



CITY COUNCIL AGENDA STATEMENT



May 26, 2020

File ID: 20-0181

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE TEMPORARY SUSPENSION OF CITY LICENSE FEES FOR SEVEN MILE CASINO WHILE IT IS PROHIBITED FROM OPERATING DUE TO THE COVID-19 PANDEMIC PURSUANT TO SECTION 2.7.2.1.B OF THE CHULA VISTA GAMING PLAN

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

Under the terms of the City's approved Gaming Plan, Seven Mile casino is obligated to pay the City a quarterly license fee based on the number of state and locally approved tables. The current quarterly fee is approximately \$180,000. In response to the COVID-19 pandemic, Seven Mile Casino was forced to cease operations on March 15th in compliance with the Governors emergency orders. Because they are unable to generate any revenue from ceased operations, Seven Mile ownership has approached the City to request that the license fees be suspended for so long as the casino is not allowed to operate. Under these unique circumstances, staff is supportive of this request retroactive to April 1, 2020. Once allowed to reopen Seven Mile would pay the pro-rated amount of the table license fee from the date of approval until the end of the current quarter. The provisions of Section 2.7.2.1.b of the Gaming Plan, reasonably interpreted, would allow the City to accommodate such a request, without the need to amend the Gaming Plan.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because the activity consists of a governmental administrative/fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is required. In addition, notwithstanding the foregoing, the Director of Development Services has also determined that the activity qualifies for an Exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

On March 15th, Seven Mile Casino closed their doors in compliance with the Governors orders in response to the COVID 19 pandemic that ordered the closure of all non-essential businesses, like casino's and cardrooms. Due to the closure of Seven Mile ownership is requesting that the City Council suspend the license fees otherwise due and payable under section 2.7 of the Gaming Plan retroactive to April 1, 2020. The suspension of the agreement will suspend the Casino of their obligations to pay the quarterly table license fee while they are not permitted to operate. When the Casino is allowed to reopen by the State for business the table license fee will be pro-rated to the date of the State allowing them to reopen and then proceed in accordance with the existing terms of the gaming plan and operating agreement.

Under the circumstances, since both State and local laws prohibit Seven Mile to conduct any sort of business activity at the site, City staff is supportive of Seven Mile's request. Section 2.7.2.1.b of the Gaming Plan requires the payment of license fees for tables "licensed and approved to be operated at the cardroom location regardless of whether or not such tables are actively being used . . ." The intent of this language was to require payment for any tables that Seven Mile was authorized to operate, regardless of whether or not they chose to operate them. To the extent no tables are currently "approved to be operated" under state and local law, this provision can be interpreted to allow for the suspension of license fees otherwise due.

DECISION-MAKER CONFLICT

Staff has reviewed the Councilmembers real estate holdings within Chula Vista and has determined that no property is within 1,000 feet of the project location. Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

The current year fiscal impact of agreeing to toll the agreement would be a loss of approximately \$180,000 dollars in table license fees for April 1, through June 30, 2020.

ONGOING FISCAL IMPACT

The on-going fiscal impact to tolling the agreement would be a loss of approximately \$200,000 dollars per quarter for every quarter that they remain closed.

ATTACHMENTS

None

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