



“...through collaborative planning and value engineering, the additional cost of completing LEED-rated tenant improvements only required an increase in overall build-out costs of 8.5%”

SUCCESS STORY

ELEMENT POWER

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Tenant Representation
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CHALLENGE

A consortium of high-level executives from Pacificorp Energy Group and Horizon Wind approached our Corporate Services Team regarding a new utility-scale wind and solar energy company to be headquartered in Portland, Oregon. The new firm, Element Power, was to receive \$1 billion in funding through a New Jersey-based private equity firm, Hudson Clean Energy Partners. The principals who formed this private equity firm were formerly with Goldman Sachs.

Hudson Clean Energy Partners raised more than \$800 million to be applied to wind and solar development worldwide. An existing operation was acquired in London with offices in Madrid, Spain. At 10,000 square feet, Portland was to be the United States headquarters.

STRATEGY

Since the Class A office vacancy rate in the Central City was less than 7%, only a few landlords were willing to aggressively compete for this requirement. Yet, the October 2008 financial sector “meltdown” presented a potential opportunity to acquire newly constructed office space at a discounted rate.

In order to secure this tenancy, landlords were asked to provide a “space pocket” to allow Element Power to grow into the premises without paying for yet-to-be used space. Unico, who recently renovated the Commonwealth Building, recognized the opportunity to secure a growth tenant in an emerging industry. Element Power would occupy 12,200 square feet upon completion of tenant improvements, but would only pay for an initial lease of 3,500 square feet. The company would then grow to 12,200 square feet by the nineteenth month of the lease term and then begin paying rent. Element Power also sought to achieve a LEED commercial interior (CI) certification for its tenant improvements.



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RESULTS

Element Power leased the tenth floor of the Commonwealth Building, using the “space pocket” concept described above as well as six months of “up-front” free rent. The total economic benefit to Element Power was equivalent to approximately 16 months of free rent during the first two years of occupancy. The Landlord provided a \$45 per square foot improvement allowance that was secured by this “start-up” tenant’s letter of credit.

Above and beyond this favorably negotiated transaction structure, Element Power was able to move into completed office space at lease signing, more than 120 days prior to their lease commencement. This “early occupancy” space was provided at no additional cost to Element Power.

It was Element Power’s goal to attain LEED certification (“LEED CI”) for tenant improvements. Initial cost estimates suggested that securing a LEED certification would exceed the costs of usual and customary office improvements by 25% to 30%. But through collaborative planning and value engineering, the additional cost of completing LEED-rated tenant improvements only required an increase in overall build-out costs of 8.5%.

Friday, March 20, 2009 | Modified: Monday, March 23, 2009

Energy company chooses Portland as its North American headquarters

Portland Business Journal - by [Erik Siemers](#) Business Journal staff writer

A new company backed by some of the biggest names in global renewable energy development has chosen Portland as its North American headquarters, further solidifying the city's place as a clean energy capital.

Element Power focuses on utility-scale solar and wind energy projects across North America.

The company last week signed the lease on nearly 10,000 square feet of office space within the Commonwealth Building downtown, 421 S.W. Sixth Ave., where the company hopes to employ a payroll of up to \$8 million and 50 workers.

But more than anything, Element is notable for its concentration of high-profile talent.

The company is the product of Hudson Clean Energy, a Teaneck, N.J.-based private equity fund created in 2007 by the team that ran Goldman Sachs' clean energy investment group and turned Houston-based Horizon Wind Energy into the third-largest renewable energy company in the U.S.

Its principals also include John Cavalier, the former vice president of investment banking at Credit Suisse who created the firm's renewable energy banking practice.

The private equity fund is in the middle of trying to raise \$1 billion from institutional investors by July. And according to at least one report, it may surpass that goal.

Company officials declined to confirm a report Tuesday by Private Equity News, a division of Dow Jones, that said Hudson could reach \$1.5 billion when it closes its first institutional fund this summer.

Element operates from offices in Madrid, London and Portland and is led by former executives from two of the world's top renewable energy companies: [Iberdrola S.A.](#) and EDP Renováveis S.A., both based in Spain.

In Portland, the effort is led by CEO Ty Daul, President and Chief Operating Officer Raimund Grube and Chief Development Officer Chris Taylor.

Daul led North American project development for Portland-based PPM Energy, which later was acquired by Iberdrola and became that company's North American headquarters.

Grube led Iberdrola's development efforts in both the midwest and western territories, while Taylor managed renewable energy development in the Pacific Northwest for Horizon Wind Energy while that company was privately owned and through its acquisition by Goldman Sachs and eventually EDP.

"We took the guys that created the value at those two companies (Iberdrola and EDP) and put them together in Element Power," said Joe Slamm, the Hudson partner who oversees utility-scale renewable energy investment. "Most of these guys have done this for 10 or 15 years."

Element chose Portland as its headquarters largely because Grube, Daul and Taylor already live here. But the city, Grube said, also has the right base of talent and business environment.

Besides Iberdrola, Horizon Wind Energy also hosts a major presence in Portland. Denmark-based [Vestas Wind Systems](#), the world's leading manufacturer of wind turbines, has plans to expand its North American headquarters in Portland. And German solar panel manufacturer [SolarWorld](#) AG hosts North America's largest solar energy manufacturing plant in Hillsboro.

The growing proliferation of renewable energy companies converging upon Portland helps promote the city's reputation as the nation's leader in clean energy development.

"Once you get an anchor tenant or two here then it attracts other people. They like being in a community that has other people like them," said Rachel Shimshak, director of the Portland-based Renewable Northwest Project, a 15-year-old advocacy group for renewable energy development in the region. "I think it makes Portland the place to be."

While most of the large-scale renewable energy projects to emerge in recent years have revolved around wind energy, Element said it hopes to also push utility-scale solar to the forefront.



Cathy Cheney | Portland Business Journal

Element Power President Raimund Grube says solar power will quickly grow in popularity in the U.S.

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“(Solar’s) time is really now and over the next few years where it will have a measurable impact on the energy mix in the U.S.,” Grube said.

The company will work to develop projects based upon the needs of its electric utility customers. In other words, Element is advertising itself as being flexible: it could develop a project to sell the energy to a utility, develop a project that would be wholly-owned by the utility, or one that is owned jointly between the company and the utility.

“We’ll have a willingness to entertain those business structures to help utilities meet their needs,” Grube said.

Grube declined to release projections for either revenue or installed megawatts. While the company is working on some projects across North America, he declined to identify them until the deals are finalized.

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