



REPORT TO LAW & LEGISLATION COMMITTEE City of Sacramento

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915 I Street, Sacramento, CA 95814-2671

STAFF REPORT
July 21, 2009

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 recommended cardroom ownership changes.

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: The City of Sacramento has placed a limit on the number of cardrooms that can operate in the City to four (4). The State of California has placed a moratorium until the year 2015 for the State license. Current City of Sacramento Cardroom owners can only pass on their City license to a spouse or children per City Code. Should a Sacramento Cardroom close down, the City may not be able to open a replacement due to the State moratorium.

Policy Considerations: A request has been made by Council Member McCarty to review the regulations that disallow cardrooms to sell or change ownership. Staff has reviewed City Code and discussed this issue with all four of the City's current Cardroom license holders and the police department. The license itself is and should be issued by the City and not be considered property that the licensee can sell or transfer. However, the business as a concern should be an asset that the owners can dispose of as they see fit.

For a cardroom to operate it needs both a State license and a City license. The State has utilized a process to change the ownership on the State license through a "successor in interest" process. The State conducts a thorough background and financial check on these applicants. This process allows owners to take on investors or sell the cardroom business. The State issues a new license, but sees this as a

continuation of a business. The City could align its regulations in regards to cardroom ownership to be consistent with the State's process and allow a "successor in interest" for the City license.

Since the State conducts such an extensive background check, the City's process should defer to the State to investigate fiscal relationships and responsibility. The City should continue to conduct its own background check on potential owners. It should be noted that the City is responsible for zoning and nuisance issues regarding individual cardrooms. It should also be noted, that the State respects local jurisdictions management of cardrooms. Therefore, the City should establish an "intent to change cardroom business ownership" process that would give tentative approval pending State approval. Staff recommends changing Sacramento City Code Chapter 5.32 to align with the State of California's cardroom license change process.

Environmental Considerations: Under the 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: There are no sustainability considerations applicable to amending City Code relating to the proposed ordinance relating to cardroom licenses.

Rationale for Recommendation: Due to the State moratorium on cardroom licenses, the City's lottery process will be ineffective should the number of cardrooms drop below four (4). The State has an extensive application process to allow a "successor in interest" which in effect allows ownership changes to a cardroom business. The City should align with the State process to allow the limited number of cardrooms in Sacramento to continue operating.

Financial Considerations: At this time there is not a 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:

for Peter Bushart
RAY KERRIDGE
City Manager

Table of Contents:
Report Pg 1

Attachment:
1 Background Pg 4

Attachment 1

BACKGROUND

The City of Sacramento has placed a limit on the number of cardrooms that can operate to four. The State of California has placed a moratorium on new cardrooms until 2015. It is likely that the State will extend their moratorium past the year 2015. Over the years the number of cardrooms in Sacramento has reduced through attrition to four. City Code currently calls for a lottery process when the number of cardrooms drops below four. However, with the State moratorium, a lottery winner would be unable to obtain a new license from the State.

City Code prohibits the sale or transfer of a cardroom license except to a spouse or children. It also specifically prohibits the sale, lease or transfer of the business if any reference to the City license is included with the sale.

The State will recognize a successor in interest and in effect allow investors or new parties to be added to their license. The State conducts a thorough background and financial review on the principals before adding them to their license.

The State defers to the local jurisdiction on specific location concerns such as zoning and public nuisances. The State also respects local jurisdictions' regulations regarding the number, location and ownership of cardrooms in its jurisdiction.