

CITY COUNCIL AGENDA TOPIC

Ordinance to 1) authorize execution of an Agreement with Puget Sound Energy to accept \$700,000 in grant funding from the Puget Sound Energy Decarbonization Grant Program for Energy Smart Eastside 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 \$700,000; and authorizing expenditures of said grant funds.

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EXECUTIVE SUMMARY**ACTION**

This action authorizes the execution of an agreement with Puget Sound Energy (PSE) to accept \$700,000 in grant funding for Energy Smart Eastside (ESE) to implement heat pump incentives for income-qualified households and further amends the 2025-2026 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 ESE 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. 6908

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 (ECP) and administered by the City of Bellevue with oversight from all participating cities. In February 2026, Bellevue was awarded \$700,000 from the PSE Decarbonization Grant to fund the purchase and installation of 50 heat pumps through the ESE Boost program. The grant will fund purchase and installation of heat pumps for qualified low-income households earning less than 80% percent of area median income (AMI) through the existing ESE Boost program. Of the \$700,000 award, Bellevue will retain and utilize \$238,000 of the total grant amount to provide heat pump incentives for qualified low-income households in Bellevue. The remainder (\$462,000) will be split among the ECP cities of Issaquah, Kirkland, Mercer Island, Redmond, and Sammamish.

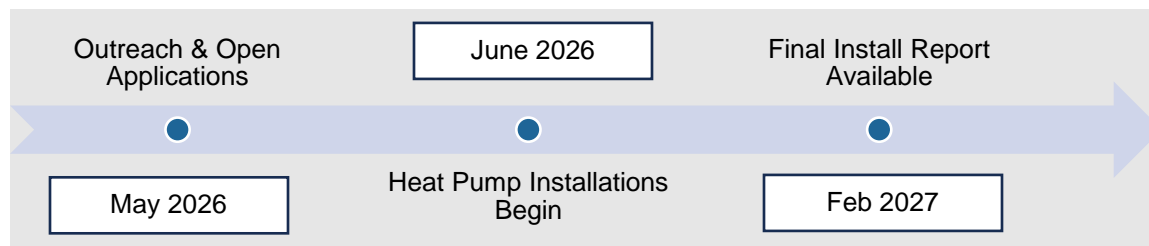
Since 2023, the ESE Boost program has installed over 400 full cost-coverage heat pumps in income qualified homes, affordable housing units, and adult family homes. Heat pumps installed so far will result in an estimated 28,000 metric tons of greenhouse gas emissions savings over the lifetime of

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
City of Bellevue	\$873,900
City of Issaquah	\$304,000
City of Kirkland	\$197,000
City of Mercer Island	\$113,000
City of Redmond	\$1,095,300
City of Sammamish	\$333,640
Puget Sound Energy Decarbonization Program 2024 Grant	\$288,363
Puget Sound Energy Decarbonization Program 2025 Grant	\$400,000
Department of Commerce HEAR Program	\$3,031,600
Department of Commerce HEAR Adult Family Home Program	\$1,500,000
Department of Commerce Building Electrification Fund	\$1,000,000
Department of Commerce Climate Planning Grant	\$40,000
Total Match	\$9,176,803
Puget Sound Energy CCA Decarbonization Grant	\$700,000
Total Budget	\$9,876,803

**Pending council approval. Ordinances to execute these Agreements and accept grant funding are on tonight's agenda.*

As this funding supports an existing program, the project team is prepared to begin execution immediately on the City Council's authorization and execution of the funding agreement. Heat pump installations funded by this grant are expected to begin in June 2026 and be completed by February 2027.



POLICY & FISCAL IMPACTS

Policy Impact

The Ordinance supports the following Sustainable Bellevue Plan actions.

- C.1.2: Develop outreach and education programming to support residents and businesses in taking action to reduce emissions and environmental impact, with a focus on engagement with Bellevue's most vulnerable communities.

- B.1.2: Accelerate market transformation of residential space heating away from natural gas to heat pumps
- B.1.3: Support low- and moderate-income households in adoption of heat pumps through loans and financial incentives
- B.1.4: Support residents accessing existing weatherization programs through Puget Sound Energy and King County Housing Authority and offer bundled weatherization measures with low-income heat pump installs.
- F.3.1: Embed equity in sustainability program design and implementation, including through prioritizing engagement with underrepresented community members and partnering with community-based organizations to co-design engagement and inform decision making.

Fiscal Impact

Executing this grant agreement will provide \$700,000 in grant funding from PSE to allow for additional heat pump installations. The city will retain and utilize \$238,000 of the total grant amount to provide heat pump incentives for qualified low-income households in Bellevue, with the remaining \$462,000 distributed within partner cities in the ECP.

Additionally, the action amends the 2025-2026 Operating Grants, Donations, and Special Reserve Fund budget to increase appropriations by \$700,000 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 to accept \$700,000 in grant funding from the Puget Sound Energy Decarbonization Grant Program for Energy Smart Eastside 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 \$700,000; and authorizing expenditures of said grant funds.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

Proposed Ordinance No. 6908

AVAILABLE IN COUNCIL LIBRARY

Puget Sound Energy Decarbonization Funding Agreement
 Eastside Climate Partnership Interlocal Agreement
 2026-30 Sustainable Bellevue Plan
 2026-30 Sustainable Bellevue Action Plan
 Energy Smart Eastside (ESE) 2025 Annual Report