

[Administrative Code - Calculating Interest on Residential Rental Security Deposits]

**Ordinance amending the Administrative Code to provide a new method for calculating the interest on residential rental security deposits beginning March 1, 2015.**

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
**Additions to Codes** are in *single-underline italics Times New Roman font*.  
**Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.  
**Board amendment additions** are in double-underlined Arial font.  
**Board amendment deletions** are in ~~Arial font~~.  
**Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. The Planning Department has determined that the actions contemplated in this ordinance comply with the California Environmental Quality Act (California Public Resources Code, Sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. \_\_\_\_\_ and is incorporated herein by reference.

Section 2. The Administrative Code is hereby amended by revising Section 49.2(f), to read as follows:

**SEC. 49.2. PAYMENT OF INTEREST ON SECURITY DEPOSITS.**

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

(b) Interest shall begin accruing on September 1, 1983, or on whatever date the 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, and annually thereafter on the  
3 same month and day, a tenant shall be given the unpaid accrued interest in the form of either  
4 a direct payment or a credit against the tenant's rent. The landlord shall choose between  
5 these two methods of payment.

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

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

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

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

23 (1) For March 1, 2003 and prior years, the Rent Board shall calculate the rate as of  
24 the immediately preceding December 31st according to the historical Federal Reserve  
25 Discount Window Borrowing Rate, using an average of the twelve most recent monthly rates

1 (rounded to the nearest tenth) as posted by the Federal Reserve on the Federal Reserve  
2 Statistical Release internet site.

3 (2) For March 1, 2004 ~~and future years~~ through March 1, 2014, the Rent Board shall  
4 calculate the rate as of the immediately preceding December 31st according to the Federal  
5 Reserve 6-Month Certificate of Deposit rate, using an average of the twelve most recent  
6 monthly rates (rounded to the nearest tenth) as posted by the Federal Reserve on the Federal  
7 Reserve Statistical Release internet site.

8 (3) For March 1, 2015 and each year thereafter, the Rent Board shall calculate the rate  
9 according to the annual average of the 90-Day AA Financial Commercial Paper Interest Rate (rounded  
10 to the nearest tenth) for the immediately preceding calendar year as published by the Federal Reserve.

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

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

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

18  
19 Section 3. Effective Date. This ordinance shall become effective 30 days after  
20 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the  
21 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board  
22 of Supervisors overrides the Mayor's veto of the ordinance.

23  
24 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
25 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,

1 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
2 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
3 additions, and Board amendment deletions in accordance with the “Note” that appears under  
4 the official title of the ordinance.

5  
6  
7 APPROVED AS TO FORM:  
8 DENNIS J. HERRERA, City Attorney

9 By: \_\_\_\_\_  
10 Robert A. Bryan  
11 Deputy City Attorney

12 n:\legana\as2014\1400331\00952056.doc  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25