



**Metropolitan Polarization in an Era of Affluence:
Income Trends in Metropolitan Milwaukee Since 1990**

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Like most major metropolitan areas in the United States, Milwaukee's economy flourished in the 1990s. Unemployment in the region declined to the lowest levels since the 1960s, and real income surged. Controlling for inflation, the average income reported on the tax returns of metro Milwaukee residents grew by 17.6 percent between 1990 and 2000.

However, the "rising tide" did not "lift all boats" in metropolitan Milwaukee during the 1990s boom. Real income barely budged in the City of Milwaukee during the decade and, notwithstanding recent reports on the "economic well-being" of Milwaukee's inner city, real income actually declined in inner city neighborhoods despite one of the greatest booms in U.S. economic history. The income gap between city and suburb widened markedly during the 1990s, and income inequality deepened in the region. The number of affluent metro Milwaukee residents, reporting annual income above \$100,000 (in 2000 constant dollars), surged during the 1990s, but the vast majority of these affluent taxpayers lived outside the City of Milwaukee. There were some encouraging signs in the city. For the first time in decades, the absolute number of affluent tax filers living in the city increased during the 1990s, a trend that accelerated towards the end of the decade. Nevertheless, by 2000, as the great boom of the 1990s came to end, a decade of suburban sprawl and growing inequality had resulted in a highly polarized distribution of the benefits of prosperity in metro Milwaukee, leaving the city further behind its increasingly prosperous suburbs.

This report offers a detailed overview of income trends in metropolitan Milwaukee since 1990. The most comprehensive data on household income are from the U.S. census bureau, but income data from the 2000 census will not be available until spring, 2002 at the earliest. However, we are able to track income trends in metropolitan Milwaukee during the 1990s by analyzing data on "adjusted gross income" (AGI) drawn from tax returns by the Wisconsin Department of Revenue (DOR). Although these data have some shortcomings and are not strictly equivalent to household income (see Appendix), they provide a solid base from which to analyze income trends since the last census. The most recent Department of Revenue data are from 2000 for major jurisdictions in the region (counties and the City of Milwaukee). In addition, we have secured special runs of the

DOR data through 1999 (the most recent available) to analyze trends in various communities at the zip code level.

Income Growth in Metropolitan Milwaukee, 1990-2000

Although the inflation-adjusted income reported on the tax returns of metropolitan Milwaukee residents rose by 17.6 percent during the 1990s, there was sharp variation in the income growth registered in the region’s counties and major city. As Table 1 shows, real AGI per tax return grew by a whopping 37.0 percent in Ozaukee County and 20.7 in Waukesha County between 1990-2000; by contrast, real AGI per tax filer grew by a modest 4.3 percent in the City of Milwaukee during the decade. The income growth in metro Milwaukee suburbs during the 1990s was nothing short of astonishing. By the end of the decade, Ozaukee and Waukesha counties ranked among the most prosperous counties in the United States.

TABLE 1:

Income Growth in the City of Milwaukee and Suburbs: 1990-2000

(adjusted gross income per tax return in constant 2000 dollars)

Place	1990	2000	% change
City of Milwaukee	\$27,654	\$28,833	+ 4.3
Milwaukee County Suburbs	44,592	49,880	11.9
Ozaukee County	53,519	73,320	37.0
Washington County	40,485	47,378	17.0
Waukesha County	50,447	60,907	20.7
Metropolitan Milwaukee	38,921	45,768	17.6

Table 2 gives us a more precise reading on the changes in real income that have occurred in metro Milwaukee since the late 1980s. Real income per tax filer has risen consistently in all jurisdictions in metro Milwaukee since the late 1980s, except for the 1990-93 period, which includes the recession years of 1991 and 1992, when income fell

everywhere in the region except Ozaukee county. Clearly, as the 1990s boom reached its apex at the end of the decade, real income rose briskly in all parts of the metropolitan area, although, as we have noted, the growth rate in the City lagged behind all of the suburban counties. The income gains for city residents in the 1997-2000 period, however, did exceed the declines of earlier in the 1990s, resulting in a very small overall increase in real income per tax filer in the city during the decade. However, as we shall see, in many neighborhoods in the City of Milwaukee, residents saw little or no increase in their real income during the decade.

TABLE 2:

**Changes in Real Income Per Tax Filer
In Metropolitan Milwaukee, 1987-2000**

(changes in real income, by jurisdiction, for selected time periods)

Period	City of Milwaukee	Milwaukee County Suburbs	Ozaukee County	Washington County	Waukesha County
1987-90	- 0.3 %	+ 4.7 %	+ 8.4 %	+ 3.1 %	+ 6.4 %
1990-93	- 4.2	- 1.5	+ 5.1	- 0.5	- 0.2
1993-97	+ 2.6	+ 6.0	+10.3	+ 6.4	+ 8.7
1997-00	+ 6.1	+ 7.2	+18.2	+ 9.2	+11.3
1987-2000	+ 4.0	+ 17.0	+ 48.5	+ 19.2	+ 28.5
1990-2000	+ 4.3	+ 11.9	+ 37.0	+ 17.0	+ 20.7
1993-2000	+ 8.8	+ 13.6	+ 30.4	+ 16.1	+ 21.0

The upshot of these trends was a significant widening during the past decade in the income gap separating city and suburb in metro Milwaukee. As Table 3 shows, since the end of the 1980s boom, there has been a growing economic polarization in the region as income per tax filer in the City of Milwaukee falls further and further behind income levels in the suburban counties. In booming Ozaukee and Waukesha counties, income per tax filer is now more than double the income per tax filer in the City of Milwaukee.

TABLE 3:

The Growing City-Suburb Income Gap, 1987-2000

Income per tax return in City of Milwaukee as
% of income in suburban counties

Place	1987	1990	1993	1997	2000
Milwaukee County Suburbs	65.0%	62.0%	60.3%	58.4%	57.8%
Ozaukee County	56.1	51.7	47.1	43.8	39.3
Washington County	69.8	68.3	64.9	62.6	60.9
Waukesha County	57.2	54.8	52.6	49.7	47.3

**The Geography of Affluence in Metropolitan
Milwaukee: 1990-2000**

During the 1990s boom, the number of affluent tax filers in metropolitan Milwaukee—residents reporting more than \$100,000 in annual adjusted gross income (in 2000 constant dollars)—increased from 33,129 to 52,929 between 1990-2000, a gain of 59.8 percent. As Table 4 shows, the number of affluent tax filers increased substantially in all parts of the metropolitan area between 1990-2000, although as Table 5 shows, the overwhelming majority of the net increase (91.7 percent) occurred in the suburbs. Consequently, the city’s share of metro area affluent tax filers, which has been falling consistently since the 1960s¹, continued to fall through the 1990s (even though the absolute number of affluent residents in the city increased in the 1990s). By 2000, although 38.0 percent of metropolitan Milwaukee’s tax filers resided in the City of Milwaukee, only 10.7 percent of the region’s affluent tax filers lived in the city (see Table 6). The same trend occurred for the region’s “super-affluent” residents: tax filers with more than \$200,000 in annual income (in 2000 dollars). Thus, as Table 7 clearly reveals, the affluent grew as a proportion of tax filers throughout metro Milwaukee during the 1990s; but, the affluent constitute a much more substantial percentage of total

¹ See Marc Levine, *Suburban Sprawl and the Secession of the Affluent: Metropolitan Polarization in Milwaukee, 1987-1997* (Milwaukee: UWM Center for Economic Development, 1999).

residents in Milwaukee’s suburbs – particularly the “WOW” counties²—than in the city itself.

As sprawl continues unabated in metro Milwaukee, the degree to which the region’s affluent residents are concentrated in the suburbs, particularly the rapidly growing “exurbs” of Ozaukee, Washington, and Waukesha counties, is breathtaking. Consider the following: by 2000, Waukesha County, with less than two-thirds the number of total tax filers as the City of Milwaukee, was home to 25,604 affluent tax filers – a figure *four times greater* than the 6,358 living in the City of Milwaukee. Among the exceptionally affluent –tax filers with AGI over \$200,000—the disparity is even more striking. In 2000, there were 1,040 tax filers in the City of Milwaukee reporting AGI over \$200,000, compared to 2,340 in Ozaukee County (with only one-seventh the number of total tax filers as Milwaukee) and 6,051 in Waukesha County.

TABLE 4:
**Residential Location of Affluent Tax Filers
in Metro Milwaukee, 1990-2000**

(number and percent change in tax filers reporting
\$100,000 or more of AGI in constant 2000\$, by place of residence)

Jurisdiction	1990	2000	% change 1990-99
City of Milwaukee	4,416	6,358	+ 44.0
Milwaukee County Suburbs	11,177	15,554	+ 39.2
Ozaukee County	4,124	6,869	+ 66.5
Washington County	2,189	4,834	+120.8
Waukesha County	13,986	25,604	+ 83.1
Metro Milwaukee	33,129	52,929	+ 59.8

Perhaps the following comparison illustrates most vividly the extent to which metropolitan Milwaukee’s affluent residents have, for the most part, abandoned the city for suburbia. By the end of the 1990s, just the three municipalities --Brookfield, Mequon and New Berlin-- with a combined population around *one-sixth* that of the City of Milwaukee, contained *twice* as many “over \$100,000 income” taxpayers as Milwaukee.

² “WOW” counties are Waukesha, Ozaukee, and Washington.

These municipalities combined contained almost *four times* as many “over \$200,000” taxpayers as the city (see Tables 9 and 11).

TABLE 5:
Share of Net Growth in Affluent Filers in Metro Milwaukee: 1990-2000
 (tax filers with AGI above \$100,000 in constant 2000\$, by place of residence)

Jurisdiction	Growth, 1990-2000	Net Share of Total Growth, 1990-2000
City of Milwaukee	1,942	8.3%
Milwaukee County Suburbs	4,377	18.8
Ozaukee County	2,745	11.8
Washington County	2,645	11.4
Waukesha County	11,618	49.8
Metro Milwaukee	23,327	100.0 %

TABLE 6:
Residential Distribution of Metro Milwaukee Affluent Tax Filers, 1990-2000

(% of metro area tax filers with AGI over \$100,000 (in 2000 dollars)
 living in major jurisdictions)

Jurisdiction	1990	2000
City of Milwaukee	12.3 %	10.7 %
Milwaukee County Suburbs	31.1	26.3
Ozaukee County	11.5	11.6
Washington County	6.1	8.2
Waukesha County	39.0	43.2
Metro Milwaukee	100 %	100 %

TABLE 7:
Proportion of Tax filers Reporting Income Above
\$100,000 (in 2000 constant dollars)
City of Milwaukee and Suburban Counties, 1990-2000

Jurisdiction	1990	2000
City of Milwaukee	1.5 %	2.2 %
Milwaukee County Suburbs	6.5	8.7
Ozaukee County	10.9	15.8
Washington County	4.6	8.0
Waukesha County	9.0	13.5
Metro Milwaukee	5.0	7.8

Tables 8-11 show more precisely both where affluence is concentrated and where it has grown most rapidly since 1990 in metro Milwaukee. Table 8 shows communities in the region in which the “affluent” (over \$100,000 AGI in 1999 constant dollars) make up a significant portion of residents, and Table 9 shows increases that occurred in the number of affluent tax filers in these communities during the 1990s boom. Tables 10 and 11 show these figures for the region’s “super affluent” (over \$200,000 AGI in 1999 constant dollars).

TABLE 8:**Affluence in Selected Metro Milwaukee Communities, 1990-1999**

(Tax filers with adjusted gross income over \$100,000 [in 1999 constant dollars]
as share of all tax filers in selected jurisdictions)

Community	1990	1999
Bayside	29.4%	28.7%
Fox Point	26.0	28.3
Franklin	6.1	10.6
River Hills	37.8	43.2
Shorewood	10.7	14.7
Wauwatosa	7.6	9.9
Whitefish Bay	20.0	25.3
Colgate	9.3	15.8
Germantown	4.8	10.5
Hubertus	6.9	13.0
Richfield	7.7	14.6
West Bend	3.3	4.7
Brookfield	17.8	23.4
Delafield	13.8	22.6
Elm Grove	27.4	30.0
Hartland	9.8	16.6
Menomonee Falls	5.6	9.9
Muskego	5.5	11.6
New Berlin	7.9	12.6
Oconomowoc	7.9	13.4
Pewaukee	8.7	16.8
Cedarburg	8.2	13.4
Mequon	22.8	28.5
Grafton	5.8	11.3
City of Milwaukee	1.3	1.8

TABLE 9:**Growing Affluence in Selected Metro Milwaukee Communities
During the 1990s**(change in the number of tax filers with AGI over \$100,000 [in
constant 1999 dollars] between 1990-1999)

Number of Affluent Tax filers

Community	1990	1999	% Change, 1990-1999
Bayside	676	685	+ 1.3 %
Fox Point	937	1009	7.7
Franklin	637	1495	134.7
River Hills	342	378	10.5
Shorewood	813	1049	29.0
Wauwatosa	1960	2491	27.1
Whitefish Bay	1475	1809	22.4
Colgate	200	416	108.0
Germantown	313	949	203.2
Hubertus	163	337	106.7
Richfield	105	250	138.1
West Bend	450	787	68.2
Brookfield	3297	5087	54.3
Delafield	613	1311	113.9
Elm Grove	963	1052	9.2
Hartland	679	1507	121.9
Menomonee Falls	796	1678	110.8
Muskego	461	1284	178.5
New Berlin	1346	2565	90.6
Oconomowoc	962	1938	101.4
Pewaukee	614	1860	202.9
Cedarburg	814	1421	74.5
Mequon	2256	3344	48.2
Grafton	381	853	123.9
City of Milwaukee	3961	5325	34.4

TABLE 10:**Levels of “Super-Affluence” in Selected Metro Milwaukee Communities**

(Percentage of all tax filers with AGI above \$200,000 [in 1999 constant dollars] in selected communities)

Community	1990	1999
Bayside	11.9 %	12.7 %
Fox Point	10.5	11.7
Franklin	0.9	1.7
River Hills	24.4	29.0
Shorewood	2.7	4.6
Wauwatosa	1.4	2.1
Whitefish Bay	5.5	8.8
Colgate	2.2	4.2
Germantown	0.5	1.3
Hubertus	1.0	2.5
Richfield	1.1	2.9
West Bend	0.7	1.1
Brookfield	4.9	7.9
Delafield	3.2	7.7
Elm Grove	11.9	14.3
Hartland	3.0	5.6
Menomonee Falls	1.1	1.9
Muskego	0.7	1.7
New Berlin	1.0	2.2
Oconomowoc	1.6	3.2
Pewaukee	1.5	4.5
Cedarburg	1.9	3.9
Mequon	7.8	12.7
Grafton	1.3	2.5
City of Milwaukee	0.2	0.3

TABLE 11:**Growth in the Number of “Super-Affluent” Tax Filers
In Selected Metro Milwaukee Communities, 1990-1999**(change in the number of tax filers with AGI above \$200,000
[in constant 1999 dollars] between 1990-1999)

Number of “Super-Affluent” Tax filers

Community	1990	1999	% Change, 1990-1999
Bayside	274	302	+ 10.2 %
Fox Point	380	417	9.7
Franklin	99	234	136.4
River Hills	220	254	15.4
Shorewood	202	326	61.3
Wauwatosa	360	517	43.6
Whitefish Bay	402	625	55.5
Colgate	48	111	131.3
Germantown	31	114	267.8
Hubertus	24	64	166.7
Richfield	16	49	206.3
West Bend	91	178	95.6
Brookfield	900	1717	90.8
Delafield	153	446	191.5
Elm Grove	418	489	17.0
Hartland	207	505	144.0
Menomonee Falls	160	315	96.9
Muskego	55	191	247.2
New Berlin	164	439	167.7
Oconomowoc	244	610	150.0
Pewaukee	106	494	366.0
Cedarburg	153	347	126.8
Mequon	768	1487	48.2
Grafton	83	188	123.9
City of Milwaukee	694	1040	49.7

As Tables 8-11 clearly reveal, the geography of affluence in metropolitan Milwaukee extended, by the end of the 1990s, further and further away from the urban core of the city of Milwaukee. We are now, in effect, well into the “third wave” of the suburbanization of Milwaukee’s affluent. Initially, through the 1950s and 1960s, Milwaukee’s affluent began leaving the central city for the North Shore suburbs along Lake Michigan in Milwaukee County, with some movement west to areas such as Wauwatosa’s “Washington Highlands” as well as Brookfield and Elm Grove.³ In the 1970s and 1980s, a second wave of suburbanization among the well-to-do pushed further away from the central city, with the main destinations of Brookfield, Mequon, and increasingly the “lake country” of Waukesha County in places such as Delafield, Hartland, and Pewaukee.

In the 1990s boom, this “exurbanization” of the affluent accelerated. Mequon, Grafton, and Cedarburg in Ozaukee County; Germantown, Richfield, Colgate, and Hubertus in Washington County; and Brookfield, Delafield, Hartland, Pewaukee, Muskego, and Elm Grove – by the end of the 1990s, these were the places where the largest and fastest growing concentrations of affluent residents in metro Milwaukee lived. To be sure, the North Shore suburbs of Milwaukee County remained home to large numbers and heavy concentrations of affluent tax filers. 43 percent of the tax filers in River Hills, for example, reported 1999 incomes above \$100,000, and among the most substantial concentrations of affluent Milwaukeeans live in Bayside, Fox Point, Shorewood, and Whitefish Bay. And Milwaukee County communities such as Franklin witnessed huge growth in the number of affluent residents during the 1990s. Nevertheless, as suburban sprawl continued uncontrolled in the 1990s, the most rapid growth in affluence in the 1990s was on the periphery of the metropolitan area. Almost all of the major communities in Waukesha County’s “lake country,” for example, experienced triple-digit increases during the 1990s in the number of tax filers reporting income above \$100,000.

Tables 12 and 13 array the fifteen zip codes in metro Milwaukee in 1999 containing the highest proportion of affluent and super-affluent tax filers. Only two zip codes located

³ Levine, *Suburban Sprawl and the Secession of the Affluent*.

in the City of Milwaukee are on the lists: 53211, which includes Milwaukee’s East Side, Shorewood, and portions of Whitefish Bay; and 53203, the smaller of Milwaukee’s two downtown zip codes (only 592 total tax filers reported by DOR in 1999). All the rest of region’s elite zip codes represent communities in North Shore and the rapidly growing “enclaves of affluence” in the outlying areas of metro Milwaukee.

TABLE 12:
Sprawling Affluence:
The Fifteen Zip Codes in Metropolitan Milwaukee with
The Highest Percentage of Tax Filers Reporting Income
Above \$100,000 in 1999

Zip Code	Location	% Above \$100,000 AGI
53122	Elm Grove	33.0 %
53092	Mequon	29.1 %
53045	Brookfield	27.1 %
53217	North Shore Suburbs*	27.0 %
53097	Mequon-Thiensville	26.4 %
53018	Delafield	22.4 %
53005	Brookfield	19.7 %
53058	Nashotah	18.0 %
53072	Pewaukee	16.8 %
53029	Hartland	16.6 %
53012	Cedarburg	15.9 %
53017	Colgate	15.8 %
53151	New Berlin	14.8 %
53076	Richfield	14.6 %
53211	Milwaukee-Shorewood-Whitefish Bay	14.1 %

*Includes Bayside, Fox Point, River Hills, and parts of Whitefish Bay and Glendale

TABLE 13:
Enclaves of the “Super-Affluent”:
The Fifteen Zip Codes in Metropolitan Milwaukee with
The Highest Percentage of Tax Filers Reporting Income
Above \$200,000 in 1999

Zip Code	Location	% Above \$100,000 AGI
53122	Elm Grove	15.0 %
53092	Mequon	13.4 %
53217	North Shore Suburbs*	10.8 %
53045	Brookfield	9.7 %
53097	Mequon-Thiensville	7.9 %
53018	Delafield	7.3 %
53005	Brookfield	6.1 %
53029	Hartland	5.6 %
53058	Nashotah	5.1 %
53211	Milwaukee-Shorewood-Whitefish Bay	4.8 %
53072	Pewaukee	4.5 %
53066	Oconomowoc	4.22 %
53017	Colgate	4.20 %
53203	Downtown Milwaukee	4.1 %
53012	Cedarburg	3.9 %

*Includes Bayside, Fox Point, River Hills, and parts of Whitefish Bay and Glendale

The increasingly “sprawled” geography of affluence in metro Milwaukee –as well as the phenomenal increases in the *levels* of affluence in Milwaukee’s suburbs—is strikingly reflected in the region’s luxury housing market during the 1990s boom. As Table 14 shows, according to data compiled by the Multiple Listing Service, between 1995 and 2000 metro Milwaukee saw a huge increase in sales of homes for more than \$500,000,

with the greatest surge in Waukesha, Ozaukee, and Washington Counties. Million dollar houses, unheard of in Milwaukee before the 1980s, began selling more frequently towards the end of the 1990s boom. As recently as 1996, there were only two sales of houses for over \$1,000,000 in metro Milwaukee. By 2000, however, 32 homes in metro Milwaukee were sold for over one-million dollars, 21 of which were located in Waukesha and Ozaukee Counties (all but one of the rest were located in the North Shore suburbs of Milwaukee County). Moreover, despite the onset of recession in early 2001, the luxury housing market was alive and well in metro Milwaukee; through mid-July, there had already been 41 sales of million dollar homes in the region, 36 of which were located in Waukesha and Ozaukee Counties.

Table 14:
Sprawling Affluence and the Metro Milwaukee Housing Market

(number of sales of homes above \$500,000, by location)

Location	1995	2000
City of Milwaukee	1	6
Milwaukee County Suburbs	27	55
Waukesha County	31	133
Ozaukee County	25	65
Washington County	1	10
Metro Milwaukee Total	85	269

Affluence in the City of Milwaukee

As we have seen, the overwhelming majority of metro Milwaukee’s affluent continued to choose to live in suburbs further and further away from the central city during the 1990s. However, the good news for the City of Milwaukee during the 1990s was an increase, for the first time in four decades, in the absolute number of affluent tax filers living in the city.⁴ As Table 4 showed, between 1990-2000, the number of “over

⁴ The city’s *relative share* of the region’s affluent continued to fall during the decade, because the number of affluent tax filers grew more rapidly in the suburbs than in the city.

\$100,000” AGI tax filers in the city (in 2000 constant dollars) increased by a healthy 44 percent during the 1990s. By contrast, as the flight of the affluent from the city to suburbs climaxed during the 1980s, the City of Milwaukee lost almost one-third of its “over \$100,000” tax filers. Thus, the 1990s marked an important turn-around in the “secession of the affluent” that has been draining Milwaukee of its most prosperous residents since the 1960s. Moreover, indications are that the growth of affluent tax filers in the city accelerated as the 1990s came to a close. The number of “over \$100,000” tax filers in the City of Milwaukee jumped by 19.8 percent between 1999-2000 alone (from 5325 to 6358), by far the biggest percentage increase of any jurisdiction in metro Milwaukee that year.⁵ As Milwaukee moved with the rest of the United States into recession in early 2001, it remains to be seen whether this “back to the city” movement will endure, but clearly there are promising signs that many affluent taxpayers are rediscovering the attractiveness of city living in metro Milwaukee.

Affluence is not particularly widespread along geographic lines in the city. Over three-fifths of Milwaukee’s “over \$100,000” tax filers live in just three zip codes running along Lake Michigan: 53211 (the East Side); 53202 (Downtown [east of the river], part of the Third Ward, and the Lower East Side); and 53207 (Bayview). Even here, however, there are promising hints of change. As Table 15 shows, not only did downtown Milwaukee rebound as a residential choice for affluent tax filers between 1990-1999, but “gentrifying neighborhoods” such as Brewers Hill (part of 53212) and Walkers Point (part of 53204) also began attracting affluent residents. Moreover, although the zip code-level data are not yet available, it is likely that a good portion of the city-wide increase between 1999-2000 in “over \$100,000” tax filers occurred as affluent residents flocked to condominiums and rehabs in Brewers Hill, Walkers Point, and Downtown (along with continued income growth on the East Side and in Bayview).

⁵ By contrast, the number of “over \$100,000” tax filers in the three “WOW” counties grew by 11.0 percent between 1999-2000.

TABLE 15:**Gentrification in the City of Milwaukee in the 1990s**

Affluent Taxfilers (over \$100,000 AGI in 1999 dollars) in selected zip codes

Zip Code	# of affluent		% Change	Affluent as a % of Taxfilers	
	1990	1999	1990-1999	1990	1999
53202	547	851	55.6	5.0	7.4
53203	12	66	450.0	1.0	11.1
53204	20	29	45.0	0.2	0.2
53212	44	70	59.1	0.4	0.6

However, notwithstanding these promising signs, overall income growth in the City of Milwaukee was stagnant during the 1990s. As we have seen (Tables 1 and 3), the income of the average city tax filer fell further behind the average suburbanite during the decade; intra-regional inequality deepened markedly in metro Milwaukee during the “roaring 90s.” Moreover, although the number of affluent residents increased in the city between 1990-2000, the growth was slower (for the decade as a whole) than in the suburbs. Finally, as Table 16 shows, although the percentage of affluent tax filers in the city increased during the 1990s, through 2000 almost half of the tax filers in the City of Milwaukee reported incomes below \$20,000. The reason for this trend, as we explore next, is clear: despite the boom of the 1990s, Milwaukee’s inner city remains in a deep economic crisis.

TABLE 16:**The Income Structure of the City of Milwaukee, 1990-2000**Percentage of taxfilers in various income classes, by reported AGI
(in 2000 constant dollars)

Income Class	1990	2000
Over \$100,000	1.5 %	2.2 %
\$50,000 to \$99,999	14.6 %	13.6 %
\$20,000 to \$49,999	34.2 %	35.0 %
Under \$20,000	49.7	49.1 %

Income Trends in Milwaukee's Inner City in the 1990s

In recent years, there has been much talk about “misconceptions” regarding the economic health of Milwaukee’s inner city.⁶ A series of recent reports, for example, have sought to dispel “urban myths” about the “economic well-being” of Milwaukee’s inner city, highlighting the “hidden assets” and “untapped purchasing power” of these neighborhoods.⁷ These reports have even compared inner city income patterns favorably to trends in the suburbs, and argued that the more densely populated inner city offers a “competitive advantage” for business growth.

Unfortunately, this analysis is seriously misleading, relying on a flawed research methodology and perhaps some wishful thinking. For example, in their most recent study on *The Economic Well-Being of Milwaukee's Central City*, UWM's Employment and Training Institute (ETI) finds that since 1993 income has risen in Milwaukee's inner city zip codes faster than the rate of inflation, obviously a positive sign on the economic health of these neighborhoods. Unfortunately, the ETI reports commit a fundamental error in economic analysis. ETI traces income trends from near the bottom of an economic cycle (1993, the first year after the recession of 1991-92) to the top (1999, in the latest ETI report). However, the most appropriate comparisons of income trends are at comparable points in the business cycle: i.e. peak to peak, or trough to trough. Comparing income at the trough to income at the peak gives a cyclically distorted, upward bias to the trend-line, which is precisely what the ETI reports do. Put another way: it was hardly astonishing that income rose above the rate of inflation in inner city zip codes during one of the greatest booms (after 1993) in U.S. history. If income in the inner city did not rise during that phase of the business cycle, it never would. All ETI has measured is a cyclical blip in income trends. However, the critical question in gauging the economic well-being and “competitive” prospects of Milwaukee's inner city is to determine the secular trend

⁶ This report uses the definition of Milwaukee's inner city employed by the City of Milwaukee Department of City Development, and by the UWM Employment and Training Institute in their reports prepared for the City. Nine zip codes (53204, 53205, 53206, 53208, 53210, 53212, 53216, 53218, 53233) generally constitute Milwaukee's “urban core” and historically distressed inner city neighborhoods.

⁷ See UWM Employment and Training Institute, *The Milwaukee Neighborhood Indicators/Asset Mapping Project: Employment and Income Growth in Central City Milwaukee Neighborhoods*; John Pawasarat and Lois Quinn, “Exposing Urban Legends: The Real Purchasing Power of Central City Neighborhoods,” Brookings Institute, June 2001.

in income growth without cyclical distortions, and this can only be accomplished by measuring changes in income at comparable points in the business cycle.

Thus, to analyze income trends in Milwaukee's inner city, we have compared income in 1990 (the peak of the last business cycle) to 1999 (the most recently available income data at the zip code level, and the penultimate year of the 1990s cycle, which officially ended in early 2001). Unfortunately, when analyzed properly, these data suggest that the challenges for neighborhood economic revitalization in Milwaukee go far beyond simply persuading businesses that there is vast, unrecognized consumer income just waiting to be tapped in the inner city. On the contrary: incomes in Milwaukee's inner city neighborhoods are either stagnant or declining, and despite the 1990s boom, poverty remains pervasive. Raising inner city incomes –not persuading businesses that they have overlooked the inner city market-- is among the central challenges for revitalizing Milwaukee neighborhoods.

Despite the post-1993 boom, as Table 17 shows, real income per tax return fell in all but two inner city zip codes between 1990 and 1999. Taken as a whole, the inner city experienced a 4.3 percent drop in real income per tax filer during the 1990s. Even in zip codes such as 53212, which includes the King Drive redevelopment initiative as well as the Brewer's Hill gentrification, real income per tax filer *declined* between 1990-99. In certain zip codes, such as 53206, 53210, and 53233, real income per tax filer declined by over six percent during the 1990s. Moreover, as Table 18 shows, despite the prosperity of the decade, the number of tax filers in the inner city actually declined during the 1990s, reflecting at least in part the depopulation of Milwaukee's inner city revealed in the first releases of the 2000 census.

TABLE 17:**Income Trends in Milwaukee's Inner City Zip Codes, 1990-1999**

Adjusted gross income per tax return, in constant 1999 dollars

Zip Code	AGI per return 1990	AGI per return 1999	% change, 90-99
53204	\$19,597	\$18,655	-4.8%
53205	15,854	16,156	+1.9
53206	18,612	17,309	-7.0
53208	25,505	25,981	+1.9
53210	27,305	25,519	-6.5
53212	20,610	20,554	-0.3
53216	29,638	27,961	-5.6
53218	28,294	25,707	-9.1
53233	16,857	15,551	-7.8
All Inner City Zips	24,098	23,055	-4.3

TABLE 18:**Number of Tax Filers in Milwaukee Inner City Zip Codes**

Zip Code	# of taxfilers 1990	# of taxfilers 1999	% change, 90-99
53204	12,700	12,220	- 3.8%
53205	3,100	3,298	+ 6.4
53206	12,525	11,041	-11.8
53208	13,530	13,573	+ 0.3
53210	12,448	12,230	- 1.8
53212	12,315	12,127	- 1.5
53216	15,123	15,221	+ 0.6
53218	18,042	17,970	- 0.4
53233	2,710	2,905	+ 7.2
All Inner City Zips	102,466	100,589	- 1.8

Table 19 compares income trends in the inner city in the 1990s to other areas in metro Milwaukee. As the table vividly shows, a decade of income stagnation in Milwaukee's inner city has meant that income per tax filer in these neighborhoods fell further and further behind not only the booming suburbs, but also the rest of the City of Milwaukee.

By 1999, in four of Milwaukee's nine inner city zip codes, residents reported annual income less than one-third the level in the "WOW" counties (Waukesha, Ozaukee, and Washington combined). Taking the inner city as a whole, income per tax filer fell from 50.8 percent of the "WOW" level in 1990 to 39.9 percent in 1999. Similarly, in 1999 the average tax filer in Milwaukee's inner city reported income less than half that of the average tax filer in the Milwaukee county suburbs; this too represented a steep decline from 1990.

In short, Milwaukee's inner city continues to face a crisis of low incomes. The 1990s did little to alleviate the situation, and incomes in inner city neighborhoods are falling further and further behind the rest of the Milwaukee region. Even the otherwise upbeat UWM Employment and Training Institute (ETI) found in 1999 --six years into the economic boom of the 1990s-- that "'working poor' families with income below the poverty level made up 28 percent of income tax filers with dependents in the central city."⁸

⁸ UWM Employment and Training Institute, *The Milwaukee Neighborhood Indicators/Asset Mapping Project: Employment and Income Growth in Central City Milwaukee Neighborhoods*.

TABLE 19:**Shrinking Incomes in Milwaukee's Inner City**

Income in inner city zip codes relative to income elsewhere
 In metropolitan Milwaukee, 1990-1999

Income per tax return in inner city zip codes as % of:

ZIP CODE	INCOME PER TAX RETURN IN CITY OF MILWAUKEE		INCOME PER TAX RETURN IN MILW. CO. SUBURBS		INCOME PER TAX RETURN IN "WOW" COUNTIES	
	1990	1999	1990	1999	1990	1999
53204	72.8%	67.9%	45.2%	38.3%	41.1%	32.2%
53205	59.0	58.8	36.6	33.1	33.3	27.9
53206	69.2	63.0	42.9	35.5	39.1	29.9
53208	94.9	94.6	58.8	53.3	53.6	44.9
53210	101.5	92.9	63.0	52.3	57.4	44.1
53212	76.7	74.8	47.5	42.2	43.3	35.5
53216	110.2	101.8	68.4	57.4	62.3	48.3
53218	105.2	93.6	65.3	52.7	59.5	44.4
53233	63.0	56.6	38.9	31.9	35.4	26.9
All Inner City Zips	89.6	83.9	55.6	47.3	50.8	39.9

Nevertheless, despite the income crisis in Milwaukee's inner city, ETI and others argue, following Michael Porter's⁹ influential work, that although incomes may be relatively low in the inner city, the population density of inner city neighborhoods produces surprisingly high aggregate incomes and aggregate purchasing power. As a result, according to this approach, the inner city has a latent "competitive advantage" in attracting businesses, particularly retail establishments drawn to dense consumer markets. In the late 1990s, the "Porter prescription" became a key element in the Clinton Administration's "new markets" initiative to attack the problem of the "under-retailed" inner city, and Porter's "Initiative for a Competitive Inner City" is working in several cities (soon to include Milwaukee).

⁹ See Porter's seminal article, "The Competitive Advantage of the Inner City," *Harvard Business Review* (May-June, 1995): 55-71.

This analysis is misleading, however, on several levels. First, stagnant real income coupled with population losses actually resulted in *declining aggregate income* and therefore *declining aggregate purchasing power* in Milwaukee's inner city during the 1990s. Aggregate AGI in the nine inner city zip codes, adjusted for the effects of inflation, declined by 6.1 percent between 1990 and 1999. Moreover, as Table 20 shows, this decline occurred at the same time that real aggregate income skyrocketed in many suburban municipalities (as population grew and resident incomes soared). Thus, aggregate income in Milwaukee's inner city declined in both relative and absolute terms during the 1990s, which doubly disadvantaged these neighborhoods in attracting businesses. Retailers, looking for the most robust consumer markets, will be drawn to "where the money is," and increasingly that is in suburban communities in metro Milwaukee. Therefore, as Table 21 reveals, it was hardly a surprise in the 1990s that suburban locations – well situated near the growing affluent communities—showed retail growth during the decade, while retail languished not only in the inner city but in the City of Milwaukee as a whole. One telling statistic captures the relationship between income trends, suburban sprawl, and patterns in metro Milwaukee retail: by 2000, according to the annual Milwaukee *Journal-Sentinel* consumer survey, more metro Milwaukeeans reported shopping at the Johnson Creek Outlet Center, in Jefferson County *west* of Waukesha County, than in Downtown Milwaukee (see Table 21).

TABLE 20:
Total Adjusted Gross Income in Selected Communities
In Metropolitan Milwaukee, 1990-1999

(in constant 1999 dollars)
(in 2000 dollars)

Location	1990 Real AGI	1999 Real AGI	% Change, 1990-99
Inner City Milwaukee Zip Codes	\$2,469,229	\$2,319,040	- 6.1 %
City of Milwaukee (all)	\$8,125,779	\$8,026,984	- 1.2
Brookfield	\$1,345,185	\$1,779,464	+32.3
Mequon	\$ 790,695	\$1,331,554	+68.4
New Berlin	\$ 794,748	\$1,093,356	+37.6
Menomonee Falls	\$ 621,876	\$ 849,910	+26.8
Franklin	\$ 479,986	\$ 733,211	+52.9
Oak Creek	\$ 367,133	\$ 597,039	+62.6
Cedarburg	\$ 380,817	\$ 536,119	+40.8
Delafield	\$ 268,158	\$ 479,103	+78.7
Germantown	\$ 280,092	\$ 448,099	+60.0
Richfield	\$ 239,180	\$ 350,048	+46.4

TABLE 21:
Shopping Patterns in Metro Milwaukee, 1986-2000

% of households reporting shopping within past 30 days
at selected Milwaukee shopping centers

Location	1986	1990	1996	2000
Mayfair	37	35	39	46
Northridge	34	33	24	22
Grand Avenue	27	23	14	15
Bayshore	19	18	17	18
Southridge	36	36	37	41
Mequon Pavillons	--	2	6	5
Mitchell Center	8	7	4	4
Downtown Milwaukee	12	11	9	10
Brookfield Sq.	33	32	30	41
Johnson Creek	--	--	--	15
Gurnee Mills, IL	--	--	--	12

Source: Milwaukee *Journal-Sentinel* Consumer Survey, various years

Second, while the population density of Milwaukee's inner city does mean that these neighborhoods contain more aggregate income than suburban communities (although the gap is quickly closing), what exactly does this mean for business development? Inner city families don't pool their income and go shopping as an aggregate unit; therefore, the meaningful measure of neighborhood "purchasing power" is the discretionary income of individual households. In 1999, only 17 percent of inner city tax filers reported AGI above \$37,500, roughly the figure identified by the Washington, D.C. based Economic Policy Institute and the UW-Madison Center on Wisconsin Strategy as the income level necessary to sustain a "basic family budget" in metro Milwaukee (i.e. to cover food, housing, child care, health insurance, transportation, and utilities).¹⁰ Moreover, the number of inner city tax filers reporting income above \$37,500 *fell* during the 1990s, by a whopping 17.0 percent (a reflection of population loss combined with income decline).¹¹ The vast majority of inner city tax filers report less than \$20,000 in annual income. There simply are not many tax filers with considerable disposable income in Milwaukee's inner city neighborhoods. This helps explain why, according to the U.S. Bureau of the Census, between 1994-1998 (the years for which zip code level data is available), the number of retail trade establishments in Milwaukee's nine inner city zip codes declined by 11.9 percent.¹² If there were a huge hidden inner city market, retailers seemed to be having a hard time finding it in the 1990s.

In 1999, the U.S. Department of Housing and Urban Development launched its "new markets" initiative, proclaiming that "despite the huge retail purchasing power of their residents, many of the Nation's inner-city neighborhoods suffer from significant 'out-shopping' – they have too little retail to meet the demand, and tap the buying power of their own residents."¹³ Significantly, Milwaukee was *not* one of the cities identified by HUD as suffering from a "retail buying power and sales gap." The reason: retail sales in

¹⁰ See Economic Policy Institute, *Hardships in America: The Real Story of Working Families* (Washington: EPI, 2001).

¹¹ In some inner city zip codes, the declines were even more striking. Between 1990-99, the number of "over \$37,500" tax filers in 53204 (Near South Side) declined by 27.7 percent; by 33.9 percent in 53206 (Near North Side), and 20.7 percent in 53233 (in the Avenues West area).

¹² U.S. Bureau of the Census, *County Business Patterns: Zip Code Business Patterns*.

¹³ U.S. Department of Housing and Urban Development, *New Markets: The Untapped Retail Buying Power in America's Inner Cities* (Washington, D.C.: Department of Housing and Urban Development, 1999), p. i.

Milwaukee (\$3.2 billion according to the economic census) *exceeded* the estimated purchasing power of city residents (\$2.5 billion in 1998).¹⁴ In short, to the extent Milwaukee suffers from “under-retailing,” it is because the low income of residents discourages commercial investments, not because retailers are systematically ignoring huge, prospering consumer markets.

In the last analysis, those claiming to “expose urban myths” should be careful about creating new ones. The reality is that incomes remain low and income growth remains elusive in Milwaukee’s inner city. Individual *and* aggregate neighborhood real income *declined* in Milwaukee’s inner city during the 1990s. Until the problem of low incomes in the inner city is effectively attacked –with policies that go far beyond luring K-Mart to town-- visions of a retail-led neighborhood renaissance as businesses discover heretofore unrecognized markets in the inner city will remain unrealized. Although the occasional Wal-Mart, K-Mart, or Walgreen’s may set up shop in the inner city, other retail establishments close, and overall retail trade continues to stagnate. Moreover, for all the talk about the purchasing power of the inner city, the pace of retail growth in places like West Bend, Germantown, and Brookfield dwarfs development in Milwaukee’s inner city. And as the suburbs continue to grow, attracting more and more of the region’s affluent consumers, these tendencies will only deepen: retailers will follow the population and, most importantly, follow the money. As Merrill Goozner put it in his trenchant critique of Michael Porter’s approach to inner city revitalization: “If cities do have latent competitive advantages...the market has spectacularly failed to grasp them in recent years.”¹⁵

Conclusion

As the great boom of the 1990s fades into economic history, it is appropriate to take stock of how Milwaukeeans fared economically over the past decade. This report has shown that while recent years have been uncommonly prosperous for metropolitan Milwaukee, it has been an “uneven prosperity” in the region. Surging inequality and relentless sprawl have resulted in a highly polarized distribution of the benefits of

¹⁴ This is almost precisely the same estimate of purchasing power in the City of Milwaukee (\$2.6 billion) offered in the latest ETI report on the subject, *Purchasing Power Profiles*, posted on the City of Milwaukee Department of City Development web site.

¹⁵ Merrill Goozner, “The Porter Prescription,” *The American Prospect*, 9:38 (May-June 1998): 60.

prosperity here. Consider the following: between 1990 and 2000, aggregate AGI increased by about \$14 billion among metro Milwaukee tax filers. Of this total, approximately \$3.3 billion was garnered by the top 15,000 tax filers, or the “top 2 %” income bracket in the region. Put another way, the top 2 % of tax filers captured about 24 % of the income increases in metro Milwaukee over the past decade.¹⁶

Moreover, by the end of the 1990s boom, the vast majority of metro Milwaukee’s affluent tax filers – over 90 percent—lived outside the City of Milwaukee. Small wonder, then, with the bulk of the decade’s economic gains concentrated among affluent tax filers, and with the overwhelming majority living in metro Milwaukee’s suburbs and exurbs, that most of the 1990s income gains by-passed the City of Milwaukee. Real AGI per tax filer barely increased in the city during the 1990s, the city’s share of regional income declined, and the income gap separating city and suburb in metro Milwaukee widened considerably between 1990 and 2000.

Metro Milwaukee is now home to some of the most prosperous suburbs in the United States, with income and housing values surging not only in traditional affluent suburbs like River Hills, but in Brookfield, Mequon, Germantown and more “exurban” communities such as Delafield, Hartland, Pewaukee, and Colgate. Massive sprawl continued unabated during the 1990s, pulling the affluent –as well as metro Milwaukee’s middle class—geographically further away from Milwaukee’s urban core.

During the 1990s boom, the City of Milwaukee did stop a four-decade erosion in its base of affluent tax filers. By the end of the decade, the number of affluent tax filers was increasing faster in the City of Milwaukee than any other jurisdiction in the region, a phenomenon reflected in the condo boom taking place in downtown Milwaukee and in the noticeable gentrification of neighborhoods like Brewer’s Hill and the Historic Third Ward. Neighborhoods such as Milwaukee’s East Side and Bayview also saw their numbers of affluent tax filers increase.

However, contrary to recent reports, there was little sign of an income boom in Milwaukee’s inner city neighborhoods during the 1990s. Real income per tax filer declined in almost all inner-city zip codes. The gap separating the incomes of inner city

¹⁶ The top 100,000 tax filers (the “top 15 %”) saw their incomes increase by \$8.5 billion between 1990 and 2000; thus, the top 15 % captured 61 % of the region’s 1990s income gains.

residents and those living elsewhere in metro Milwaukee grew huge during the 1990s; in several inner city zip codes, real income per tax filer was less than one-third the level found in the Milwaukee suburbs. Moreover, real income decline coupled with population losses in inner-city neighborhoods resulted in shrinking real aggregate income in the inner city, reducing aggregate purchasing power and inhibiting business development. As the result, although metro Milwaukee experienced a decade of extraordinary affluence, the crisis of low incomes continued unabated in Milwaukee's inner city during the 1990s.

In the last analysis, until sprawl control becomes a priority for policymakers, the income gap separating city and suburb in this region will continue to widen, draining the City of Milwaukee of taxpayers and consumers and limiting prospects for neighborhood revitalization. Moreover, although there are signs of a "back to the city" movement among some affluent, there are few grounds for optimism that "market forces" will put the brakes on sprawl, encourage a mass "reurbanization" of the affluent (and middle-class), or engender the reinvestment necessary to revitalize inner city neighborhoods. In the absence of any credible plans or political mobilization for growth management, affluent tracts in exurbia will represent "beachheads" for further sprawl. Already, on the western edge of Waukesha County, development is accelerating and sprawling into neighboring Jefferson County (where real income per tax filer increased by over 9 percent between 1997-2000). Metropolitan Milwaukee has already become a highly polarized region, with sprawling exurban affluence more and more disconnected from a central city that houses most of the region's poor. In the long run, without policies of "Smart Growth" and regional economic cooperation, income polarization threatens to become a permanent part of the metropolitan Milwaukee landscape.

Appendix

Census data on household income is not scheduled for release until spring 2002 at the earliest. In the absence of appropriate census data, the analysis of income trends in metropolitan Milwaukee between 1990 and 2000 presented in this report is based on reported income by tax filers available from the State of Wisconsin Department of Revenue (DOR). This data is with available with detailed “income class” breakdowns at the county level and for the City of Milwaukee through 2000. Special runs completed by DOR for the UWM Center for Economic Development provided breakdowns on the number of tax filers in various income classes at the zip code level in 1990 and 1999 (in 1999 constant dollars).

The DOR income data is not strictly comparable to census data on household income. It includes “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.

In addition, 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. However, if anything, this feature of the data is likely to *understate* the central finding of this report: the incredible surge in suburban income in the 1990s, and the widening city-suburban income gap. In many cases, for example, a tax filer with a relatively low-income in, say, Mequon, may simply turn out to be the child of a highly affluent head of household, filing a separate return for tax purposes. In the aggregate, such returns would tend to understate both the proportion of affluent among all households, as well as average household income in such municipalities.