



Department of Local Government Finance

Cost Table Update

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Agenda

- I. Cost Table Update (What Changed; What Did Not Change)
- II. Location Cost Multiplier Update (Why Did It Stay the Same?)
- III. Questions



Cost Table Update



Cost Table Update

- Year IV of the Cyclical Reassessment.
- Cost information from Craftsman.
- Vetted with vendors.
- [Released November 5, 2021.](#)
- Copies of the individual cost models and all supporting documentation used in their construction are available upon request.



Cost Table Update

- The assessed values for the January 1, 2022, assessment date must be determined using the updated cost tables. The change in costs does not necessarily mean that an assessed value will change by a particular amount.
- The updated cost tables should accurately reflect local construction costs and are the starting point for the reassessment process.



Cost Table Update

- The market value-in-use of a property should reflect current real-world data (i.e. sales, income, etc.). In other words, changes in the assessed value could be a result of several factors, including changes in the cost, or other market value-in-use information. However, the final assessed value should reflect the market value-in-use for that property.
- The depreciation schedules are not updated at this time. The depreciation base year for the 2022 Annual Adjustment will be January 1, 2022.



Cost Table Update

What Changed?

- The cost schedules were updated with cost data from the Craftsman cost service. The unit costs used are listed in the 2021 Craftsman National Construction Estimator (“NCE”) and 2021 Craftsman National Building Cost Manual (“NBC Manual”).
- These costs were adjusted for local labor costs with the Craftsman Area Modification Factors for Indianapolis zip code 46204.



Cost Table Update

- These factors are available on page 13 of the 2021 NCE. For this update, the factor was 1.10, which has had no change from the 2018 value.
- When unit cost data was not available, cost schedules were adjusted with factors representing the average increase in construction costs from 2017 to 2021. These factors are listed in the Building Cost Historical Index table on page 9 of the NBC Manual. Different factors were used for different types of construction.



Cost Table Update

- The factors are:
 - Wood Frame: 1.14
 - Masonry/Concrete: 1.17
 - Steel: 1.09
 - Agricultural: 1.19
 - When a general cost factor was needed, the average of the wood frame and masonry/concrete factors (1.16) was used.



Cost Table Update

- All unit cost estimates include contractor overhead and markup. Following the 2021 NCE, this was set at 25% of the total unit cost. As in prior years, cost schedules were adjusted to the Indiana market by a Verified Economic Modifier (“VEM”) calculated from new home costs.
- The VEM calculated in 2014 was used, as current cost and market data showed insufficient evidence to warrant further adjustment. The VEM adjusts Craftsman costs downward by 30%; therefore, the net adjustment to Craftsman unit costs for overhead, markup, and the Indiana market is -5%.



Cost Table Update

- Overall labor costs in Marion County remained the same as in 2018. Material and equipment costs generally increased. On average, base rates on the four primary schedules increased from 2018 values, because of substantial increases in material costs, though labor remained the same. With a few exceptions, costs on the auxiliary cost schedules increased.



Cost Table Update

Primary Cost Schedules:

- First floor costs in the Dwelling Base Rate schedule increased by 10%. Brick costs increased by 1%. Full upper story costs increased 10%, while intermediate levels increased 15%. Unfinished attic costs increased 2%, while finished attic costs increased 13%.
- Costs in the General Mercantile (“GCM”) schedule increased 11% on average. Wood joist costs increased 14%, reinforced concrete increased 17%, and fireproof steel increased 9%.



Cost Table Update

- Costs in the General Industrial (“GCI”) schedule increased 10% on average. Wood joist costs increased 14%, reinforced concrete increased 17%, and fireproof steel increased 9%.
- Costs in the General Residential (“GCR”) schedule increased by an average of 10%. The cost of fire-resistant steel increased 13%.



Cost Table Update

Auxiliary Cost Schedules:

- In Appendix C, Schedule D, 4-person capacity sauna and steam baths increased while other values did not change, due to incorrect pricing in the 2018 costs.
- In Appendix C, Schedule E.1, prefab steel fireplace cost increased substantially due to the cost for Class A vent doubling.



Cost Table Update

- In Appendix C, Schedule G, many agricultural buildings were updated with a factor of 1.19, which is the average change for Type 3 barns.
- Almost all costs for Appendix G, Schedule E were updated with the 1.04 Indianapolis construction cost factor. In general, Craftsman does not provide cost information for the specialized construction items found on this schedule.



Cost Table Update

What Did Not Change?

- Solar and geothermal costs have not changed, due to changes in technology and lack of cost information for the type of systems included in the Cost Schedules.
- The DLGF would be interested in obtaining any solar and geothermal costs available. Note: The information must be verified.



Location Cost Multiplier Update



Location Cost Multiplier Update

II. Location Cost Multiplier Update:

- Released November 5, 2021 (see <https://www.in.gov/dlgf/files/memos/201105-Wood-Memo-Updated-Location-Cost-Modifiers-2022.pdf>; <https://www.in.gov/dlgf/files/memos/211105-2022-LCM-Difference.pdf>; and <https://www.in.gov/dlgf/files/memos/211105-2022-Location-Cost-Multipliers.pdf>).



Location Cost Multiplier Update

- As in prior years, the Location Cost Multipliers (LCMs) are the same for residential and commercial property. These modifiers are to be used for the January 1, 2022, assessment date.
- Counties may develop their own LCMs through analysis of local building cost 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.



Location Cost Multiplier Update

- The updated LCMs were calculated via the same process used in prior years. First, Area Modification Factors from the 2021 Craftsman National 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 (Indianapolis 460) so that the resultant LCM is the estimated change in building costs relative to building costs in Marion County. For 2022, the Marion County base factor is 1.04, which is the same as 2018. As a result, no LCMs changed.



Location Cost Multiplier Update

- **Note: The LCM is based on the national average for materials, equipment, and labor. A location modifier will only change when costs for a specific location change differently than the nationwide average. Thus, while the average construction costs have increased consistently across the entire nation, it does not result in a difference based on location, and no change to the LCM.**



Location Cost Multiplier Update

- The Area Modification Factors are stratified by zip code; hence, counties containing multiple zip codes will have more than one factor.
- Like the prior updates, the LCM for these counties is the weighted average of the factors, with the weights based on the percent of the land area allocated to each zip code in the county.



Location Cost Multiplier Update

- 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, the use of a Location Cost Multiplier may be unnecessary.



Questions



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