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# STATE OF INDIANA

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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: November 5, 2021**

The Department of Local Government Finance (“Department”) is releasing updated cost schedules for the 2022 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, 2022 assessment date in the Department’s November 5, 2021 memo “[Updated Location Cost Modifiers for the 2022 Annual Adjustment](#)”.

**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. 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.

## **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 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. 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. 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.

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%.

### **Summary of Key Changes in Updated Costs**

As noted above, 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.

#### *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%.

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%.

### *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.

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.

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.

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](mailto:Bwood@dlgf.in.gov)