Amendment of the Whole
6/17/02

FILE NO. 020296
ORDINANCE NO. 107-02

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

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
one-year Treasury Bill 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.

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

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

Section 1. The San Francisco Administrative Code is hereby amended by amending
Section 49.2, 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 at least five percent simple interest per year 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
tenancy terminates. Beginning on September 1, 1984, or on any date thereafter upon which
the security deposit has been held by the landlord for one year, a tenant shall be given the
unpaid accrued interest in the form of either a direct payment or a credit against the tenant's
rent. The landlord shall choose between these two methods of payment.

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

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

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

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

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

(1) For time periods prior to [the effective date of this Subsection 49.2(g)] the
interest rate is 5%. However, in no event shall the total interest a landlord is obligated to pay
for those time periods exceed the total amount of interest due if the interest is alternatively
calculated under the rates established by Subsection 49.2(g)(2). Thus, the total interest owed
from the commencement of the tenancy to [the effective date of this Subsection 49.2(g)] is the lesser of: (A) interest calculated at 5%; or, (B) interest calculated pursuant to Subsection 49.2(g)(2).

(2) Except for the 5% interest rate provided in Subsection 49.2(g)(1), the interest rate shall be determined by the Residential Rent Stabilization and Arbitration Board (Rent Board), to be effective on March 1 of each year. The Rent Board shall set the rate shall be calculated by as of the immediately preceding December 31st according to the Federal Reserve Discount Rate as of December 31st of each the preceding calendar year, 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 for one-year constant maturity Treasury Bills. The Rent Board shall promulgate rules and regulations as needed to effectuate this rate-setting responsibility.

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

Sec. 37.6. POWERS AND DUTIES.

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

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

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

SUPERVISOR PESKIN
BOARD OF SUPERVISORS
(c) Conduct rental arbitration hearings and administer oaths and affirmations in connection with such hearings;

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

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

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

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

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

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

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

(k) Compile a list at random, on a monthly basis, of 10 percent of the notices to vacate filed pursuant to Section 37.9(c) which state on the notice or in any additional written document any causes under Section 37.9(a)(8) as the reason for eviction. Said list shall be transmitted to the District Attorney on a monthly basis for investigation pursuant to Section 37.9(c).
APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: Marie Corlett Blits
Deputy City Attorney
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
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

Date Approved

Mayor Willie L. Brown Jr.