

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials and Vendors
FROM: Barry Wood, Assessment Division Director *JBW*
RE: Updated Location Cost Modifiers for 2013 Annual Adjustment
DATE: October 31, 2012

The Department has released updated Location Cost Modifiers (LCMs) as part of the cost update for the 2013 Annual Adjustment. These modifiers are detailed on the final pages of Appendix C and Appendix G. A separate list of the modifiers for each county also accompanies this memo. As in prior years, the LCMs are the same for residential and commercial property.

The Department provides this information for counties to adjust their costs for local market conditions. Counties may develop their own LCMs through analysis of local building costs information. The Department must approve a county-developed LCM prior to its use. Counties are encouraged to develop their own LCM if possible to incorporate their knowledge of local conditions.

The updated LCMs were calculated via the same process used in the 2011 cost update. First, Area Modification Factors from the 2012 *Craftsman Nation Construction Estimator* were used to derive a base factor for each county. These base factors were then divided by the base factor for Marion County, so that the resultant LCM is the estimated change in building costs relative to building costs in Marion County.

Since the Area Modification Factors are stratified by zip code, counties containing multiple zip codes will have more than one factor. As in the 2011 update, the LCM for these counties is the weighted average of the factors, with the weights based on the percent of land area allocated to each zip code in the county.

Note that the base factor for Marion County rose from 1.05 to 1.07. Since the LCM estimates local costs relative to Marion County, the updated LCM may differ from the 2011 LCM even if the cost of construction in the county has not changed.

Please remember that Indiana's assessment standard is market value-in-use, which means that final assessed values must be determined through analysis of the local market in each county. Therefore, no matter what cost approach value is initially calculated, it must be adjusted to the final assessed value by applying the factors that have been determined through market analysis. Hence, use of a Location Cost Multiplier may be unnecessary.

Questions or comments may be directed to Barry Wood, the Department's Assessment Division Director, at 317.232.2762 or Bwood@dlgf.in.gov.

Area Modification Factors

Location, Zip	Material	Labor	Equip.	Avg.
Indiana Average	-2	-2	-1	-2%
Aurora, 470	-1	1	0	-0%
Bloomington, 474	1	-5	0	-2%
Columbus, 472	0	-7	0	-3%
Elkhart, 465	-2	-3	-1	-2%
Evansville, 476-477	-2	18	-1	7%
Fort Wayne, 467-468	-3	0	-1	-1%
Gary, 463-464	-4	27	-1	11%
Indianapolis, 460-462	-1	16	0	7%
Jasper, 475	-1	-17	0	-9%
Jeffersonville, 471	0	-11	0	-5%
Kokomo, 469	-2	-15	-1	-8%
Lafayette, 479	-1	-10	0	-5%
Muncie, 473	-4	-19	-1	-11%
South Bend, 466	-4	2	-1	-1%
Terre Haute, 478	-4	0	-1	-2%