

1 [Residential rentals: landlord interest payments on security deposits calculated at interest rate
2 in effect when annual payment is due; any required pro rata payment calculated at interest
3 rate in effect when that payment is due.]

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**Ordinance amending Administrative Code Chapter 49 "Security Deposits for
5 Residential Rental Property," by amending Section 49.2 to provide that the annual
6 landlord interest payments on security deposits shall be calculated at the interest rate
7 in effect when an annual interest payment is due, and that any required pro rata
8 interest payment shall be calculated at the interest rate in effect when that pro rata
9 payment is due.**

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

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

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

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Sec. 49.2. PAYMENT OF INTEREST ON SECURITY DEPOSITS.

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

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1 (b) Interest shall begin accruing on September 1, 1983, or on whatever date the
2 security deposit is received by the landlord after September 1, 1983, and shall accrue until the
3 tenancy terminates. Beginning on September 1, 1984, or on any date thereafter upon which
4 the security deposit has been held by the landlord for one year, and annually thereafter on the
5 same month and day, a tenant shall be given the unpaid accrued interest in the form of either a
6 direct payment or a credit against the tenant's rent. The landlord shall choose between these
7 two methods of payment.

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

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

18 (e) ~~d~~) Nothing in this Chapter shall preclude a landlord from exercising his or her
19 discretion in investing security deposits.

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

24 (g) ~~f~~) The interest rate for interest payments required by this Chapter 49 shall be
25 determined by the Residential Rent Stabilization and Arbitration Board (Rent Board), to be

1 effective on March 1 of each year. The Rent Board shall calculate the rate as of the
2 immediately preceding December 31st according to the Federal Reserve Discount Rate, using
3 an average of the twelve most recent monthly rates (rounded to the nearest tenth) as posted
4 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 amount of the
6 security deposit held by the landlord on the date the interest payment is due multiplied by either:

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

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

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

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16 By: MARIE CORLETT BLITS
17 Deputy City Attorney

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