



# COMMUNITY DEVELOPMENT

## MEMORANDUM

**Date: August 9, 2022**

**To: Heritage Preservation Commission**

**From: Mark Reavis, HPO, AICP, NCARB, AZ Architect #75792, & Jordan Hollinger, Associate Planner**

**Subject: Historic Façade and Sign Grant Inflation Analysis**

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### **Background**

At the June 15, 2022 City of Flagstaff Heritage Preservation Commission meeting, commission members requested that staff evaluate the impact of inflation on the value of the Historic Façade and Signs grant maximum award of \$10,000.

### **About Inflation**

Inflation is a general increase in the prices of goods and services in an economy. When the general price level rises, each unit of currency buys fewer goods and services; consequently, inflation corresponds to a reduction in the purchasing power of money. This means that a positive inflation will generally result in a dollar buying fewer goods and services in the future than it does today.

### **How Inflation is measured**

Inflation is complex, and can vary greatly depending on the specific good, service, or industry. The most common general measure of inflation is the Consumer Price Index (CPI). Developed by the Bureau of Labor Statistics, the CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services – including categories such as energy, food, and shelter. In addition to the CPI, the BLS releases a producer price index (PPI) measure of inflation for specific sectors of the economy. The producer price index (PPI) measures the average change over time in the prices domestic producers receive for their output. It is a measure of

inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category.

### **Inflation Analysis**

The following analysis uses the CPI and two PPI measures to examine the impact of inflation on the HPC Historic Façade and Sign Grant. The time-period over which inflation is calculated is 2004 (grant start year) to 2021. The analysis uses US Bureau of Labor Statistics 2004-2021 annual average index values.

#### **Consumer Price Index**

- Inflation rate 2004 – 2021: 43%
- \$10,000 in 2004 would equate to \$14,343 in 2021

#### **Producer Price Index for Building Material Suppliers**

- Inflation rate 2004 – 2021: 94%
- \$10,000 in 2004 would equate to \$19,395 in 2021

#### **Producer Price Index for Construction Materials**

- Inflation rate 2004 – 2021: 88%
- \$10,000 in 2004 would equate to \$18,790 in 2021