



**BUSINESS OF THE CITY COUNCIL  
CITY OF MERCER ISLAND**

**AB 6200  
December 6, 2022  
Consent Agenda**

**AGENDA BILL INFORMATION**

<b>TITLE:</b>	AB 6200: Heat Pump Campaign Update and Eastside Climate Partnership ILA	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Approve extension of the 2022 heat pump pilot program into 2023; and authorize the City Manager to sign the Eastside Climate Partnership Interlocal Agreement.	

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

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

**EXECUTIVE SUMMARY**

This agenda bill provides an update on the current *Energy Smart Eastside* heat pump installation pilot campaign, operated jointly by the five Eastside cities of Bellevue, Issaquah, Kirkland, Mercer Island, and Redmond. The agenda bill also introduces a new Interlocal Agreement (ILA) that will formalize the collaboration among the Eastside cities and facilitate the efficient sharing of resources to broaden the Energy Smart Eastside campaign, and potentially expand beyond heat pumps.

- The current heat pump education and installation pilot campaign is an effort to improve household energy-efficiency and reduce carbon footprints across the region.
- This pilot program helps Mercer Island residents replace their old, or inefficient, heating/cooling systems with new highly efficient electric heat pump technology.
- The pilot program offers a \$500 equipment discount to all participants; so far, 60 Island residents have attended workshops, and 40 have pursued follow-up site assessments. The first installations are expected to begin in December.
- In addition, qualifying low-income households are eligible for a subsidized installation using ARPA funds provided by the City, supplemented by incentives from Puget Sound Energy, the King County Housing Authority, the State of Washington, and others.

- The proposed ILA will supplement the current umbrella ILA that is part of the cities' active membership in the King County-Cities Climate Collaboration (K4C).

## 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 of the nationally-recognized [King County-Cities Climate Collaboration \(K4C\)](#). This alliance of 20 local governments, organized under an Interlocal Agreement (ILA) helps support climate solutions, share success stories, and coordinate multi-city educational or advocacy initiatives to achieve shared climate goals and targets.

Starting in December 2021, the City began work on its first Climate Action Plan, which will provide a long-term cohesive planning document that organizes Greenhouse Gas (GHG) reduction actions and programs in a strategic manner in order to achieve the City's stated emission targets. The outcomes of the CAP will be adopted by reference in the City's Comprehensive Plan, for which the 2024 update is currently underway.

Even though the specific GHG reduction actions in the CAP are yet to be finalized, the latest Greenhouse Gas Inventory indicates that 40% of the community's emissions are due to energy use (electricity and natural gas) in the built environment. As a result, it will be impossible to meet emissions targets without reducing energy use in this sector, and heat pumps are currently considered one of the best technologies available to begin this transition. The City's recent CAP community survey also found that 83% (+/- 6%) of respondents in the random sample survey voiced support for a heat pump incentive program.

The City began piloting a joint heat pump campaign under the branding [Energy Smart Eastside](#) with other K4C partners (Bellevue, Issaquah, Kirkland, and Redmond) in July 2022, and has been able to gain valuable experience that will inform future, larger implementations. The program runs on two parallel tracks that partners seek to continue into 2023: one at market-rate, and the other subsidized to enable participation by low-income residents, who tend to feel the impacts of utility bills more acutely. The subsidized track uses grants to enhance other primary funding sources such as PSE rebates, King County Housing Authority awards, State Department of Commerce grants, King County zero-interest loans, etc.

To date, seven online workshops have drawn over 500 attendees across the five cities, including 60 Mercer Island residents; program-wide, approximately 60% are electing to receive a free onsite assessment for their home.

Meanwhile, on the subsidized program track, the cities are using several approaches including direct outreach to eligible participants (e.g., aging-in-place Seniors) and collaboration with housing providers. Multiple partner agencies are currently helping to identify and evaluate suitable subsidized housing facilities in each partner city. In late November, the King County Housing Authority (KCHA) began performing its technical assessment of the potential energy efficiency gains for Imagine Housing's Grace Place, an independent 59-unit apartment building in Mercer Island's downtown. This 45-year-old facility (formerly known as Ellsworth House) focuses on serving low-income individuals living below 30% of Area Median Income (i.e. <\$37,000/year in Mercer Island) and could be a very good fit for enhanced energy efficiency measures.

In August, a short window of opportunity opened to apply for a [Community Energy Efficiency Program](#) (CEEP) grant from Washington State University, with the hopes of extending the current joint heat pump pilot into

2023. The five Eastside Cities were joined by King County in applying and have been provisionally awarded a shared grant, with Mercer Island expected to see about \$40K for use before July 2023. King County is serving as the lead agency for the grant contract and a final scope of work is expected to be complete by year's end; each City will sign a sub-grantee agreement to accept its portion of the award.

Although King County will ultimately hold the main grant contract and complete the reporting requirements, each of the partner cities except the smallest --Mercer Island-- has volunteered to take on the task of establishing and holding other sub-agreements or contracts with certified installers, energy-related non-profits, and a heat pump vendor. Due to this arrangement, the partners may need to transfer grant funds amongst each other and are therefore proposing an expanded ILA that will build upon the existing K4C ILA that all are party to. This proposed *Eastside Climate Partnership ILA* is included as Exhibit 1.

For additional background, the State's Building Code Council announced in late April 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. In November, it issued the same order for all new residential construction, with few exceptions and the same effective date. Having an existing and well-attended pilot heat pump campaign in place will help the City prepare for this significant code change.

## ISSUE/DISCUSSION

With this agenda bill staff propose two actions:

1. Continue the current heat pump pilot program into 2023, using funds listed below to supplement the expected CEEP grant amount of \$40,000. This action does not require additional funding, just the carryforward of existing funds. The funding for the heat pump pilot program includes the following:
  - a. \$25,000 in ARPA funds that the City Council allocated in May 2022 (see [AB 6060](#)) to help enable subsidized heat pump installation; so far this money is unspent.
  - b. In September 2022, the City formally accepted an \$80,000 Climate Action Planning Grant from the State Department of Commerce (see [AB 6143](#)) which contains funds specifically allocated for early action items related to the CAP. This amount (approximately \$23,000) would be used for heat pump campaign expenses in 2023 and must be spent before July.
  - c. In total, approximately \$48,000 would be available to continue the program into 2023.
2. Approve the new Eastside Climate Partnership Interlocal Agreement (see Exhibit 1) that will allow the partner cities to more easily collaborate and formally share resources on the CEEP grant and in other future energy efficiency joint campaigns.

The proposed ILA will do the following:

- a. Acknowledge the threat that climate change poses and the importance of participation by local governments in combined initiatives to reduce emissions and improve resiliency;
- b. Establish a Board composed of staff representing each city;
- c. Provide each city oversight over joint programs;
- d. Enable the Parties to apply for grants together and coordinate administration of the grants;
- e. Allow for cooperative contracting and purchasing to maximize efficiencies and reduce administrative burden across the cities (e.g. one agreement versus five); and
- f. Allow any member city to opt out of specific joint programs.

The proposed ILA does not:

- a. Replace the existing K4C ILA, but instead supplements it;

- b. Create a new or separate legal or administrative entity;
- c. Create a joint budget or require member dues; or
- d. Preclude the Parties from pursuing grants for the programs on their own.

The benefits of participating in a regional heat pump installation pilot include making progress towards GHG targets, preparing a robust early action campaign for implementation when the Mercer Island CAP is complete (expected late Q1 2023), assisting energy-burdened low-income residents, and providing the added benefit of home cooling to Seniors who generally suffer the most from hotter summers that are becoming more common.

## **NEXT STEPS**

With City Council approval of the extension of the heat pump pilot installation campaign, staff will continue with planning to add more public workshops in 2023 and to reach additional segments of the low-income population in Mercer Island, with assistance from the City's Youth and Family Services Department and regional social services provider HopeLink.

Additional funding for energy efficiency initiatives may also be contemplated by the City Council when it discusses finalizing the 2023-24 Biennial Budget in April of 2023.

The ILA becomes effective upon signature by two of the five listed partner cities.

## **RECOMMENDED ACTION**

Approve extension of the 2022 heat pump pilot program into 2023; and authorize the City Manager to sign the Eastside Climate Partnership Interlocal Agreement.