



REPORT TO LAW & LEGISLATION COMMITTEE City of Sacramento

915 I Street, Sacramento, CA 95814-2671

STAFF REPORT
February 1, 2011

Honorable Members of the
Law and Legislation Committee

Title: Discussion Paper: Cardroom ownership options

Location/Council District: All

Recommendation: This report is for Committee information and requests direction from the Law & Legislation Committee regarding cardroom ordinance changes. Staff recommends changing City Code chapter 5.32 to eliminate Section 5.32.180(A), which limits the number of cardrooms individuals can be associated with. Staff also requests direction on other code changes suggested by cardroom owners and the Police Department.

Contact: Brad Wasson, Revenue Manager, 916-808-5844

Presenters: Brad Wasson, Revenue Manager, 916-808-5844

Department: Finance

Division: Revenue

Dept. ID: 06001211

Description/Analysis

Issue: On September 15, 2009, Council Member Sheedy requested a review of the cardroom regulations that prohibit a person's association with more than one (1) cardroom.

Currently, City of Sacramento cardroom owners can only have a financial interest in one (1) cardroom. The State of California Gaming Commission, as well as most other surrounding jurisdictions, allow for multiple ownership. This restriction limits the cardroom operators' ability to be competitive with surrounding jurisdictions.

Cardroom owners have also brought up other areas of concern regarding Chapter 5.32. These are listed in the background section of this report.

Policy Considerations: City Code restricts the number of cardrooms in the City of Sacramento to four (4). The State of California has a moratorium on new cardroom licenses until 2015. It is likely that the State will extend this moratorium.

The cardroom industry is heavily regulated by the State of California Gaming Commission, which performs extensive background checks on cardroom owners. The State allows individuals to have an interest in more than one cardroom license.

The City of Sacramento also places numerous regulations on cardrooms, owners, and employees to ensure the public's safety and to prevent nuisances in neighborhoods.

Environmental Considerations: Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a "project" as defined in Section 15378 of the CEQA Guidelines and are therefore exempt from review.

Sustainability Considerations: None.

Rationale for Recommendation: Due to the State's extensive background checks of cardroom owners and the State's willingness to allow ownership interest in more than one cardroom, it makes sense for the City of Sacramento to follow suit and adjust its code accordingly to allow for regional competition. With the limitation of four (4) cardrooms in the City of Sacramento and 15 tables per cardroom, this change will not lead to an individual creating a gambling empire in the City of Sacramento. However, it will allow cardroom ownership to combine to achieve efficiencies and become competitive within the region.

Financial Considerations: At this time there is no fiscal impact to the City.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

Submitted by: Brad Wasson

Brad Wasson
Revenue Manager

Approved by: Leyne Milstein
Leyne Milstein
Director of Finance

Recommendation Approved:

Gus Vina
Gus Vina
Interim City Manager

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Attachment 1**BACKGROUND**

On September 15, 2010, Council Member Sheedy requested a review of the cardroom regulations that restrict a person's ownership or other financial interest to one (1) cardroom. Staff has surveyed other local jurisdictions and checked with the State of California Gaming Commission on ownership restrictions. Staff confirmed that the State does not restrict the ownership of cardrooms to one (1) establishment. Rancho Cordova has two cardrooms and does not allow multiple ownership. Citrus Heights allows multiple ownership, but restricts it to minority share owners. The County of Sacramento does not restrict ownership.

A stakeholder meeting was conducted on October 19, 2010, with the four cardroom owners regarding this issue. All cardroom owners agreed that the ownership should not be restricted to one (1) cardroom.

During the stakeholder meeting, the cardroom owners brought up other issues regarding Chapter 5.32. The owners were asked to put their concerns and suggestions in writing. Below is a summary of the items brought forth by the owners:

- Change language in the code that refers to the industry in a negative manner.
- Dollar amount limits on individual betting are not consistent with surrounding jurisdictions.
- Require a minimum physical distance between cardrooms.
- Remove the restriction of 15 tables per cardroom and let the State's limit dictate the maximum.
- Remove the restriction that requires the gaming activities to be separated from other activities, such as restaurant or bar.

These items have not been completely vetted by City staff. Staff has some concerns with the recommendations, but is more than willing to work with the industry should the committee desire staff to follow up on any or all of these items.