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IDEAS LAB

Milwaukee city workers moved out in droves after the residency rule ended. It was a boon for the suburbs.

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We couldn't believe it. On a picture-perfect Sunday afternoon in July, on a day when downtown office towers were empty and the surrounding streets quiet, my wife and I were stuck in traffic. Or at least as stuck in traffic as one gets in Milwaukee. We were in the city's Third Ward — and it was packed. A parade of shoppers, sightseers, diners and dog-walkers.

The Milwaukee Renaissance, as city boosters like to call it, was on full display.

Next summer, the secret of Milwaukee's renaissance will be out when the Democratic National Convention comes to town. Tens of thousands of visitors will hear a lot about the city's comeback; the nearly \$3 billion dollars in downtown development since 2010; an additional 7,000 downtown residents during the same period, bringing the total number to 33,000; neighborhoods such as Walker's Point, Bay View and Washington Heights joining the Third Ward in an exciting urban revival story.

But this is only part of the tale of modern-day Milwaukee. The city is being tested by another trend that threatens not just the city's tax base, but 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.

Analysis of city data by Marquette University Law School's Milwaukee Area Project shows the exodus has coincided with an exponential increase in the number of residential units now owned and rented by suburban landlords, along with a significant decrease in the number of owner-occupied properties.

For 75 years, city employees had been 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 municipalities. The new law was praised by unions representing Milwaukee police and firefighters but quickly challenged by the city in court. The city lost. In June 2016, a 5-2 majority on the Wisconsin Supreme Court ruled that Milwaukee could no longer enforce its residency requirement.

A spokesman for then-Gov. 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, argued that no longer requiring residency would have profound, negative consequences for Milwaukee.

Was Barrett right?

A growing number of city employees have left

The most recent city data, from August 2019, suggests the mayor had reason to be concerned. It shows that 28% of the city's 6,438 employees now live outside the city. That's 1,793 individuals, not including employees' families.

Just 16% of what are known as general city employees — those who don't work in public safety jobs — live outside Milwaukee. Far greater numbers of sworn personnel — police and firefighters — have left the city or chosen not to live in it.

Milwaukee Police Lt. Erik Gulbrandson moved from Milwaukee to Waukesha County four years ago. A 24-year veteran of the department, Gulbrandson and his wife had lived for 17 years in a single-family home near Alverno College on Milwaukee's southside. They loved their neighbors but wanted to make life simpler, so they began looking for a condominium, he said. They considered downtown but were discouraged by the prices and taxes. 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 August, 45% of police officers — 848 individuals — and 45% of firefighters — 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. In the last year alone, 173 more officers and their families chose to live outside the city.

“Unfortunately, I was pretty accurate as to what my prediction would be,” Barrett told me. “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,” Ald. Michael Murphy said. Murphy is a former Common Council president and outspoken critic of the decision to end the residency requirement. He predicts that by the end of 2019, nearly 50% of public safety officers will live outside Milwaukee.

“I’m guessing it’ll probably approach 70 to 75% in another five to 10 years,” Murphy said.

But Republican Assembly Speaker Robin Vos, who supported ending the requirement, says 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 told me.

“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 shows Franklin, Oak Creek, Muskego, Greenfield, New Berlin, Brookfield and Menomonee Falls are among the most popular destinations for former city residents. That’s in part because sworn officers must live within 15 miles of the city. But you can find other city employees as far away as Cedar Grove in Sheboygan County and Williams Bay in Walworth County.

Where the impact has been the greatest

Some neighborhoods in Milwaukee have been disproportionately affected by the end of residency. 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.

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

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

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 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?” he asked.

While one police department veteran I talked with 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 I.”

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 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 says 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 told me.

"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, Ald. 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 change may have cost Milwaukee nearly 10,000 people

The city's predicament has been compounded by the loss of residents employed by Milwaukee Public Schools. The district also had a residency requirement, which it formally eliminated in July 2013 after the Legislature acted. As of this summer, MPS had 9,471 full-time employees. Roughly one-fifth — 2,184 — live outside the city. Combining the city and MPS numbers, and figuring an average household size of 2.4 individuals, that would translate into a loss of roughly 9,500 residents because of the end of the requirement.

In fact, the full impact of the end of residency may yet to be felt. The city is facing a huge increase in its pension obligations, which 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 the city will have to look at changes to its pension system. Among them: negotiating new collective bargaining agreements with the unions representing 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 Barrett and some city leaders have 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 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 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 the department's rank and file has become less diverse. Today in 2019, nearly two-thirds of Milwaukee police officers are white. And more of them now live outside the majority-minority city where they work.

In an email, I 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 six 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, per the mayor’s budget proposal.”

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 that employees are moving to 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% if they live in or move into the city. It’s prepared 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 a similar incentive pay exists in neighboring West Allis, which offers employees who live in their city an additional 2% in pay.

But the second and bigger question may be this: Is a 3% pay increase enough to persuade Milwaukee employees to live in the city where they work?

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

More city properties owned by suburban residents

In researching this story, we found two other trends that, along with residency, present challenges for Milwaukee.

Data compiled and analyzed by my Law School colleague, Lubar Center research fellow John Johnson, revealed that a rapidly growing number of residential properties in Milwaukee are no longer owned by city residents. They’re owned by someone who lives in the suburbs and are most likely being rented.

Johnson’s analysis shows a profound change has been underway since at least 1990, which has accelerated in recent years. As one example: In 1990, in the 2nd Aldermanic District on Milwaukee’s northwest side, there were 104 single-family homes owned by someone in the suburbs. In 2018, that number was 842.

The trend is evident in aldermanic districts where large numbers of city employees have historically lived.

We looked at a 15-year window from 2004 to 2018 — from before the Great Recession to the recovery that followed. During that time, the increase in suburban ownership of homes in these Milwaukee districts has been dramatic. In 2004, in the 5th District on the far west side, there were 120 single-family homes owned by someone in the suburbs. In 2018, that number had quintupled, to 548.

In 2004, in the 11th District on Milwaukee’s far southwest side, there were 125 single-family homes owned by someone in the suburbs. That number jumped to 408 by 2018.

And in 2004, in the 13th District on Milwaukee’s far south side, there were 105 single-family homes owned by someone in the suburbs. That number nearly tripled, to 308, by 2018.

Our data analysis could not determine whether city employees who had moved to the suburbs still owned their former Milwaukee homes and were renting them out.

Not surprisingly, the increase in Milwaukee homes owned by people who live in the suburbs has coincided with a decline in the rate of owner-occupancy. In some Milwaukee aldermanic districts, the drop has been precipitous. From 2004 to 2018, the city’s 1st District on the far north side saw owner-occupancy rates plummet from 78% to 55%. Even in the three districts favored by city employees and their families — some of the most stable neighborhoods in the city — owner-occupancy has fallen.

The debate over residency is and always has been two separate debates.

One is philosophical — it's about the freedom to live where you want. The other is about real-life consequences.

While parts of Milwaukee enjoy a welcome renaissance, the mettle of the city is being tested by the departure of thousands of middle-class residents who, for decades, have been a stabilizing force in city neighborhoods. And the future of those neighborhoods increasingly is being determined by people who see Milwaukee as a rental market opportunity — not as a place to live.

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