

## SB 158 STAFF MEASURE SUMMARY

### Senate Committee On Housing and Development

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**Meeting Dates:** 2/19

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#### **WHAT THE MEASURE DOES:**

The measure allows a landlord and a tenant to agree to a recurring charge in lieu of a security deposit and establishes requirements for that agreement.

#### Detailed summary:

Allows a landlord and a tenant to enter into an agreement where a recurring charge, in addition to rent, is accepted by the landlord in lieu of a security deposit. Defines this charge as one that:

- May be used by the landlord to purchase insurance from a licensed insurer to cover damage resulting from property damage or unpaid rent;
- May be fully or partially refundable to the tenant;
- May be assessed and collected or by agreement of the tenant; and
- May not be charged in combination with a security deposit.

Requires that an agreement be signed, separately and as an addendum to the rental agreement, by the tenant and the landlord agreeing to the reoccurring charge in lieu of a security deposit. Requires that, in the agreement, the landlord conspicuously disclose:

- The amount of the charge and the payment schedule;
- That the payment charge is optional and that they tenant may choose to pay a security deposit instead;
- The amount of any security deposit that the tenant would pay if they chose to not pay the charge;
- Whether any portion of the charge is refundable, and under what terms it would be returned; and
- The charge and the agreement do not relieve the tenant of any obligations under the rental agreement.

Requires that the landlord return any collected security deposit to the tenant before collecting the reoccurring charge. Provides that non-payment of this charge may be grounds for termination of the rental agreement for cause, but not for non-payment of rent.

*Fiscal impact: May have fiscal impact, but no statement yet issued*

*Revenue impact: May have revenue impact, but no statement yet issued*

#### **ISSUES DISCUSSED:**

#### **EFFECT OF AMENDMENT:**

No amendment.

#### **BACKGROUND:**

A rental security deposit is pre-determined sum of money paid by a renter to a landlord prior to moving in. The deposit is typically held by the property owner until the tenant moves out and covers beyond normal wear and tear damages to the rental unit, and unpaid bills, which are taken out of the deposit before the remainder is returned to the tenant. These deposits can be financially burdensome for many people, especially if coupled with other fees due at move-in, including first- and last-month's rent. High upfront costs can be a significant barrier for low- to middle-income renters who are trying to secure affordable housing. They are not covered by federal rental-assistance such as Section 8.

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Models of property protection in lieu of lump-sum security deposits are being experimented with across the county. Some examples include grant programs to cover security deposits for people exiting homelessness (San Francisco Bay Area Finally Home program through [Silicon Valley Housing Trust](#)); community credit unions offering small-value, low interest loans; surety bonds; deposit installment plans; third-party deposit-holders ([required in some countries](#)) and insurance in lieu of deposit.