

VOLUME 5, PART II

CHAPTER 7

BENEFICIAL OCCUPANCY AND SUBSTANTIAL COMPLETION

INTRODUCTION

This chapter addresses procedures to follow when the University wishes to occupy or use part of the work before it is completed (Beneficial Occupancy), or when the contractor requests to be relieved of certain responsibilities because the work is mostly completed (Substantial Completion).

7.1 TAKING BENEFICIAL OCCUPANCY

References:

- Long Form, General Conditions, Paragraph 9.6, Revision 3.1, January 2, 1996 (see FM4(II)).

Beneficial Occupancy is the term used to describe the procedure when the University occupies or makes use of any part of the work prior to Substantial Completion (see section 7.2 below) or Final Completion (see [III:8.4](#)). The presence of the University at the project site may cause disruption of the contractor's activities; therefore, Beneficial Occupancy is subject to conditions set forth in the General Conditions.

The University is not required to take Beneficial Occupancy and may wait for Final Completion to occupy and use the site. However, if the University decides to occupy any portion of the project space prior to Final Completion, the University is required to issue a Certificate of Beneficial Occupancy. A Certificate of Beneficial Occupancy shall not be issued without concurrence of the Campus Building Official if Beneficial Occupancy will occur prior to Substantial Completion. (see [RD2.28](#)).

Coverage under University's Builder's Risk property insurance will end sixty (60) days after Beneficial Occupancy of the ENTIRE Project established by any Certificate of Beneficial Occupancy issued by University. (Other events that will result in the termination of Builder's Risk coverage are described in section 7.3 below).

7.2 DETERMINING SUBSTANTIAL COMPLETION

References:

- Long Form, Exhibit, Certificate of Substantial Completion, Revision 0, February 1, 2004 (see FM4[II]).**

Substantial Completion means that stage in the progress of the work, as determined by the University's Representative, when the work is complete and in accordance with the contract documents except only for completion of minor items which do not impair the University's ability to occupy and fully utilizing the work for its intended purpose.

A Certificate of Substantial Completion shall not be issued until after a Certificate of Occupancy is issued by the Campus Building Official, all work is in place, all required agency approvals have been received, and all systems and equipment are fully functioning. Minor items (punch list) shall include only patching, repair or replacement, and clean-up. Examples of acceptable punch list items include replacement of light switches, touch-up painting, repair of scratches on walls or floors, replacement of locks which do not function properly, replacement of filters or light bulbs, and other similar items.

The University and contractor agree that items to be finished after issuance of the Certificate of Substantial Completion can be accomplished while the University fully occupies and utilizes the facility for its intended purpose. University may accept responsibility for utilities, security, and maintenance upon the issuance of the Certificate of Substantial Completion.

If contractor gives notice to University's Representative that the Work is substantially complete, unless University's Representative determines that the Work is not sufficiently complete to warrant an inspection to determine Substantial Completion, University's Representative will inspect the Work, and prepare and give to contractor a comprehensive list of items to be completed or corrected before establishing Substantial Completion. Contractor shall proceed promptly to complete and correct items on the list. Failure to include an item on such list does not alter the responsibility of Contractor to complete all Work in accordance with the Contract Documents. University's Representative will make an inspection to determine whether the Work is substantially complete. If University's Representative's inspection discloses any item, whether or not included on the list, which must be completed or corrected before Substantial Completion, contractor shall, before issuance of the Certificate of Substantial Completion, complete or correct such item. Contractor shall then submit a request for another inspection by University's Representative to determine Substantial Completion. Costs for additional inspection by University's Representative shall be deducted from any monies due and payable to Contractor.

When University's Representative determines that the Work is substantially complete, University's Representative will arrange for inspection by Campus Building Official and other officials, as appropriate, for the purpose of issuing a Certificate of Occupancy. After a Certificate of Occupancy has been issued by the Campus Building Official the University's Representative will prepare a Certificate of Substantial Completion on University's form, which, when signed by University, shall establish the date of Substantial Completion and the responsibilities of University and Contractor for security, maintenance, utilities, insurance, and damage to the Construction Work.

(See [RD1.10](#), Flow Chart: Substantial Completion and Contract Closeout.)

7.3 ENDING BUILDER'S RISK INSURANCE

References:

- **Summary of University of California's Master Builder's Risk Program, September 17, 2001 (see FM4[II])**

For construction contracts of \$200,000 or more, University will provide University's standard Builder's Risk property insurance with a \$25,000 deductible and subject to the exclusions and limitations contained in the policy. (see [III:1.6](#))

Coverage under University's Builder's risk insurance will end at the EARLIEST of any of the following:

1. the date of Substantial Completion established by any Certificate of Substantial Completion issued by the University;
2. sixty (60) days after Beneficial Occupancy of the ENTIRE Project established by any Certificate of Beneficial Occupancy issued by University; OR
3. Final Completion established by the date of any Notice of Completion issued by the University.

A Facility will need to provide evidence of one of the above milestones (e.g. Certification of Substantial Completion) when requesting cancellation of Builder's Risk property insurance for a project.

7.4 REDUCING LIQUIDATED DAMAGES AFTER SUBSTANTIAL COMPLETION

References:

- Long Form, General Conditions, Subparagraph 9.7.6, Revision 3.1, January 2, 1996 (see FM4[II]).

The University, at its discretion, may reduce the per-diem charge for liquidated damages (see [\[II\]:5.6](#)) assessed for delays (see [\[II\]:3.4](#)) that occur after the date of Substantial Completion.



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