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Building HVAC specialists feel warming trends

BY JAMES MOSHER

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The changing of the heating and cooling systems at one of Baltimore County's largest office buildings may look like just another heavy-duty construction job, but there's more to it than meets the eye.

Woodlawn-based **Mechanical Engineering & Construction Corp.** is working with **Transcend Equity Development Corp.** to revamp the systems of Hunt Valley One, a five-story, 260,000-square-foot office building owned by Columbia-headquartered **Corporate Office Properties Trust.** Mechanical Engineering and its Dallas-based partner are using unorthodox methods that are hitting the right notes with developers and office building managers nationwide, executives say.

Mechanical Engineering specializes in engineering jobs where systems cannot be shut down. This expertise in what Rich Beattie, Mechanical Engineering's president, calls "mission critical" operations is coming to be valued more and more by customers for financial and other reasons.

"We do a lot of work in that area," said Beattie, whose company rebuilt a heating and cooling system left by Hunt Valley One's original owner so that current tenants won't be left in the cold. "And that has a lot of appeal for people involved in critical care."

Historically, buildings would have to shut down, sometimes for months, when it came time to replace air conditioning and heating systems. The Hunt Valley job involves large cranes lifting cooling towers off the roof. Old equip-



ERIC STOCKLIN

Mechanical Engineering & Construction Corp. is working to revamp the HVAC systems of Hunt Valley One, a five-story, 260,000-square-foot office. The company uses a method that allows the system to be replaced without having to shut the building down or impact business. Above, Mechanical Engineering's Tom Beard stands near a boiler at Hunt Valley One.

ment is being dismantled and carried out of the building. All of this is done with no interruption of tenant business, or a shutdown of systems.

"It's like a heart transplant for the mechanical system," Beattie said.

Mechanical Engineering, which has done other Maryland jobs for COPT, is only 3 years old but already has 70 employees.

Transcend is gaining additional business by making use of concepts popular throughout much of the real estate development industry. Arrangements involve fronting money to property owners for changes in heating and cooling units; Transcend then makes a profit from the efficient new systems it

installs. The new systems at Hunt Valley One, located at 11311 McCormick Road, will cut projected electricity demand by 25 percent, Beattie said.

Transcend is only 5 years old and has just six employees but is attracting big-name clients, thanks, in part, to its fruitful relationship with COPT, one of America's largest real estate investment trusts, whose shares are traded on the New York Stock Exchange. Transcend does business much like real estate developers, said Steve Gossett Jr., the company's vice president.

"We take all the risk by building the new systems, just like a developer will take the risk of creating a new build-

ing,” Gossett said. “We don’t make any money if our systems don’t generate savings. Developers are used to that kind of a model.”

The relationship between COPT and Transcend dates back to 2002 when Transcend modified climate systems in COPT’s Airport Square portfolio, a group of buildings near Baltimore/Washington International Thurgood Marshall Airport. Increased tenant satisfaction pleased COPT executives, leading to more contracts with COPT and work with other large real estate investment trusts, or REITs, Gossett said. He said he couldn’t identify the other REITs because of confidentiality agreements.

Transcend, which specializes in multi-tenant office buildings, was founded shortly after Sept. 11, 2001. Gossett sees a certain convergence in the timing and the fact that much of the company’s work in the Baltimore-Washington area is done in buildings housing defense and homeland security companies.

Maryland’s sizable number of Pentagon-affiliated firms, including Bethesda-based **Lockheed Martin** Corp., the world’s largest defense contractor, likely means a lot more work for Transcend and subcontractors like Mechanical Engineering & Construction. The Department of Defense’s Base Realignment and Closure process, which is transferring hundreds of jobs from New Jersey to Maryland, will likely help building climate specialists as well.

“We expect to be doing significant business in Maryland for the next five to 10 years,” Gossett said.

Spikes in energy prices are also good for business, Gossett said.

“Energy prices have gone up and it’s been particularly awful in Maryland,” he said. “Since we help generate savings, then that means there are more people looking for what we do.”

The business model followed by Transcend was created by Gossett about 10 years ago he worked at another company, he said. Traditional

accounting practices and investor perceptions forced him to go to work elsewhere to try out his ideas.

“It looks awful in accounting but it really works,” said Gossett, who said his company currently has an eight-figure revenue number. “Because of the way many people analyze public companies we would never be anything but a private company.”

In an era when government is passing various laws aimed at conserving energy, Transcend executives see themselves setting the pace for the private sector.

“We use free-market forces to create efficiency,” Gossett said. “We think that’s a unique story.”

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