



IT'S AN UNSETTLING DAY IN THE NEIGHBORHOODS

Two trends—the end of residency requirements for city employees and a surge of homes owned by people from outside the city—are altering the fabric of Milwaukee’s residential life

BY MIKE GOUSHA AND JOHN D. JOHNSON

This was supposed to be the summer Milwaukee reintroduced itself to the world. The Democratic National Convention was coming to town in July, bringing with it tens of thousands of visitors, national and international media among them. But by mid-April, the novel coronavirus had made holding a huge public event a much iffier proposition. The convention had been rescheduled for August, and it was uncertain what it would look like or how many would attend. Milwaukee’s coming-out party was likely to be overshadowed by the pandemic’s impact.

If it’s a more muted event, there will be less talk about Milwaukee’s renaissance, about how an older industrial city has reinvented itself. It’s a compelling comeback story: nearly \$3 billion in downtown development since 2010; an additional 7,000 downtown housing units during the same period, bringing the total number to 33,000; and neighborhoods such as Walker’s Point, Bay View, and Washington Heights joining the Third Ward in an exciting urban revival.

Yet there also will be less spotlight on the less upbeat parts of the tale of modern-day Milwaukee. Some neighborhoods are still waiting for *their* comeback. They continue to wrestle with higher rates of crime and poverty. Milwaukee is also being tested by two specific trends that threaten to erode not just the city’s tax base but also its sense of community:

- No longer bound by a residency requirement, thousands of people—municipal employees and their largely middle-class families—have moved out of the city.
- Analysis of city data by the Milwaukee Area Project of Marquette University Law School’s Lubar Center for Public Policy Research and Civic Education shows an exponential increase in the number of residential units now owned and rented by landlords who live outside the city, together with a significant decrease in the number of owner-occupied properties.

This article examines each of these trends impacting Milwaukee—especially its residential neighborhoods.

THE IMPACT OF ENDING THE RESIDENCY RULE

For 75 years, city of Milwaukee employees were required to live in Milwaukee as a condition of employment. But in June 2013, the Wisconsin legislature approved an end to local residency requirements for all municipalities in the state. The unions representing Milwaukee police and firefighters praised the new law. The city

challenged the law in court but lost. In June 2016, the Wisconsin Supreme Court, by a 5–2 majority, rejected Milwaukee’s argument that the state constitution’s municipal home-rule provision permitted it to enforce its residency requirement.

A spokesman for then-Governor Scott Walker praised the decision, calling it “a big win for individual freedom.” Milwaukee Mayor Tom Barrett called it a “sad day.” Barrett, citing the experiences of other cities where residency requirements had ended, had argued that no longer requiring

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Milwaukee Mayor
Tom Barrett



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residency would have profound, negative consequences for Milwaukee. Was he right?

The most recent city data, from February 2020, suggest that Barrett had reason to be concerned. They show that 29 percent of the city’s 6,383 employees now live outside the city. That works out to 1,860 individuals. That number does not include the employees’ families.

Just 18 percent of what are known as general city employees—those who don’t work in public safety jobs—live outside Milwaukee. But far greater numbers of “sworn personnel”—police and firefighters—have left the city or chosen not to live in it.

Milwaukee Police Lieutenant Erik Gulbrandson moved from Milwaukee to Waukesha County four years ago. A 24-year veteran of the department, Gulbrandson and his wife had lived in a single-family home near Alverno College on Milwaukee’s south side for 17 years. He said they loved their neighbors. But they wanted to make life simpler, so they began looking for a condominium. First, they considered downtown. Gulbrandson said prices and taxes were discouraging, and, in the meantime, his wife got a new job that takes her to Madison regularly. So they bought a small, new condo in the Pewaukee/Sussex area.

“It’s convenient for her travel,” Gulbrandson said. “It’s good for us for where we’re at in both of our lives.”

Gulbrandson is hardly alone. As of February 2020, 47 percent of police officers, or 854 individuals, and 47 percent of firefighters, or 315

individuals, lived outside the city. And the trend shows no sign of abating. Among police officers under the age of 40, more than half now reside outside Milwaukee.

“Unfortunately, I was pretty accurate as to what my prediction would be,” Barrett said. “We have seen a large number of sworn personnel leave the city and a low percentage of new hires move into the city.”

“It has been detrimental and will be detrimental to the future of the city,” Alderman Michael Murphy echoed. Murphy is a former Common Council president and an outspoken critic of the decision to end the residency requirement. “I’m guessing it’ll probably approach 70 to 75 percent [nonresident public safety officers] in another 5 to 10 years,” Murphy said.

But Republican Assembly Speaker Robin Vos, who supported ending the residency requirement, said the city’s thinking on residency is “archaic.”

“I think in general it’s been a great thing for the employees, who are now able to choose for themselves and their families where it’s best to live,” Vos said. “I would think, if Milwaukee got outside of its old way of thinking, that this is now a huge opportunity to attract the best and the brightest.”

The exodus of city employees from Milwaukee has been a boon to neighboring suburbs. City data show Franklin, Oak Creek, Muskego, Greenfield, New Berlin, Brookfield, and Menomonee Falls to be among the most popular destinations for former city residents. That’s in part because, under the

new state law, sworn officers may be required to live within 15 miles of the city. But you can find general city employees as far away as Cedar Grove in Sheboygan County and Williams Bay in Walworth County.

The end of residency has disproportionately affected some neighborhoods in Milwaukee. For years, three aldermanic districts—the 11th on the southwest side, the 13th on the far south side, and the 5th on the far west side—have been home to large numbers of city employees, especially police and firefighters. The three districts have some of the city’s highest median residential-property values and owner-occupancy rates, as well as the lowest crime rates.

Alderman Mark Borkowski represents the 11th district, which has approximately 40,000 residents. As of early 2018, the latest period with numbers available, city data showed that 295 city employees as well as their families had left the district and moved out of the city.

“That’s sobering to me,” Borkowski said, “and it’s sad.”

Borkowski said property values haven’t changed much in his aldermanic district. Crime rates remain among the city’s lowest, and he added, “I’ve got a lot of nice neighborhoods.”

But he said that the end of residency has changed something larger: the district’s sense of community.

“Sure, the house is sold. But it’s not the same,” Borkowski said. “I want police officers in the neighborhood. I want firefighters in the neighborhood. I want teachers in the neighborhood. Where’s your commitment to the city?”

While one police department veteran called that comment insulting, Gulbrandson said he could understand Borkowski’s perspective. But he said he hasn’t turned his back on the city.

“The city is where the great restaurants are,” Gulbrandson said. “The city is where the nightlife is. We come to the festivals. We spend our money in the city. We just don’t pay our property taxes in the city.”

“I’ve never meant for it to be a slap in anyone else’s face. It was purely for personal reasons for my wife and me.”

Some neighborhoods have weathered the initial fallout from the end of residency better than others. Pat Yahle is president of the Enderis Park Neighborhood Association. She’s lived in her

northwest-side home near 72nd and Locust for the last 22 years.

She hears the occasional grumble about fewer city services or unruly behavior at the neighborhood park. But Yahle said she hasn’t seen an exodus of city employees. “I’m not seeing houses go up for sale like mad or people looking to leave,” she said.

“They want to be here,” Yahle said of her neighbors. “Residency was not the reason they came. They came for the house value, the neighborhood events, the joy and pride we have as neighbors.”

But just west of Enderis Park, in the 5th aldermanic district, Alderwoman Nikiya Dodd said she’s concerned about an increase in rental properties in neighborhoods that long boasted strong homeowner occupancy.

“Some neighbors have shared their concerns about the neighborhood changing around them, and how this may affect the value of their homes,” Dodd said.

The city’s predicament has been compounded by the loss of residents employed by the Milwaukee Public Schools (MPS). The district also had a residency requirement, which it formally eliminated in July 2013 after the legislature acted. As of mid-2019, MPS had 9,471 full-time employees. Almost a quarter—2,184—lived outside the city. Combining the city and MPS numbers, and figuring an average household size of 2.4 individuals, that would translate to a loss of roughly 9,500 residents.

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Milwaukee Police Lt. Erik Gulbrandson, who moved out of the city

In fact, the full impact of the end of residency may have yet to be felt. The city is facing a huge increase in its pension obligations. These are expected to climb from \$70 million to at least \$160 million a year by 2023.

“We’ll be approaching in pension obligations almost the same amount of money we collect in property taxes,” Murphy said. “It’s not sustainable.”

To meet those obligations, Barrett says that the city will have to look at serious changes to its pension system. Among them: negotiating new collective bargaining agreements with the unions that represent police and firefighters. But with more public safety officers living outside the city, Barrett wonders what incentive they would have to bargain.

“I’m concerned about our ability to get these voluntary agreements . . . because of the detachment they [police and firefighters] have, based on the fact it does not have an effect on their property taxes.”

The other concern for Barrett and some city leaders about the end of residency is not dollar driven. It’s about relationships—more specifically, the one between city residents and police officers who no longer live in the city.

“The mood in the country, as it pertains to law enforcement, has changed in the last six years,” Barrett said. “And I am concerned if our police officers are viewed as an occupying force.”

But Inspector Terrence Gordon, commander of the Milwaukee Police Department’s criminal investigation bureau, said that police haven’t

noticed a change in the way they’re viewed by city residents.

“They don’t care where the officer lives,” Gordon said. “They just want somebody who can help them with their problem and get there quickly. I personally haven’t noticed much of a changing dynamic. Our officers are just as engaged as they’ve ever been.”

Gordon grew up in Milwaukee. He was the training director of the city’s police academy from 2013 to 2016. He said he’s seen no difference in the quality of recruits since the residency rule was eliminated. But he has seen one change. Despite efforts to recruit more minorities, Gordon, who is African American, said that the department’s rank and file have become less diverse. Today, nearly two-thirds of Milwaukee police officers are white. And many of them now live outside the majority-minority city where they work.

We asked the leader of the union that represents Milwaukee police officers why more of his members were choosing to live outside the city, and whether that would affect relations between police and city residents.

“The state changed the residency law in 2013,” Milwaukee Police Association President Shawn Lauda responded. “Instead of discussing a law change from seven years ago, I believe a much more important story would be to ask the mayor how the city is going to live up to its obligation to keep its citizens safe after cutting 60 more police officer positions [in the 2020 city budget].”

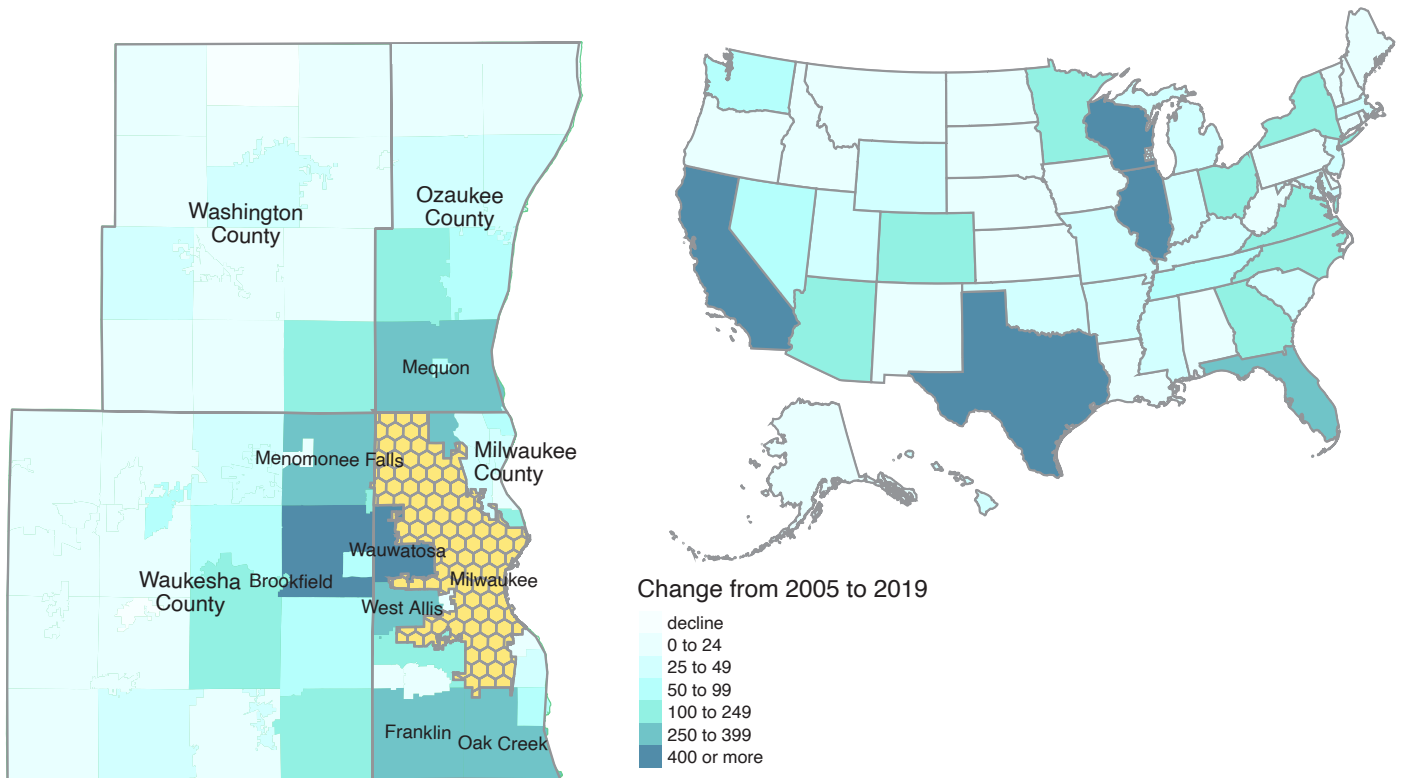
Reversing the trend of city employees leaving Milwaukee won’t be easy. City officials tout their big-city amenities, housing stock, and a variety of education options. But the suburbs generally offer solid public schools, lower property taxes, more land, and lower crime rates. So, Milwaukee is trying something new. It’s boosting the pay of city employees by 3 percent if they live in or move into the city. It’s willing to make the same offer to the unions representing police and firefighters.

The incentive-pay idea faces two questions. First, is it legal? City of Milwaukee officials say that a similar incentive pay exists in neighboring West Allis, which offers employees who live in their city an additional 2 percent in pay. But the second and bigger question may be whether a 3 percent pay increase is enough to persuade Milwaukee employees to live in the city where they work.

“That’s a really good question,” Barrett said. “We’ll see.”



Growth in Number of Milwaukee Properties Owned by Entities Outside the City



These maps show the change in ownership of residential properties in the City of Milwaukee by entities outside the city. The darker the colors, the larger the increase in non-Milwaukee ownership of city property.

THE SHARP INCREASE IN MILWAUKEE HOMES OWNED BY NON-MILWAUKEEANS

If the end of the residency requirement has left a mark on the city, so has the Great Recession of more than a decade ago. When the housing market collapsed, the city experienced a tidal wave of foreclosures. Residential-property values plummeted. They didn't bottom out until 2016.

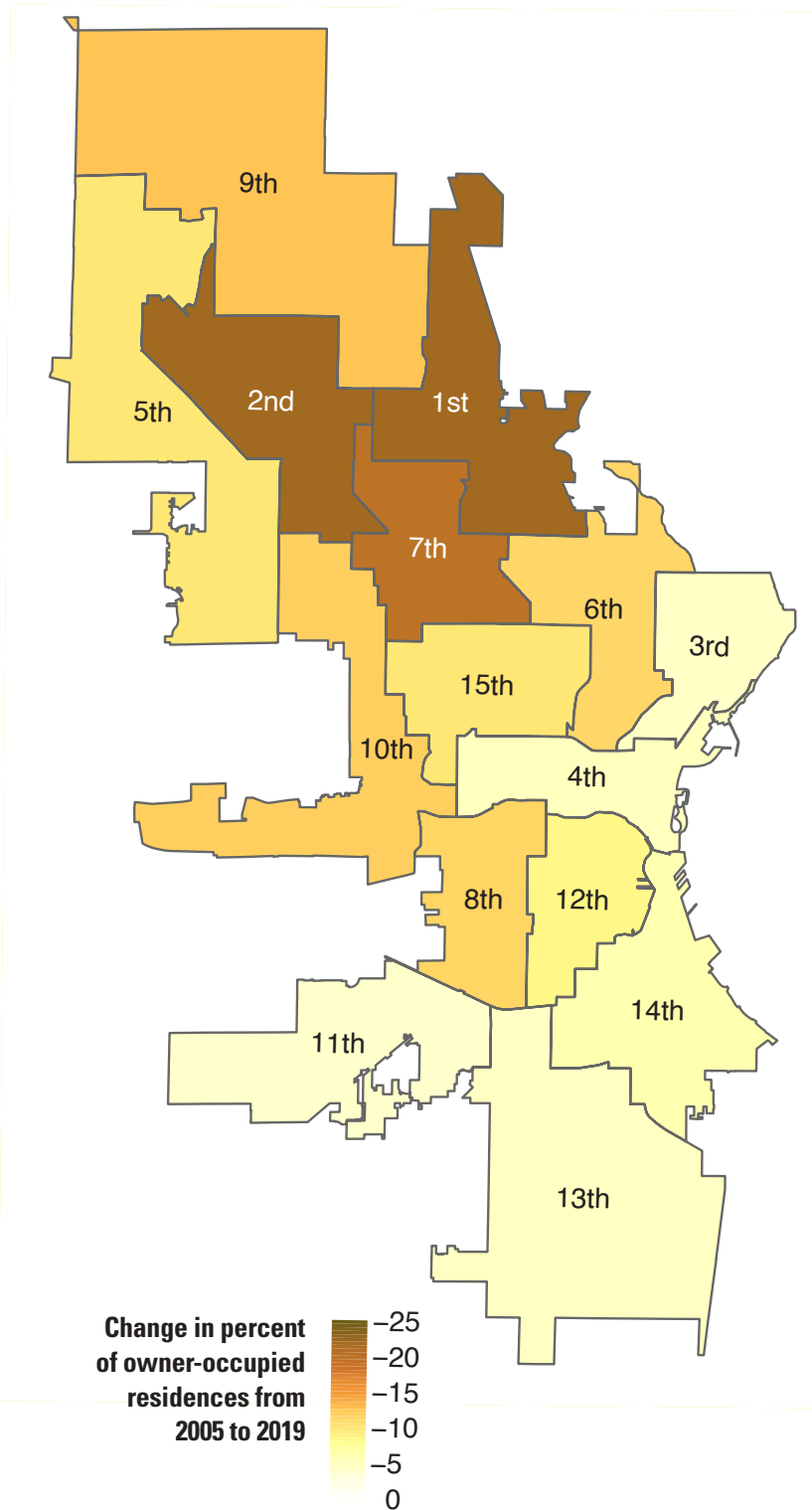
Since then, median values in most aldermanic districts have been starting to rebound. While most remain well below their pre-recession peaks, they are gradually returning to more-historical norms.

But Milwaukee's housing market has changed in important ways. For one, the city has seen a dramatic decline in residential properties that are occupied by their owners. And the city has seen a transfer of hundreds of millions of dollars in housing wealth. Simply put, thousands of residential properties in Milwaukee are no longer owned by city residents. They're owned by individuals and companies with mailing addresses in the suburbs, other parts of Wisconsin, or out of state altogether. Those properties are most likely to be rented.

We compiled and analyzed publicly available data from 1990 to 2019. We started by looking at owner-occupancy rates for residential properties in Milwaukee. Owner occupancy was determined by comparing the address of the property with the owner's address.

[T]he number of landlords residing outside the city has exploded. Half of all rented properties are now owned by someone outside Milwaukee. From 2005 to 2019, the number of properties owned by suburbanites grew by 70 percent, from nearly 7,700 properties to more than 13,000.

Owner-Occupancy in Aldermanic Wards



We defined residential properties as single-family homes, duplexes, triplexes, four-unit dwellings, and condominiums. They constituted 70 percent of all housing units in Milwaukee in 2019. We excluded larger, commercial apartment buildings from the analysis. We considered houses to be “rentals” when they aren’t owner-occupied.

Using this definition, we determined that in 2019, Milwaukee had 87,700 single-family homes, 33,400 duplexes, 11,200 condos, and 2,600 triplexes or four-unit dwellings.

During the 1990s and early 2000s, the share of owner-occupied residential properties in Milwaukee remained steady. But the Great Recession proved to be a great disrupter. In 2005, at the market’s peak and just before the recession, the city recorded 107,000 owner-occupied properties. By 2019, that number had fallen to 93,000. In 2005, 80 percent of the residences were owner-occupied. By 2019, that number had declined to 69 percent.

Owner-occupancy rates have fallen for every housing type. They were down 12 percent each for single-family homes and duplexes. They were down 10 percent for triplexes and four-unit dwellings. Owner occupancy of condos fell by 9 percent.

The trend is generally citywide but is much more pronounced on the north and west sides of Milwaukee, in the 1st, 2nd, and 7th aldermanic districts.

In the 1st district, the owner-occupancy rate fell from 78 percent in 2005 to 56 percent in 2019.

In the 2nd district, owner occupancy fell from 87 percent to 65 percent during the same period.

In the 7th district, owner occupancy fell from 74 percent to 54 percent.

By contrast, owner occupancy in the 3rd district (east side), 4th district (downtown), 11th district (southwest), and 13th district (far south) all declined by just 5 percent.

As that pattern suggests, the housing crisis and the Great Recession hurt minority communities most. Home ownership fell 5.5 percent in mostly-white census tracts but declined by 10.3 percent in mostly-Latino tracts and 16.6 percent in mostly-black census tracts.

So we know more city residents are renting. But who owns the properties they're living in? A review of the data provides two answers.

First, the number of landlords owning multiple properties in Milwaukee dramatically increased. The popularity of limited liability corporations (LLCs) has skyrocketed from a negligible number of properties owned in the early 1990s to more than 13,000 in 2019. LLC ownership is concentrated in single-family homes and duplexes. It quadrupled from 2005 to 2019.

Second, the number of landlords residing outside the city has exploded. Half of all rented properties are now owned by someone outside Milwaukee. From 2005 to 2019, the number of properties owned by suburbanites grew by 70 percent, from nearly 7,700 properties to more than 13,000.

During that same period, residential properties owned by someone who lives in Wisconsin but not in Milwaukee or its suburbs grew from just under 1,000 to nearly 2,300.

But perhaps the most significant development in the city's housing market in the last 15 years involved out-of-state investors. Landlords with addresses outside Wisconsin quadrupled their holdings in the last 15 years, from 1,300 properties to more than 5,800.

The change in ownership of residential properties in Milwaukee has resulted in an enormous transfer of family-housing wealth to out-of-state individuals and businesses. Landlords with Illinois addresses now own more than 1,600 residential properties in the city of Milwaukee. Landlords in California own 1,400 units. Texas landlords own nearly 700. Keep in mind that none of these figures includes large apartment buildings.

In all, out-of-state-landlords now own more than \$580 million in residential properties in the city of Milwaukee. That number grew by \$396 million in just the last 15 years.

A recent story in the publication *CityLab* noted that more than 12 million single-family homes are currently being rented in the United States. Following the housing collapse, attitudes toward home ownership changed. Some individuals can't afford to buy a home. Others no longer see owning a home as part of a strategy to create personal wealth. The trend away from owner occupancy is not simply a Milwaukee phenomenon.

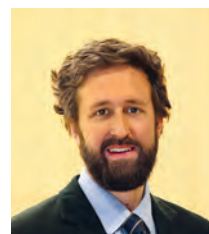
But what's happening in Milwaukee raises interesting questions.

- What will be the long-term impact on neighborhoods that see an exodus of city employees?
- Is the decline in owner-occupancy rates in Milwaukee—especially on the north and west sides—a long-term trend?
- Will the number of residential properties owned by people who don't live in the city—or the state—continue to grow?
- What does the trend away from owner-occupancy mean for Milwaukee residents, who once used their homes to build long-term wealth?

The answers to those questions will be important. For decades, Milwaukee was a city of strong, cohesive neighborhoods, its citizens bound in part by something they had in common: the investment in their home.

Today, that sense of community—the mettle of Milwaukee, really—is being tested. While parts of the city enjoy a welcome renaissance, other neighborhoods are experiencing a different, more concerning kind of change: the departure of middle-class city employees and their families and a huge transfer of housing wealth from city residents to individuals and businesses that view Milwaukee as a rental-market opportunity, not as a place to live. ■

Owner-occupancy rates have fallen for every housing type. They were down 12 percent each for single-family homes and duplexes. They were down 10 percent for triplexes and four-unit dwellings. Owner occupancy of condos fell by 9 percent.



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