



# REPORT TO LAW & LEGISLATION COMMITTEE City of Sacramento

915 I Street, Sacramento, CA 95814-2671

STAFF REPORT  
October 6, 2009

Honorable Members of the  
Law and Legislation Committee

**Title:** Revision of Cardroom Ownership Changes

**Location/Council District:** All

**Recommendation:** 1) Review and approve an ordinance modifying Sacramento City Code Chapter 5.32 to align with the State of California's cardroom license change process; 2) Forward the ordinance to City Council for adoption.

**Contact:** Dafna Gauthier, Business Permit Manager, 916-808-7800

**Presenters:** Dafna Gauthier, Business Permit Manager, 916-808-7800

**Department:** Finance

**Division:** Revenue

**Dept. ID:** 06001211

## **Description/Analysis**

**Issue:** The City of Sacramento has placed a limit of four (4) on the number of cardrooms that can operate in the City. The State of California has placed a moratorium until the year 2015 for a State cardroom license. Per City Code, current City of Sacramento cardroom owners can only pass on their City license to a spouse or children per City Code.

**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 is issued by the City and is not considered property that can be sold or transferred. 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 financial background check, the City's process should defer to the State to investigate fiscal relationships and responsibility. However, the City should continue to conduct its own criminal, land use, and neighborhood 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 a process that would give tentative approval to a "successor in interest" pending State approval.

**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.

**Committee Action:** July 21, 2009 the Law and Legislative Committee directed staff to revise the City's cardroom Ordinance Section 5.32 of the City Code for cardroom ownership changes.

**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 Ray Kerridge  
RAY KERRIDGE  
City Manager

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**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.

City staff has met with all four current card room owners and they all support the recommended code change for a successor in interest.

**ORDINANCE NO.**

Adopted by the Sacramento City Council

Date Adopted

**AMENDING SECTIONS 5.32.110, 5.32.160 AND 5.32.170 OF CHAPTER 5.32 OF THE SACRAMENTO CITY CODE RELATING TO TRANSFER OF CARDROOM LICENSES**

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

SECTION 1.

Section 5.32.110 of Chapter 5.32 of the Sacramento City Code is amended to read as follows:

**5.32.110 Suspension and revocation of cardroom license or work permit**

A. The city manager shall have the right for cause to revoke or suspend any cardroom license issued hereunder, and the chief of police shall have the right for cause to revoke or suspend any cardroom work permit issued hereunder. Any of the grounds upon which the city manager and the chief of police may refuse to grant a cardroom license application or cardroom work permit application shall also constitute grounds for such revocation or suspension. In addition, the failure of a cardroom licensee or cardroom work permit holder to comply with the provisions of this title shall also constitute grounds for revocation or suspension of the license or work permit.

B. Cardroom licensees shall continuously operate a cardroom while holding a valid cardroom license. If any person licensed hereunder fails to maintain and continuously operate a cardroom for a period of ninety (90) consecutive days or more in accordance with the provisions of this title, the license shall automatically be revoked, unless prior to expiration of that ninety (90) day period, a complete application for license transfer under Section 5.32.170 has been submitted to the city manager. A licensee may appeal any automatic revocation within the time and in the manner set forth in Section 5.32.100 of this chapter.

SECTION 2.

Section 5.32.160 of Chapter 5.32 of the Sacramento City Code is amended to read as follows:

**5.32.160 Restrictions on transfers or attempted transfers of licenses and work permits**

A. No interest, whether as an individual, partner, stockholder or otherwise, in any license or permit issued under this chapter shall be transferred in violation of state law or transferred so as to result in a violation of state law. The privilege conferred by the licenses and permits issued under this chapter shall not be transferable, except as expressly provided in this section, and each license and permit shall so provide on its face. A cardroom license is not property and shall have no value. Any attempt to transfer, directly or indirectly, a cardroom license in violation of the provisions of this chapter shall be unlawful and void, and shall automatically revoke the license. Any cardroom licensee whose license is automatically revoked may appeal the revocation within the time prescribed and in the manner set forth in Section 5.32.120 of this chapter.

B. Except as provided in Section 5.32.170, no person shall transfer or attempt to transfer a license issued pursuant to this chapter, or any interest in a license.

### SECTION 3.

Section 5.32.170 of Chapter 5.32 of the Sacramento City Code is amended to read as follows:

#### **5.32.170 Cardroom license transfer**

Notwithstanding the prohibitions contained in this chapter against the issuance or transfer of a cardroom license, an application for a license transfer, which application shall be subject to all requirements of this chapter, may be made to the city manager in the following situations:

- A. A change of location not involving any change in identity of the licensee;
- B. A change in business organization (for example, incorporation of a sole proprietorship or partnership) where there is no change in the identity of the principals holding the license, except where the transfer is made to a spouse or children of the licensee with the consent of the licensee to form any type of business entity legally available pursuant to subsection C of this section;
- C. An application by a spouse or children of a licensee with the licensee's consent while the licensee is still living to add the spouse or children to the license to form any type of business entity legally available, or on the death of a licensee where the application is made on behalf of the surviving business associates, or spouse or children of the deceased licensee, provided that the spouse or children first obtain a state gambling license.
- D. An application by a successor in interest to a licensee for the issuance of a license in successor in interest's name(s), for purposes of operating the same business.

The city manager may grant conditional license transfer approval for applications made under this section. The conditional license transfer, if approved, shall be in conformity with the requirements of this chapter, and the license transfer shall be

deemed effective contemporaneously with issuance of the applicant's state gambling license.

An application for the transfer of a cardroom license made under this section shall be made to the city manager and acted upon and considered in the same manner as an application for an original license.

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: