



**CITY OF CLEVELAND**  
Mayor Frank G. Jackson

## **LED Lighting Initiative for Jobs and Economic Sustainability**

### **Frequently Asked Questions**

#### **The LED Initiative**

- **What is the LED Lighting Initiative?**
  - The LED (Light Emitting Diode) lighting initiative is an unprecedented economic development effort that uses the City's purchasing power to create jobs, attract business investment, save the city money, reduce the City's energy consumption, reduce the City's carbon footprint and spur the creation of a sustainable economy in Cleveland.
- **How does the LED Lighting Initiative work?**
  - The City will purchase cutting-edge LED (Light Emitting Diode) lighting products for its facilities through a requirement contract with a company that agrees to manufacture the products at a facility in the City of Cleveland, to employ at least 350 people within five years of the contract date, and to ensure that a minimum 20% of its employees are Clevelanders.
- **What are the economic development goals of the City's LED Lighting Initiative?**
  - To create at least 350 jobs over the first five years of the project, to attract business investment to the City of Cleveland and help create a sustainable economy in Cleveland.
- **How will the City's LED Lighting Initiative affect the City's operations?**
  - By using LED lights, the City will reduce its energy consumption, its carbon footprint and its electric bill.
- **Why is the City calling this initiative "unprecedented"?**
  - To our knowledge, the City has never before used its purchasing power to attract economic development. Typically, economic development projects rely on tax abatements, loans and/or grants. This project will not rely on these traditional methods.

- **How much money will the City of Cleveland spend to attract an LED company to Cleveland?**
  - None. The City will not spend any money upfront to attract the company to Cleveland. The only money that the City of Cleveland will spend on this initiative will be that which it uses to purchase the LED lighting products at the prices specified in the requirement contract.
  - The total value of the contract will depend on product pricing and the amount of purchases the City makes over the life of the contract.
- **How will the City of Cleveland benefit by entering into this contract?**
  - In addition to increased tax revenue generated by the 350 new jobs, the City will reduce its carbon footprint and its operating budget due to the long life and energy efficiency of LED lights.
  - For example, the City currently spends about \$12 million annually on its electric bill for streetlights alone. By using LED streetlights, the City projects it can save \$4.3 million in electricity and maintenance costs annually.
- **How will this benefit Cleveland residents?**
  - Cleveland residents will be able to apply for employment at the LED company.
  - Because this initiative will help the City save money, its residents and neighborhoods can expect that it will help them continue to receive high-quality city services.
  - The City is developing an energy efficiency and conservation program that would allow residents to purchase LED lights and receive the same energy and cost-savings benefits the City is seeking.
- **What impact will this initiative have on the regional economy?**
  - This initiative has tremendous potential to spur economic growth in our region through job creation, the creation of an advanced lighting technology cluster in Cleveland and the support for local companies that will become part of the supply chain for the LED company.
- **What is a requirement contract?**
  - A requirement contract is a contract the City enters into with a vendor to purchase, on an as-needed basis, 100% of the City's estimated requirement for a particular good or service. That is, when the City requires a product or service specified in the contract, it purchases the product or service from the vendor under contract.
- **Does a requirement contract typically contain economic development specifications?**
  - No – this is why Mayor Jackson's approach is groundbreaking. By including economic development conditions in the contract, the City is able to guarantee jobs for Clevelanders and business investment in the city while at the same time securing the best price on a product it needs.

- **Will Cleveland residents be employed by the LED company?**
  - Yes – the contract will require that a minimum 20% of the company's workforce are Cleveland residents.
- **Will the LEDs be made in Cleveland?**
  - Yes. The contract will require that the company locate a facility or facilities within the City of Cleveland for assembly, manufacturing, distribution, customer service and research and development.
- **Will local companies benefit from the LED Lighting Initiative?**
  - Yes – the contract will require the LED company to use local suppliers, local producers and local sustainable companies when it contracts for goods and services as part of its supply chain.
- **What types of LED lights will the City purchase through this contract?**
  - LED streetlights, LED traffic lights, LED incandescent replacement bulbs and LED replacements for fluorescent tubes. The exact specifications for each of these products will be outlined in Specifications in the Invitation to Bid.
- **Will the City receive a warranty on the products it buys through this initiative?**
  - Yes – the contract will require a full replacement warranty to cover all aspects of quality and performance of the product, including life span, energy efficiency standards, and cost savings as outlined in the Invitation to Bid and contract.
- **Is the city required to purchase LED lights once it enters into the requirements contract?**
  - No, the City is only required to use the vendor identified in the contract if and when the City wants to purchase LED lights covered under the contract.
- **What is the length of the contract?**
  - The Administration's legislation requests authority to enter into a contract for a period of up to 10 years. The final length of the contract term will be determined by the successful bid accepted for the contract.
- **Isn't 10 years a long time to enter into a contract for light bulbs?**
  - No. Up to 10 years is an appropriate amount of time given the following considerations: the long life of the products being purchased and the amount of capital investment required by the LED company to establish a facility in the city and to expand its operations to meet its minimum hiring goal of 350 employees in the first five years.
  - Moreover, the "lowest price guarantee" ensures that the City will always receive the lowest price in the marketplace.

- **What happens if a new technology emerges that is better than LEDs? Will the City still be obligated to purchase LED lights through this contract?**
  - No. Because the City would enter into a requirement contract for LEDs, the City is only obligated to purchase LED lights from the LED company. If a new technology emerges that provides better cost savings, energy efficiency and carbon mitigation, the City will be free to purchase that product from the vendor of its choice.
- **Can't the City get better prices by bidding for the different products individually?**
  - Although the City might conceivably be able to get lower prices by separately bidding the four LED product lines, the products and prices are only one element of the contract; by purchasing all four product lines from the same company, the City is creating a powerful economic incentive for the winning bidder to construct a manufacturing plant in Cleveland and create jobs in Cleveland.
  - In addition, the City believes that the economies of scale in local manufacturing and assembly and a short supply chain suggest that we will actually do best by aggregating the demand.
- **Will this project require City Council approval?**
  - Yes; because the requirement contract will be valued at more than \$50,000, the City must have legislative authority to enter into the contract. Mayor Jackson introduced legislation to Cleveland City Council on June 7, 2010.
- **Does the Cleveland business community support this new approach to economic development?**
  - The City has received positive feedback from a wide range of constituents, including Cleveland business people. As the City moves forward with this new initiative, Mayor Jackson will engage the Greater Cleveland Partnership and other business stakeholders to explain the initiative and its benefits.
- **Will the LED products be UL-certified and Energy Star rated?**
  - The City will only purchase LED lights that are UL-certified at the time of purchase. Further, specifications include requirements for Energy Star testing as those tests and standards are developed by the U.S. Department of Energy (DOE). The DOE has not yet developed Energy Star standards for all LED product lines.