

FILE NO. 020296

ORDINANCE NO. 107-02

1 [Changing landlords annual interest payments on residential tenant security deposits, to be
2 calculated and paid according to ~~a one-year Treasury Bill rate~~ the Federal Reserve Discount
3 Rate instead of continuing to be paid at the current five percent (5%) rate, with the rate to be
4 determined annually by the Residential Rent Stabilization and Arbitration Board from posted
5 Federal Reserve data.]

6 **Ordinance providing that annual landlord interest payments on residential tenant**
7 **security deposits shall be paid at an interest rate determined annually by the**
8 **Residential Rent Stabilization and Arbitration Board from the posted Federal Reserve**
9 **~~one-year Treasury Bill Discount~~ rates, instead of continuing to be paid at a five percent**
10 **(5%) simple interest rate as provided by the current ordinance, and clarifying that**
11 **interest accrues until termination of the tenancy.**

12 Note: Additions are *single-underline italics Times New Roman font*;
13 deletions are *strikethrough italics Times New Roman font*.
14 Board amendment additions are double underlined Arial font;
15 Board amendment deletions are ~~strikethrough normal Arial font~~.

16 Be it ordained by the People of the City and County of San Francisco:

17 **Section 1.** The San Francisco Administrative Code is hereby amended by amending
18 Section 49.2, to read as follows:

19 **Sec. 49.2. PAYMENT OF INTEREST ON SECURITY DEPOSITS.**

20 (a) A landlord who is subject to the provisions of Section 1950.5 of the California
21 Civil Code shall pay ~~at least five percent~~ simple interest ~~per year~~ on all security deposits held for
22 at least one year for his/her tenants; provided, however, that this requirement shall not apply
23 where the rent is assisted or subsidized by any government unit, agency or authority.

24 (b) Interest shall begin accruing on September 1, 1983, or on whatever date the
25 security deposit is received by the landlord after September 1, 1983, and shall accrue until the

1 tenancy terminates. Beginning on September 1, 1984, or on any date thereafter upon which
2 the security deposit has been held by the landlord for one year, a tenant shall be given the
3 unpaid accrued interest in the form of either a direct payment or a credit against the tenant's
4 rent. The landlord shall choose between these two methods of payment.

5 (c) The landlord may elect to pay the accrued interest as provided in Subsection (b)
6 above on a monthly basis, but in no event less than once a year.

7 (d) Upon termination of tenancy, a tenant whose security deposit has been held for
8 one year or more shall be entitled to a direct pro-rata payment of any unpaid accrued interest
9 no later than two weeks after the tenant has vacated the premises; provided, however, that a
10 landlord may retain any portion of the unpaid accrued interest, subject to the limitations and
11 requirements set forth in Section 1950.5 (e) of the California Civil Code, where the security
12 deposit alone is insufficient to remedy tenant default in the payment of rent, to repair damages
13 to the premises caused by the tenant, exclusive of ordinary wear and tear, or to clean such
14 premises, if necessary, upon termination of the tenancy.

15 (e) Nothing in this Chapter shall preclude a landlord from exercising his or her
16 discretion in investing security deposits.

17 (f) Notwithstanding the provisions of (a) through (d) above, where a landlord seeks
18 reimbursement for the annual Residential Rent Stabilization and Arbitration fee as provided in
19 Sec. 37A.6 of this Code, the landlord may deduct said fee from the next interest payment
20 owed to the tenant pursuant to this Chapter.

21 ~~(g) The interest rate for interest payments required by this Chapter 49 shall be as follows:~~

22 ~~(1) For time periods prior to [the effective date of this Subsection 49.2(g)] the~~
23 ~~interest rate is 5%. However, in no event shall the total interest a landlord is obligated to pay~~
24 ~~for these time periods exceed the total amount of interest due if the interest is alternatively~~
25 ~~calculated under the rates established by Subsection 49.2(g)(2). Thus, the total interest owed~~

1 from the commencement of the tenancy to [the effective date of this Subsection 49.2(g)] is the
2 lesser of: (A) interest calculated at 5%; or, (B) interest calculated pursuant to Subsection
3 49.2(g)(2).

4 (2) ~~Except for the 5% interest rate provided in Subsection 49.2(g)(1), the interest~~
5 ~~rate shall be~~ determined by the Residential Rent Stabilization and Arbitration Board (Rent Board), to
6 be effective on March 1 of each year. The Rent Board shall set calculate the rate shall be
7 calculated by as of the immediately preceding December 31st according to the Federal
8 Reserve Discount Rate as of December 15th 31st of each the preceding calendar year, using
9 an average of the twelve most recent monthly rates (rounded to the nearest tenth) as posted by
10 the Federal Reserve on the Federal Reserve Statistical Release internet site for one-year constant
11 maturity Treasury Bills. The Rent Board shall promulgate rules and regulations as needed to
12 effectuate this rate setting responsibility.

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15 **Section 2.** The San Francisco Administrative Code is hereby amended by amending
16 Section 37.6, to read as follows:

17 **Sec. 37.6. POWERS AND DUTIES.**

18 In addition to other powers and duties set forth in this Chapter, and in addition to
19 powers under the Charter and powers and duties under Administrative Code Chapter 49 ("Interest
20 Rates on Security Deposits), the Board shall have the power to:

21 (a) Promulgate policies, rules and regulations to effectuate the purposes of this
22 Chapter;

23 (b) Hire such staff, including Administrative Law Judges, as may be reasonably
24 necessary to perform its functions, and promulgate standards for all such staff, subject to the
25 Civil Service provisions of the Charter;

1 (c) Conduct rental arbitration hearings and administer oaths and affirmations in
2 connection with such hearings;

3 (d) Publish, on March 1st of each year, the increase in the CPI for the preceding 12
4 months, as made available by the U.S. Department of Labor;

5 (e) Make studies and surveys and conduct such hearings as necessary to perform
6 its functions;

7 (f) Report biannually to the Mayor and the Board of Supervisors on its activities and
8 on progress made towards the achievement of the purposes of the Chapter;

9 (g) Make available to the public, on request, policies, rules and regulations, reports
10 and surveys in accordance with applicable State law;

11 (h) Issue rules and regulations for the conduct of its own affairs;

12 (i) Be empowered to request and, if granted, to receive funds appropriated by the
13 Board of Supervisors through the mayor;

14 (j) Maintain, on at least a monthly basis, statistics on the number of notices to
15 vacate filed with the Board pursuant to Section 37.9(c) and statistics on the causes given in
16 such notices or in any additional written documents as provided in Section 37.9(c). Said
17 statistics shall be published in a report on March 1st every year, and copies of the report shall
18 be submitted to the Mayor and Board of Supervisors;

19 (k) Compile a list at random, on a monthly basis, of 10 percent of the notices to
20 vacate filed pursuant to Section 37.9(c) which state on the notice or in any additional written
21 document any causes under Section 37.9(a)(8) as the reason for eviction. Said list shall be
22 transmitted to the District Attorney on a monthly basis for investigation pursuant to Section
23 37.9(c).

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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: 
Marie Corlett Blits
Deputy City Attorney



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails Ordinance

File Number: 020296

Date Passed:

Ordinance providing that annual landlord interest payments on residential tenant security deposits shall be paid at an interest rate determined annually by the Residential Rent Stabilization and Arbitration Board from the posted Federal Reserve Discount rates, instead of continuing to be paid at a five percent (5%) simple interest rate as provided by the current ordinance, and clarifying that interest accrues until termination of the tenancy.

June 17, 2002 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 9 - Ammiano, Daly, Leno, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee

Absent: 2 - Gonzalez, Hall

June 17, 2002 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 9 - Ammiano, Daly, Leno, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee

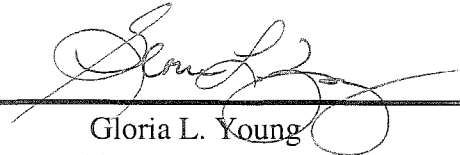
Absent: 2 - Gonzalez, Hall

June 24, 2002 Board of Supervisors — FINALLY PASSED

Ayes: 11 - Ammiano, Daly, Gonzalez, Hall, Leno, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee

File No. 020296

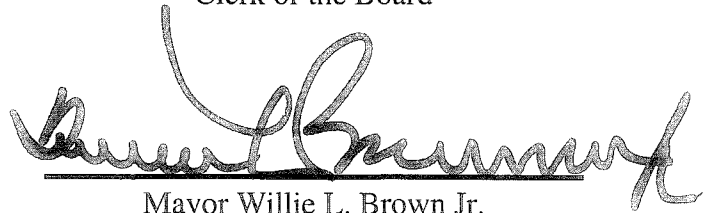
I hereby certify that the foregoing Ordinance
was FINALLY PASSED on June 24, 2002 by
the Board of Supervisors of the City and
County of San Francisco.



Gloria L. Young
Clerk of the Board

JUL 03 2002

Date Approved



Mayor Willie L. Brown Jr.