ORDINANCE NO. 2013-02

AN ORDINANCE OF THE CITY OF SANTA CRUZ AMENDING SECTIONS 21.02.040 AND 21.02.070 OF THE SANTA CRUZ MUNICIPAL CODE PERTAINING TO THE PAYMENT OF TENANTS' INTEREST ON RESIDENTIAL RENTAL SECURITY DEPOSITS

BE IT ORDAINED by the City Council of the City of Santa Cruz as follows:

<u>SECTION 1</u>. Section 21.02.040 of the Santa Cruz Municipal Code is hereby amended to read as follows:

21.02.040 PAYMENT OF TENANTS' INTEREST.

A tenant shall be entitled to payment of tenant's interest as provided in Civil Code Section 1950.5, at the earlier of the following:

- A. Subject to subsection B below, upon termination of tenancy, a tenant shall be entitled to a direct payment of the tenant's interest then remaining due and owing no later than twenty-one (21) days after the tenant has vacated the premises.
- B. At the end of the next February occurring after accrued interest reaches fifty dollars (\$50.00), the landlord shall, without demand, pay the tenant the accrued interest in the form of either a draft payment or a credit against the tenant's rent. The landlord shall choose between the two methods of payment.
- C. Landlord's Failure to Pay Annual Interest. Should the landlord, as required in subsections A and B, fail to disburse interest to the tenant or credit the tenant's rent, the tenant's interest shall, on a daily basis, accrue on the sum of the principal amount of the security deposit held by the landlord, plus the amount of any previous interest earned but not disbursed or credited.

<u>SECTION 2</u>. Section 21.02.070 of the Santa Cruz Municipal Code is hereby amended to read as follows:

21.02.070 NOTICE TO TENANTS.

Each landlord who is subject to the provisions of this chapter shall provide a copy of this ordinance to their tenant at the time of entering into a rent or lease agreement with the tenant. As an alternative to providing the ordinance to their tenant, the landlord can include a summary of this ordinance as part of the rent or lease agreement. For either notification method, the landlord shall provide the notification to their tenant in the same language the rent or lease agreement was executed with the tenant. Either notification method shall generally apprise the tenant of the tenant's right to receive interest on his or her security deposit in accordance with Section 21.02.040, shall apprise the tenant of the rate of interest to be earned on that security deposit, and shall apprise the tenant of the landlord's potential liability for statutory damages for failure to comply with any provision of this chapter and for additional liability under California Civil Code Section 1950.5 for the malicious retention of the security deposit. This section shall only apply to rent or lease agreements with the tenant that are executed after March 12, 2013.

<u>SECTION 3</u>. This ordinance shall take effect and be in force thirty (30) days after final adoption.

PASSED FOR PUBLICATION this 22nd day of January, 2013, by the following vote: **AYES:** Councilmembers Terrazas, Comstock, Lane, Mathews, Posner; Vice Mayor Robinson; Mayor Bryant. NOES: None. ABSENT: None. DISQUALIFIED: None. APPROVED: Mayor ATTEST: City Clerk Administrator PASSED FOR FINAL ADOPTION this day of , 2013 by the following vote: **AYES:** NOES: ABSENT: **DISQUALIFIED:** APPROVED: _____ Mayor ATTEST: City Clerk Administrator

This is to certify that the above and foregoing document is the original of Ordinance No. 2013-02 and that it has been published or posted in accordance with the Charter of the City of Santa Cruz.

City Clerk Administrator