

SILICON VALLEY'S AIRPORT



City of San Jose Construction Crane Fee Program Study

City Council – Item 5.1

September 28, 2021

John Aitken, Director of Aviation

Construction Crane Fee Program Study



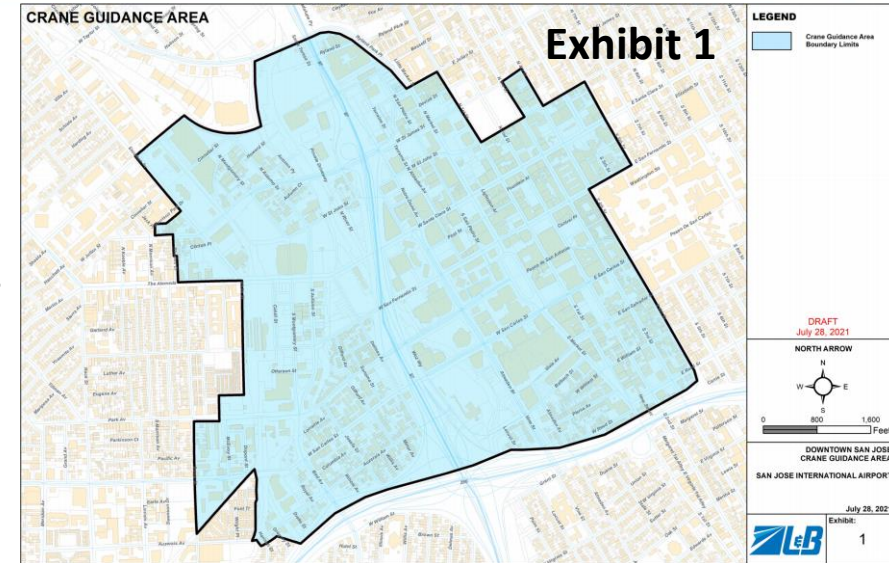
- **Downtown Airspace and Development Capacity (DADCS) - 2019**
 - Adopted new Building Height Limits
 - Develop Construction Crane Guidelines
- **Construction Crane Height Guidance Study - 2021**
 - Deferred to FAA to regulate temporary crane heights through Part 77 / TERPS Review Process
 - Temporary cranes impact SJC's approach & departure procedures
 - FAA does not protect for One Engine Inoperative (OEI), which impacts Air Service
 - City's Construction Crane Guidance provides three ways developers can minimize impacts to Air Service:
 1. Utilize crane jumps to minimize duration cranes are at maximum height.
 2. Limit maximum crane heights to a 6-month window.
 3. Schedule maximum crane heights during non-South flow months of April through September (i.e., departures towards downtown).
 - Explore a Construction Crane Permit Fee to fund a Landing Fee Reduction Program

Construction Crane Fee Program Study



- **Crane Fee Program Summary**

- Crane fees apply to projects in “Crane Guidance Area” **Exhibit 1** only for duration projects operate construction cranes above the Downtown Building Height Limit **Exhibit 2**
- Developer deposits a percentage of the estimated crane fee prior to issuance of building permit, costs reconciled at Temporary / Certificate of Occupancy based on actual Air Carrier denied boardings
- Landing Fee Reduction Program offers voluntary landing fee credits to offset up to 75% of Air Carrier costs associated with denied passenger boardings on departure in South Flow, as identified in the study



Air Carrier Estimated Annual Financial Impacts



Estimated Financial Impact: Denied Boardings & Denied Boardings Compensation (DBC)								
<u>Airline</u>	<u>Destination</u>	<u>Aircraft Type</u>	<u>Oct - March</u>		<u>Apr-Sept</u>		<u>Full Year</u>	
			<u>DB Psgrs</u>	<u>Financial Impact</u>	<u>DB Psgrs</u>	<u>Financial Impact</u>	<u>DB Psgrs</u>	<u>Financial Impact</u>
AS	EWR	Boeing 737-800	-	-	-	-	-	-
AS	EWR	Boeing 737-900ER	-	-	-	-	-	-
AS	HNL	Boeing 737-800	122	\$71,790	78	\$46,027	200	\$117,816
AS	HNL	Boeing 737-900ER	210	\$123,408	299	\$176,190	509	\$299,598
AS	JFK	Airbus Industrie A319	1	\$949	-	-	1	\$949
AS	JFK	Airbus Industrie A320-100/200	5	\$3,677	-	-	5	\$3,677
AS	JFK	Boeing 737-800	0	-	-	-	0	-
AS	JFK	Boeing 737-900ER	-	-	-	-	-	-
AS	KOA	Boeing 737-800	82	\$48,335	81	\$47,765	163	\$96,100
AS	KOA	Boeing 737-900ER	122	\$71,648	155	\$91,466	277	\$163,114
AS	OGG	Boeing 737-800	149	\$87,927	283	\$166,449	432	\$254,376
B6	JFK	Airbus Industrie A320-100/200	13	\$8,555	21	\$14,258	34	\$22,813
B6	JFK	Airbus Industrie A321	2	\$1,032	-	-	2	\$1,032
BA	LHR	B787-900 Dreamliner	100	\$99,166	72	\$72,195	172	\$171,361
DL	JFK	Boeing 737-800	\$0	\$0	\$0	\$0	0	\$0
DL	JFK	Boeing 737-900ER	-	-	37	\$24,905	38	\$26,004
DL	JFK	Boeing 757-200	-	-	-	-	-	-
HA	HNL	Airbus Industrie A321-200n	0	-	45	\$26,240	45	\$26,240
HA	HNL	Airbus Industrie A330-200	-	-	-	-	-	-
HA	HNL	Boeing 767-300/300er	-	-	-	-	-	-
HA	OGG	Airbus Industrie A321-200n	0	-	38	\$22,145	38	\$22,145
HU	PEK	B787-800 Dreamliner	270	\$267,688	18	\$18,034	289	\$285,722
HU	PEK	B787-900 Dreamliner	481	\$475,729	295	\$291,965	775	\$767,694
LH*	FRA	A340-300	-	-	-	-	-	-
NH	NRT	B787-800 Dreamliner	439	\$434,232	84	\$83,460	523	\$517,692
NH	NRT	B787-900 Dreamliner	8	\$8,276	6	\$5,718	14	\$13,994
WN*	HNL	Boeing 737-800	0	-	0	-	0	-
WN*	OGG	Boeing 737-800	0	-	0	-	0	-
TOTAL			2,005	\$1,702,411	1,512	\$1,086,819	3,517	\$2,790,328



Developer Monthly Crane Fee Rates

(75% Forecasted Costs to Airlines + 15% City Administrative Fee)

	Crane Fee Monthly Rates April – September “Summer Season”				Crane Fee Monthly Rates October – March “Winter Season”			
Options	Option 1	Option 2	Option 3	Option 4	Option 1	Option 2	Option 3	Option 4
# Projects	Full Schedule	Full schedule No Beijing	No International + London	No International	Full Schedule	Full schedule No Beijing	No International + London	No International
1 Projects*	\$158,125	\$111,694	\$98,849	\$88,406	\$244,375	\$137,856	\$74,867	\$59,944
2 Projects*	\$79,063	\$55,847	\$49,425	\$44,204	\$122,188	\$68,929	\$37,433	\$29,972
3 Projects*	\$52,709	\$37,232	\$32,958	\$29,469	\$81,458	\$45,953	\$24,956	\$19,982

*Each project that requires a building permit is considered a single project.

Note: Each column above is calculated separately and cannot be added to reach a total.

 Staff’s recommendation highlighted in yellow

Administration of Crane Fee Program

- **Applicability:**
 - Crane fees apply to projects in “Crane Guidance Area” only for duration projects operate construction cranes above the Downtown Building Height Limits
- **Deposit / Reconciliation:**
 - Prior to issuance of building permit for new projects, a developer will be required to deposit up to 50% of total estimated crane fees due
 - Fee reconciliation to occur prior to PBCE issuance of Temporary or Certificate of Occupancy, whichever occurs sooner
 - Based on actual Air Carrier denied boarding impacts
- **Fee Cap:**
 - Program will start with a fee cap of 5 X single project monthly rate published in the “Crane Fee Monthly Rate” table
 - Fee Cap eliminated after 6 months and full monthly rate applied at reconciliation starting with month 7
- **Landing Fee Reduction Program:**
 - Provide landing fee credits to offset Air Carrier impacts associated with denied passenger boardings in South Flow due to construction cranes

Crane Fee Program Recommendation



1. Require developers whose means or methods of construction exceed the City's Downtown Building Height Limits to indemnify the City for all costs or losses arising out of developers construction means or methods.
 - Make a deposit of estimated costs or losses prior to the city issuing a building permit, and to reconcile a percentage of costs associated with actual Air Carrier denied boarding impacts, prior to the city issuing a temporary or permanent certificate of occupancy.
2. Implement a Landing Fee Reduction Program for air carriers that incur passenger weight impacts caused by a developers construction means and methods in the "Construction Crane Guidance Area".
 - Grant the Director of Aviation authority to waive landing fees up to 75% of the total Air Carrier denied boarding costs due to construction means and methods, to set the estimated crane fee deposit percentage up to 50%, and fee cap on an annual basis.

