



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 9/13/2011

Report Type: Staff/Discussion

Title: Cardroom Ordinance Changes

Report ID: 2011-00793

Location: Citywide

Recommendation: Discuss whether to seek an increase in the number of cardroom licenses in the City to five; and, if appropriate, direct staff to submit a proposed ordinance amendment to the Department of Justice for review, or return to the Law and Legislation Committee for consideration of proposed ordinance language.

Contact: Brad Wasson Revenue Manager(916) 808-5844, Finance Department

Presenter: Brad Wasson Revenue Manager, Matthew Ruyak Supervising Deputy City Attorney

Department: Finance

Division: Revenue Administration

Dept ID:

Attachments:

- 1-Description/Analysis
 - 2-Background
 - 3-Ordinance-Attachment 1
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City Attorney Review

Approved as to Form
Jerry Hicks
8/30/2011 10:42:22 AM

Approvals/Acknowledgements

Department Director or Designee: Dawn Holm - 8/29/2011 4:09:11 PM



Description/Analysis

Issue: The Law and Legislation Committee has referred to the full City Council the policy discussion of whether to amend the Sacramento City Code to allow a fifth cardroom license.

Policy Considerations: The City Code currently allows only four cardroom licenses. A previous license holder is seeking to open a cardroom, but cannot do so without a Code change. An increase the number of licenses raises various issues, e.g., impacts on the community, social issues, and business and job creation.

Environmental Considerations: Under the California Environmental Quality Act (CEQA) Guidelines, this action does not constitute a project, as defined in section 15378, and is therefore exempt from review.

Sustainability: None

Commission/Committee Action: At its August 16, 2011, meeting the Law and Legislation Committee approved referral of this matter to the full City Council.

Rationale for Recommendation: Not applicable.

Financial Considerations: A fifth cardroom licensee would be required to pay a business operations tax, and a quarterly table operation fee.

Emerging Small Business Development (ESBD): Not applicable.



Background

Both state and city licenses are required to operate a cardroom in the City of Sacramento. Currently, there is a moratorium on new state cardroom licenses. However, in 2011 the Gambling Control Commission adopted a regulation allowing for the “reactivation” of expired state gambling licenses, subject to specified conditions. A license can only be “reactivated” by its last holder, and the applicant must meet strict timelines and criteria. According to Gambling Control Commission documents, the owner of the Old Tavern – previously located in Midtown – appears to be the only potential recipient of a reactivated state gambling license in Sacramento. Representative of the Old Tavern would like to pursue the state license. As part of that process, the Old Tavern must provide to the Gambling Control Commission information establishing the legality of its operation under the local law.

The City’s Cardroom Ordinance currently allows only four cardroom licenses – all four of which are held – and it is unlawful to operate a cardroom in the City without a license. Thus, for the Old Tavern to operate a legal cardroom in the City, the Cardroom Ordinance would need to be amended to allow for a fifth cardroom license.

The policy issue for discussion is whether the City should seek to amend the City Code to allow for an additional (fifth) cardroom license.

At its August 16, 2011, meeting, the Law and Legislation Committee approved proposed changes to the Cardroom Ordinance (multiple license ownership, co-location, Council call-up for license issuance). It also referred this matter – the fifth cardroom license issue – to the full Council. Under the state Gambling Control Act, before the City can amend its Cardroom Ordinance, it must submit the proposed ordinance changes to the Department of Justice for review and comment. The state reviews the proposed changes to check compliance with the Gambling Control Act. The state does this because while the City Council does have authority to amend its Cardroom Ordinance, its authority to do so is limited by the Gambling Control Act. The City Council cannot amend the Cardroom Ordinance if the amendment results in a prohibited “expansion of gambling,” as defined by the Act.

Presented for Council’s discussion is a draft ordinance that would amend Chapter 5.32 of the Sacramento City Code (the Cardroom Ordinance). The proposed amendments address the current language limiting the number of licenses to four; exempt the potential “reactivated” state licensee from the current lottery procedure, which would be pointless under the current state of the law; and restrict the number of card tables at the potential fifth cardroom. This last change is deemed necessary to ensure the amendment does not result in an impermissible “expansion of gambling.”

If Council does not approve of an additional city cardroom license, only the L&L-approved changes mentioned above will move forward to the Department of Justice for review, and the City will maintain the status quo of four cardroom licenses. If Council approves the concept of a fifth cardroom license, the City Council could (1) request staff to submit the proposed ordinance amendment (as drafted or as modified at Council’s direction) to the Department of Justice for review, or (2) refer this issue back to the Law and Legislation Committee – preferably at its next meeting – for further consideration of proposed ordinance language.



ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING CHAPTER 5.32 OF THE SACRAMENTO CITY CODE, RELATED TO THE NUMBER OF CITY CARDROOM LICENSES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. Section 5.32.030 of the Sacramento City Code is amended to read as follows:

5.32.030 Statement of purpose.

A. The regulatory provisions of this title are necessary to ensure that cardrooms are operated reasonably for the protection of public health, safety, and welfare and to conform to state-mandated requirements set by the Gambling Control Act.

B. The City endeavors to ensure that gambling is conducted honestly, competitively, and free of criminal and corruptive elements. Pursuant to Section 5.32.060 of this chapter, the city manager, with the assistance of the chief of police, will conduct a thorough investigation into the background of applicants in order to assure that potential licensees will not foster criminal activity, will not be detrimental to the health, safety and welfare of the city, are of sound moral character, and that licensure is in the public interest.

C. Section 5.32.070 of this chapter limits the number of cardroom licenses issued a maximum of five. The purpose of this limitation is to limit the gambling within this community to a level which will be a source of entertainment and recreation for local citizens while preventing a casino-like atmosphere in this community. A casino-like atmosphere, where gambling becomes a major industry or attraction and the community a center for gamblers from other jurisdictions, is detrimental to the development of this community. Increased and unrestrained gambling creates greater law enforcement problems, thereby compromising the ability of law enforcement to control the criminal and peace-disturbing effects thereof and diverting police resources from other law enforcement activity. Limiting the number of licenses and cardrooms to a maximum of five assists in the accomplishment of these goals as opposed to permitting a greater number of licensed cardrooms.

D. Accordingly, the chief of police has determined, and the city council finds, that a limitation of five cardrooms will minimize many of the abovementioned problems without undue burden on stable and reputable cardrooms. The purpose of this title is to protect

the health, safety, and welfare of the citizens of the community, to assure that city law enforcement resources are efficiently allocated, and to provide cardrooms where citizens of this city can safely enjoy the entertainment provided by reputable cardrooms.

SECTION 2. Section 5.32.070 of the Sacramento City Code is amended to read as follows:

5.32.070 Limitation on number of cardroom licenses

A. The maximum number of cardroom licenses which may be issued shall not exceed five.

B. The number of cardroom licenses shall be reduced whenever any cardroom license is revoked, surrendered, expires without renewal or the licensee is no longer licensed by the state of California. No current licensee whose license is hereafter revoked or surrendered, or expires without renewal shall be eligible for a new license until the number of cardroom licenses in the city is fewer than five and he or she is selected according to the procedure described in this title for selection of new licensees.

SECTION 3. Section 5.32.090 of the Sacramento City Code is amended to read as follows:

5.32.090 Issuance of new cardroom licenses

A. Whenever the number of licenses falls below five, the city manager shall notify all persons who have expressed interest in obtaining a cardroom license that a cardroom license is available, requesting that any person who wishes to be considered for the license should notify the city manager. The city manager shall also place an advertisement in a newspaper of general circulation in the city and give additional public notice of the availability of a license as he or she deems appropriate. The notice shall set forth a date when potential applicants must file a letter of intent to apply for the license. Notice shall be deemed sufficient when it is provided pursuant to Government Code Section 6063.

B. The city manager shall thereafter conduct a lottery among all those expressing interest in the available cardroom license, for the purpose of establishing the sequence in which potential applicants shall be considered for the available license. Specific rules and procedures for the lottery shall be established by the chief of police and approved by resolution of the city council.

C. If the selected applicant fails to qualify for a license or elects not to proceed with the license process, applicants drawn in sequence in the lottery shall be considered until the cardroom license is issued.

D. Notwithstanding Section 5.32.070(B), the procedures set forth in this section shall not apply to a person eligible to receive a reinstated state gambling license pursuant to Title 4, Division 19, Chapter 1, Section 12348 of the California Code of Regulations.

SECTION 4.

A. Subsection B of Section 5.32.180 of the Sacramento City Code is amended to read as follows:

B. Not more than 15 card tables shall be permitted in any cardroom; provided, however, that not more than 10 card tables shall be permitted in any cardroom with a license granted after September 1, 2011, For purposes of this subsection, a license transfer pursuant to Section 5.32.170 shall not be considered the grant of a license.

B. Except as amended by Section A, above, Section 5.32.180 shall remain in full force and effect.

Adopted by the City of Sacramento City Council on _____ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

MAYOR

Attest:

City Clerk

Passed for Publication:

Published:

Effective: