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Income Change in Milwaukee's Inner City, 2004-2005

*A UWM Center for Economic Development
Research Update*

The University of Wisconsin-Milwaukee
Center for Economic Development
November 2006

ABOUT THIS REPORT

In May 2006, the University of Wisconsin-Milwaukee Center for Economic Development (UWMCED) released a comprehensive report on economic conditions in Milwaukee's inner city. Among the report's chief findings was that the income of residents in inner city neighborhoods, adjusted for inflation, declined by 2.8 percent between 1990 and 2004, and by a whopping 8.6 percent in neighborhoods on the city's increasingly troubled Northwest Side during that period. Moreover, the income levels in inner city neighborhoods fell further and further behind the rest of the Milwaukee region between 1990-2004. By 2004, for example, inner city income per taxpayer was only 41.0% that of income in the exurban "WOW" counties (Waukesha, Ozaukee, and Washington), and less than half the income level in the Milwaukee County suburbs. The report offered an extensive critique of current inner city policy in Milwaukee, and offered policy recommendations.

This brief research update examines the most recent income trends in Milwaukee's inner city and selected other jurisdictions, using a special run of the most recent data prepared especially for the UWMCED by the State of Wisconsin Department of Revenue. The author of this report is Dr. Marc V. Levine, Professor of History and Urban Studies, and Director of the UWMCED. Lisa Heuler Williams, a policy analyst at the Center, provided indispensable research assistance.

UWMCED is a unit of the College of Letters and Science at the University of Wisconsin-Milwaukee. The College established UWMCED in 1990, to provide university research and technical assistance to community organizations and units of government working to improve the Greater Milwaukee economy. The analysis and conclusions presented in this report are solely those of UWMCED and do not necessarily reflect the views and opinions of UW-Milwaukee, or any of the organizations providing financial support to the Center.

The UWMCED strongly believes that informed public debate is vital to the development of good public policy. The Center publishes briefing papers, detailed analyses of economic trends and policies, and “technical assistance” reports on issues of applied economic development. In these ways, as well as in conferences and public lectures sponsored by the Center, we hope to contribute to public discussion on economic development policy in Southeastern Wisconsin.

Further information about the Center and its reports and activities is available at our web site: www.ced.uwm.edu

As Milwaukee celebrates the Thanksgiving holiday this week, newly released income figures reveal unabated economic hardship in the city's poorest neighborhoods. In recent years, city officials and business leaders have trumpeted the "competitive advantages" of Milwaukee's inner city and the virtues of a so-called "market-driven" strategy for inner city revival. Yet, the inflation-adjusted income per taxpayer in Milwaukee's inner city declined last year by almost two percent, a steep reduction that continues the trend of income stagnation evident in these neighborhoods since the early 1980s.¹ Conversely, real income rose by two percent throughout the rest of metro Milwaukee in 2005. As a result, income levels in the inner city fell further behind the rest of the metropolitan area last year, exacerbating the already sharp economic polarization that increasingly plagues the Milwaukee region.

These are the key findings of our analysis of a special run of the most recent taxpayer income data prepared by the State of Wisconsin Department of Revenue for the University of Wisconsin-Milwaukee Center for Economic Development (UWMCED).²

For the purposes of this analysis, the inner city encompasses the nine zip codes identified by the City of Milwaukee in federal grant applications and redevelopment plans since the early 1990s as constituting Milwaukee's most economically distressed neighborhoods. These zip codes are sometimes called the city's "CDBG" neighborhoods, in reference to the federal government's Community Development Block Grant program that channels urban development funds to the most disadvantaged sections of cities.

Between 2004-2005, income per taxpayer in inner city neighborhoods, adjusted for inflation, declined by 1.9 percent. This was a large one year decline, especially at a time when other parts of the region were

¹ For a full analysis of economic trends in Milwaukee's inner city between 1970 and 2000, see Marc V. Levine, *The Economic State of Milwaukee's Inner City: 1970-2000* (Milwaukee: University of Wisconsin-Milwaukee Center for Economic Development, 2002).

² See methods note at the end of this report for a description of the utility and limits of the DOR data.

experiencing income growth. For example, during the previous *fourteen* years, between 1990-2004, real income in the inner city zip codes declined by 2.8 percent, only slightly higher than the one year fall-off between 2004-2005 alone.³

As Table 1 reveals, real income per taxpayer fell last year across the traditional inner city, declining in all but two of the nine so-called “CDBG” zip codes. In one zip code, 53218, geographically straddling the traditional inner city and Milwaukee’s increasingly troubled Northwest Side, real income fell by 2.8 percent between 2004-2005, and now has fallen by a massive 15 percent since 1990.⁴

Table 1:
Income Change in Milwaukee’s Inner City: 2004-2005
(real income per tax return in inner city zip codes, in constant 2005 dollars)

| Zip Code | 2004 Income | 2005 Income | % Change 2004-2005 |
|-------------------------------------|------------------------|------------------------|---------------------------|
| 53204 | \$22,022 | \$21,341 | -3.1% |
| 53205 | \$21,312 | \$21,572 | +1.2% |
| 53206 | \$19,647 | \$19,275 | -1.9% |
| 53208 | \$30,001 | \$29,952 | -0.2% |
| 53210 | \$28,485 | \$28,068 | -1.5% |
| 53212 | \$26,700 | \$27,407 | +2.6% |
| 53216 | \$30,817 | \$29,976 | -2.7% |
| 53218 | \$28,239 | \$27,460 | -2.8% |
| 53233 | \$18,836 | \$18,089 | -4.0% |
| All Inner City Zip Codes | \$26,517 | \$26,104 | -1.9% |

Source: UWMCED analysis of State of Wisconsin Department of Revenue, *Statistics on Income*, special tabulations

The two zip codes in which income growth did occur in 2004-2005 encompass the revitalized Brewers Hill neighborhood (53212), where real income per taxpayer grew by 2.6 percent, and zip code 53205, which includes the moderate-income housing developments of Lindsay Heights and CityHomes (where income grew by 1.2 percent in 2004-2005).

³ For full analysis of economic trends in Milwaukee’s inner city since 1990, see Marc V. Levine, *The Economic State of Milwaukee’s Inner City: 2006* (Milwaukee: University of Wisconsin-Milwaukee Center for Economic Development, 2006). Available at: www.ced.uwm.edu.

⁴ *The Economic State of Milwaukee’s Inner City: 2006*, p. 17.

Brewers Hill, of course, represents one of Milwaukee's most conspicuous gentrification success stories, and the sharp increase in real income in zip code 53212 --now up by almost 18 percent since 1990—is undoubtedly attributable to the influx of affluent households into Brewers Hill rather than substantial income gains for existing residents. In zip code 53205, while there has been some sign of income growth, the number of taxpayers still remains small (around 3,000, the least-populated on Milwaukee's inner city zip codes), and income per taxpayer remains at poverty levels, just two-thirds of the city-wide income level and less than one-third of the income level of Waukesha county (see Table 3).

In our May 2006 analysis of the economic state of the inner city, UWMCED reported on “the unmistakable beginnings of a transformation of [Milwaukee's] Northwest Side from a solid middle-class enclave to a geographic magnet for poor households leaving the traditional inner city.” We found that “portions of the Northwest Side must now be viewed as part of Milwaukee's inner city, facing the social and economic challenges common to inner cities across the country.”⁵

As Table 2 shows, the decline of real incomes on the Northwest Side has continued unabated during the past year. Two of the three Northwest Side zip codes experienced declines in inflation-adjusted income per taxpayer last year, and the Northwest Side as a whole recorded a substantial one-year real income drop of 2.1 percent. Since 1990, real income on the Northwest Side has now fallen by almost 11 percent. Although incomes on the Northwest Side are still well above the city-wide average, the trend-line appears ominous. In the absence of effective city economic development plans for the neighborhood, the Northwest Side appears headed soon for a “tipping point” into greater economic distress.

Table 3 puts last year's income shifts in the inner city and on the Northwest Side into broader perspective, comparing changes in real income per taxpayer in 2004-2005 in areas across the Milwaukee region.

⁵ *Ibid*, p. 18.

As the table reveals, real income increased across the region, except in the inner city areas of Milwaukee. The city of Milwaukee as a whole registered a modest increase in real income per taxpayer of 0.7 percent, with a nearly ten percent rise reported in the condo-booming downtown and Third Ward neighborhoods. The Milwaukee County suburbs saw real income per taxpayer advance by 2.3 percent last year, while real income grew in the exurban “WOW” counties by 3.5 percent.

Table 2:
Income Change in Milwaukee’s Northwest Side: 2004-2005
(real income per tax return in Northwest Side zip codes, in constant 2005 dollars)

| Zip Code | 2004 Income | 2005 Income | % Change 2004-2005 |
|-------------------------------------|-----------------|-----------------|--------------------|
| 53223 | \$39,008 | \$39,748 | +1.9% |
| 53224 | \$41,681 | \$38,479 | -7.7% |
| 53225 | \$33,625 | \$32,694 | -2.8% |
| All Northwest Side Zip Codes | \$37,796 | \$36,988 | -2.1% |

Table 3:
Income Change in Selected Areas of Metro Milwaukee: 2004-2005
(real income per tax return in selected areas, in constant 2005 dollars)

| Area | 2004 Income | 2005 Income | % Change 2004-2005 |
|-------------------------------|-------------|-------------|--------------------|
| City of Milwaukee | \$30,760 | \$30,988 | +0.7% |
| Inner City | \$26,517 | \$26,104 | -1.9% |
| Northwest Side | \$37,796 | \$36,988 | -2.1% |
| Downtown/3 rd Ward | \$55,309 | \$60,710 | +9.8% |
| Rest of City | \$29,770 | \$30,167 | +1.3% |
| Milwaukee County Suburbs | \$52,418 | \$55,129 | +2.3% |
| Waukesha County | \$64,012 | \$67,954 | +3.3% |
| Washington County | \$51,283 | \$54,089 | +2.6% |
| Ozaukee County | \$75,435 | \$81,365 | +4.9% |

As a consequence of these trends, income inequality in metropolitan Milwaukee deepened last year, as the inner city fell further behind other areas of the region. Table 4 shows that income per taxpayer in the inner city fell in 2005 to less than *half* the income in the Milwaukee County

suburbs and less than 40 percent of the income of taxpayers in the exurban counties. These are massive income gaps that have widened considerably since 1990 and signify deep economic polarization in the region.

“Regionalism” has become the new buzzword among city and corporate leaders, but, so far at least, there has been little indication that these leaders are prepared to implement the kinds of regional equity policies—in transportation, tax-base sharing, or growth management—that other communities have used to attack regional economic disparities.

Table 4:
Inner City Income Compared to Selected Areas of Metro Milwaukee: 1990-2005
 Inner city income per taxpayer as a % of income in:

| Area | 1990 | 2004 | 2005 |
|--------------------------|-------------|-------------|-------------|
| City of Milwaukee | 89.6 | 86.2 | 84.2 |
| Milwaukee County Suburbs | 55.6 | 49.6 | 47.5 |
| Waukesha County | 50.8 | 41.4 | 38.4 |
| Washington County | 58.8 | 51.7 | 48.3 |
| Ozaukee County | 45.7 | 35.2 | 32.1 |

In summary, this update of income trends from last year confirms that little has changed from the pattern of the past two decades. Milwaukee’s inner city remains poor and is falling further behind the rest of the region, and the city’s Northwest Side continues its alarming economic decline. Notwithstanding ballyhooed projects such as the now moribund “Initiative for a Competitive Milwaukee,” income trends give little sign that “market-driven” development is lifting the incomes of residents of a “competitive” inner city. Quite the contrary: the income data reveal the extent to which Milwaukee’s inner city faces a grave economic crisis and requires new, innovative policy approaches.

Although there is clearly no “silver bullet” panacea to the economic crisis of the inner city, our May 2006 report offered eight recommendations for reorienting inner city redevelopment policy in

Milwaukee. We conclude by simply listing them again here and encouraging review of the earlier report:⁶

- Milwaukee lacks and desperately needs a comprehensive inner city redevelopment and anti-poverty strategy;
- Metro Milwaukee should embrace regional equity strategies, including tax-base sharing and regional growth management;
- The Greater Milwaukee Committee and Metropolitan Milwaukee Association of Commerce, as the “public policy” arms of corporate Milwaukee, need to step up to the plate for the inner city, by helping businesses to avoid inner city plant shutdowns and/or layoffs, and by persuading GMC and MMAC members to locate in or near the inner city, rather than increasingly in exurban locations inaccessible to inner city workers;
- The City of Milwaukee should rethink some of its economic development strategies, such as wasteful capital spending on tourism infrastructure;
- The City of Milwaukee Department of City Development should be restructured and reinvigorated to implement an inner city revitalization and city job-creation strategy;
- Community benefits agreements should be standard components of development deals in Milwaukee;
- Gentrification should continue to be encouraged in Milwaukee, while city policy should minimize the displacement of neighborhood residents;
- Major investments in renewed infrastructure –rails, roads, and schools-- should be undertaken in Milwaukee, not only creating jobs for inner city unemployed, but also enhancing the long-term economic competitiveness of the inner city (and the city as a whole).

⁶ *Ibid*, pp. 36-41, for a brief discussion of these policy options.

NOTE ON THE DATA USED FOR THIS RESEARCH UPDATE

The U.S. Bureau of the Census provides data on household income for neighborhoods, measured either at the census tract or zip code level, only in the decennial census. The relatively new *American Community Survey* provides household income estimates at only the city, county, and metropolitan area level, and therefore cannot be used for gauging post-census household income trends at the neighborhood level.

Thus, to examine neighborhood income trends in non-census years requires different data sources. This study uses income data reported by tax filers and available from the State of Wisconsin Department of Revenue (DOR) on an annual basis. Special tabulations by DOR for the UWM Center for Economic Development broke down the income per tax filer by zip codes for selected earlier years as well as 2004 and 2005, the most recent years available; these data make possible the analysis of income trends in geographical breakdowns approximating neighborhoods.

The DOR income data approximate census data on household income, but the data are not equivalent. The DOR data include “Wisconsin adjusted gross income” (WAGI), which roughly equals federal adjusted gross income plus certain additions, such as state and municipal bond interest, and minus certain subtractions, such as U.S. government bond interest and excluded long-term capital gains. WAGI is less than personal income, as estimated by the U.S. Department of Commerce, because not all persons are required to file tax returns and because certain income, such as a portion of social security benefits, is included in personal income, but not WAGI. Finally, WAGI per return is not necessarily equivalent to household income, because tax-filing units do not necessarily correspond to households; several members of a single household may file tax returns.