



The Phoenix complex in downtown Beloit, Wis. “It looks like we’re beautifying the city,” Diane Hendricks said, “but we’re really beautifying the economy.” Ms. Hendricks dreams of turning the town into a mecca for start-ups.

LYNDON FRENCH FOR THE NEW YORK TIMES

## In Weary Wisconsin Town, a Billionaire-Fueled Revival

Diane Hendricks and her late husband saw opportunity in Beloit, a decaying industrial town. Now, she dreams of turning it into a mecca for start-ups.

By ALEXANDRA STEVENSON    AUGUST 5, 2017

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BELOIT, Wis. — When Diane Hendricks sees something she doesn’t like here, she buys it.

A bankrupt country club. A half-empty mall. Abandoned buildings. The rusting foundry down by the river.

Beloit used to be a town that made papermaking machines and diesel engines. Ms. Hendricks thinks it can be a place where start-ups create the next billion-dollar idea, and she is remaking the town to fit her vision. She can do so because she is the second-richest self-made woman in the United States, behind only Marian Ilitch of Little Caesars Pizza, [according to Forbes magazine](#).

“I see old buildings, and I see an opportunity for putting things in them,” says Ms. Hendricks, 70, who got her start fixing up houses here as a single mother and made her billions selling roofing felt, copper gutters and cement with her late husband, Ken.

Now Ms. Hendricks is fixing up Beloit.

She took the library from its historic location downtown and resurrected it inside a failing mall at the edge of town, replacing the original with a performing arts center where dance and music students from Beloit College can study and perform each year. Then she scooped up nearly every building on a downtown block and knocked each one down, making way for a sushi restaurant, a high-quality burger joint and modern apartments with marble countertops and exposed-brick walls.

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She called the complex the Phoenix. “It looks like we’re beautifying the city, but we’re really beautifying the economy,” she says, casting her piercing blue eyes out of the window of her office in Ironworks, the old foundry complex she converted into a commercial space.

She has wooed several start-ups, persuading them to set up shop in the old foundry building — one with the help of Wisconsin’s governor, Scott Walker, who personally called the co-founders on her behalf.

Ms. Hendricks, a major Republican donor, was briefly thrust into the national spotlight a few years ago when she was recorded asking Mr. Walker to break up the labor unions. He then introduced a bill limiting the ability of public workers to bargain over wages. In response, protesters occupied the halls of the Capitol for weeks.

Not long ago, Beloit’s economy was ugly. Like many American cities — Detroit, Youngstown, Gary — it had fallen victim to the damage that is wrought when one major industry vanishes from town, reversing local fortunes.

Beloit is different today. That’s because this town of nearly 37,000 has a billionaire who has gone to great lengths to help it turn a corner.

In a nation with countless struggling towns and small cities, Beloit is not a model for economic revival that is easily replicated, although a few others have tried.

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In Kalamazoo, Mich., a group of well-to-do town “elders” pay for [every public school student](#) in town to go to college. And Columbus, Ind., has become an architectural mecca thanks to the support of J. Irwin Miller, whose family made its riches manufacturing engines.

Ms. Hendricks’s project has not been cheap.

Buying and fixing up the foundry alone has cost Ms. Hendricks around \$40 million, according to Rob Gerbitz, the president and chief executive of Hendricks Commercial Properties. The Phoenix complex has cost \$7 million (with a \$1 million assist from the city).



**Video** Under the impulse of the billionaire Diane Hendricks, Beloit, a small industrial town in Wisconsin, is becoming an attractive location for tech start-ups.

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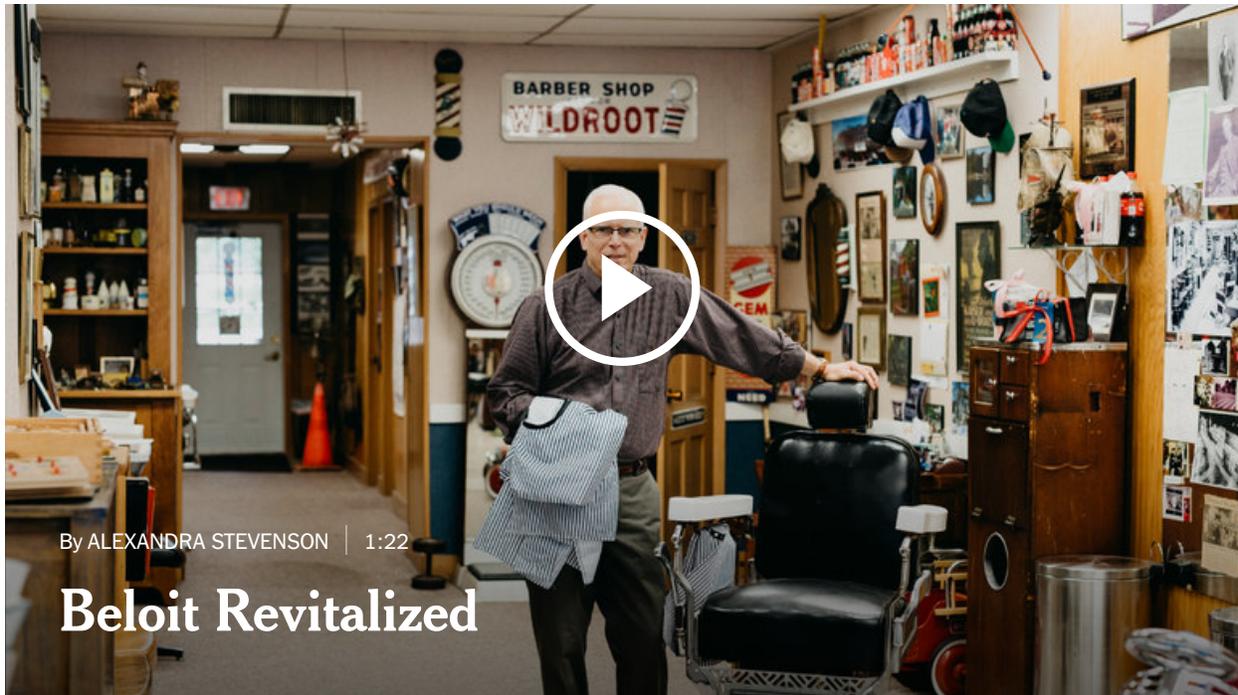
And, of course, money doesn’t solve everything. Ms. Hendricks’s overhaul faces challenges big and small, including skepticism. Early on, some residents joked about giving the city a new name: Hendricksville. Unemployment remains stubbornly high, as does poverty.

Her activities on Beloit’s behalf are complicated by the fact that not everyone agrees with Ms. Hendricks’s political views. She was an early supporter of Donald J. Trump’s presidential campaign here in Wisconsin, a state with a history of

progressive politics, and that has pitted her against some current and former students at Beloit College, a liberal arts school and one of Beloit’s other big employers. (Ms. Hendricks sits on the college’s board of trustees.)

“Diane Hendricks is the most powerful woman in Wisconsin,” says Charlie Sykes, a former talk-show host in Milwaukee.

In Beloit, she’s so influential that some worry about what would happen if someday she walks away. “Will the kids take over?” asks Rod Gottfredsen, a local barber, referring to her seven adult children.



**Video** Rod Gottfredsen, a local barber, and Jeff Adams, an economics professor at Beloit College discuss the transformation of Beloit, Wis.

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Mr. Gottfredsen has had a front-row seat to Beloit’s travails for nearly 40 years. He’s been cutting hair and trimming beards since 1978, when he took over Austin’s Barbershop on one of Beloit’s main streets downtown.

On a clear June day, one of Ms. Hendricks’s sons, Brent Fox, is in his white Ford Super Duty truck driving through the lush tree-lined streets around Beloit College. This is the neighborhood where Ms. Hendricks and her husband got their start a half-century ago, buying and fixing up homes, in the 1960s.

“Mom wanted me to show you these,” Mr. Fox says as he stops outside two Craftsman-style homes where trucks marked CCI, a Hendricks-owned construction company, are parked. “One of the biggest problems we find is suitable housing

stock, so we decided to buy old, stately houses,” says Mr. Fox, who is also the chief executive of Hendricks Holding Company.

“As long as we can break even or make a dollar, we’ll keep doing it,” he adds.

Mr. Fox drives north, past Beloit’s industrial sites, through the town’s history. The red roof of ABC Supply comes into view, overlooking Beloit from a slight hill. When the Hendrickses bought the property in the 1990s, it was an abandoned factory that had once made diesel backup engines for military submarines.

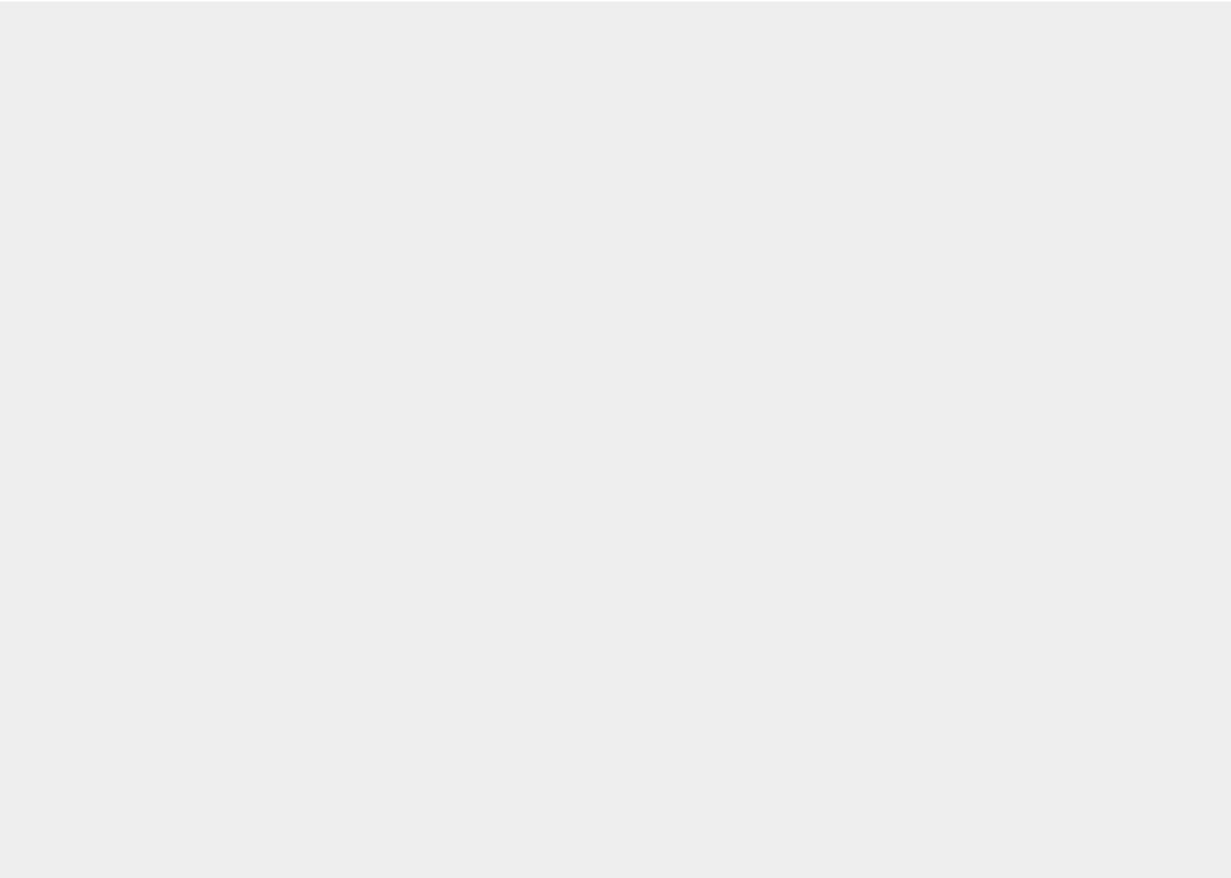
We pass the Eclipse Center, which in its heyday in the 1960s was the biggest mall in Rock County. By the 1980s, it had become better known for a notorious double murder at the Radio Shack. The place was half empty when the Hendrickses stepped in.

He stops at the Beloit Club, a beleaguered country club near the Rock River, which cuts through the town. Ms. Hendricks bought it several years ago, possibly saving the club from an ignominious fate as a gravel pit.

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“From a business perspective, it was a horrible decision,” he says of the purchase. But if Beloit was to be reimagined as a modern city, the thinking went, it needed a club for golf.

Beloit’s Hendricks-fueled revival happened largely by chance.



The Hendrickses moved from renting local apartments to starting ABC Supply in 1982, buying up distributors nationwide.

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Ms. Hendricks grew up 200 miles away from Beloit, on a dairy farm, with eight sisters. As a child, she yearned to work outdoors on the farm, but her father forbade it. A surprise pregnancy at 17 and her short marriage to Mr. Fox's father brought her to Janesville, to work briefly in the Parker Pen factory, where women assembled fountain pens.

Soon she divorced. She had to find a way to support herself on her own, as a single mother. She switched to selling real estate, and had gotten her broker's license by the time she turned 21.

Before long, she had found a business partner, a roofing contractor who had dropped out of high school, named Ken Hendricks. Together the two bought old houses in Beloit, fixed them up and rented them out. They married in 1975 and moved on to buying industrial spaces at around the same time. They found a rundown sugar beet plant in Janesville, 20 miles up the road from Beloit.

When Mr. Hendricks went to a Janesville bank to finance the purchase of the plant, he was turned away. "The banker said, 'We don't do business with entrepreneurs, and we don't want your business,'" Ms. Hendricks recalls.

It was a turning point. The couple turned their backs on Janesville, focusing instead on Beloit.

They would move from renting local apartments to starting ABC Supply in 1982, buying up distributors nationwide.

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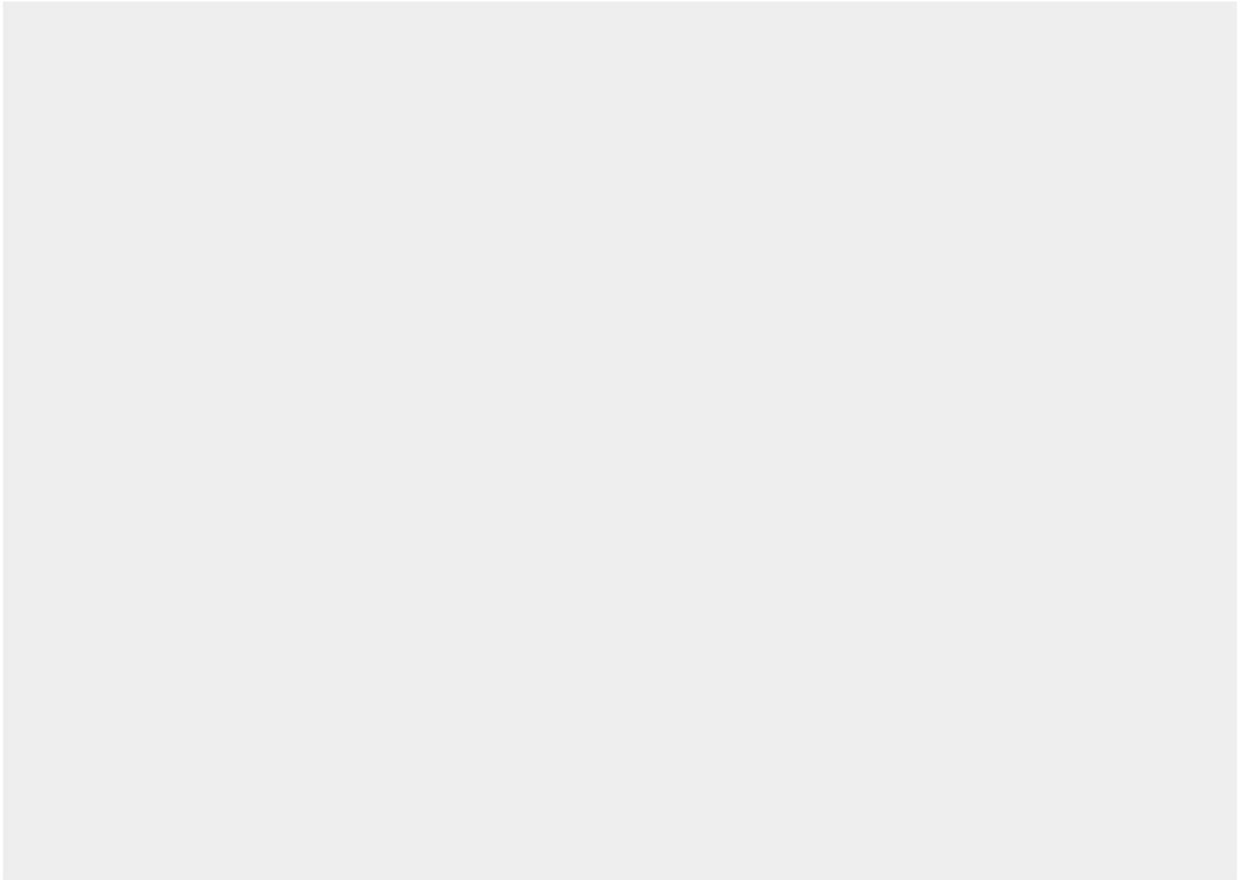
Beloit at the time was on the cusp of a steep decline after successive economic blows, among them the grinding to a halt of Fairbanks Morse, a diesel engine maker and a onetime major employer.

Like struggling cities and towns across the country, Beloit went through a period of Band-Aid-like efforts. By the 1980s, local businesses were petitioning the city to change its image by cleaning up the riverfront, where vacant stores sat along the banks of the river, and by reviving the withering downtown. The initiatives barely made a dent.

Into the 1990s, at least, the town still had its foundry, Beloit Corporation, by that time owned by a Milwaukee company, Harnishfeger Corporation. At its height, Beloit Corporation had employed more than 7,000 people building papermaking machines. Late into the night, the flickering light from the welding in the foundry would light up the Rock River.

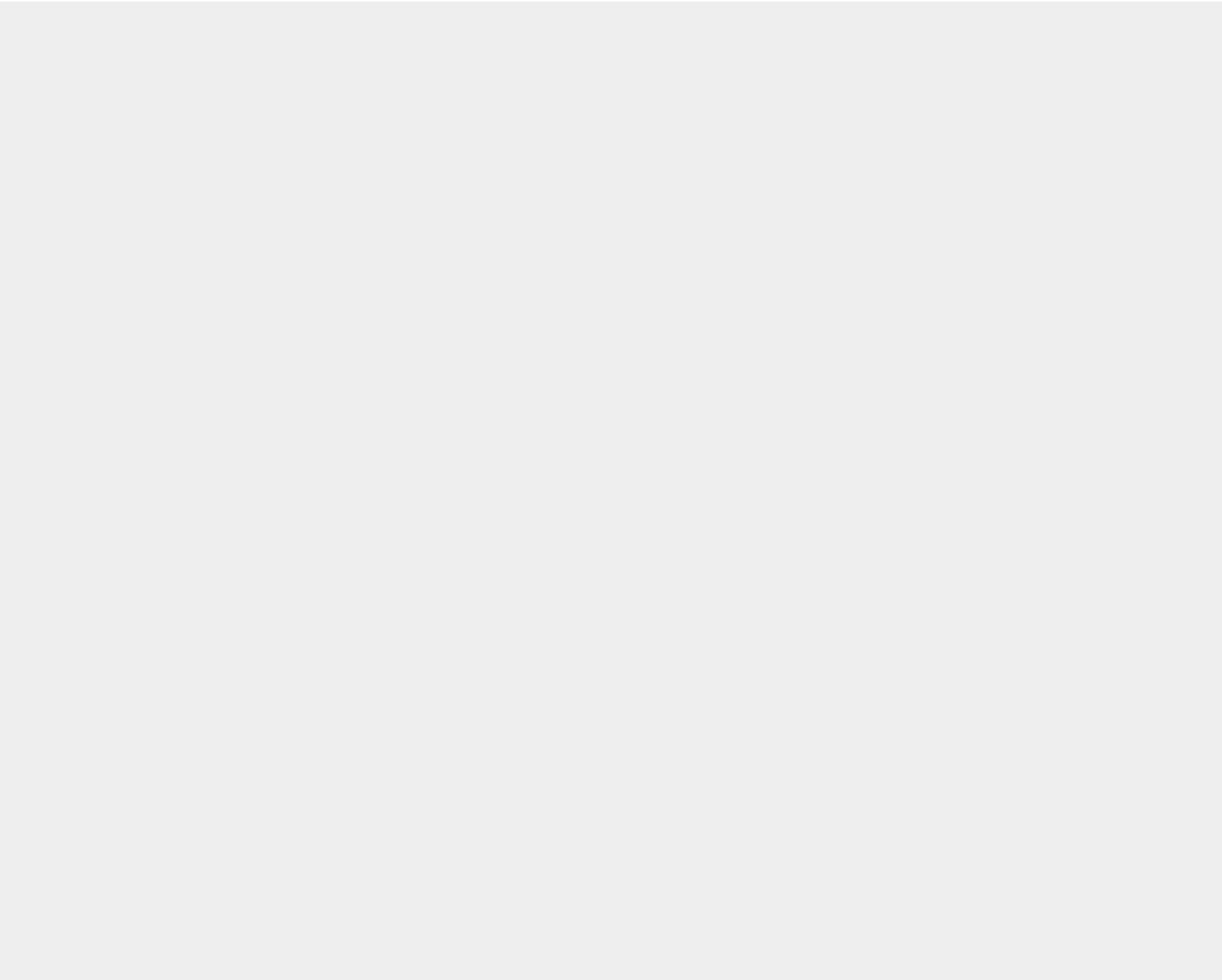
In 1999, the foundry went bankrupt, leaving behind an empty, sprawling complex the size of 15 football fields. Beloit's downtown became a bleak landscape of "decayed, bombed-out buildings," recalled Jeff Adams, who moved to Beloit to teach economics at Beloit College in the early 1980s and was involved in early initiatives to try to fix the town.

But if Beloit was sinking, the Hendrickses were riding high. Their business was booming, and they saw opportunity in the desolation.



Around 1,000 people currently work out of Ironworks.

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A display at Comply365, which makes software used by airline pilots to complete their flight paperwork, in the Ironworks complex.

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One day, a few years after Beloit Corporation went bust, the two were riding their Harley-Davidsons past the abandoned factory and noticed someone wandering around the property. They stopped to ask what he was doing. The man, Samuel Popa, turned out to be looking for a place to put his aluminum business.

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On a whim, the Hendricks decided to buy the 800,000-square-foot building. They knew it had the potential to one day become commercial space, perhaps residential, too. They ended up becoming a partner in Mr. Popa's company, American Aluminum Extrusion.

Next, they bought the old mall on the edge of town, which they planned on turning into "a community and civic center," Ms. Hendricks says.

Around the same time, Ron Nief, the director of public affairs at Beloit College, and two of his friends had an idea that in almost any other dying industrial town would not have gotten out of the starting blocks: Let's start an international film festival.

They approached Beloit's billionaire benefactors about the idea, and in 2006, the festival opened on a frigid Wisconsin weekday in January.

Despite the fact that its debut occurred the same week as the much more famous [Sundance Film Festival](#), it has thrived. Jon Voight, Melissa Gilbert and David Zucker, the director of "Airplane!," have attended

Mr. Nief recalls a conversation with Mr. Hendricks, who had told him to aim high with the film festival idea. Mr. Nief said to him, "It needs to be special, but it doesn't need to be, say, the [Toronto Film Festival](#)," referring to the giant on the festival circuit.

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"Ken said: 'Why not? Why don't you want to be the biggest and the best in the world?'" Mr. Nief said.

But tragedy struck one evening, just days before Christmas in 2007. Mr. Hendricks fell through the roof of his home after inspecting some renovations; he died from the injuries.

Mr. Hendricks's death led residents in Beloit to worry that Ms. Hendricks would sell ABC and abandon the couple's efforts to revive the town.

Then came the 2008 economic crisis. Housing and construction, the very businesses on which the Hendrickses' fortune had been built, suffered through one of the worst downturns in decades.

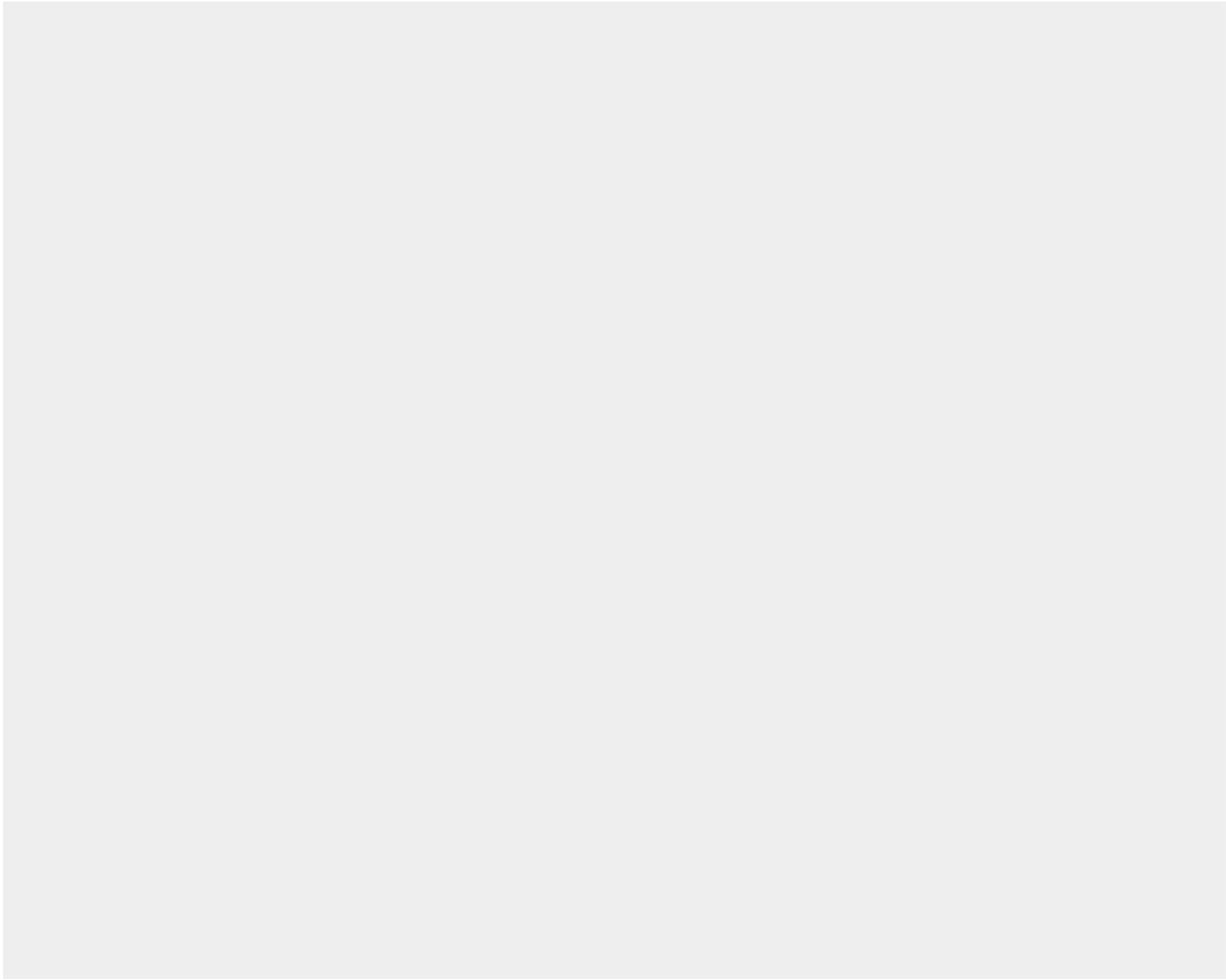
ABC pulled through, and grew in part by buying its biggest rival, Bradco. Today ABC is a private company and the largest wholesale distributor of roofing, windows, siding and gutter materials. It has 715 stores across the United States and employs 656 people in Beloit alone.

Ms. Hendricks also began putting to use the industrial buildings that she and her husband had bought over the years. She turned the foundry into a commercial space with high ceilings, dubbing it Ironworks, and turned to a political ally, Mr. Walker, to help attract at least one tenant.

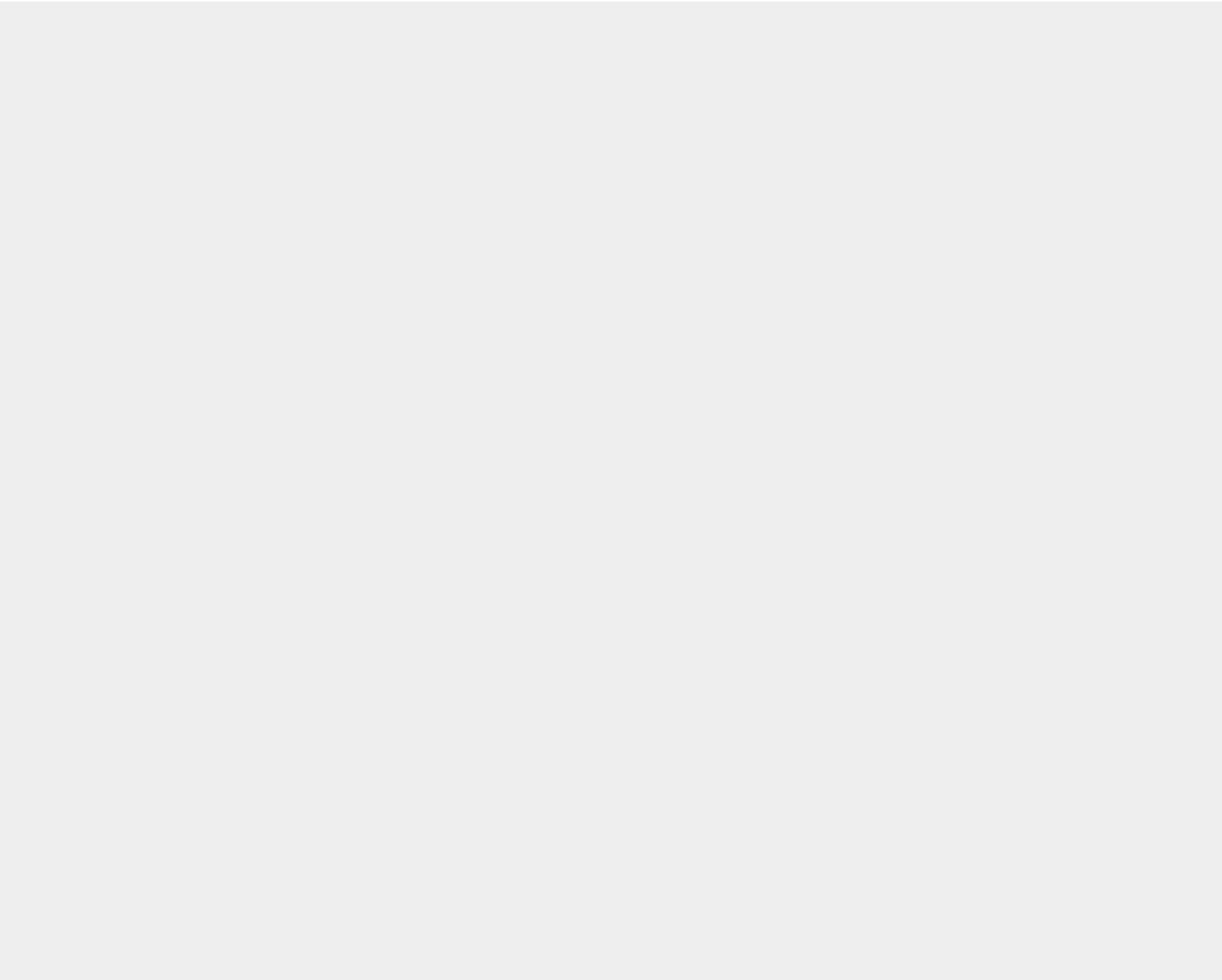
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The move worked.

"I had 17 employees at that moment, and the governor of Wisconsin told me my business mattered to him," recalled Kerry Frank, the co-founder with her husband, Dude Frank, of Comply365, which makes software used by airline pilots to complete their flight paperwork. Started in the Franks' basement, the company is now housed in Ironworks and counts Southwest Airlines among its biggest clients.



The Ebates offices in the Ironworks complex.  
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Austin Aryain and Patrick Kroll at Comply365.  
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In 2011, after Illinois created a new law to collect sales tax from online shoppers, the Rockton online coupon company FatWallet needed to find a Wisconsin town for its headquarters. Ms. Hendricks worked with the city to make Beloit, just over the state border, FatWallet's first choice. The company is now based in Ironworks.

"The advantage here in Beloit is that the same type of engineer that you hire in Silicon Valley can have a large house," says Ryan Washatka, general manager in Beloit for Ebates, FatWallet's parent company.

Still, few people in the start-up world outside of Wisconsin know much about Beloit. It certainly was not on the radar of Chris Olsen, a former executive at Sequoia Capital, the Silicon Valley venture capital firm, whose Ohio venture capital firm Drive Capital is now one of Comply365's biggest investors.

After several airlines told him to look at Comply365, Mr. Olson found himself looking at a map. "I didn't even know where Beloit was," he jokes.

In part to address problems like that, Ms. Hendricks has sent members of her property company, Hendricks Commercial Properties, to Madison to talk to venture capitalists. "Candidly, I wasn't looking at Beloit," said Joe Kirgues, a co-

founder of Gener8tor, a tech incubator, who one day found himself at a table with Ms. Hendricks's team.

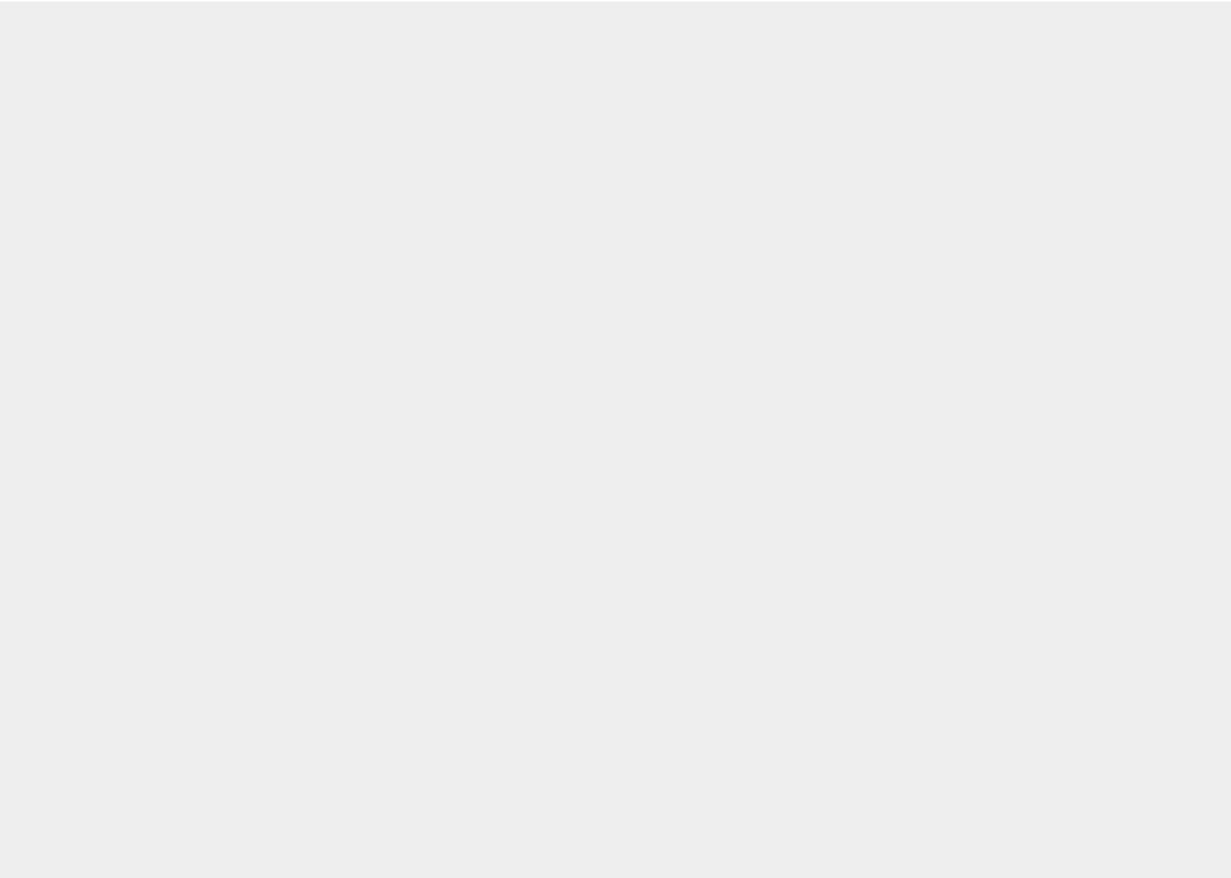
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He said the pitch to him had boiled down to: "Tell us what resources you need." Today, Gener8tor has an office in Ironworks and is working with several local start-ups.

Despite Ms. Hendricks's efforts, unemployment is still high. A short drive south of the Phoenix and new buildings turn to boarded-up shops. Beloit remains deeply troubled. About a quarter of the population lives in poverty, twice the rate of residents in the rest of Rock County. One in every four children lives in poverty in the county, according to [Project 16:49](#), a nonprofit group that works with homeless youth.

What's more, many new jobs are filled by people who commute to Beloit from nearby cities. At AccuLynx, a software company based in the Ironworks, just 17 percent of the employees live in Beloit. The rest live in nearby towns in Wisconsin and just over the border in Illinois.

And many of the new jobs require technical skills, like engineering, that residents who once worked in manufacturing often lack. "I know that there are parts of Beloit that are not sharing in this renaissance," says Scott Bierman, president of Beloit College.



At AccuLynx, the software firm, there is a giant slide running down from the second floor to the first, a video-game console and a giant gold bell that is rung when sales are made.

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Mr. Bierman credits Ms. Hendricks for providing a vision of how things can be. Still, he says, “I worry a lot.”

While he does see signs that what Ms. Hendricks has built can be sustainable, “We’ll know a lot more once we get through the next recession,” he said.

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For now, around 1,000 people currently work out of Ironworks, according to Mr. Gerbitz of Hendricks Commercial Properties. “Our goal is to get to 5,000, which was what was lost when Beloit Corporation went away,” he said.

Ironworks today is a far cry from its foundry origins. At AccuLynx, the software firm, there is a giant slide running down from the second floor to the first, a video-game console and a giant gold bell that is rung when sales are made.

AccuLynx’s founder, Rich Spanton, described the day his grandfather, who had worked at the foundry as a superintendent for nearly a half-century, visited the building, where he had spent a career assembling steel parts for paper machines. He was astonished at what he saw.

“He walked in,” Mr. Spanton recalls, “and he said, ‘Jeez, we couldn’t have gotten any work done if this had been our office.’”

**Correction:** August 5, 2017

*An earlier version of this article misstated the company that Brent Fox, one of Diane Hendricks's sons, heads. It is Hendricks Holding Company, not ABC Supply.*

*The article also referred imprecisely to Ms. Hendricks's ranking among the richest women in the United States. She is the second-richest self-made woman, according to Forbes magazine, not the second-richest woman.*

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