

Newsmakers

A comprehensive list of the people and companies appearing in the Business Journal this week.



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Ventures

Strategies for growing companies

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August 20, 2010



NANCY KUEHN | MINNEAPOLIS/ST. PAUL BUSINESS JOURNAL

Greg Hosch, CEO of Harris Cos. The mechanical contractor has seen growth in its sustainability business, making buildings more environmentally friendly.

After roll-up, Harris set to grow

Contractor's merger deals added geographic reach, flexibility

BY TREVOR BORN
STAFF WRITER

When Greg Hosch took over as CEO of Harris Cos. in 2005, he had expansion and diversification on his mind.

The mechanical contracting firm had just one major acquisition in the 57 years before Hosch. In his first three years as CEO, he made four big merger deals; Harris now comprises eight individual companies, most recently acquiring Wasatch Controls Systems out of Salt Lake City. Its family will grow again when it spins

off its environmental sustainability business as a separate company in 2011.

After the acquisition roll-up, Harris — which offers piping, plumbing, HVAC and

controls services — now has offices in four states and British Columbia, with major projects in 20 states, Canada and Japan.

The diversification proved shrewd through the economic downturn, as Harris increased revenue from \$127 million in 2005 to a projected \$185 million in 2010. The firm boosted its work force by 15 percent since 2005, to 675 employees. National industry publication *PHC News* named Harris the 2009 Contractor of the Year for its growth and new ventures.

"Now we have such a deep bench of people and resources and skills," Hosch said. "We can take on a lot of different, big, complex, technical jobs that a lot of companies have to shy away from, and that opens a lot of options."

Harris' most recent push is into environmentally friendly design, such as retrofitting buildings with higher efficiency systems. Sustainability work doesn't yet make up a big chunk of Harris' total revenue, but it held up stronger than many other mechanical contracting jobs during the recession and a few jobs re-

vamping hockey arenas, schools and hospitals offset revenue drops in other businesses.

"The whole construction industry right now is in a period where it's evolving and changing," said Steven Pettersen, executive vice president for the Minnesota Mechanical Contractors Association. "With the uncertain economic outlook, being able to find new things like Harris has with their environmental initiatives is the only way a company can survive right now."

Many of those projects are government funded, which Harris has pursued as a new market and helped the company stay stable as private building declined. Locally, Harris worked extensively on the Hiawatha light-rail line, the University of Minnesota's TCF Bank Stadium and is now helping with construction on St. Joseph's Hospital in St. Paul.

Outside of Minnesota, Harris' projects include barracks at Fort Lewis Army Base near Tacoma, Wash.; a hospital at Ellsworth Air Force Base in South Dakota; and a large proj-

HARRIS COS.

Headquarters: St. Paul
Founded: 1948
CEO: Greg Hosch
Founder: Charles Harris
2009 revenue: \$170 million
Employees: 665
Business: Full-service mechanical contracting
Web: hmcc.com

ect for the Department of Energy in South Carolina.

"Trying to take advantage of government spending has been a big help over the last few years, for sure," Hosch said.

Hosch said he plans to keep expanding and diversifying Harris, with eyes on Charlotte, N.C.; Seattle; and the Rocky Mountains. He hopes to start or acquire another business within the next six months.

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GLEN STUBBE • gstubbe@startribune.com

A crew from Trak International, owned by Harris Cos., is drilling 32 holes to bury about 12,000 feet of pipe 350 feet down for a geothermal heating and cooling system for the Eagan Civic Arena.

Geothermal projects help Harris Cos. grow

• The St. Paul-based mechanical contractor has handled work for ice arenas, hospitals and TCF Bank Stadium. And it's adding jobs.

ON BUSINESS
 NEAL ST. ANTHONY



The engineer who runs one of the Midwest's biggest mechanical contractors chuckles when critics equate "green" and "sustainable" with tree-hugging liberalism.

"It's something that's been slow to catch on in our industry," conceded Greg Hosch, CEO of St. Paul-based Harris Cos. "But it's also the right thing to do, to help people to pay for projects out of energy savings in the long run. And we make money at it."

Moreover, Harris weathered the Great Recession better than its competitors. And it has a record backlog of jobs for the next 18 months.

In an industry where the slump in commercial construction cut worker hours nearly in half between the first quarter of 2007

and the depths of 2009, Harris saw its revenue dip by only 15 percent last year, to about \$170 million.

Harris expects to increase employment by 15 percent this year to more than 800 in several states and is anticipating revenue growth through 2011.

"Harris has a good reputation," said Steve Petterson, executive vice president of the Minnesota Mechanical Contractors Association. "They've been flexible, diversified geographically and they've got good management, good project managers and great field foremen ... the pipefitters, plumbers and sheet-metal workers who run the jobs and make things work."

Hosch, 39, also attributes the firm's good health to winning some federal projects that sustained Harris during the commercial-building slump.

St. Anthony continues on D2 ►

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in minnesota

Geothermal projects help Harris Cos. grow

◀ ST. ANTHONY FROM D1

That work partly offset Harris' ill-timed 2007 expansion into recession-stuck Arizona.

PHC News, a plumbing-industry trade publication, named Harris as its contractor of the year in 2009 largely because it is plowing new ground with customers through "innovative, responsible solutions" that include tapping the energy of the sun and the Earth's natural heating and cooling systems.

That particularly makes sense in fossil-fuel-poor Minnesota.

For example, Harris has developed a specialty in refurbishing energy-sucking municipal ice arenas into more efficient buildings where the heating and cooling is generated from ambient energy tapped a few hundred feet below ground. Harris is the parent company of Trak International, which through its GeoExchange business retrofits arenas, as well as schools, medical facilities and factories, and guarantees the energy and operating savings sufficient to pay for the work over 10 to 20 years.

"Harris also helped us get a 50 percent grant from the U.S. Department of Energy for about \$1.4 million," said Cheryl Mesko, operations chief of the Egan Parks and Recreation department. "The geothermal cost is roughly \$2.7 million and we added the replacement of the west rink, one of two ice surfaces, which took the total project up to about \$3.19 million. The arena is borrowing from the city and will pay it back with interest over 20 years out of energy savings and arena revenue."



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From left, Steve Lutz, design engineer; Harris Cos. CEO Greg Hosch, and job supervisor Dave Dabruzzo are retrofitting the Egan municipal ice arena with a heating and cooling system that should pay for itself in about eight years through gas and electricity balance.

« THIS IS NOT A BIG BUSINESS, BUT IT'S GROWING. »

Greg Hosch, CEO of St. Paul-based Harris Cos.

Harris also has completed municipal arena projects in Woodbury and St. Cloud.

"This is not a big business, but it's growing," Hosch said. "Municipal arenas are energy hogs and municipalities are willing to make long-term investments. And Minnesota has 477 indoor arenas."

Hosch points to a signature solar-energy project at St. Joseph's Church in Rosemount that has growing implications for small commercial buildings. At St. Joseph's, two 60-ton water-to-water hydronic heat pumps provide simultaneous heating and cooling. A heat pump provides hot water. Both heat

pumps get their energy from 40 solar panels.

Waste to energy

Several years ago, Harris and a technology partner designed and built a system that turns the syrupy waste byproduct of the 45 million-gallon ethanol plant in Winnebago, Minn., into a fuel that powers the plant and reduces emissions. The system payback is less than three years in energy savings.

"An ethanol plant can't get a loan today, but eventually that will be a growth business," Hosch predicted.

The modern-day Harris began in 1983, when Bob Hosch,

a pipe fitter, and others bought Harris Plumbing & Heating from its retiring owner.

Greg Hosch, an engineering graduate of Iowa State University, joined the company in 1993. Hosch, who succeeded his father several years ago, has spearheaded the company's geographic expansion and the strategy of combining energy conservation and alternative technologies. The company is employee-owned.

Other local recent projects include TCF Bank Stadium at the University of Minnesota, Children's Hospital in Minneapolis and St. Joseph's Hospital in St. Paul.

PHC News ranks Harris as the nation's 17th-largest mechanical contractor.

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By Jay W. Schneider, *Senior Editor*

The 40 accomplished individuals profiled on the following pages are some of the brightest stars in the AEC universe. Making them all the more remarkable – they're all under the age of 40.

This amazing group includes young architects, engineers, contractors, developers, an inventor, and a lawyer – all of whom stood out among a group of 208 outstanding entrants in our fourth annual "40 under 40" competition. We proudly introduce you to the AEC industry's next generation of leadership.



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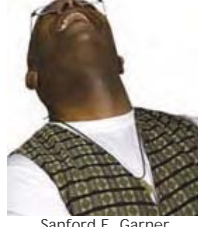
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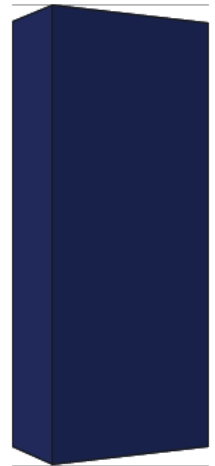


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Greg Hosch, 37

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Greg Hosch, 37

CEO

Harris Companies, St. Paul, Minn.

EDUCATION

BS, Iowa State University

PROFESSIONAL CREDENTIALS

LEED AP

ACCOMPLISHMENTS

At 34, named president; at 36, promoted to CEO of 60-year-old mechanical contractor with more than 1,000 employees and estimated 2008 revenue of \$210 million.

Led acquisition of three companies in past two years, expanding firm's services throughout U.S.

Spearheading company's expanding sustainability and energy-efficiency programs; created new division in early 2008 focused on geothermal design and installation.

RECENT PROJECTS

Lifecore Biomedical, Chaska, Minn.

Seneca Food Processing Facility, Marion, N.Y.

De La Salle High School, Minneapolis

3M, Cordova, Ill.

EXTRACURRICULAR

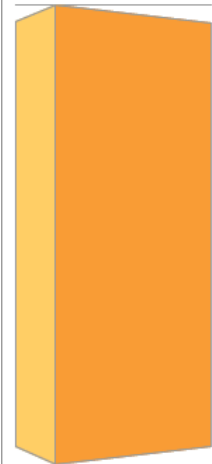
Member, Young President's Organization, Twin Cities chapter.

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