter until CHS started redevelopment

CHS's loan is structured as a five-year loan, the longest term currently permissible under KCC 24.22, at three percent simple interest deferred until maturity. CHS' loan is due on June 29, 2026, at an estimated repayment amount of \$9.3 million. The loan agreement calls for CHS to redevelop the site as permanent supportive housing (PSH), serving all households at or below 50 percent area median income (AMI), and to prioritize at least 25 percent of units for homeless households.

CHS notified DCHS in early 2025 that it would not be able to meet the loan obligations of developing PSH onsite by 2026, or to repay the loan on time due to federal threats to Continuum of Care (CoC) homeless housing funding, as well as constrained state and local funds to support homeless housing. CHS has proposed redeveloping the site in two to three phases, starting with a 100-unit workforce housing project that would serve people up to 60 percent AMI rather than its previous plan to serve homeless households.

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KCC 24.22 does not allow an interim loan term longer than five years, and requires all households served in the redevelopment to be 50 percent AMI or lower. These restrictions currently prevent CHS from developing a feasible project and threaten the operations of the enhanced shelter. I am proposing changes to KCC 24.22 to grant me the authority to extend initial interim loan terms up to an additional five years and to increase the AMI level of permanent uses of sites supported by interim loans from 50 to 60 percent AMI.

These legislative changes would enable me to grant CHS a loan extension, allowing the interim loan program to continue to support CHS as their redevelopment project plans are modified, and make it possible for the Aurora Oaks Enhanced Shelter to continue operating in the meantime. In addition, these changes increase the likelihood that this large site will be redeveloped to provide hundreds of new affordable housing units and that CHS' loan will be fully repaid, enabling the County to maintain its commitments to PSH homeless housing in future years.

Thank you for your consideration of this proposed Ordinance. Passage of this legislation will allow the 60-bed enhanced shelter to continue serving the Shoreline community and provide more time for CHS to secure funding to turn the site into needed permanent affordable housing.

If your staff have any questions, please contact Susan McLaughlin, Acting Director, Department of Community and Human Services, at 206-477-9309.

Sincerely,



Girmay Zahilay
King County Executive

Enclosure

cc: King County Councilmembers
 ATTN: Stephanie Cirkovich, Chief of Staff
 Melani Hay, Clerk of the Council
 Karan Gill, Deputy Executive, Office of the Executive
 Jasmin Weaver, Chief of Staff, Office of the Executive
 Hyeok Kim, Chief Operating Officer, Office of the Executive
 Sierra Howlett Browne, Director of Government Relations, Office of the Executive
 Garrett Holbrook, Council Relations Manager, Office of the Executive
 Susan McLaughlin, Acting Director, Department of Community and Human Services