



# Folsom City Council Staff Report

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| <b>MEETING DATE:</b>   | 10/11/2022  |
| <b>AGENDA SECTION:</b> | New Business  |
| <b>SUBJECT:</b>        | Ordinance No. 1334 – An Ordinance of the City of Folsom Amending <u>Section 5.20.070(A)(2)</u> and Repealing Section 5.20.070(A)(13)(d) of the <u>Folsom Municipal Code</u> to Increase the Number of Card Tables and <u>Allow Backline Betting</u> (PN 22-157)(Introduction and First Reading) |
| <b>FROM:</b>           | Community Development Department  |

## **RECOMMENDATION / CITY COUNCIL ACTION**

Staff recommends that the City Council introduce and conduct first reading of Ordinance No. 1334 – An Ordinance of the City of Folsom Amending Section 5.20.070(A)(2) and Repealing Section 5.20.070(A)(13)(d) of the Folsom Municipal Code to Increase the Number of Card Tables and Allow Backline Betting.

## **BACKGROUND / ISSUE**

Legal gambling establishments, popularly referred to as cardrooms, have existed in California since the 1850s, and for the majority of that time, regulation of cardroom activities was left almost exclusively to local governments. The Folsom City Council formally began regulating cardrooms in 1988 with the approval of Ordinance No. 618, which enacted Chapter 5.20 Cardrooms of the Folsom Municipal Code.

Control of cardrooms began to shift to the State of California in 1995 when the Legislature enacted a 5-year moratorium that restricted the licensing of new cardrooms within the state. The original intent of the moratorium was to temporarily freeze the expansion of gambling in California while the State Legislature crafted what would eventually become the Gambling Control Act (“Act”) in 1997, legislation that requires the licensure and regulation of cardrooms on a statewide level.

Passage of the Act ultimately extended the moratorium on issuing any new cardroom licenses and expanded the definition of "expansion of gambling" to also include the number of tables

in a local jurisdiction. Under this definition, a local governmental body is prohibited from amending its Ordinance in a manner that would result in an increase of 25% or more (when compared to that authorized on January 1, 1996) in either the number of gambling tables in the jurisdiction or in the number of gambling tables operated in a cardroom in that jurisdiction.

In the 20 plus years since the Act's passage, the Legislature has enacted several exceptions to the moratorium that allow for a modest increase in the number of tables operated in a licensed gambling establishment (e.g., 2-3 tables). The city of Folsom utilized one of these statutes to increase the number of tables that could be operated in a cardroom from 6 to 9 in 2010. Under the most recent statute enacted in 2013, the City is eligible to add 2 additional tables to its Ordinance increasing the number of card tables from 9 to 11.

In addition to the State legislation, the Folsom Municipal Code (FMC, Chapter 5.20 Cardrooms) includes provisions regarding the number of cardrooms permitted within the City and the number of card players allowed at a table. Specifically, the Folsom Municipal Code (FMC Section 5.20.050 (C)) states that no cardroom license shall be granted when the number of cardroom licenses in the City exceeds the ratio of one cardroom for each two thousand five hundred persons in the City according to the last preceding federal census. The 2020 United States Census estimated the population of Folsom at 80,454 persons, thus a maximum of 32 cardrooms would be permitted if consistent with state law. The Folsom Municipal Code (FMC, Section 5.20.070 (A)(4)) also dictates that no more than 10 players be permitted at a single card table within a cardroom.

The City currently only has one authorized cardroom (Lake Bowl Cardroom) which is situated within the FLB Entertainment Center located at 511 East Bidwell Street. The owners of Lake Bowl Cardroom have entered into negotiations for the sale of the cardroom's physical assets to Delta C, LP. in consideration of FLB's agreement to surrender both its local cardroom license and State gaming license so that Delta C, LP may apply for a new cardroom license with both the City and the State. Delta C, LP has extensive experience in operating cardrooms and own 3 cardrooms, all of which are located in the City of Stockton. The Folsom Municipal Code (FMC, Section 5.20.080(B)(1)) states that the assignment or transfer of a cardroom license from a partnership to one or more of the individual partners, or the addition of a new partner is prohibited. As a result, Delta C, LP will be required to apply for a new cardroom license to operate within the City as Lake Bowl's cardroom license is not transferrable (FMC, Section, 5.20.080).

On June 1, 2022, Delta C, LP submitted an application to the City requesting approval of a Municipal Code Amendment to amend the City of Folsom Cardroom Ordinance with the purposes of (1) increasing the number of permitted card tables in any cardroom from 9 to 11; and (2) allowing the practice of Backline Betting to occur in any cardroom. Delta C, LP stated in their application that these amendments to the City's Cardroom Ordinance are necessary for the cardroom to be able to compete with cardrooms in other local jurisdictions in the Sacramento area.

The following are the specific amendments to the Cardroom Ordinance being proposed:

- Amend Chapter 5.20, Section 5.20.070(A)(2) of the Folsom Municipal Code to increase the number of card tables in the City from 9 to 11, pursuant to the allowance provided by Business and Professions Code § 19961.06(b), and add language to this Section that would allow the City to take advantage of any future table increases authorized by the Legislature without amending the Cardroom Ordinance as follows:

**5.20.070 Cardroom regulations.**

A. No person shall operate a cardroom in violation of any of the following regulations:

...

2. No more than ~~nine~~ *eleven (11)* 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 permitted in any cardroom may be increased, subject to city council allocation by Resolution, up to the amount such judicial or legislative action allows, not to exceed a maximum of fifteen (15) tables.*

- Delete Section 5.20.070(A)(13)(d) of the Folsom Municipal Code, which currently prohibits the practice of “Backline Betting” within the City as follows:

13. The following provisions shall govern wagering limits: It is unlawful for any person to bet or wager at or against any card game held at a licensed gaming club except as allowed by this chapter. In addition to any conditions that may be imposed on a license, the following restrictions shall apply:

...

~~d. Other than seated players actively participating in the game, no person 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. Backline Betting or side-betting is prohibited.~~

Backline Betting is the practice of placing a bet behind any seated player’s bet on a California table game such as Baccarat, California Blackjack, and Pai Gow Poker. A backline bettor does not occupy a seat at the gaming table, regardless of whether the table has seats available, and may place bets behind multiple seated players. The Gambling Control Act expressly authorizes Backline Betting and states that “The Commission shall not prohibit, on a statewide basis, the placing of a wager on a controlled game by a person at a gaming table, if the person is present at the table and actively participating in the hand with a single-seated player upon whose hand the wagers are placed” (Business and Professions Code section 19843).

On September 13, 2022, City staff provided the City Council with an overview of the proposed amendment to the Cardroom Ordinance for the purpose of soliciting feedback and receiving direction from the Council. The Council discussed the proposed cardroom amendments and indicated that they were supportive of the proposed amendments.

## **POLICY / RULE**

Under Section 2.12 of the City Charter, amendments to the Folsom Municipal Code require review and approval by the City Council.

## **ANALYSIS**

As referenced in the Background section of this report, the proposed Municipal Code Amendment would amend the City of Folsom's Cardroom Ordinance with the goals of (1) increasing the number of permitted card tables in any cardroom from 9 to 11; and (2) allowing the practice of Backline Betting to occur in any cardroom. The implications associated with these two amendments are a minor increase in the number of customers (potentially 20 additional customers) and employees (potentially 5-10 additional employees) present in a cardroom at any given point in time.

In evaluating the proposed Cardroom Ordinance, City staff consulted with the appropriate internal staff including the Chief of Police, Fire Chief, Chief Building Official, Code Enforcement Supervisor, Community Development Director, and City Attorney. In addition, City staff also solicited feedback regarding general cardroom operations and concerns from code enforcement officers throughout the Sacramento region. The general consensus of the outreach effort with the aforementioned individuals and groups was that there were no concerns with the proposed Cardroom Ordinance due the limited nature of the proposed modifications. As a result, City staff determined that the proposed Cardroom Ordinance will not be likely to result in any direct impacts (traffic, parking, noise, aesthetics, safety, etc.) due to the fact that the Ordinance is simply providing the opportunity for a cardroom to increase the number of card tables within an establishment while also allowing for increased participation at the card tables through the process of Backline Betting. Any cardroom seeking to operate 11 tables and/or allow backline betting must receive individual approval from the City Council pursuant to the Cardroom Ordinance.

The applicant for the proposed Cardroom Ordinance (Delta C, LP) indicated that it is their intent to apply for a Conditional Use Permit and Cardroom License to own and operate a cardroom within an existing 4,680-square-foot freestanding commercial building (formerly Applebee's Restaurant and Casa Ramos Restaurant) located at 400 Iron Point Road. The Conditional Use Permit, which will be subject to review and approval by the Planning Commission, will include an extensive evaluation of potential direct impacts associated with the cardroom including but not limited to site design, vehicle access and circulation, parking, noise, safety, building design, signage, and days/hours of operation. The Cardroom License will be subject to separate review and approval by the City Council.

## **FINANCIAL IMPACT**

A recent Economic Impact Analysis (Analysis) commissioned by the California Gaming Commission in 2019 (<https://californiagamingassociation.org/cardroomimpact/>) found the

total annual economic impact of California's cardroom industry to be \$5.6 billion dollars, providing over 32,000 local jobs.

### **ENVIRONMENTAL REVIEW**

The project is categorically exempt under Section 15061(b)(3) Review for Exemption of the California Environmental Quality Act (CEQA). New cardroom applications (Conditional Use Permit) in the City will be subject to CEQA review

### **ATTACHMENTS**

1. Ordinance No. 1334 – An Ordinance of the City of Folsom Amending Section 5.20.070(A)(2) and Repealing Section 5.20.070(A)(13)(d) of the Folsom Municipal Code to Increase the Number of Card Tables and Allow Backline Betting.

Submitted,



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PAM JOHNS  
Community Development Director

## **Attachment 1**

**Ordinance No. 1334 – An Ordinance of the City of Folsom Amending Section 5.20.070(A)(2) and Repealing Section 5.20.070(A)(13)(d) of the Folsom Municipal Code to Increase the Number of Card Tables and Allow Backline Betting**

## ORDINANCE NO. 1334

### **AN ORDINANCE OF THE CITY OF FOLSOM AMENDING SECTION 5.20.070(A)(2) AND REPEALING SECTION 5.20.070(A)(13)(d) OF THE FOLSOM MUNICIPAL CODE TO INCREASE THE NUMBER OF CARD TABLES AND ALLOW BACKLINE BETTING**

The City Council of the City of Folsom does hereby ordain as follows:

#### **SECTION 1 PURPOSE**

The purpose of this Ordinance is to amend the Folsom Municipal Code to increase the number of card tables in the City from 9 to 11 pursuant to the allowance provided by Business and Professions Code § 19961.06(b), to allow the City to take advantage of any future table increases authorized by the Legislature without amending the Cardroom Ordinance, and allow the practice of “Backline Betting” within the City.

#### **SECTION 2 AMENDMENT TO CODE**

Section 5.20.070(A)(2) of the Folsom Municipal Code is hereby amended to read as follows:

##### **5.20.070 Cardroom regulations.**

A. No person shall operate a cardroom in violation of any of the following regulations:  
2. No more than eleven (11) 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 permitted in any cardroom may be increased, subject to city council allocation by Resolution, up to the amount such judicial or legislative action allows, not to exceed a maximum of fifteen (15) tables.

#### **SECTION 3 REPEAL OF CODE**

Section 5.20.070(A)(13)(d) is hereby deleted from the Folsom Municipal Code in its entirety.

#### **SECTION 4 SCOPE**

Except as set forth in this ordinance, all other provisions of the Folsom Municipal Code shall remain in full force and effect.

#### **SECTION 5 SEVERABILITY**

If any section, subsection, sentence, clause, or phrase in this Ordinance or any part thereof is for any reason held to be unconstitutional, invalid, or ineffective by any court of competent

jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The City Council declares that it would have passed each section irrespective of the fact that any one or more section, subsection, sentence, clause, or phrase be declared unconstitutional, invalid, or ineffective.

**SECTION 6 EFFECTIVE DATE**

This ordinance shall become effective thirty (30) days from and after its passage and adoption, provided it is published in full or in summary within twenty (20) days after its adoption in a newspaper of general circulation in the City.

This ordinance was introduced and the title thereof read at the regular meeting of the City Council on October 11, 2022, and the second reading occurred at the regular meeting of the City Council on October 25, 2022.

On a motion by Council Member \_\_\_\_\_ seconded by Council Member \_\_\_\_\_, the foregoing ordinance was passed and adopted by the City Council of the City of Folsom, State of California, this 25th day of October, 2022 by the following roll-call vote:

AYES: Council Member(s):

NOES: Council Member(s):

ABSENT: Council Member(s):

ABSTAIN: Council Member(s):

\_\_\_\_\_  
Kerri M. Howell, MAYOR

ATTEST:

\_\_\_\_\_  
Christa Freemantle, CITY CLERK