



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6060
May 3, 2022
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6060: Heat Pump Installation Campaign Proposal	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Authorize use of ARPA Funds (\$25,000) to support access to heat pump installation program for low-income residents.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Ross Freeman, Sustainability Analyst
COUNCIL LIAISON:	Craig Reynolds Jake Jacobson Ted Weinberg
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	1. Prepare for the impacts of growth and change with a continued consideration on environmental sustainability.

AMOUNT OF EXPENDITURE	\$ 25,000
AMOUNT BUDGETED	\$ 0
APPROPRIATION REQUIRED	\$ 25,000

EXECUTIVE SUMMARY

This agenda bill concerns a new regional heat pump installation campaign proposed for the summer of 2022.

- This pilot program will help Mercer Island residents replace their old, or inefficient, heating/cooling systems with new highly efficient electric heat pump technology.
- Energy consumption used to heat and cool buildings is responsible for over 50% of the community's greenhouse gas emissions; therefore, efficiency gains in this arena are of great interest.
- Program administration, and outreach and logistical support, will be provided by a local non-profit contractor highly experienced in energy-efficiency campaigns.
- In order to provide access to the program for low-income residents, and people facing the greatest financial burden from their energy bills, staff is requesting City Council appropriate \$25,000 in ARPA funds to provide installation subsidies covering up to 95% of cost to a small number of income-qualified Mercer Island residents.
- The City Council Sustainability Committee has discussed this program and the proposed subsidy over several meetings and has expressed support for this request.

BACKGROUND

In 2006, the City Council committed to a greenhouse gas (GHG) reduction goal of **80% from 2007 levels by 2050**, consistent with the goals stated by King County's Comprehensive Plan, and other regional cities (See [Resolution No. 1389](#)). In 2011, the City joined King County and other local cities as a founding member a new, nationally-recognized, closely coordinated effort to jointly tackle climate issues and enhance the reach of each City's sustainability initiatives, known as the [King County-Cities Climate Collaboration \(K4C\)](#).

Over the past decade, Mercer Island has undertaken a wide range of energy efficiency, and other climate-related initiatives, to make progress towards its GHG goals. For example, in 2014 and 2018, the City ran two popular rooftop solar installation campaigns, known as "Solarize Mercer Island," which invited participants to educational workshops, offered free customized cost estimates, and then introduced interested homeowners to a pre-selected, certified installer to complete the process. By providing this level of technical support, access to rebates and incentives, and a small group discount, the City was able to add 150 residential and commercial installations in just four years.

Building on this prior work, the City began exploring the feasibility of running a heat pump installation campaign in late 2021, with the intent of helping residents achieve greater energy efficiency which leads to reduced community GHG emissions. Energy consumption used to heat and cool buildings is responsible for over 50% of the community's greenhouse gas emissions; therefore, efficiency gains in this arena are of great interest. The pilot campaign will be implemented in close partnership with four other K4C cities, all PSE customers on the Eastside: Bellevue, Issaquah, Kirkland, Redmond.

Earlier this year, Mercer Island began work on its first ever Climate Action Plan (CAP). Piloting the heat pump campaign now, in 2022, will provide valuable lessons learned that will inform future consideration of larger implementations as part of the CAP. In late April, the State Building Code Council announced that all new commercial buildings (including multi-family structures four stories and taller) must use heat pumps for water and space heating starting in July 2023. This pilot campaign will help the City prepare for this code change.

ISSUE/DISCUSSION

The proposed installation campaign will run in a manner similar to the City's earlier "[Solarize](#)" photovoltaic campaigns, where educational workshops, pre-selected installers, and access to modest group discounts or rebates are part of the offering.

As currently conceived, the Heat Pump Program will run on two parallel tracks: one at market-rate, while the other track will provide an energy-efficiency grant to allow participation in the program by residents living at approximately 50-80% of the area median income (AMI) who tend to feel the impacts of utility bills more acutely. These could be residents living in subsidized housing, or aging-in-place seniors who subsist on very tight fixed incomes. Both tracks would also seek to help participants take advantage of other lesser-known funds, such as PSE rebates, King County zero-interest loans, State of Washington energy grants, manufacturer rebates, etc.

The five partner cities have been scoping the feasibility and logistics of a joint campaign for over six months and are closely collaborating to maximize efficiency; the group will also contract with other local experts to run certain campaign elements.

- Local non-profit [Spark Northwest](#) will run the project administration and educational components of the campaign and oversee the RFP process to locate and select qualified installers. Spark Northwest

has broad experience doing this work elsewhere in Washington and Oregon and is also the group that has led dozens of Solarize campaigns across the PNW, including helping run the two Mercer Island campaigns.

- Regional non-profit [Hopelink](#) will oversee the grant process for income-qualified applicants and has extensive experience serving low-income families across the region. Hopelink also already administers grants for energy bill assistance and several Mercer Island residents use its services each year. Via Hopelink, the City will award up to \$25,000 for redistribution to qualified households on a case-by-case basis – typically the funds are paid directly to the heat pump installer if and when interested and qualifying individuals are identified and approved.
- In order to locate a sufficient pool of low-income residents, the partner cities also intend to work with Imagine Housing which operates at least one subsidized living facility in each jurisdiction. For example, all of the residents at Grace Place in Mercer Island’s Town Center are Seniors (age 62+) who earn less than 50% of the area median income (AMI). Each of these individuals must pay their own Utility bills, and all of their living units have relatively inefficient heating systems with no cooling provided. The City has an existing relationship with Grace Place through staff community service events, emergency preparedness programs, and other activities.

The benefits of participating in the regional Heat Pump Installation pilot include making progress towards GHG targets, assisting energy-burdened low-income residents, and providing home cooling to seniors who will suffer the most from hotter summers triggered by climate change. Since Utilities in Washington are not required to offer any financial assistance for low-income gas customers, it may be especially compelling for that customer group to participate, especially if they also seek (but don’t have) home cooling.

In the pilot year of the heat pump campaign, the targets for Mercer Island are 20 homes installed (or contracted) in the market-rate program, and up to 5 installations through the subsidized program.

NEXT STEPS

Upon approval by the City Council, staff will develop a plan to reach eligible individuals and invite them to learn more about the heat pump subsidy opportunity. Staff will report back to the Sustainability Committee and the City Council regarding the outcome of this pilot program. Outcomes from this campaign will be used to inform future programs.

RECOMMENDED ACTION

Appropriate \$25,000 of ARPA funds to subsidize qualified low-income households participating in the Heat Pump Installation pilot campaign.