



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
-

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:

Supplemental Material

For

City of Sacramento

City Council

Redevelopment Agency

Housing Authority

Financing Authority

Law and Legislation Committee

Agenda Packet

Supplemental Distribution

Submitted: September 12, 2011

For the Meeting of: September 13, 2011

- X Additional Material**
- X Revised Material**

SUBJECT: CARDROOM ORDINANCE CHANGES

Ordinance before redlining was not included in original packet. Redlined document did not upload to system with lines visible.

Please include this supplemental material in your agenda packet. This material will also be published to the City's Internet. For additional information, contact the City Clerk's Office at Historic City Hall, 915 I Street, First Floor, Sacramento, CA 95814-2604; (916) 808-7200.

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. ~~found in the Business and Professions Code commencing with Section 19800, et seq. Although many operators are highly reputable, some are not. Gaming can bring enjoyment and entertainment for patrons, but also undesirable elements such as compulsive gambling, cheating, dishonesty, criminal violations and peace disturbances.~~

B. ~~If all licensees were reputable and vigilant, very little supervision would be necessary. However, the city has found that some licensees require exhaustive monitoring and enforcement. Thorough screening of applicants prior to licensure is desirable. 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 ~~to one for each one hundred thousand (100,000) residents of the city, with~~ a maximum of four 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 ~~one for each one hundred~~

~~thousand (100,000) residents, with~~ a maximum of ~~five~~four, 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 ~~one~~five cardrooms ~~per one hundred thousand (100,000) residents of the city, with a maximum of four,~~ 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. ~~No cardroom license shall be granted when the number of cardroom licensees in the city exceeds the ratio of one cardroom for every one hundred thousand (100,000) population of the city according to the latest population figures from the California Department of Finance; provided, however, that t~~The maximum number of cardroom licenses which may be issued shall not exceed ~~five~~four.

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~~four 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~~four, 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~~^{nine} card tables shall be permitted in any cardroom. ~~However, should judicial or legislative action alter the restrictions or limitations in the Gambling Control Act, Business and Professions Code section 19800 et seq., to allow for an increase in the current number of tables without voter approval, the maximum number of tables shall be increased up to the amount such judicial or legislative action allows, not to exceed a maximum of fifteen (15) tables; 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

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Passed for Publication:

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Published:

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Effective:

ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING CHAPTER 5.32 OF THE SACRAMENTO CITY CODE RELATING TO CARDROOMS

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:

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.

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.

Section 5.32.070 of this chapter limits the number of cardroom licenses issued to one for each one hundred thousand (100,000) residents of the city, with a maximum of four. 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 one for each one hundred thousand (100,000) residents, with a maximum of four, assists in the accomplishment of these goals as opposed to permitting a greater number of licensed cardrooms.

Accordingly, the chief of police has determined, and the city council finds, that a limitation of one cardroom per one hundred thousand (100,000) residents of the city, with a maximum of four, 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 the number of cardroom licenses.

No cardroom license shall be granted when the number of cardroom licenses in the city exceeds the ratio of one cardroom for every one hundred thousand (100,000) population of the city according to the latest population figures from the California Department of Finance; provided, however, that the maximum number of cardroom licenses which may be issued shall not exceed four.

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 four and he or she is selected according to the procedure described in this title for selection of new licensees.

SECTION 3. Section 5.32.180 of the Sacramento City Code is amended to read as follows:

Except as hereinafter provided, no person shall operate a cardroom in violation of any of the following regulations:

- A. Not more than fifteen (15) card tables shall be permitted in any cardroom.
- B. Not more than one cardroom shall be located at any one address.
- C. Not more than twelve (12) players may participate at any one card table. All participating players and dealers must be seated at the table. The only exception to this is when the chief of police approves a card game whose stated rules include provisions allowing "back-line betting." This approved game may allow an additional twelve (12) players who may be unseated. These additional players shall not stand more than one behind each seated player. A back line bettor may place a wager without all seats being occupied.
- F. Cardrooms shall be located on the ground floor of the premises.
- G. No minor shall be permitted at any card table or to participate in any game played thereat, nor shall any card table be exposed to viewing from other areas of the premises which are open to and frequented by minors.
- H. All cardrooms shall be open to police inspection during all hours of operation.

I. Each cardroom licensee or licensees shall post in a conspicuous place on the premises a copy of the house rules, regulations and authorized card game rules, and give notice that all persons will be required to comply with them.

J. Each cardroom shall be separated from other activities on the premises.

K. Cardrooms licensed to conduct gaming in the city shall be permitted to conduct all card games lawful in the state of California subject to the following provisions:

1. The rules of all authorized card games shall be on file with the chief of police;

2. If the game is patented the licensee shall obtain written permission from the patent owner prior to offering the game to patrons and prior to acquiring the approval of the chief of police to conduct the game;

3. Written rules for each card game offered by a cardroom shall be provided to any patron upon request;

4. All other gaming (including but not limited to gaming played with dice or any device for money) not otherwise prohibited by California law is prohibited. Nothing contained in this chapter shall be construed to permit the licensing of any gambling declared illegal in the state of California. The only exception to this is when the chief of police approves a card game whose stated rules include provisions allowing for the use of dice for the express purpose of positioning the first hand dealt.

L. Any deviation or change in the rules of any card game or any new card game from that on file with the chief of police shall adhere to all provisions in this title and require the following:

1. A written set of game rules;

2. A letter from the California Division of Gambling Control advising that the game/rules have been reviewed and are legal in the state of California;

3. Upon receipt of these documents, the chief of police shall review any deviation or change and within ninety (90) days approve the request so long as the rules are in compliance with state law and this chapter.

M. No person shall operate more card tables than the maximum amount specified on his or her cardroom license except during promotional or tournament play as set forth in Section 5.32.050 of this chapter and upon full compliance with the notification provision contained therein. In no event shall be number of tables operated at one time exceed that as provided in subsection B of this section, including during promotional or tournament play.

N. No person shall operate, at any time, a cardroom without having paid all fees, including the quarterly table operation fee and business operations taxes currently due.

O. Cardrooms may operate twenty-four (24) hours a day, seven days a week.

P. No player shall be permitted to wager or raise a wager more than forty-nine dollars (\$49.00). Should judicial or legislative action alter the restrictions or limitations in the Gambling Control Act, Business and Professions Code section 19800 et seq., to allow for an increase in this wager limit without voter approval, the wager limit shall be increased up to the amount such judicial or legislative action allows, not to exceed one thousand dollars (\$1000.00) per wager, provided, however, that no cardroom may increase its wager limit until it has received from the chief of police prior approval of the cardroom's security plan. No person other than seated players actively participating in the game shall be permitted to place a wager on any card game, and a player shall only place a wager on his or her own card hand. Back-line betting or side-betting is prohibited. The only exception to this is when the chief of police approves a card game whose stated rules include provisions allowing "back-line betting" as noted in subsection D of this section. No player shall be permitted to bet with cash money, markers, or anything other than poker chips. Notice of all the provisions and restrictions provided in this section shall be posted in a conspicuous place in the cardroom. A player in a card game that allows multiple betting spots may, consistent with the rules of the card game, take those multiple bets and before placing them individually may consolidate them into one stack and move the stack forward of the betting spots.

Q. No cardroom shall extend credit to any patron in order for the patron to participate in a card game.

R. No person shall employ a cardroom employee, or work as a cardroom employee, as defined in Section 5.32.080 of this chapter, who does not have a valid work permit as required by Section 5.32.080 of this chapter issued by the chief of police.

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: