Due to restrictions put in place in response to the COVID-19 pandemic, many construction-in-progress sites have been put on a temporary hold or had activities substantially reduced. This is causing projects to incur costs for closing up, securing, and monitoring the construction sites.

When determining whether or not these costs incurred as part of construction delays should be capitalized or expensed, please consider the following capitalization criteria:

1) Are the costs adding value to the asset
2) Are these costs readying the asset for use
3) Are these common costs such as insurance, interest, project management, and overtime pay for catch up, which are part of the construction process but not directly attributable to one part of the construction

If you are able to answer “yes” to any of the above criteria, then the costs may be capitalized to the project. Generally, expenses incurred for closing, securing and monitoring construction sites are likely to be expensed since they will not meet any of the criteria above.

Notwithstanding the above, schedule delays are not unusual in construction, such as those caused by weather, permitting, or inspections. Common costs incurred during a schedule delay, can continue to be capitalized to the project.

Questions can be directed to FAR at FAR_Fixed_Assets@harvard.edu