

CITY COUNCIL AGENDA TOPIC

An Ordinance authorizing execution of an Interagency Agreement with the Department of Commerce to accept \$3,151,090 in grant funding from the Home Electrification and Appliance Rebate (HEAR) Program for Energy Smart Eastside to implement heat pump incentives; amending the 2023-2024 budget of the Operating Grants, Donations, and Special Reserve Fund to increase appropriation by \$250,000 in 2024 with the remaining \$2,901,090 to be appropriated in the 2025-2026 budget; and authorizing expenditures of said grant funds.

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Community Development Department

EXECUTIVE SUMMARY**ACTION**

This Ordinance authorizes the execution of a one-year agreement with the Department of Commerce (Attachment A) and acceptance of grant funds for the Energy Smart Eastside program in the amount of \$3,151,090 to implement heat pump incentives for low- and moderate-income households. The Ordinance also amends the 2023-2024 Operating Grants, Donations, and Special Reserve Fund to increase the appropriation by \$250,000 in 2024; the remaining expenditures of \$2,901,090 will be accounted for within the 2025-2026 budget.

The grant will fund equipment rebates for middle-income residents (80-150 percent of Area Median Income), purchase and installation of heat pumps for qualified low-income households (less than 80 percent Area Median Income), and an electric appliance rebate pilot for middle-income residents. Of the \$3,151,090 award, Bellevue will retain and utilize \$950,000. The remainder will be split among the City of Renton and the Eastside Climate Partnership cities of Issaquah, Kirkland, Mercer Island, and Redmond.

RECOMMENDATION

Move to adopt Ordinance No. 6791

BACKGROUND/ANALYSIS

Energy Smart Eastside is a heat pump incentive program jointly funded by the cities of Bellevue, Issaquah, Kirkland, Mercer Island, and Redmond as part of the Eastside Climate Partnership and administered by the City of Bellevue with oversight from all participating cities. The City of Renton was invited by Energy Smart Eastside to participate in this grant application for the purposes of expanding program reach. In May 2024, Bellevue was awarded a \$3.15 million grant from the Department of

Commerce HEAR Program to fund the following program tracks:

Track 1: Energy Smart Eastside Boost Program. Full cost coverage of heat pump installations for qualified households below 80 percent Area Median Income.

Track 2: Energy Smart Eastside Fuel Switch Rebate. Heat pump rebates for moderate income households with income at or below 150 percent area median income.

Track 3: Electric Appliance Rebate Pilot. Test out effectiveness of rebates targeting efficient electric appliances with lower barrier to implement than a heat pump. Rebates will target households with income at or below 150 percent of area median income.

Part of the grant will be allocated to marketing, outreach, and program administration, as detailed in the budget below.

Table 1: Program Budget

Program Track	Amount
<i>Track 1: Energy Smart Eastside Boost</i>	<i>\$1,928,700</i>
<i>Track 2: Energy Smart Eastside Fuel Switch Rebate</i>	<i>\$812,390</i>
<i>Track 3: Electric Appliance Rebate Pilot</i>	<i>\$50,000</i>
<i>Marketing and Outreach</i>	<i>\$70,000</i>
<i>Program Administration</i>	<i>\$290,000</i>
Total	\$3,151,090

This grant award includes a committed match of \$4,260,000 supplied by the partner cities and previously awarded grants as detailed in Table 2. Combined with the HEAR grant, this provides a budget of \$7,411,090 to fund the above-mentioned program tracks.

Table 2: Match Funding

Funding Source	Funding Amount 2023-2024	2025-2026
<i>City of Bellevue</i>	<i>\$555,200</i>	<i>TBD</i>
<i>City of Issaquah</i>	<i>\$393,600</i>	<i>TBD</i>
<i>City of Kirkland</i>	<i>\$366,000</i>	<i>TBD</i>
<i>City of Mercer Island</i>	<i>\$49,600</i>	<i>TBD</i>
<i>City of Redmond</i>	<i>\$455,600</i>	<i>TBD</i>
<i>WSU CEEP Grant</i>	<i>\$590,000</i>	
<i>Dept. of Commerce BEG Grant</i>	<i>\$700,000</i>	<i>\$300,000</i>
<i>Puget Sound Energy Grant</i>	<i>\$850,000</i>	
Match Subtotal	\$3,960,000	
<i>Dept. of Commerce Grant HEAR Grant</i>	<i>\$250,000</i>	<i>\$2,901,090</i>
Total Budget	\$4,210,000	\$3,201,090

If Council approves the execution of the agreement and accepts the funding, the project duration will be approximately 12 months. The heat pump installations occurring as a result of the grant are expected to drive a combined reduction in CO2 emissions of 8,542 metric tons over the lifetime of the heat pumps installed.

Work would commence in October and is projected to be complete in July 2025. Funding will include scaling program administration support at partner Hopelink and at City of Bellevue.

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 adaptation 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

This Ordinance amends the 2023-2024 Operating Grants, Donations and Special Reserve Fund to increase the appropriation by \$250,000 in 2024.

OPTIONS

1. Adopt Ordinance authorizing execution of an Interagency Agreement with the Department of Commerce to accept \$3,151,090 in grant funding from the Home Electrification and Appliance Rebate (HEAR) Program for Energy Smart Eastside to implement heat pump incentives; amending the 2023-2024 budget of the Operating Grants, Donations, and Special Reserve Fund to increase appropriation by \$250,000 in 2024 with the remaining \$2,901,090 to be appropriated in the 2025-2026 budget; and authorizing expenditures of said grant funds.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

A. Interagency Agreement with Washington State Department of Commerce
Proposed Ordinance No. 6791

AVAILABLE IN COUNCIL LIBRARY

Eastside Climate Partnership Interlocal Agreement
Sustainable Bellevue Plan