

CITY COUNCIL AGENDA TOPIC

Ordinance to 1) authorize execution of an Agreement with Puget Sound Energy (PSE) to accept \$400,000 in grant funding from the PSE Decarbonization Program for Energy Smart Eastside (ESE) to implement heat pump incentives for income-qualified households; 2) amend the 2025-2026 budget of the Operating Grants, Donations, and Special Reserve Fund to increase the appropriation by \$400,000; and authorizing expenditures of said grant funds.

Emil A. King AICP, Director Community Development, 452-7223

Thara Johnson, Planning Director, 452-4087

Jennifer Ewing, Sustainability Manager, 452-6129

Sarah Phillips, Energy Smart Eastside Program Manager, 452-5362

Community Development Department

EXECUTIVE SUMMARY**ACTION**

This action authorizes the execution of an agreement with PSE to accept \$400,000 in grant funding for Energy Smart Eastside to implement heat pump incentives for income-qualified households and further amends the 2025-26 budget to increase the appropriation by that same amount to allow for the additional expenditure authority.

This is one of two actions on tonight's consent calendar related to the Energy Smart Eastside program. The other action under separate cover is a Resolution authorizing execution to amend a reimbursement contract with Hopelink to manage the heat pump implementation expenses related to this grant.

RECOMMENDATION

Move to adopt Ordinance No. 6859

BACKGROUND/ANALYSIS

ESE is a heat pump incentive program jointly funded by the cities of Bellevue, Issaquah, Kirkland, Mercer Island, Redmond, and Sammamish as part of the Eastside Climate Partnership and administered by the City of Bellevue with oversight from all participating cities. In July 2025, Bellevue was awarded \$400,000 from the PSE Decarbonization Program to fund the purchase and installation of 15-20 heat pumps through the ESE Boost program. The grant will fund purchase and installation of heat pumps for qualified low-income households (less than 80 percent Area Median Income) through the existing ESE Boost program. Of the \$400,000 award, Bellevue will retain and utilize \$136,000. The remainder will be split among the Eastside Climate Partnership cities of Issaquah, Kirkland, Mercer Island, Redmond, and Sammamish.

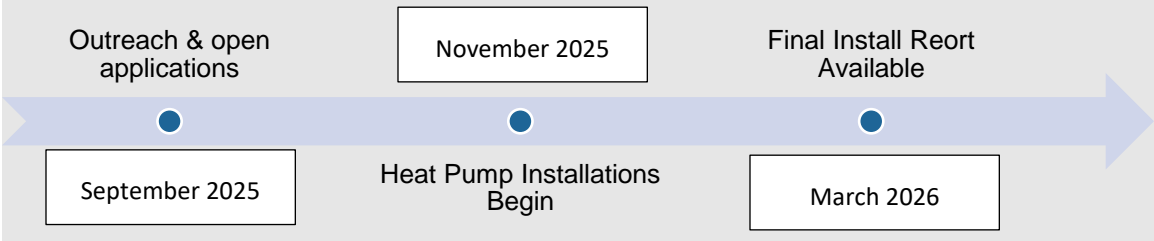
This grant builds on the 2024 PSE Decarbonization Grant of \$850,000, demonstrating ESE's successful implementation of the first round of funding. Boost provides full cost coverage of efficient heat pumps and related electrical upgrades for qualified low-income households. The program

prioritizes energy burdened households with gas or oil-based heating that is at end of life.

Since 2023, the ESE Boost program has installed over 340 full cost-coverage heat pumps in income-qualified homes, affordable housing units and adult family homes. Heat pumps installed so far will result in an estimated 12,000 metric tons of greenhouse gas emissions savings over the lifetime of the equipment, as well as providing heating security and cooling in households with vulnerable residents such as seniors and the disabled. Approval of this ordinance will supplement other sources of municipal and grant funding (see table below) to keep this popular and effective program active into 2026.

2025-26 Energy Smart Eastside Biennium Funding Sources	Funding Amount
<i>City of Bellevue</i>	\$873,900
<i>City of Issaquah</i>	\$304,000
<i>City of Kirkland</i>	\$197,000
<i>City of Mercer Island</i>	\$113,000
<i>City of Redmond</i>	\$1,300,000
<i>City of Sammamish</i>	\$333,640
<i>Puget Sound Energy Decarbonization Program 2024 Grant</i>	\$288,363
<i>Department of Commerce HEAR Program</i>	\$3,031,600
<i>Department of Commerce HEAR Adult Family Home Program</i>	\$1,500,000
<i>Department of Commerce Building Electrification Fund</i>	\$1,000,000
<i>Department of Commerce Climate Planning Grant</i>	\$40,000
Total Match	\$9,011,503
<i>Puget Sound Energy Decarbonization Program 2025 Grant</i>	\$400,000
Total Budget	\$9,411,503

As this funding supports an existing program, the project team is prepared to begin execution immediately on Council authorization and execution of the funding agreement. Heat pump installations funded by this grant are expected to begin in November 2025 and be completed by March 2026.



POLICY & FISCAL IMPACTS

Policy Impact

The Ordinance supports the following actions in the Sustainable Bellevue Plan.

- **C.1.4: Climate equity:** Prioritize climate mitigation and adaption investments in historically underserved and underrepresented communities.
- **C.1.7: Climate outreach and education:** Develop a climate outreach and education campaign or program to support ongoing community engagement.

- **E.2.2: Home energy retrofit program.** Develop a home energy retrofit program to support retrofits and incentivize energy efficiency.
- **E.2.3: Equitable access to energy programs.** Improve access to energy efficiency programs for low-income and historically underserved and underrepresented populations.

Fiscal Impact

Executing this grant agreement will provide \$400,000 in grant funding from PSE to allow for additional heat pump installations. The city will retain and utilize \$136,000 of the total grant amount to provide heat pump incentives for qualified low-income households in Bellevue, with the remaining \$264,000 distributed to partner cities in the Eastside Climate Partnership.

Additionally, the action amends the 2025-2026 Operating Grants, Donations, and Special Reserve Fund budget to increase appropriations by \$400,000 to accommodate the grant revenue and corresponding expenditures. Administrative costs for program management are covered within the existing ESE program structure. The grant funding supplements other municipal and grant sources already supporting this ongoing program, allowing enhanced operations through 2026 without additional city investment.

OPTIONS

1. Adopt the Ordinance to 1) authorize execution of an Agreement with Puget Sound Energy (PSE) to accept \$400,000 in grant funding from the PSE Decarbonization Program for Energy Smart Eastside (ESE) to implement heat pump incentives for income-qualified households; 2) amend the 2025-2026 budget of the Operating Grants, Donations, and Special Reserve Fund to increase the appropriation by \$400,000; and authorizing expenditures of said grant funds.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

Proposed Ordinance No. 6859

AVAILABLE IN COUNCIL LIBRARY

Puget Sound Energy (PSE) CCA Decarbonization Grant Agreement
 Eastside Climate Partnership Interlocal Agreement
 2021-2025 Sustainable Bellevue Plan
 Energy Smart Eastside (ESE) 2024 Annual Report