

January 2008

California Card Clubs

by
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Card clubs, which also are referred to as card rooms, have been operating in the state of California since the Gold Rush. They can operate only with the approval of local voters. In many of the cities where they operate, these clubs are the major source of the community's tax revenue. As recently as 1998, 176 card clubs were operating 1,883 tables. [<http://www.lhc.ca.gov/lhcdir/163/report163.pdf>]

The source of gaming revenue for these clubs is a rental charge for the operation of the game, either by a



flat time charge (by the 1/2 hours or hour) or by a charge to each player per game. It is estimated that approximately \$9 billion is currently wagered at California card clubs, with the clubs generating about \$700 million of revenue. The 10 largest clubs had over 50% of this amount. With the larger clubs located in urban areas and most of their customers being local, the clubs have just created a minimal amount of hotel demand. There are some smaller hotel facilities near the major card clubs.

The first card club in California to be developed in conjunction with a hotel is the recently opened Crystal Park Hotel and Casino in Compton. There will probably only be very limited card club development and little or no development of hotels and or resort facilities in conjunction with the card clubs, because of the legal restrictions on the types of permitted casino style gaming, the state mandated restriction on new card club development for the next few years, the small size of most of the card clubs, and the competition from Indian casinos, of which California has the largest number of Indian tribes of any state, and so at last count we had something like 58 casinos. [<http://www.hotel-online.com/Trends/Jeffer/Articles/05.html>]

Here's a look at the breakdown of gambling revenue in California in 2000 (In Billions):

Bingo-\$0.1	Pari-Mutuels-\$0.4	Lotteries-\$1.3
Charitable Games:-\$0.2	Card Rooms-\$0.7	Indian Casinos-\$4.1

[<http://www.lhc.ca.gov/lhcdir/163/report163.pdf>]

Most of the larger clubs were built after 1979, when Proposition 13 limited cities' ability to tax and left them looking for new revenue sources. Although a few other states including Washington and Montana



have card rooms similar to California's, the state is unique in the number and size of the establishments. Industry experts said the clubs generated about \$1 billion in annual revenue in the late 1990s and still bring in close to that today. But profit margins at the clubs have dropped from 20 percent or higher in the late 1980s and early 1990s to single-digits today, said Andrew Schneiderman, vice president and general counsel of the state's largest card club, the 230-table Commerce Casino. "It's just a matter of time before the cost of operating exceeds the revenue being generated, and then the whole business makes no more sense," said Schneiderman, who also is president of the Golden State Gaming Association. [<http://www.cnn.com/2003/US/West/06/20/card.clubs.ap/>] (2003)



Not surprisingly, their once-profitable businesses are struggling to survive, and card clubs in California have been steadily declining. There are 104 card clubs in California with a total of 1,394 tables, down from 220 clubs and 1,955 tables in 1997, when the industry was at its peak, according to figures from the state attorney general's office. Except for the 20 or so largest, most of the clubs have fewer than 10 tables.

Then, there's the problem of crime associated with card clubs. The United States Justice Department has asserted that Asian criminal groups have links to California card clubs and that these gangs increase crime and violence. However, a study conducted in 1995 of San Jose card clubs indicated that crime around the licensed card clubs was no greater and probably less than would be expected of any business that attracted a large clientele. [<http://www.stanford.edu/~moore/CardClubs.html>]