

**Introduced by Senator Burton**

February 6, 2001

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An act to add Chapter 5 (commencing with Section 50250) to Part 1 of Division 31 of the Health and Safety Code, relating to residential security deposits.

LEGISLATIVE COUNSEL'S DIGEST

SB 183, as introduced, Burton. Residential security deposit guarantee program.

Existing law prohibits a landlord from demanding or receiving security, however denominated, in an amount or value in excess of 2 months' rent in the case of unfurnished residential property, and 3 months' rent in the case of furnished residential property, in addition to any rent for the first month paid on or before initial occupancy.

This bill would require the Business, Transportation and Housing Agency to establish a security deposit guarantee program. It would require participating cities, counties, and cities and counties to award security deposit guarantee certificates to qualified households in order to guarantee the payment of damages on a security deposit that is required by a residential rental property owner. It would also establish a Residential Security Deposit Guarantee Fund as a continuously appropriated fund for the purpose of paying claims for damages made by a qualified residential rental property owner. The bill also would require a contract between a prospective tenant and residential rental property owner before they may participate in the program.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) One of the most difficult problems that very low, low- and  
4 moderate-income families face in seeking residential rental  
5 housing is the need to pay not only the first months rent, but also  
6 the additional security deposit which is paid on or before the initial  
7 occupancy of the rental premises.

8 (b) Prospective tenants find that it is often difficult to make the  
9 required payment to the landlord from savings.

10 (c) A security deposit guarantee program will provide the  
11 necessary financial assistance for those families facing financial  
12 difficulty that are trying to qualify to rent residential property.

13 (d) In addition, a security deposit guarantee program will lower  
14 vacancy rates and assist qualified prospective tenants.

15 SEC. 2. Chapter 5 (commencing with Section 50250) is added  
16 to Part 1 of Division 31 of the Health and Safety Code, to read:

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18 CHAPTER 5. RESIDENTIAL SECURITY DEPOSIT GUARANTEE  
19 PROGRAM

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21 50250. For purposes of this chapter, “residential rental  
22 property owner” “property owner” includes an agent for the  
23 owner of residential rental property.

24 50251. The Business, Transportation and Housing Agency  
25 shall establish a security deposit guarantee program to provide a  
26 fixed financial guarantee to local governments as described in this  
27 chapter. Notwithstanding Section 50152, the Secretary of the  
28 Business, Transportation and Housing Agency shall then  
29 determine the appropriate state entity within the Business,  
30 Transportation and Housing Agency to administer this security  
31 deposit guarantee program. Participating cities, counties, and city  
32 and counties shall award security deposit guarantee certificates to  
33 qualified households in order to guarantee the payment of damages  
34 on a security deposit that is otherwise required by a residential  
35 rental property owner prior to entering into a tenancy.

36 50252. (a) There is hereby established a Residential Security  
37 Deposit Guarantee Fund in the State Treasury. Notwithstanding  
38 Section 13340 of the Government Code, all moneys in this fund



1 are continuously appropriated without regard to fiscal years for the  
2 purpose of paying claims for damages made by a qualified  
3 residential rental property owner as prescribed by this chapter. All  
4 moneys appropriated to this fund and interest earned on these  
5 moneys shall remain on deposit with the state and be utilized only  
6 as collateral to guarantee the payment of damages on a security  
7 deposit required by a residential rental property owner where the  
8 security deposit has been guaranteed under a contract entered into  
9 pursuant to Section 50253.

10 (b) From the fund, the Business, Transportation and Housing  
11 Agency shall allocate a minimum amount of fifty thousand dollars  
12 (\$50,000) to participating cities or counties within rural areas, as  
13 defined in Section 50101, and seventy-five thousand dollars  
14 (\$75,000) to participating cities, counties, or cities and counties in  
15 other areas. The maximum amount that may be allocated to any  
16 one city, county, or city and county shall be one hundred fifty  
17 thousand dollars (\$150,000). A city, county, or city and county  
18 may not award security deposit guarantee certifications that, in the  
19 aggregate, total an amount that exceeds the amount allocated to it  
20 pursuant to this section.

21 50253. (a) Prior to awarding a security deposit guarantee  
22 certificate to a prospective tenant, the participating city, county, or  
23 city and county shall make a determination of the eligibility of the  
24 tenant's household to participate in the security deposit guarantee  
25 program and once this determination has been made, the amount  
26 of the security deposit guarantee certificate that a prospective  
27 tenant needs to establish for a tenancy with a residential rental  
28 property owner. The amount of the security deposit guarantee  
29 certificate shall be 80 percent of the total security deposit required  
30 by the property owner. In addition, no claims may be made against  
31 a security deposit guarantee certificate by a residential rental  
32 property owner who has been cited for a building code violation  
33 in the 12-month period prior to the initial hiring of the property to  
34 the tenant who presents the certificate.

35 (b) A prospective tenant shall only be eligible to participate in  
36 the program if he or she belongs to a very low, low- or  
37 moderate-income household, as defined in Section 50093, has a  
38 source of income sufficient to pay the monthly rental payments as  
39 lawfully determined by the landlord, but does not have the funds  
40 necessary for the entire security deposit, and participates in a class



1 on landlord tenant relationships described in subdivision (c) prior  
2 to entering into a rental agreement with a residential rental  
3 property owner. Priority shall be given to work force households  
4 with minor children, as defined in the federal Ticket to Work and  
5 Incentives Improvement Act (Public Law 106-170). In addition,  
6 a prospective tenant shall be required to enter into a contract  
7 described in Section 50254.

8 (c) The class on landlord tenant relationships shall include, but  
9 not be limited to, credit counseling, a general description of  
10 landlord tenant rights and responsibilities, and a discussion on the  
11 need for the parties to inspect the rental property at the initial hiring  
12 of the property and upon the termination of the tenancy.

13 50254. A contract between the prospective tenant and  
14 residential rental property owner shall be required before they may  
15 participate in the Security Deposit Guarantee Program. The terms  
16 of the contract shall include all of the following:

17 (a) The prospective tenant shall agree to pay the property  
18 owner 20 percent of the total amount of security required to hire  
19 a rental property. The prospective tenant shall also agree to a  
20 payment schedule over a specified number of months in order to  
21 pay the entire remainder of the total amount of the required  
22 deposit.

23 (b) The residential rental property owner shall agree to allow  
24 the security deposit to be paid over a specified number of months  
25 as an addition to the regular rental monthly payment.

26 (c) At any time during the operation of the guarantee, the  
27 residential rental property owner shall make all claims first against  
28 the amounts of the security deposit actually paid by the tenant and  
29 secondarily against the security deposit guarantee certificate. At  
30 no time during or after the tenancy may the residential rental  
31 property owner make claims against the guarantee certificate in  
32 excess of the amount of the guarantee certificate less any amounts  
33 of actually paid to the prospective owner as security pursuant to  
34 this contract.

35 50255. If a payment is made from the Residential Security  
36 Deposit Guarantee Fund, it shall be made to the residential rental  
37 property owner in accordance with Section 1950.5 of the Civil  
38 Code. Notice of the claim shall be provided to the city, county, or  
39 city and county that awarded the security deposit guarantee  
40 certificate. Disputes concerning a claim against the security



1 deposit shall be made by the tenant. The tenant shall not have direct  
2 use of the guarantee certificate.

3 50256. A city, county, or city and county that applies to the  
4 state to participate in the security deposit guarantee program shall  
5 demonstrate, among other things, all of the following:

- 6 (a) How it proposes to administer the local program.
- 7 (b) How it will complete the issuance of all award certificates.
- 8 (c) How it will solicit potential qualifying households and  
9 property owners that would be interested in participating in the  
10 program.
- 11 (d) How its educational landlord and tenant training program  
12 for prospective tenants will be achieved. Additionally, the state  
13 shall determine that the participating city, county, or city and  
14 county is in substantial compliance with Section 65583 of the  
15 Government Code.

16 50257. A city, county, or city and county shall not delay the  
17 rental or rerelease of an owner's property nor shall any expenses be  
18 borne by the property owner in connection with the security  
19 program.

20 50258. A participating city, county, or city and county shall,  
21 at a minimum, report biannually to the designated state agency  
22 information concerning the operation of the program. The  
23 elements of the report shall include, but not be limited to, all of the  
24 following:

- 25 (a) The number of households assisted.
- 26 (b) The number of households assisted by income group.
- 27 (c) The amount of time spent administering the program.
- 28 (d) The balance of the program allocation for that local  
29 government.
- 30 (e) The total costs of the program incurred to date.

