

1 [Interest on Residential Rental Security Deposits: interest calculated according to 6-Month  
2 Certificate of Deposit rate published on Federal Reserve Statistical Release internet site.]

3 **Ordinance amending Administrative Code Chapter 49 “Security Deposits for**  
4 **Residential Rental Property,” at Section 49.2 “Payment of Interest on Security**  
5 **Deposits,” to provide that the required interest on security deposits be calculated**  
6 **according to the 6-Month Certificate of Deposit rate as posted by the Federal Reserve**  
7 **on the Federal Reserve Statistical Release internet site (instead of on the basis of the**  
8 **Federal Reserve’s singular Federal Discount Rate, which has been discontinued).**

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

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

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

17 Sec. 49.2. PAYMENT OF INTEREST ON SECURITY DEPOSITS.

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

22 (b) Interest shall begin accruing on September 1, 1983, or on whatever date  
23 the security deposit is received by the landlord after September 1, 1983, and shall accrue until  
24 the tenancy terminates. Beginning on September 1, 1984, or on any date thereafter upon  
25 which the security deposit has been held by the landlord for one year, and annually thereafter

1 on the same month and day, a tenant shall be given the unpaid accrued interest in the form of  
2 ether a direct payment or a credit against the tenant's rent. The landlord shall choose  
3 between these two methods of payment.

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

12 (d) Nothing in this Chapter shall preclude a landlord from exercising his or  
13 her discretion in investing security deposits.

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

18 (f) The interest rate for interest payments required by this Chapter 49 shall  
19 be determined by the Residential Rent Stabilization and Arbitration Board (Rent Board), to be  
20 effective on March 1 of each year.

21 (1) For March 1, 2003 and prior years, ~~F~~the Rent Board shall calculate the rate  
22 as of the immediately preceding December 31st according to the *historical* Federal Reserve  
23 Discount *Window Borrowing* Rate, using an average of the twelve most recent monthly rates  
24 (rounded to the nearest tenth) as posted by the Federal Reserve on the Federal Reserve  
25 Statistical Release internet site.

1                   (2) For March 1, 2004 and future years, the Rent Board shall calculate the rate as of  
2 the immediately preceding December 31st according to the Federal Reserve 6-Month Certificate of  
3 Deposit rate, using an average of the twelve most recent monthly rates (rounded to the nearest tenth) as  
4 posted by the Federal Reserve on the Federal Reserve Statistical Release internet site.

5                   (g) The amount of interest due and payable by the landlord shall be the  
6 amount of the security deposit held by the landlord on the date the interest payment is due  
7 multiplied by either:

8                   (1) The interest rate in effect on the date the annual payment is due, if the  
9 payment is due under Section 49.2(b); or

10                  (2) The interest rate in effect on the date the tenant vacates the unit, if the  
11 tenant is entitled to a pro-rata interest payment under Section 49.2(c).

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APPROVED AS TO FORM:  
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