



DATE: July 15, 2025

TO: Mayor Robinson and City Councilmembers

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Community Development

SUBJECT: Energy Smart Eastside Program & Strategy Update

Energy Smart Eastside (ESE) is a residential decarbonization program founded in 2022 by the cities of Bellevue, Issaquah, Kirkland, Mercer Island, and Redmond, with Sammamish added in 2024. The program is administered by City of Bellevue staff in the Community Development Department. ESE drives equitable home electrification with a current emphasis on heat pumps. Heat pumps provide energy-efficient heating and cooling. On average, heat pumps reduce heating-related greenhouse gas (GHG) emissions by 91 percent relative to a gas furnace and support community climate resilience, making adoption a key strategy for meeting climate goals.

ESE is the only city-led regional energy efficiency program in Washington State and serves as a model for efficient and effective delivery of heat pump incentives and income-qualified electrification assistance. Program fundamentals include:

- Grassroots outreach combined with marketing to increase awareness of the benefits of heat pumps and available incentives
- Community workshops, \$1000 community-wide heat pump discounts from partner distributors, 1:1 energy advisor assistance, and a network of trained and qualified heat pump installers to help homeowners move forward with confidence
- \$6000 instant rebate available to moderate income households (under 150 percent area median income) to increase heat pump affordability
- Full cost coverage for heat pumps to households under 80 percent area median income, delivered in partnership with Hopelink and funded primarily through the State Climate Commitment Act

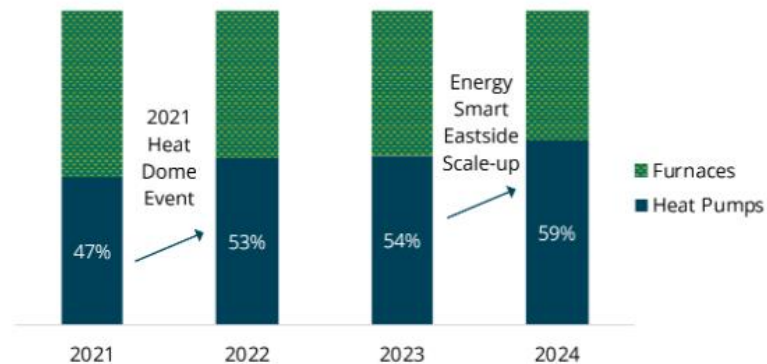
Heat Pump Adoption Goals and Results

Reducing or eliminating residential natural gas use is necessary to achieve Bellevue's target of a 95 percent reduction (relative to 2011) in GHG emissions by 2050. Space heating accounts for two-thirds of natural gas use, which is why the Energy Smart Eastside objective is to accelerate adoption of heat pumps over "business as usual"

using a combination of incentives, education, and outreach. **By 2032, the objective is that 99 percent of all residential HVAC retrofits are heat pumps.**

Last year, adoption of heat pumps rose 5 percentage points on the Eastside (from 54 percent to 59 percent), driven largely by availability of ESE outreach, education, incentives, and financial assistance.

Graph 2: percent of permitted residential HVAC retrofits that are heat pumps, 2021-2024



13% of Eastside heat pumps installed in 2024 used an ESE incentive.

Other program results from 2024 can be found in the ESE annual report (Attachment A) published earlier this year. In Bellevue, 126 residents attended a webinar, workshop or 1:1 coaching appointment and 120 households utilized an ESE incentive to purchase their heat pump. Specifically:

- 68 low-income households received a free heat pump
 - 24 were affordable housing units through a partnership with Imagine Housing and King County Housing Authority
- 25 moderate income households used a \$6000 rebate to switch from natural gas to a heat pump
- 27 households utilized the community discount offered by partner distributors to reduce the cost of a heat pump

2025 Heat Pump Incentive Program Updates

The ESE heat pump strategy for 2025 is centered on increasing **affordability** for low-and-moderate-income households (under 150 percent of area median income), using **trusted advisers** to increase reach and impact of messaging, and extending program reach to help **vulnerable residents** access energy-efficient cooling.

Notable program updates completed include:

- **Affordability:** Distributor discount on heat pumps increased from \$500 to \$1000, and the program expanded from Mitsubishi heat pumps to Bryant and Carrier.

The increase in the ESE distributor discount and range of products increased the affordability of heat pumps supported by ESE incentives and options for residents.

- **Trusted Advisors:** A multilingual volunteer program enabled the first cohort of trained volunteers to staff community events and provide 1:1 energy advisor assistance.
- **Vulnerable Residents:** The full cost coverage program expanded to implement heat pumps in 50 adult family homes (27 in Bellevue), funded through a \$1.5 million grant earmarked for this purpose by the Washington State Department of Commerce Home Electrification Appliance Rebates (HEAR) program, with a focus on adult family homes serving low-income residents.

In the second half of this year, ESE will build on this strategy through:

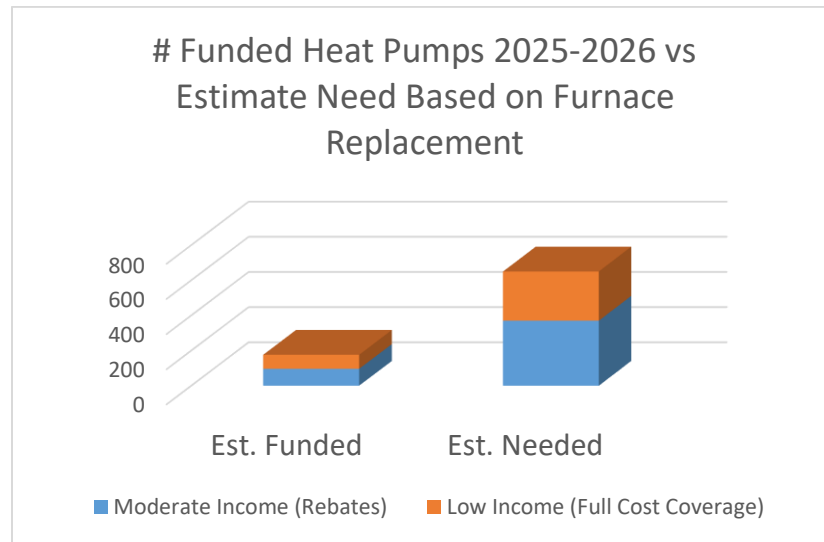
- **Affordability:** Amplifying the state roll out of the Inflation Reduction Act ([IRA](#)) [Home Energy Rebate Program for Households](#) and retooling the ESE program to make it easy for residents to stack incentives. With a planned launch this fall, this is a major one-time opportunity for low-and-moderate income households in Bellevue.
- **Trusted Advisors:** In partnership with community-based organizations, ESE will run partner-led heat pump workshops in Chinese.
- **Vulnerable Residents:** The low-income heat pump program will be opened up to renters in single family homes, duplexes, triplexes, and four-unit buildings, with the provision that property owners agree to the work and cap rent increases the following two years.

Heat Pump Incentive Program Funding & Funding Outlook

ESE was successful in bringing in state and utility grant funding last year which, combined with municipal funding, provides the program a \$9.1 million total budget (\$3 million in Bellevue) for 2025-2026. Every \$1 in Bellevue contribution has resulted in \$2.43 matched grant funding supporting Bellevue heat pump incentives.

	2025 / 2026 Funding Source	Budget	Allocated to Bellevue
34% City Funded	Bellevue	\$ 873,900.00	\$ 873,900.00
	Issaquah	\$ 304,000.00	
	Kirkland	\$ 289,000.00	
	Mercer Island	\$ 113,000.00	
	Redmond	\$ 1,300,000.00	
	Sammamish	\$ 212,240.00	
66% Grant Funded	Sammamish / EECBG Grant	\$ 121,400.00	
	Climate Planning Grant	\$ 70,000.00	\$ 23,800.00
	PSE Grant	\$ 288,362.95	\$ 98,043.40
	HEAR Grant	\$ 3,031,600.00	\$ 909,480.00
	BEF Grant	\$ 1,000,000.00	\$ 340,000.00
	HEAR AFH Grant	\$ 1,500,000.00	\$ 750,000.00
	TOTAL	\$ 9,103,502.95	\$ 2,995,223.40

This funding level allows the program to maintain consistent availability of rebates and allows for periodic enrollment in the no-cost heat pump program. However, it does not fully cover the need, leaving many low-and-moderate income households with the choice of deferring replacement of old and inefficient furnaces or frequently choosing to replace like for like gas furnaces at least cost. The chart below illustrates the proportion of heat pumps funded in 2025-2026 in relation to the number of heat pumps needed to reach our objectives.



Strategies to make ESE funds stretch as far as possible given current funding include:

- Continuing to pursue state and utility grants (estimated \$1-\$3 million additional funding potential this biennium);
- Assessing feasibility of a deferred loan program as an alternative to the current full cost coverage program;
- Looking for opportunities to lower costs in our full cost coverage program; and
- Continuing to partner with the state and utility to identify innovative ways to braid funds and reduce costs for heat pump shoppers on the Eastside.

Future strategy to further reduce GHG emissions & prepare for changing climate

ESE is conducting public engagement, technical analysis, and a cost-benefit assessment to craft an expansion strategy with the goal of deepening emissions reductions tied to residential energy use. Considerations for this assessment include:

- Potential of high impact electrification measures such as heat pump water heaters and weatherization for reducing emissions;
- Market penetration, market fit, cost, return on investment, awareness, and application fit for these measures in Bellevue;
- Strategies to drive higher utilization of existing utility programs, such as the Puget Sound Energy (PSE) weatherization program and expand access to weatherization assistance for income-qualified households; and

- Electric grid capacity and community resilience.

The results of this work will be reflected in the Bellevue Sustainability Plan update, and implementation of any new programming will begin in 2026.

Community Impact & Resilience

In the last year, ESE helped place cooling into homes with residents vulnerable to extreme heat, and reliable heating into homes with inadequate heating. These recent comments from Bellevue residents are an example of the positive feedback and thanks received regularly from program participants.

"Extremely grateful and thankful that this program even exists! ...the equipment is great and runs efficiently. The contractors were very pleasant to work with. This program is especially important, as our residents, being older are more vulnerable to heat, so this has been a great opportunity" - George Muresan, All Star Adult Family Homes

"I want to let you know that my husband and I are very happy with the Heat Pump installation and we are very grateful to you, to everyone at Hopelink and others that participated in the install of the heat pump, it's a great help. I had the privilege to meet you in person at your office and felt that I received an excellent service all around. Thank you again." - Beatriz Reines

Next Steps

ESE will be applying for a second round of funding from Puget Sound Energy and the Washington State Department of Commerce HEAR funds (both underwritten by the State Climate Commitment Act). Staff are tracking closely the progress of the Inflation Reduction Act Home Energy Rebates and will be prepared to leverage them on the Eastside as they become available. Finally, staff will be providing recommendations on program evolution to deepen residential emissions reductions in line with the Bellevue Sustainability Plan update.

Attachment:

- A. ESE 2024 Annual Report