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# City of Fort Collins

## Cost of Living Analysis – Summary of Findings

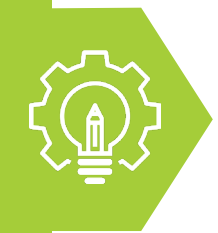
May 2022





# Focus of Presentation

- Provide a summary to the Council Compensation Committee of a recent study conducted for the City of Fort Collins related to the Cost of Living
- The study illustrates a number of important considerations related to ongoing discussions of employment strategies and economic concerns
- This presentation contains a summary of key findings from the study



# Project Overview



# Project Objectives

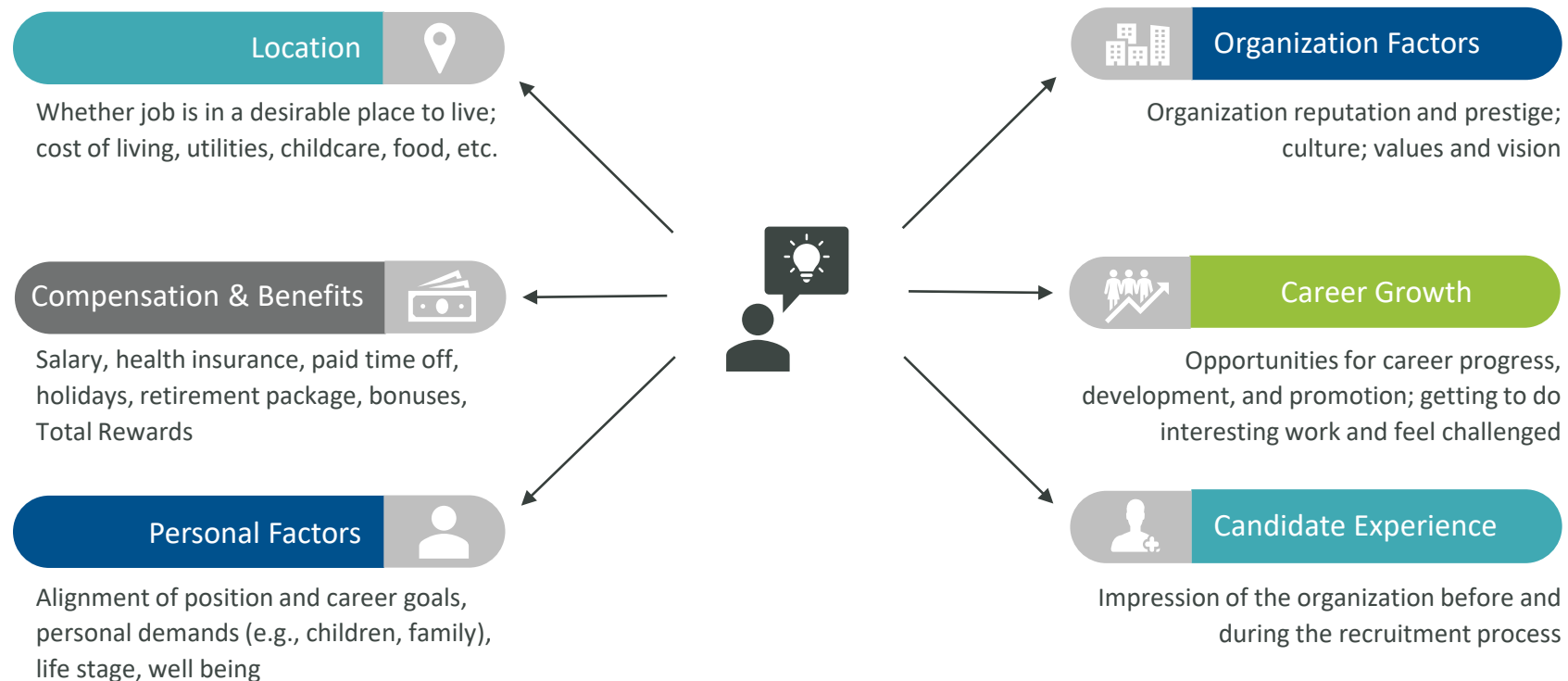
1. **Produce a trend analysis for food, housing, transportation, utility, and childcare costs over the past 10 years for the Fort Collins / Northern Colorado region**
2. Develop a set of creative and innovative strategies, programs, and action plans that incorporate both talent competitiveness and financial stewardship, including talent segmentation where appropriate

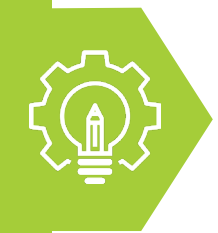




# Project Approach

Prospective employees consider numerous factors when choosing to apply for employment , accept a job offer, or move to another employer. Our analyses delved into the following factors to gain a comprehensive understanding of which ones are most salient to candidates and employees at the City of Fort Collins.





# Cost of Living Analysis Findings



# Cost of Living in Fort Collins

## Regional Price Parities for Fort Collins, CO Municipal Statistical Area – Annual

- Regional Price Parities from the US Department of Commerce enables the comparison of Fort Collins price levels to the national average
- Overall – the prices of goods and services in Fort Collins MSA are right at the national average
- When broken down by category, the data shows that housing has increased and is now over 30% higher than the national average

Category	2010	2020
All Items	100.92	100.14
Goods	97.93	95.85
Services: Housing	112.87	130.82
Services: Utilities	86.02	83.87
Services: Other	99.88	94.17

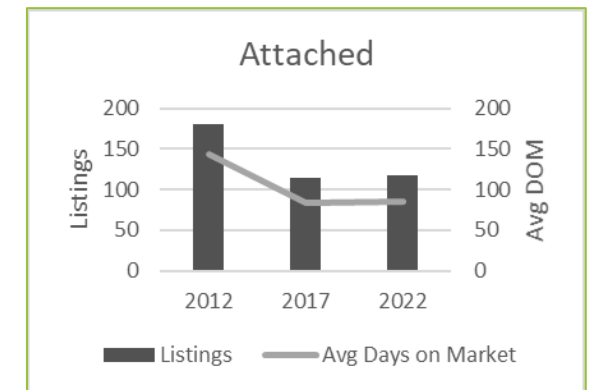
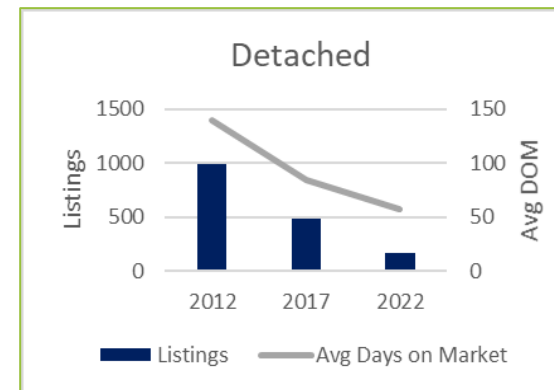
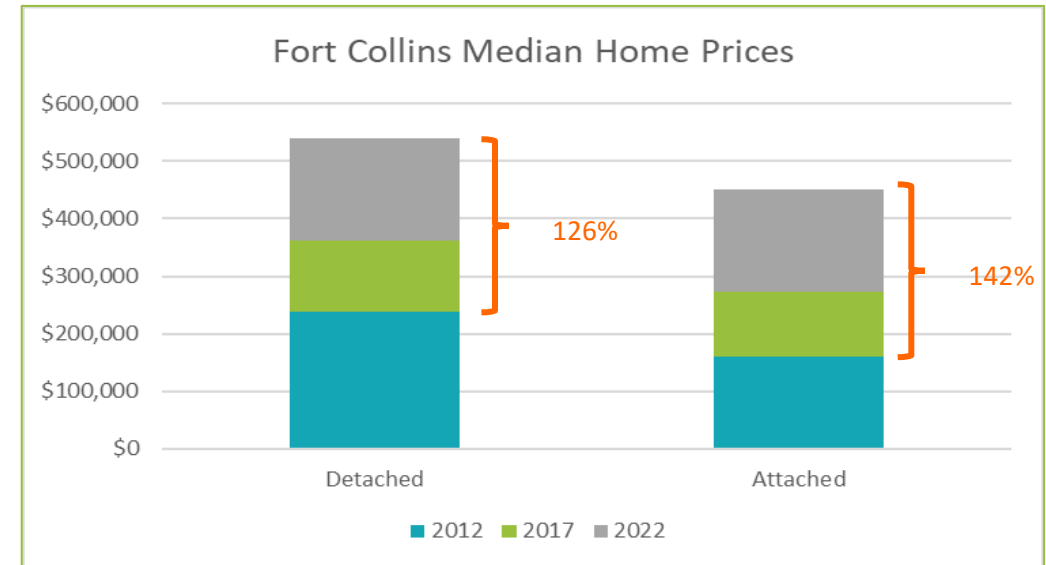
Source: US Department of Commerce, Bureau of Economic Analysis  
Updated: 12.14.2021



# Housing

The past ten years have seen a rapid acceleration in the prices of homes in Fort Collins. Data obtained from the Fort Collins Board of REALTORS indicated that:

- The median price for single family, detached houses have gone from \$238,500 in Jan. 2012 to \$539,000 in Jan. 2022 – an increase of **126%**.
- The median price for attached homes (townhomes, condos) rose at a higher rate (**142%**) to reach \$387,500 from \$160,000 (Jan 2012 – Jan 2022).
- Complicating the housing market is the decline in inventory and how quickly inventory moves off market in Jan. 2022 compared to previous years.



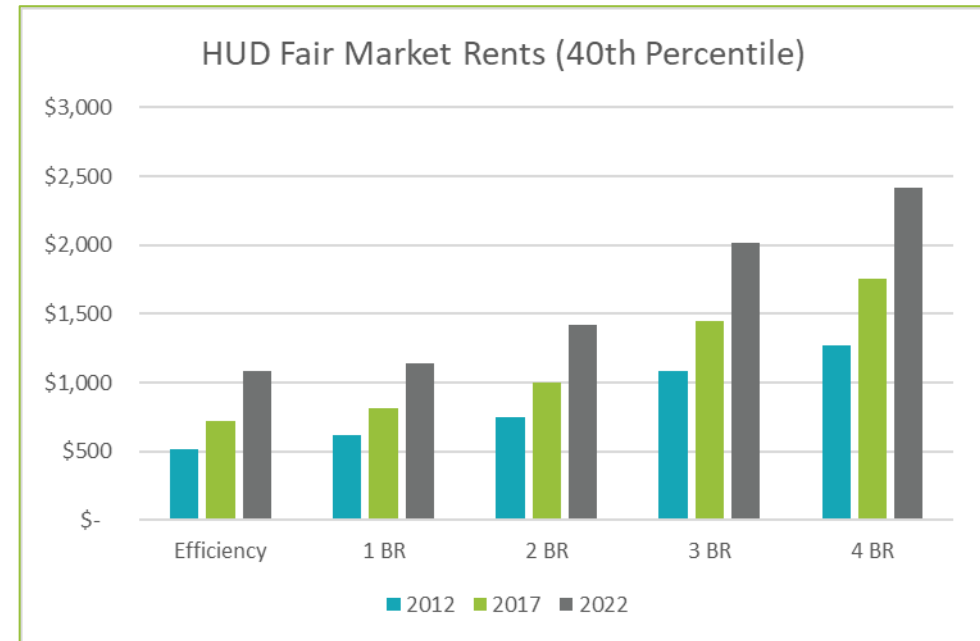
Source: Fort Collins Board of REALTORS; Data point is January of reported year. Detached home data does not include manufactured/mobile homes. Payment information from bankrate.com.





# Housing – HUD Fair Markets Rent

- 40<sup>th</sup> percentile used by HUD is less than the average
- Larger increases were seen from 2017 to 2022 than from 2012 to 2017 for all housing sizes
- Efficiencies and 1 BR units have more than doubled in rental costs; all other bedroom sizes increased between 85-99% over the last 10 years
- To spend no more than 40% of income before taxes on rent and lease a 2-bedroom home at the 40<sup>th</sup> percentile, a person would need an annual income of \$44,580.
- The Group, Inc. (real estate brokers) provided data to the City reporting Fort Collins 3-bedroom and above single-family homes gross rents to be higher than \$2,100 per month; attached homes rents ranging from \$1,380 for a 1-bedroom to \$2,080 for 4 bedrooms.



	2012	2017	2022*	% chg 2012 - 2017	% chg 2017 - 2022	% chg 2012 - 2022
Efficiency	\$ 513	\$ 719	\$ 1,084	40.2%	50.8%	111.3%
1 BR	\$ 615	\$ 817	\$ 1,257	32.8%	53.9%	104.4%
2 BR	\$ 746	\$ 996	\$ 1,486	33.5%	49.2%	99.2%
3 BR	\$ 1,086	\$ 1,450	\$ 2,019	33.5%	39.2%	85.9%
4 BR	\$ 1,266	\$ 1,755	\$ 2,419	38.6%	37.8%	91.1%

\* Uses Data from Housing Catalyst, Nov. 1, 2021 Payment Standard for 1 & 2 BR Units

Source: US Department of Housing and Urban Development; FY Fair Market Rent Documentation System; 40<sup>th</sup> Percentile, includes utilities; Fort Collins, CO & Housing Catalyst, Fort Collins, CO.



# Child Care – 2019 Costs in Larimer County

Comparisons of Child Care Costs over time are difficult to find. The data in the table are from a provider survey conducted by the Early Childhood Council of Larimer County in 2019. Data in the 2017-2018 Colorado Child Care Market Rate Study by the Colorado Department of Human Services, Office of Early Childhood show similar rates for childcare in Larimer County.

Much has been written about the impact of COVID-19 on the childcare industry, with many providers closing and fewer people working in childcare. According to care.com, 2021 Cost of Care Survey:

- 85% of parents spend 10% or more of their household income on childcare
- 59% of families planned on spending more than \$10,000 on childcare in 2021.

Average Weekly Cost on Childcare 2019

Age	Child Care Center	Family Child Care Home
0 - 1	\$ 324.13	\$ 212.03
1 - 2	\$ 308.06	\$ 208.43
2 - 3	\$ 281.96	\$ 199.27
3 - 4	\$ 250.37	\$ 198.50
4 - 5/6	\$ 240.87	\$ 198.85
6+	\$ 239.35	\$ 149.70
Before School	\$ 160.79	\$ 96.88
After School	\$ 188.25	\$ 97.66

Source: Early Childhood Council of Larimer County

Annual costs tend to decrease as the child grows older:

- Age 0-1: \$16,874 (Center); \$11,025 (Home)
- Age 3-4: \$13,019 (Center); \$10,322 (Home)



# Other Factors

The US Department of Labor, Bureau of Labor Statistics releases monthly estimates of the Consumer Price Index by region. For January 2022, area prices for the West Region were up 0.9% over the past month and up 7.7% from a year ago. This was the largest over-the-year increase since June 1982.

Expenditure Category	Price Increase in Past Year (Jan 2021 – Jan 2022)	Price Increase in Past 10 Years (Jan 2012 – Jan 2022)
Shelter	4.8%	43.8%
Household energy	15.7%	42.0%
New & Used Motor Vehicles	21.5%	26.7%
Motor fuel	42.3%	15.0%
Medical care	3.1%	33.8%
Food and beverages	7.1%	28.7%
Apparel	6.1%	2.6%

In addition, 13.2% of Colorado residents have some level of student debt affecting spending capability; average = \$37,120.

(Source: Educationdata.org analysis of US Dept of Education data)



# Inflation Impact

- Application of the rate of inflation for the West region to estimate how annual expenses for a household have changed over the past decade.
- Assuming the mix of goods and services purchased by a household remains steady.

If your HH expenses in 2012 were...		To purchase the same mix in 2022, it would cost...	
\$	25,000	\$	32,304
\$	50,000	\$	64,607
\$	75,000	\$	96,911
\$	100,000	\$	129,215

Source: US Department of Labor, Bureau of Labor Statistics, CPI for West Region

Cost of Annual Expenses from 2012 to 2022



**Increase of 23-29% over 10 years**



# MIT Living Wage for Fort Collins, 2020-2021

	1 ADULT				2 ADULTS (1 WORKING)				2 ADULTS (BOTH WORKING)			
	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children	3 Children
<b>Food</b>	\$3,792	\$5,574	\$8,343	\$11,093	\$6,952	\$8,639	\$11,106	\$13,540	\$6,952	\$8,639	\$11,106	\$13,540
<b>% of Income after taxes</b>	<b>14%</b>	<b>10%</b>	<b>12%</b>	<b>12%</b>	<b>16%</b>	<b>17%</b>	<b>19%</b>	<b>21%</b>	<b>17%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>
<b>Child Care</b>	\$0	\$10,454	\$20,909	\$31,363	\$0	\$0	\$0	\$0	\$0	\$10,454	\$20,909	\$31,363
<b>% of Income after taxes</b>	<b>0%</b>	<b>18%</b>	<b>29%</b>	<b>33%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>17%</b>	<b>27%</b>	<b>33%</b>
<b>Medical</b>	\$2,810	\$8,448	\$8,135	\$8,275	\$6,276	\$8,135	\$8,275	\$7,929	\$6,276	\$8,135	\$8,275	\$7,929
<b>% of Income after taxes</b>	<b>10%</b>	<b>15%</b>	<b>11%</b>	<b>9%</b>	<b>15%</b>	<b>16%</b>	<b>14%</b>	<b>12%</b>	<b>15%</b>	<b>13%</b>	<b>11%</b>	<b>8%</b>
<b>Housing</b>	\$10,872	\$14,928	\$14,928	\$21,540	\$12,168	\$14,928	\$14,928	\$21,540	\$10,872	\$14,928	\$14,928	\$21,540
<b>% of Income after taxes</b>	<b>40%</b>	<b>26%</b>	<b>21%</b>	<b>22%</b>	<b>28%</b>	<b>29%</b>	<b>26%</b>	<b>33%</b>	<b>26%</b>	<b>24%</b>	<b>19%</b>	<b>22%</b>
<b>Transportation</b>	\$4,900	\$8,987	\$11,186	\$13,317	\$8,987	\$11,186	\$13,317	\$12,085	\$8,987	\$11,186	\$13,317	\$12,085
<b>% of Income after taxes</b>	<b>18%</b>	<b>16%</b>	<b>16%</b>	<b>14%</b>	<b>21%</b>	<b>22%</b>	<b>23%</b>	<b>19%</b>	<b>22%</b>	<b>18%</b>	<b>17%</b>	<b>13%</b>
<b>Civic</b>	\$1,811	\$3,889	\$3,554	\$4,127	\$3,889	\$3,554	\$4,127	\$3,982	\$3,889	\$3,554	\$4,127	\$3,982
<b>% of Income after taxes</b>	<b>7%</b>	<b>7%</b>	<b>5%</b>	<b>4%</b>	<b>9%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>9%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>
<b>Other</b>	\$2,794	\$4,553	\$4,996	\$6,037	\$4,553	\$4,996	\$6,037	\$6,055	\$4,553	\$4,996	\$6,037	\$6,055
<b>% of Income after taxes</b>	<b>10%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>	<b>11%</b>	<b>10%</b>	<b>10%</b>	<b>9%</b>	<b>11%</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>
<b>Required annual Income after taxes</b>	\$26,980	\$56,833	\$72,052	\$95,752	\$42,825	\$51,439	\$57,790	\$65,131	\$41,529	\$61,893	\$78,699	\$96,494



# MIT Living Wage for Fort Collins, 2020-2021

A living wage is defined as the minimum income necessary for a worker to meet their basic needs. This is not the same as a subsistence wage, which refers to a biological minimum. Needs are defined to include food, housing, and other essential needs such as clothing. **The goal of a living wage is to allow a worker to afford a basic but decent standard of living through employment without government subsidies.** Due to the flexible nature of the term "needs," there is not one universally accepted measure of what a living wage is and as such it varies by location and household type.

Expense	As defined by MIT	Annual Cost
<b>Food</b>	2 <sup>nd</sup> lowest cost food plan of the 4 developed by the USDA; covers basic nutritional needs	\$3,476 each for 2 Adult Households; \$1,782 - \$2,275 per child
<b>Child Care</b>	Median of market rate surveys	\$10,454 annual expense per child
<b>Medical</b>	Health insurance (employer sponsored), medical services, drugs and supplies	\$2,070 per person in a 2-Adult, 2-Child family
<b>Housing</b>	HUD Fair Market Rents, includes utilities	\$909 per month for Single Adult; \$1,244 per month for 2A/2C family
<b>Transportation</b>	Ownership of used car/truck; gasoline and oil; other vehicle expenses; public transportation	\$4,493 – 4,900 per adult w/no children; \$3,300 per person in a 2-Adult, 2-Child family
<b>Civic</b>	Engaging in enriching activities including price of fees/admissions; AV equipment; pet ownership; toys, hobbies; playground equipment; other entertainments; reading and education	\$1,811 - \$1,944 per adult w/no children; \$1,055 per person in a 2-Adult, 2-Child family
<b>Other</b>	Apparel and services; housekeeping and supplies; personal care, broadband/cell phone, miscellaneous	\$2,276 - \$2,794 per adult w/no children; \$1,057 per person in a 2-Adult, 2-Child family



# Year to Year Annual Wage Growth in Fort Collins MSA

- Wage growth for All Industries is impacted by the mix of industries in the Fort Collins MSA. For example, more employment growth in higher-wage industries would increase the annual growth rate more so than if employment growth was steady across all industries.
- Annual wage data for 2021 has not yet been released by the US Dept of Labor. Average weekly wages have shown an annual growth rate of 5% throughout 2021 for the U.S.

	All Industries		Local Government	
	Avg Annual Wage	YtoY % Change	Avg Annual Wage	YtoY % Change
<b>2011</b>	\$ 42,101		\$ 40,330	
<b>2012</b>	\$ 43,027	2.2%	\$ 40,925	1.5%
<b>2013</b>	\$ 43,437	0.9%	\$ 42,233	3.2%
<b>2014</b>	\$ 45,651	5.1%	\$ 43,542	3.1%
<b>2015</b>	\$ 47,202	3.3%	\$ 45,330	4.1%
<b>2016</b>	\$ 47,946	1.6%	\$ 45,512	0.4%
<b>2017</b>	\$ 50,236	4.7%	\$ 47,170	3.6%
<b>2018</b>	\$ 51,808	3.1%	\$ 48,143	2.0%
<b>2019</b>	\$ 53,918	4.0%	\$ 48,962	1.7%
<b>2020</b>	\$ 58,425	8.0%	\$ 55,316	12.9%
<b>2011 - 2020</b>		38.3%		37.1%



# Cost of Living Data Summary

“Businesses want to be here because talent wants to be here”

- Housing is the primary factor in the increase in the cost of living in Fort Collins relative to the rest of the US
  - 112% overall increase over the past ten years according to the Federal Reserve and several categories seeing much higher increases
  - Resulting from higher demand as the population grows and the inability of supply to keep up
- The Economic downturn in 2009 was not as pronounced in Fort Collins as in other places due to several factors:
  - Fewer at-risk mortgages
  - Diverse employer base in small to medium sized firms – no dominant industry or employer though several large ones like Colorado State, city and county government, technology, and breweries
  - Creates more economic resilience as a City
  - **Result:** housing prices in Fort Collins did not experience that same rate of decline during that time that was seen elsewhere; relatively high to begin with, and prices escalated from there
- Costs for other categories are in line with other cities and areas (e.g., childcare, utilities, food)
  - Individual's perception of the cost of living in Fort Collins is relative to current and past standard of living
  - Inflation over the past 10 years has still significantly increased the overall cost of living, even though Fort Collins has fared better in some categories than the rest of the US





# Key Highlights for Council

- Reaffirms Council's priorities on affordable and attainable housing and childcare.
- Provides context for BFO assumptions and offers submitted for 2023-2024.
- Points to early conversations staff are having on other creative and innovative solutions to attract and retain City talent to serve the community.
- Informs Council that a commitment was made to share the COL analysis with other regional partners in our ecosystem.



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## Thank You

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