

STATE CONTROLLER POLICY

Real Property Leases - Buildout

- 1) **Substantial Completion.** When the State is a Tenant, it shall not approve Substantial Completion of Tenant Improvements until all of the following occur:
 - a. Landlord provides the State with a written notice of Substantial Completion,
 - b. Landlord's architect deems the premises substantially complete and in conformance with the Tenant Improvements described in the Lease,
 - c. Landlord has obtained all required approvals, if any, for the State occupancy from state, county, and/or municipal agencies,
 - d. All systems and services Landlord is required to furnish pursuant to the lease are in operation.

- 2) **Conditional Approval.** State's approval of Substantial Completion of Tenant Improvements shall be subject to the "Punch List" as hereinafter described.

- 3) **Inspection and Notice.** the State and Landlord shall inspect the Premises and jointly prepare and approve a written "Punch List" of defects and additional work, within three business days of Tenant's receipt of Landlord's notification of Substantial Completion. Landlord shall complete all Punch List items within 20 days of the date the Punch List is approved, unless the Parties agree to a different amount of time. If Landlord does not complete the Punch List in a timely manner, the State may reduce rent due by an equitable amount until final completion.

David J. McDermott, CPA
State Controller