

File No. 140970

Committee Item No. 5

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date October 27, 2014

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input type="checkbox"/>	<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement
<input type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

#### OTHER

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<input type="checkbox"/>	<input type="checkbox"/>	_____
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Completed by: Andrea Ausberry Date October 23, 2014

Completed by: \_\_\_\_\_ Date \_\_\_\_\_

[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 ~~strikethrough 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. 140970 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

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

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

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

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

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

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

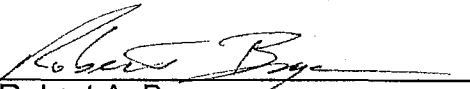
Section 3. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto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

Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors 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

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## **LEGISLATIVE DIGEST**

[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.**

### **Existing Law**

Section 49(f) of the Administrative Code provides the methodology by which the Residential Rent Stabilization Board calculates the amount of interest a landlord must pay each year to residential tenants on security deposits. Subsection (f) provides a single methodology for that calculation for 2004 and future years, based on the Federal Reserve 6-Month Certificate of Deposit rate.

### **Amendments to Current Law**

This amendment revises Section 49(f) to apply a new methodology for calculating the interest on security deposits for 2015 and later years, based on the 90-Day AA Financial Commercial Paper Interest Rate of the Federal Reserve.

### **Background Information**

Section 49.2(f) requires that for the years 2004 and later interest on residential security deposits be calculated based on the Federal Reserve 6-Month Certificate of Deposit ("CD") rate. The Federal Reserve, however, ceased publishing that index for interest rates in December 2013 because it concluded there has been a reduction in the number and types of institutions that provide quotes that could be used to prepare reliable CD rates. The Federal Reserve continues to publish its 90-Day AA Financial Commercial Paper Interest Rate, which closely matches the 6-Month CD rates. Therefore, Section 49.2(f) is being amended to require the use of the 90-Day AA Financial Commercial Paper Interest Rate for 2015 and later years.

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CITY AND COUNTY OF SAN FRANCISCO



RESIDENTIAL RENT STABILIZATION  
AND ARBITRATION BOARD

EDWIN M. LEE  
MAYOR

DELENE WOLF  
EXECUTIVE DIRECTOR

September 8, 2014

Angela Calvillo  
Clerk of the Board  
Board of Supervisors, Room 244  
1 Carlton B. Goodlett Place  
San Francisco, CA 94102

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

Under existing law, Section 49(f) of the Administrative Code provides the methodology by which the Residential Rent Stabilization Board calculates the amount of interest a landlord must pay each year to residential tenants on security deposits. Subsection (f) provides a single methodology for that calculation for 2004 and future years, based on the Federal Reserve 6-Month Certificate of Deposit rate.

This amendment revises Section 49(f) to apply a new methodology for calculating the interest on security deposits for 2015 and later years, based on the 90-Day AA Financial Commercial Paper Interest Rate of the Federal Reserve.

Section 49.2(f) requires that for the years 2004 and later interest on residential security deposits be calculated based on the Federal Reserve 6-Month Certificate of Deposit ("CD") rate. The Federal Reserve, however, ceased publishing that index for interest rates in December 2013 because it concluded there has been a reduction in the number and types of institutions that provide quotes that could be used to prepare reliable CD rates. The Federal Reserve continues to publish its 90-Day AA Financial Commercial Paper Interest Rate, which closely matches the 6-Month CD rates. Therefore, Section 49.2(f) is being amended to require the use of the 90-Day AA Financial Commercial Paper Interest Rate for 2015 and later years.

Sincerely,

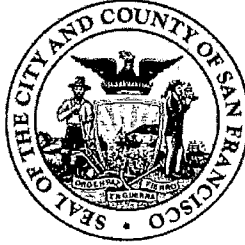
A handwritten signature in black ink, appearing to read "Delene Wolf".

Delene Wolf,  
Executive Director

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2014 SEP -9 PM 3:38

140970

BOARD of SUPERVISORS



City Hall  
Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. 554-5184  
Fax No. 554-5163  
TDD/TTY No. 554-5227

October 7, 2014

File No. 140970

Sarah Jones  
Environmental Review Officer  
Planning Department  
1650 Mission Street, 4<sup>th</sup> Floor  
San Francisco, CA 94103

Dear Ms. Jones:

On September 23, 2014, the Rent Board introduced the following legislation:

**File No. 140970**

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

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

A handwritten signature in cursive script, appearing to read "A. Ausberry".

By: Andrea Ausberry, Assistant Clerk  
Land Use & Economic Development Committee

Attachment

c: Joy Navarrete, Environmental Planning  
Jeanie Poling, Environmental Planning

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment.

Joy  
Navarrete

Digitally signed by Joy Navarrete  
DN: cn=Joy Navarrete, o=Planning,  
ou=Environmental Planning,  
email=joy.navarrete@sfgov.org,  
c=US  
Date: 2014.10.17 16:34:21 -07'00'



**LEGISLATION RECEIVED CHECKLIST**

Date 9/9/14

File Number (if applicable) \_\_\_\_\_

- |  |                                |
|--|--------------------------------|
| <input checked="" type="checkbox"/> Legislation for Introduction (NEW) | ▶▶▶ Legislative Clerk          |
| <input type="checkbox"/> Legislation Pending in Committee (AMENDED)    | ▶▶▶ Committee Clerk            |
| <input type="checkbox"/> Legislation for Board Agenda (AMENDED)        | ▶▶▶ Dep Clerk, Legislative Div |

**Supervisor, Mayor, and Departmental Submittals**

**Grant Ordinance**

- ☐ **Legislation:** Original and 1 hard copy and 1 electronic copy in word format
- ☐ **Signature:** Department Head, Mayor or the Mayor's designee, plus the Controller
- ☐ **Supporting documents:** 1 full set (see below) and pdf copies of each in email\*
  - ☐ Cover letter (original)
  - ☐ Grant budget/application
  - ☐ Grant information form, including disability checklist
  - ☐ Letter of Intent or grant award letter from funding agency
  - ☐ Contract, Leases/Agreements (if applicable)
  - ☐ Ethics Form 126 (if applicable)\*Word format
- ☐ **E-Copy of legislation/supporting documents:** Sent to [BOS.Legislation@sfgov.org](mailto:BOS.Legislation@sfgov.org)

**Ordinance**

- ☒ **Legislation:** Original and 1 hard copy and 1 electronic copy in word format
- ☒ **Signature:** City Attorney (For Settlement of Lawsuits - City Attorney, Department Head, Controller, Commission Secretary)
- ☒ **Supporting documents:** 1 full set (see below) and pdf copies of each in email
  - ☒ Cover letter (original and 1 hard copy)
  - ☐ Settlement Report/Agreement (for settlements)
  - ☐ Other (Explain)
- ☒ **E-Copy of legislation/supporting documents:** Sent to [BOS.Legislation@sfgov.org](mailto:BOS.Legislation@sfgov.org)

**Grant Resolution**

- ☐ **Legislation:** Original and 1 hard copy and 1 electronic copy in word format
- ☐ **Signature:** Department Head, Mayor or the Mayor's designee, plus the Controller
- ☐ **Supporting documents:** 1 full set (see below) and pdf copies in email\*
  - ☐ Cover letter (original and 1 hard copy)
  - ☐ Grant budget/application
  - ☐ Grant information form, including disability checklist
  - ☐ Letter of Intent or grant award letter from funding agency
  - ☐ Contract, Leases/Agreements (if applicable)
  - ☐ Ethics Form 126 (if applicable)\*Word format
- ☐ **E-Copy of legislation/supporting documents:** Sent to [BOS.Legislation@sfgov.org](mailto:BOS.Legislation@sfgov.org)

**Resolution**

- ☐ **Legislation:** Original and 1 hard copy and 1 electronic copy in word format
- ☐ **Signature:** None (Required for Settlement of Claims - City Attorney, Department Head, Controller, Commission Secretary)
- ☐ **Supporting documents:** 1 full set (see below) and pdf copies in email
  - ☐ Cover letter (original and 1 hard copy)
  - ☐ Settlement Report/Agreement (for settlements)
  - ☐ Other (Explain)
- ☐ **E-Copy of legislation/supporting documents:** Sent to [BOS.Legislation@sfgov.org](mailto:BOS.Legislation@sfgov.org)

Robert Collins / 252-4628  
Name and Telephone Number

Rent Board  
Department

