
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: County Assessors and Vendors

FROM: Barry Wood, Assessment Division Director

RE: Updated Location Cost Modifiers for the 2022 Annual Adjustment

DATE: November 5, 2021

The Department of Local Government Finance (“Department”) has previously disseminated information regarding the Location Cost Modifiers (“LCM”) as part of the updated cost schedules. 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. These modifiers are to be used for the January 1, 2022, assessment date.

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 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. Counties that developed their own LCM for the 2021 annual adjustment must submit an updated analysis based on current local costs to continue using a county-developed LCM for the 2022 annual adjustment.

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 in the following table) 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. **Please 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.**

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.

Since the LCM estimates local costs relative to Marion County, the updated LCM may differ from prior LCMs 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, the use of a Location Cost Multiplier may be unnecessary.

Questions or comments may be directed to Assessment Division Director Barry Wood at (317) 232-2762 or Bwood@dlgf.in.gov.

Area Modification Factors

<u>Area</u>	<u>Zip Prefix</u>	<u>Material</u>	<u>Labor</u>	<u>Equip</u>	<u>Average</u>
Aurora	470	-1	-9	0	-5%
Bloomington	474	1	-6	0	-2%
Columbus	472	0	-9	0	-4%
Elkhart	465	-2	-7	-1	-4%
Evansville	476	-2	12	-1	4%
Evansville	477	-2	12	-1	4%
Fort Wayne	467	-3	1	-1	-1%
Fort Wayne	468	-3	1	-1	-1%
Gary	464	-4	23	-1	8%
Gary	463	-4	23	-1	8%
Indianapolis	460	-1	10	0	4%
Indianapolis	461	-1	10	0	4%
Indianapolis	462	-1	10	0	4%
Jasper	475	-2	-14	-1	-8%
Jeffersonville	471	0	-11	0	-5%
Kokomo	469	-2	-15	-1	-8%
Lafayette	479	-2	-9	-1	-5%
Muncie	473	-4	-13	-1	-8%
South Bend	466	-4	0	-1	-2%
Terre Haute	478	-4	-2	-1	-3%