THE BELL CHART

10 Categories of Detrimental Conditions

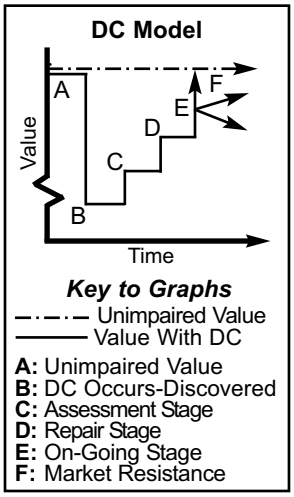
DC Class		Description
I	General Conditions	**Baseline description and general market issues** i.e., real estate, franchise, business, FF&E, goodwill, personal property, products, services, etc.
II	Transactional Conditions	**Unique sales or transfer issues,** i.e., motivation, option, assemblage, distress, financing, bankruptcy, foreclosure, etc.
III	Distress Conditions	**Human loss and tragedy issues** i.e., crime, war, terrorism, accident, car crash, air disaster, train derailment, shipwreck, death, disability, fire, illness, injury, etc.
IV	Legal Conditions	**Legal issues** i.e., eminent domain, contract, tort, insurance claim, title, lot line, CC&R, lien, bond, lease, historic, moratorium, zoning, easement, etc.
V	External Conditions	**Neighborhood issues** i.e., nuisance, proximity, noise, odor, hazard, power lines, airport, privacy, view, etc.
VI	Building Conditions	**Construction, equipment and mechanical issues** i.e., defects, engineering, repairs required, design, code, architecture, infestation, regulations, permits, etc.
VII	Site Conditions	**Soils, geotechnical and infrastructure issues** i.e., drainage, right of way, grading, fill, cracking, subsidence, slides, roads, corrosive soils, compaction, groundwater, utilities, etc.
VIII	Environmental Conditions	**Contamination, health and toxicity issues** i.e., spills, haz-mat, asbestos (1979), lead paint (1978), mold, radioactive, metals, solvents, biological, hydrocarbons, plague, epidemic, etc.
IX	Conservation Conditions	**Cultural and natural resource issues** i.e., habitat, endangered species, natural and cultural resources, archeological, shoreland, wetland, overpopulation, etc.
X	Natural Conditions	**Natural disaster and weather issues** i.e., flood, hurricane, typhoon, wildfire, seismic, volcano, tornado, climate, tsunami, famine, drought, storms, etc.

Damage Valuation

Detrimental Conditions (DC's) are issues that *potentially* have a financial impact. DCs may fall along a continuum ranging from no economic impact to a complete loss of value, or even a liability. If a question of value arises, a Detrimental Condition (DC) analysis is required. The starting point for such an analysis is the DC Matrix, which illustrates the array of potentially relevant issues. All nine elements of the DC Matrix should be considered. This can yield a variety of valuation patterns based upon the inclusion, exclusion and timing of each element, as reflected in the DC Model. Damages are benchmarked against the *Baseline Value*. In determining the impact on value, it is critical that a distinction be made between the DC and unrelated issues. For example, market conditions may be responsible for a change in value that is unrelated to the condition being studied.

Detrimental Condition Matrix

	Assessment	Repair	Ongoing
Cost	Assessment Costs & Responsibility	Repair Costs & Responsibility	Ongoing Costs & Responsibility
Use	Use Impacts While Assessed	Use Impacts While Repaired	Impact on Highest & Best Use
Risk	Uncertainty Factor	Project Incentive	Market Resistance



The impact of DCs on property values is ultimately an empirical question that requires the application of one or more of the three traditional approaches to value:

1. The Sales Comparison Approach utilizing market data with and without the DC.

2. The Income Capitalization Approach utilizing income and risk factors with and without the DC.

3. The Cost Approach utilizing data with and without the losses associated with a DC.

The DC Matrix, coupled with the three approaches to value, provides the framework for the analysis of DCs.

Damage Economics

DCs may have a variety of impacts which, upon analysis, vary on a case-by-case basis.