

Voters' casino tax bet falls short - San Jose Mercury News

Written by Administrator

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San Jose voters had high hopes in June when they approved more cardroom gambling to add \$5 million in annual tax revenue to help prevent cutbacks in everything from cops to libraries. Plans for a new casino with a posh hotel, celebrity chef and live bands suggested hard times hadn't hurt the poker business. But the same rotten economy that prompted city officials to put Measure K on the ballot is making more poker players hold onto their chips. Gambling tax revenues are nearly \$4 million short of the jackpot city officials expected.

"It's not like before," said San Jose resident Ken Bar, 68, outside the Garden City Casino, where he's been a faithful customer for years. "It's slowed down."

Officials at the city's two card clubs say that while many other industries are suffering more than they are, they too, are feeling the pinch.

"When people don't have money, they don't gamble," said Ron Werner, vice president of the Bay 101 cardroom. "People are saving. They gamble less, and there are fewer patrons. It's a sign of the times."

Eric Swallow, an owner of Garden City, the city's oldest cardroom, agreed: "The state of the economy is definitely hurting us, same as everyone else."

And that, in turn, is hurting San Jose, where Budget Director Jennifer Maguire plans to deliver the bad news to the City Council on Tuesday during a midyear budget review.

In June, city officials had projected that Measure K's approval would

mean that cardroom tax revenues would jump more than 40 percent, from \$12.5 million in the 2009-10 budget cycle to \$17.7 million in the fiscal year that began in July. But that estimate has now been downsized to \$13.8 million.

Maguire said general revenues, including cardroom taxes, are about \$10 million short of projections. The city can get by for the remainder of the fiscal year largely by drawing down a \$9 million "economic uncertainty reserve" set aside in the current budget. But the disappointing revenues have added anxieties to enacting a budget for the next fiscal year, with the city facing a \$110 million shortfall and widespread layoffs.

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Measure K marked the first time voters got a say over expanding San Jose cardrooms, whose long and colorful history has included criminal indictments, bankruptcies and lawsuits against the city over regulations and fees.

Approved by an overwhelming 76 percent of voters, the measure raised San Jose's tax on cardroom operations from 13 to 15 percent. To head off cardroom opposition, it allowed the clubs a nearly 25 percent increase in the number of gaming tables, from 40 to 49 each. It also eased and even eliminated restrictions such as the \$200 city betting cap that effectively barred the popular no-limit Texas Hold'em poker game.

But the benefits to both the city and cardrooms didn't kick in right away. The higher tax rate didn't take effect until August, and Werner said he wasn't able to get the additional gaming tables in until September.

The relaxed city limits have helped, cardroom officials and players said, drawing new patrons for Texas Hold'em and allowing more games during peak times.

"I wouldn't be playing here if they hadn't done it," said Trevor Garske, a 27-year-old marketing student from San Jose, during a cigarette break outside Garden City. "I'm a no-limit player."

San Jose isn't the only city in which wagering has waned.

Robert E. Ross, executive director of the California Gaming Association, which represents most of the state's 89 cardrooms, said a quick survey of other major clubs from San Diego and Los Angeles to Napa indicated business has been off as much as 20 percent in the past year.

"I've not heard anybody singing anything but the blues," Ross said.

In the two other Bay Area cities that tax cardrooms' gross receipts, Emeryville is projecting flat cardroom tax revenues, while Colma expects a slight decline. (San Bruno charges its lone

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cardroom a flat rate that is not affected by the amount of business activity.) And state officials say tribal casino revenues have plateaued with the economy.

Werner said Bay 101 is about 6 percent down from the year before. And Swallow believes Garden City's revenues are flat despite the additional tables. What's more, his plans to re-brand and relocate the city's oldest cardroom to a location on Airport Parkway by year's end has hit a snag.

He had hoped to break ground this month on a project that eventually will include a hotel, restaurant and theater. But the Unite Here labor union Local 19, which represents employees at hotels and gaming establishments, including competitor Bay 101, challenged the city's approval of the plan, forcing the City Council to reconsider it next month.

Michelle McGurk, a spokeswoman for Mayor Chuck Reed, who had urged approval of Measure K to ease the city's money woes despite his concerns about gambling, said he appreciates voters' support. He still believes it was worthwhile, she said, "because if we hadn't increased the cardroom tax, our revenue projections would look even worse and we'd be faced with even tougher budget decisions."

Werner said there may be hope on the horizon. January, he said, has shown signs of a rebound. And even amid hard times, the cardrooms can still count on regular players like Bar.

"I'm in retirement," Bar said with a smile. "I have nothing else to do."

Contact John Woolfolk at 408-975-9346.

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