



www.jsonline.com | [Return to regular view](#)

Original Story URL:

<http://www.jsonline.com/story/index.aspx?id=364972>

Developing faith

Businessman carves niche in brownfields with help from prayer

By TOM DAYKIN
tdaykin@journalsentinel.com

Posted: Oct. 21, 2005

Mike Frede made a business decision - and took a leap of faith - when he bought some empty, dilapidated industrial buildings in Milwaukee's Menomonee Valley that other developers avoided like a bad case of the flu.

Frede has since invested more than \$1.4 million into the 4.1-acre site north of W. Bruce St., between S. 9th and S. 11th streets. The property, part of a former tannery complex operated by Blackhawk Leather LLC, had been for sale for four years before Frede completed his purchase in 2004.

The transaction included an unusual provision: Frede committed to a purchase price before determining the property's environmental cleanup costs - tantamount to a homebuyer agreeing to a price before figuring out what repairs might be needed.

The tactic was worth the risk because the property, which overlooks the Menomonee River, has "a great location," Frede said.

Just a few blocks east is The Tannery, an office and housing complex in the Walker's Point area that was carved out from another former tannery. Frede's property also is just one block south of Pierce St., where two large upscale antiques centers have been redeveloped within former industrial buildings since 2004.

But there was another factor, one that Frede says some people have trouble understanding. Frede and his wife, Karen, are active Christians who pray for guidance on business decisions.

"I pray for God to lead us to properties and for us to acquire properties," Frede said. "God wants his children to be in business."

Frede might talk like Christian author Rick Warren, but Warren Buffett could be the inspiration for his real estate investment strategy.

Like Rick Warren, Frede believes Christians should determine what God wants them to do with their lives, a major theme in Warren's bestselling book, "The Purpose Driven Life."

Among other things, Frede uses biblical principles to operate his businesses, including King Development LLC and Drake Environmental Inc., an environmental consulting firm.

Like Buffett, Frede invests in undervalued assets. As a result, his companies have purchased 10 environmentally contaminated properties, known as "brownfields," over the past two years.

Frede's firms own properties throughout Wisconsin, including a 37-acre former landfill in Kaukauna, where 58 condominiums for the elderly are being built, and a 73-acre former paper mill site in Eau Claire that will be developed for commercial and residential use.

In the Milwaukee area, the developments include a 36,000-square-foot former machine shop in West Allis, at 11311 W. Rogers St., that was converted into office space.

"It was a pretty heavily contaminated property, and he did a good job," said John Stibal, West Allis development director. "We're delighted with his work."

Setting out on his own

Frede's interest in brownfields grew from his background as an environmental consultant. After toiling for several years at Milwaukee-based STS Consultants, Frede, 45, took Karen's advice and launched Drake Environmental in 1990.

"She kept on saying, 'With all the hours you work, you should be working for yourself,'" recalled Frede, who grew up in Cedarburg and earned his engineering degree at the University of Wisconsin-Milwaukee.

It was a good time to start an environmental consulting firm. New legislation had mandated the replacement of leaking underground gasoline storage tanks, and a state fund was formed to help finance those projects. Drake and other firms found plenty of business from service station owners who had to comply with the law.

But as that business began to decline in the late '90s, Frede started redeveloping brownfields.

His first project was in 1998, when King Development bought a former industrial building at 6980 N. Teutonia Ave., cleaned it up and converted it into a self-storage center. Frede did the project when the building's owner, a Drake Environmental client, had trouble finding a buyer for the property.

Frede developed another self-storage center in 1999 at a Hartland brownfield.

Meanwhile, Frede moved Drake Environmental's offices from Menomonee Falls to the Teutonia Ave. building. Drake stayed at that location until July, when it moved to 530 S. 11th St., a building that's part of the former Blackhawk tannery property along Bruce St.

Frede was contacted in 2003 about the former Blackhawk property. The company was willing to allow prospective buyers to conduct environmental tests, but it didn't want to learn the results, Frede said.

That's because state law requires a property owner to notify the state Department of Natural Resources if

environmental contamination is discovered. That could trigger a costly cleanup order by the agency.

Other prospective buyers were reluctant to test, Frede said. They were concerned the results would reveal a high level of contamination, showing the property had little value and sticking the prospective buyer with a bill for the expensive tests, he said.

Frede, however, was confident the property would hold its value even with a major cleanup and agreed to pay \$600,000 for the site. Unable to secure bank financing because of the risk, Frede bought the property on a land contract. That provided a level of control over the property that allowed Frede to conduct environmental tests and then negotiate a cleanup plan with the Department of Natural Resources.

The DNR approved the \$110,000 cleanup plan in 2004. Frede was then able to get bank loans and convert his land contract into a completed purchase of the property. He has since spent around \$700,000 on demolition and renovation of buildings on the property.

But the biggest project has been the remodeling of Blackhawk Leather's former wastewater treatment plant into offices for Drake Environmental, King Development and Frede's other companies, which together employ 17 people.

Frede originally envisioned developing a self-storage facility on the property. He figured it would tap into a growing demand from empty nesters, who are buying condos in Walker's Point and other urban neighborhoods and need more room for items accumulated during years of living in roomier suburban homes.

But the demand isn't quite there yet, he said. And the growing number of redevelopment projects in Walker's Point and the Menomonee Valley has Frede thinking that the riverfront property might eventually be a site for new housing and retailers.

Faith-based business principles

Frede plans to continue acquiring brownfields while also operating Drake Environmental. A new company, Caleb Acquisitions LLC, has been formed to buy properties.

Caleb Acquisitions is named for a biblical figure, reflecting the Frede family's faith. Karen Frede is drafting a series of business principles for operating the family's various enterprises, covering everything from marketing to dealing with personnel issues.

"There are obvious things," Mike Frede said. "You don't lie. You don't say you can do something you can't."

That faith-based approach also can be used in areas such as resolving conflicts among employees, said Mike and Karen Frede's oldest son, also named Mike, who works for his father.

Given that federal law prohibits religious discrimination when hiring and firing employees, Frede acknowledges that he needs to be careful in how those biblical principles are applied.

"We can't sit down and tell our employees they have to be Christians," Frede said. "And we don't want to do that . . . We have several employees who don't believe in God. But they're really comfortable working here. They know where we're coming from."

[Buy a link here](#)

From the Oct. 22, 2005 editions of the Milwaukee Journal Sentinel
Have an opinion on this story? [Write a letter to the editor](#) or start an [online forum](#).

Subscribe today and receive 4 weeks free! [Sign up now](#).

© 2006, Journal Sentinel Inc. All rights reserved. | Produced by [Journal Interactive](#) | [Privacy Policy](#)
Journal Sentinel Inc. is a subsidiary of [Journal Communications](#).