
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials and Vendors
FROM: Barry Wood, Assessment Division Director
RE: Updated Cost Information
DATE: December 1, 2017

The Department of Local Government Finance (“Department”) is releasing updated cost schedules for the 2018 Annual Adjustment and cyclical reassessment. This release includes all cost schedules in Appendix C and Appendix G of the current Real Property Guidelines. Note that the Location Cost Modifier tables were updated for the January 1, 2018 assessment date in the Department’s October 31, 2017 memo “Updated Location Cost Modifiers for the 2018 Annual Adjustment” (<http://www.in.gov/dlgf/files/pdf/171031%20-%20Wood%20Memo%20-%20Updated%20Location%20Cost%20Modifiers%20for%20the%202018%20Annual%20Adjus%20tment.pdf>).

The assessed values for the January 1, 2018 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. 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 2018 Annual Adjustment will be January 1, 2018.

Scope of the Update

The cost schedules were updated with cost data from the Craftsman cost service. The unit costs used are listed in the 2017 *Craftsman National Construction Estimator* (NCE) and 2017 *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. These factors are available on page 13 of the 2017 NCE. For this update, the factor was 1.10, which is a 4% decrease from the 2014 value of 1.14.

When unit cost data was not available, cost schedules were adjusted with factors representing the average increase in construction costs from 2014 to 2017. 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. The factors are:

- Wood Frame: 0.99
- Masonry/Concrete: 1.06
- Steel: 0.91
- Agricultural: 1.03

When a general cost factor was needed, the average of the wood frame and masonry/concrete factors (1.03) was used.

All unit cost estimates include contractor overhead and markup. Following the 2017 NCE, this was set at 25% of 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%.

Summary of Key Changes in Updated Costs

As noted above, overall labor costs in Marion County decreased by 4%. Material and equipment costs were generally stable, with small increases in most items, and more substantial increases or decreases in some items. On average, base rates on the four primary schedules decreased slightly from 2014 values, because labor is the primary cost driver of these models. Base rates increased when an increase in material and equipment costs outweighed the decreasing cost of labor. With a few exceptions, costs on the auxiliary cost schedules increased slightly.

Primary Cost Schedules

First floor costs in the Dwelling Base Rate schedule increased by 1%. Both Frame and Brick costs increased at the same rate. Upper story costs had no change overall, with the exception of intermediate stories, which averaged a 3% decrease. Unfinished attic costs decreased 3% while finished attic costs increased 2%.

Costs in the General Mercantile (GCM) schedule increased 3% on average. However, the fireproof steel cost decreased 9%, which is consistent with the overall decrease in steel cost in the 2017 NCE.

Costs in the General Industrial (GCI) schedule increased 4% on average. However, the fireproof steel cost decreased 9%, as it did in the GCM.

Costs in the General Residential (GCR) schedule increased by an average of 1%; however, as in the GMC and GCI, the cost of fireproof steel decreased 9%.

Auxiliary Cost Schedules

In Appendix C, Schedule C, central air conditioning for the first floor starting with 900 square feet increased substantially due to an error. The previous cost was missing the duct work, which accounts for 30-40% of the cost.

In Appendix C, Schedule D, the specialty bathtub item costs increased substantially. This is due to an increase in Craftsman's pricing for bathtub with jets and steam conversion. The Department examined Indiana supplier costs for these items, but did not find evidence that the Craftsman values are incorrect.

Almost all costs for Appendix G, Schedule E were updated with the 1.04 average construction cost factor. In general, Craftsman does not provide cost information for the specialized construction items found on this schedule.

In Appendix G, Schedule G, oil and water storage tanks increased substantially. This is due to the regulation of the industry to meet Environmental Protection Agency (EPA) standards. Dry storage bins decreased due to the Craftsman steel construction factor of 0.91 which is applied.

Copies of the individual cost models and all supporting documentation used in their construction are available upon request.

If you have any questions, please contact Barry Wood at (317) 232-3762 or Bwood@dlgf.in.gov or Deliverance Bougie at (317) 234-5861 or Dbougie@dlgf.in.gov.