

CITY COUNCIL  
CITY OF NEW YORK

-----X

TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON CONSUMER AFFAIRS

-----X

April 18, 2013  
Start: 10:13 am  
Recess: 11:37 am

HELD AT: Council Chambers  
City Hall

B E F O R E:  
DANIEL R. GARODNICK  
Chairperson

COUNCIL MEMBERS:  
Charles Barron  
Leroy G. Comrie, Jr.  
Karen Koslowitz  
G. Oliver Koppell  
Michael C. Nelson  
Julissa Ferreras

## A P P E A R A N C E S (CONTINUED)

Fran Freedman  
Deputy Commissioner for External Affairs  
New York City Department of Consumer Affairs

John Denisopolis  
Inspector  
Organized Crime Control Bureau  
New York City Police Department

Susan Petito  
Assistant Commissioner  
New York City Police Department

Danny Frank  
Amusement and Music Owners' Association of New York

CHAIRPERSON GARODNICK: Good

morning everyone and welcome to the Consumer Affairs Committee of the New York City Council. Today's date is Thursday, April 18<sup>th</sup>. Thank you for the assistance. My name is Dan Garodnick, and I have the privilege of chairing this committee, and I am joined today by Council Members Oliver Koppell, Julissa Ferreras, Karen Koslowitz and Mike Nelson, and I am certain that there will be others. We have a couple of items on today's agenda, one of which is an oversight hearing on the subject of gaming cafes and the hearing of a Bill 1035 sponsored by Council Members Jumaane Williams, Lew Fidler and others, but before we do that, we are going to take about an override of a mayoral veto. On February 26, 2013, the Committee on Consumer Affairs voted to pass proposed Introductory Bill 434-A, a local law to amend the administrative code of the city of New York in relation to reducing the maximum fine amount for violations of vending regulations and defining unrelated violations of vending rules and regulations as separate offenses. The legislation was then passed by the full Council on February

1  
2 27<sup>th</sup>, 2013. On March 21<sup>st</sup>, 2013, the mayor issued a  
3 message of disapproval vetoing the legislation.  
4 That veto message was formally accepted by the  
5 Council at its April 9<sup>th</sup> Stated Meeting. Today the  
6 Committee will vote to repass Intro number 434-A  
7 and to file the mayor's veto message M1096. Intro  
8 434-A would amend the code to reduce the maximum  
9 fine for violating vending laws. Currently after  
10 violating any of the city's vendor laws three  
11 times within a two year period food and general  
12 vendors are subject to fines of up to \$1,000 for  
13 each additional violation committed within two  
14 years of the first violation. Intro 434-A would  
15 cap the maximum fine for all city vending  
16 violations at \$500. Intro 434-A would also affect  
17 the escalation of penalties associated with  
18 violations that are issued to vendors for  
19 subsequent offenses. Currently vendors are  
20 subject to increased fine levels for all  
21 subsequent offenses whether or not the subsequent  
22 offense relates to the same regulation as the  
23 prior offense. Intro 434-A would prevent such  
24 increases unless these subsequent violations for  
25 the same offense within a two year period. Intro

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

434-A would also amend the administrative code to increase the maximum penalty for general vendors for no less than \$200 to no less than \$250. Intro 434-A would not amend the current penalties for vending without a license or permit or for health code violations. The question before the Committee this morning is whether Intro number 434-A should be repassed notwithstanding the objections of the mayor. With that, I would like to ask the clerk to call a vote. And an aye vote signals your intent to repass the bill notwithstanding the objections of the mayor. Chair recommends an aye vote.

COMMITTEE CLERK: Kevin Pin, committee clerk. Roll call in the Committee on Consumer Affairs, the readoption of the mayor's veto, Intro 434-A. Council Member Garodnick?

CHAIRPERSON GARODNICK: Aye.

COMMITTEE CLERK: Nelson?

COUNCIL MEMBER NELSON: Aye.

COMMITTEE CLERK: Koppell?

COUNCIL MEMBER KOPPELL: Aye.

COMMITTEE CLERK: Ferreras?

COUNCIL MEMBER FERRERAS: Aye.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

COMMITTEE CLERK: Koslowitz?

COUNCIL MEMBER KOSLOWITZ: Aye.

COMMITTEE CLERK: By a vote of five in the affirmative, zero in the negative, no abstentions, the item has been adopted. Members, please sign the committee report.

CHAIRPERSON GARODNICK: Thank you.

We will hold the roll open for other members who join us, and we are now going to continue with our regularly scheduled programming--the subject of today's hearing. I want to welcome Council Member Jumaane Williams, who is the lead author of Intro 1035 today. The subject of today's hearing, illegal gambling in New York City's gaming cafes. Gaming cafes are establishments that are licensed by the city's Department of Consumer Affairs. They are businesses that offer three or more computers or electronic devices on which for a fee a consumer can play some sort of a game. The city places a number of restrictions on these establishments. Applications for licenses must be reviewed by the local council member and the community board. Gaming cafes also cannot serve minors between 9am and 3pm during the school year.

1  
2 Most importantly they are barred from offering  
3 patrons monetary prizes. Lately however we have  
4 seen the troubling rise of internet sweepstakes  
5 cafes. I know that Council Member Williams will  
6 get into this in greater detail in a moment.

7 These places operate by selling a service such as  
8 internet access that comes bundled with a certain  
9 number of entries in a sweepstakes. The consumer  
10 can then use these entries to play a casino like  
11 game on the computers in the café. Winning is  
12 rewarded with cash prizes. This business model  
13 clearly conflicts with the prohibition on cash  
14 prizes at gaming cafes and of course, gambling in  
15 general is barred by the New York State  
16 Constitution save for some localized exceptions,  
17 which would include horse racing or charity  
18 associated outlets like the lottery. We are here  
19 today to explore how we can better enforce the law  
20 against illegal gambling and gaming cafes. We  
21 will hear testimony from the administration,  
22 various borough wide chambers of commerce,  
23 business improvement districts and a variety of  
24 other stakeholders. We will also be discussing as  
25 noted before Intro 1035, which is a bill authored

2 by Council Member Williams, which would mandate  
3 the revocation of a gaming café license when that  
4 café is found to be engaging in illegal gambling.  
5 I hope that today we will be able to shed some  
6 light on this issue and to ensure that we are not  
7 tolerating illegal activities in New York City and  
8 before I go to Council Member Williams, I just  
9 want to note we have been joined by Council Member  
10 Comrie and Council Member, we would like to give  
11 you a chance to vote on the override of the  
12 mayor's veto of Intro 434-A.

13 COMMITTEE CLERK: Comrie?

14 COUNCIL MEMBER COMRIE: I vote aye.

15 COMMITTEE CLERK: The vote stands  
16 at six in the affirmative.

17 COUNCIL MEMBER COMRIE: Thank you.  
18 We have a Land Use Committee upstairs and we need  
19 a quorum as soon as possible.

20 CHAIRPERSON GARODNICK: Thank you,  
21 and I would ask that you would hold the vote open  
22 for me because I will need to join you briefly up  
23 there as well. Thank you. With that, we are  
24 going to turn it to Council Member Williams.

25 COUNCIL MEMBER WILLIAMS: Thank you



1  
2 very much, and I will need to vote on that Land  
3 Use as well. Good morning. My name is Jumaane  
4 Williams, and I serve as a Council Member of the  
5 45<sup>th</sup> District in Brooklyn. I'd like to thank the  
6 chair of Consumer Affairs, Dan Garodnick, for  
7 having a hearing on this piece of legislation and  
8 thank his staff for all the great work that they  
9 have done in getting information about this  
10 problem, and thank all the co-sponsors so far  
11 particularly Council Member Fidler who was the co-  
12 prime with me. This is a very important piece of  
13 legislation. This is in relation to the mandatory  
14 license revocation of amusement arcade or gaming  
15 café licenses for offering cash prizes or engaging  
16 in other unlawful gaming activities. Intro 1035  
17 would effectively prevent amusement arcades and  
18 gaming cafes from engaging in and encouraging  
19 inappropriate activities in these specific spaces  
20 as amusement arcades and gaming cafes do not have  
21 the proper license for gambling activity and  
22 therefore should be prohibited from allowing these  
23 activities to exist in their place of business.  
24 Unlawful gaming activity detrimental to our local  
25 community and this legislation will help to

1  
2 establish our position against the promotion of  
3 such vice. Jurisdictions across this country have  
4 been battling with the proliferation of internet  
5 sweepstakes cafes in recent years. These  
6 establishments are run by the support of companies  
7 that exploit technicalities to get around anti-  
8 gambling laws by giving away chances to win prizes  
9 with the purchase of a service or product such as  
10 internet access or telephone cards. They  
11 masquerade as internet cafes when in reality they  
12 are more like mini casinos. In the area around  
13 the 45<sup>th</sup> district, I have personally visited two of  
14 these establishments, placed with the names like  
15 Lucky Spot and Reels of Fortune. One of these  
16 locations was right next to a pawn shop. This  
17 fits the advice that one company, Sweeps Coach,  
18 has openly advertised "look for a place near your  
19 customers. The kinds of businesses you may want  
20 to be near include Wal-Mart, check cashing  
21 businesses, pawn shops, maybe slightly seedy, but  
22 still safe." They are openly preying on lower  
23 income individuals, and this is not the kind of  
24 business we should want operating New York City.  
25 I am now and have always been a strong, outspoken

1  
2 advocate for small business and economic  
3 development. I understand that in times of  
4 extreme economic strength our local entrepreneurs  
5 are essential to expediting fiscal recovery. At  
6 the same time, it is equally important that  
7 businesses respect the boundaries and parameters  
8 of the law. As stated in paragraph 3 of  
9 subdivision c of section 2214 of Title 20 of the  
10 Administrative Code, no amusement arcade or gaming  
11 café owner or amusement operator shall offer money  
12 prizes, awards or such other prizes, which are  
13 redeemable in cash. The Department of Consumer  
14 Affairs has a responsibility to enforce this law.  
15 I will go further and say that predatory practices  
16 such as those demonstrated by these types of  
17 establishments that intentionally mislead the  
18 public are shameful and should be subject to  
19 appropriate penalties. This legislation was  
20 drafted with the interest of the larger community  
21 in mind. The message we are sending is clear. We  
22 will under no circumstances tolerate businesses  
23 that attempt to take advantage of legal loopholes  
24 in order to prey on lower income individuals. I  
25 look forward to your support as we push forward

1  
2 this legislation that encourages responsible  
3 business practices and keep our community safe.  
4 I'd also again now that he is here thank Council  
5 Member Fidler again for working with me on this  
6 legislation, and I would like to add I spoke to  
7 some of these business owners, and I was appalled  
8 as I learned that what they told me wasn't true.  
9 They tried to describe themselves as not gambling  
10 for one reason or the other. It turns out that  
11 they may not even be exploiting technicalities,  
12 but they just might be in full flouting and  
13 disregarding what the law actually says and they  
14 are apparently just breaking the law. I am hoping  
15 this bill will provide a hammer to bring down and  
16 also encourage more enforcement, which I think has  
17 been lacking at this time. So I want to thank the  
18 Chair. Again, thank you.

19 CHAIRPERSON GARODNICK: Thank you,  
20 Council Member Williams, and I would also like to  
21 give an opportunity to Council Member Fidler,  
22 another lead sponsor of this bill to say a few  
23 words.

24 COUNCIL MEMBER FIDLER: Thank you,  
25 Mr. Chairman. I want to first begin by thanking

1  
2 Council Member Williams for his efforts working  
3 with me and my office on this legislation. At  
4 some point this morning, I am going to have some  
5 props to show you--those are the advertisements  
6 that have been flooding into Council Member  
7 Williams' district and my district for these-I  
8 don't even have to wait. Thank you, Brad. Reels  
9 of Fortune. What does this look like? If you get  
10 down to it, folks, if it walks like a duck, and it  
11 quacks like a duck, it's a duck, and what is going  
12 on in our communities are storefronts popping open  
13 that are really nothing but an excuse for gambling  
14 locations. Now if that were legal, that would be  
15 one thing, but it is not. We are right now  
16 engaging in a debate in the state of New York as  
17 to whether or not to permit the government  
18 authorized gambling locations and how we can  
19 regulate exactly where they are appropriate and  
20 where they are not, and yet when these locations  
21 start popping up throughout our communities, and  
22 we reach out to the city departments that we  
23 assume are there to enforce laws that would  
24 prevent it, we find a truly a conflict in what  
25 they believe, what they think the law is, what

1  
2 they think the regulations are, who is in charge  
3 of regulating it, and we have been able to get  
4 absolutely no action from any city agency. So  
5 what Council Member Williams and I are hoping to  
6 do here today is to provide some scheme for the  
7 enforcement of the law, some clarity as to what  
8 the law is, and to make sure that the beginning of  
9 this industry, which we have seen in south and  
10 central Brooklyn, does not become something that  
11 every neighborhood in every part of the city has  
12 to face on a regular basis. The time to act is  
13 now here at the beginning before we have hundreds  
14 and hundreds of these places throughout the city  
15 of New York, and I look forward to the city's  
16 testimony on this legislation. Perhaps, it will  
17 provide some clarity on the issues that we have  
18 been trying for months to get some clarity on, so  
19 I thank you, Mr. Chairman, very much.

20 CHAIRPERSON GARODNICK: Thank you  
21 very much, Council Member Fidler, and thanks to  
22 both you and Council Member Williams for  
23 highlighting this issue. We certainly want to  
24 make sure that we deal with these issues now as  
25 you point out before it becomes an even bigger

1  
2 problem all around the city, and with that, it is  
3 the moment when we will invite the city's  
4 Department of Consumer Affairs to the witness  
5 table. I believe that the deputy commissioner for  
6 external affairs, Fran Freedman, will be  
7 testifying today on behalf of the Department, so  
8 Ms. Freedman, welcome. We are also joined by  
9 inspector John Denisopolis [phonetic] of the New  
10 York Police Department, who I believe is not going  
11 to be testifying, but is available for questions  
12 from the panel and Susan Petito [phonetic] of the  
13 NYPD.

14 DEPUTY COMMISSIONER FREEDMAN: Good  
15 morning, Chair Garodnick and members of the  
16 Consumer Affairs Committee. I am Fran Friedman,  
17 deputy commissioner for external affairs for the  
18 Department of Consumer Affairs, and I am happy to  
19 be joined today by assistant commissioner Susan  
20 Petito of the New York City Police Department and  
21 inspector John Denisopolis. Commissioner Mintz  
22 has asked me to thank you for the opportunity to  
23 testify at this oversight hearing preventing  
24 illegal gambling in New York City's gaming cafes  
25 and to comment on Intro 1035 proposed legislation

1 that would require the mandatory license  
2 revocation of an amusement arcade or gaming café  
3 offering cash prizes or engaged in other unlawful  
4 gambling activity. We applaud the Committee's  
5 focus on the emerging and difficult problem of  
6 illegal gambling in gaming cafes. A relatively  
7 new phenomenon the use of gaming cafes for  
8 gambling purposes takes various forms. Some of  
9 these premises operate quite openly advertising  
10 the availability of gambling on the premises with  
11 prominent signage. Others are more covert located  
12 in basements and upper floors of buildings rather  
13 than on street level outside of public view,  
14 making inspections and enforcement a challenge.  
15 Indeed neither the police department nor DCA can  
16 determine with any certainty how many of these  
17 entities may be conducting illegal gambling  
18 operations. The Department currently licenses 58  
19 gaming cafes and 20 amusement arcades. A business  
20 must have a gaming café license if it has three or  
21 more publically accessible computers or electronic  
22 devices in which game software has been installed  
23 for the purpose of playing games on the premises.  
24 Businesses with ten or more amusement devices must  
25



1 obtain an amusement arcade license. For the  
2 licensing of gaming cafes, the Department  
3 coordinates a multi-agency approval process. It  
4 ensures the businesses have premises approval from  
5 the fire department, that it complies with the  
6 Department of Buildings electrical codes, and that  
7 the community board and the council member in  
8 whose district the café is located have the  
9 opportunity to weigh in with a recommendation on  
10 the suitability of the location. DCA's  
11 enforcement of gaming cafes focuses exclusively on  
12 compliance with consumer protection laws. If  
13 gambling activity is observed in the course of an  
14 inspection or if we receive tips from the  
15 community or elected officials, we refer such  
16 issues to the police department for investigation.  
17 From 2008 through 2013 DCA conducted a total of  
18 396 consumer protection inspections on both  
19 amusement arcades and gaming cafes. For the same  
20 period, the Department received no consumer  
21 complaints about either industry. Over the last  
22 five years, the top violation in both industries  
23 was for unlicensed activity followed by violations  
24 for not including license numbers in  
25

1 advertisements, improper display of signs and  
2 licenses and failure to give receipts. As an  
3 example of the administration's cooperative  
4 efforts to deal with gambling issues in gaming  
5 cafes, last Wednesday DCA joined the police  
6 department and the Department of Buildings in an  
7 enforcement effort in Lower Manhattan involving  
8 entities about which DCA has received some tips.  
9 At that time, DCA issued a total of eight  
10 violations, two for unlicensed gaming cafes, one  
11 for an unlicensed cigarette dealer at a gaming  
12 café and five for evading consumer protection  
13 laws--not having a price list, not posting a  
14 refund policy, et cetera. The Department of  
15 Buildings issued five violations and the police  
16 department arrested an owner of a gaming café for  
17 selling cigarettes on the premises without a  
18 license. According to my colleagues in the police  
19 department, the New York Police Department has  
20 conducted several investigations of gaming cafes.  
21 The arrests that result from these investigations  
22 are usually for violations of penal law section  
23 225.05 promoting gambling in the second degree, a  
24 class A misdemeanor. In addition to making the  
25

1  
2 arrests, police officers may also seize the  
3 computers used to conduct the gambling, which puts  
4 the premises out of business at least temporarily.  
5 A more permanent and perhaps more effective  
6 solution is contemplated by Intro 1035, which is  
7 intended to automatically revoke the license to  
8 operate the amusement arcade or gaming café where  
9 the owner permits gambling on the premises. We  
10 strongly support the intent of the bill and hope  
11 to work with you to ensure that the language of  
12 the bill accomplishes this goal. We suggest that  
13 the predicate for revocation be clarified, perhaps  
14 by linking it to a criminal conviction for a  
15 gambling offense contained in penal law article  
16 225, so that DCA may rely on a criminal conviction  
17 in making its license determination rather than  
18 attempting to adjudicate a violation lying well  
19 outside our inspection - - . We look forward to  
20 working with the Council on these issues. I along  
21 with my colleagues from the police department will  
22 be pleased to answer your questions.

23 CHAIRPERSON GARODNICK: Thank you  
24 very much, Deputy Commissioner. I just have a  
25 couple of threshold questions here, and then I am

1 going to turn it over to Council Member Williams.  
 2 So you had an enforcement action last Wednesday in  
 3 Lower Manhattan. It is unclear to me what sort of  
 4 similar enforcement actions are taking place in  
 5 other parts of the city like the areas that  
 6 Council Members Williams and Fidler represent.  
 7 Have you done similar sorts of joint enforcement  
 8 actions in their areas as well?  
 9

10 DEPUTY COMMISSIONER FREEDMAN: We  
 11 frequently do get asked to join what is called  
 12 march operations. Those are the multi-agency  
 13 responses to community hotspots operations. This  
 14 is the most recent one. I don't know how many  
 15 more--it is organized by the police department.

16 CHAIRPERSON GARODNICK: So when was  
 17 the last time that DCA and the police department  
 18 went out to do--

19 DEPUTY COMMISSIONER FREEDMAN:  
 20 [interposing] Last Wednesday.

21 CHAIRPERSON GARODNICK: In  
 22 Brooklyn?

23 DEPUTY COMMISSIONER FREEDMAN: Oh,  
 24 I have no idea. I have no idea.

25 CHAIRPERSON GARODNICK: Can I ask

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

the police department?

INSPECTOR JOHN DENISOPOLIS: Mr. Chair, Inspector John Denisopolis, organized crime control bureau. Typically those operations are conducted by precinct personnel and they are done very frequently as the commissioner of community affairs had said. We in the vice division or OCCB's vice module citywide conduct a number of operations during the year. We have actually affected nine search warrants in these locations throughout the city, several in Queens and several in Brooklyn. We also executed a search warrant in the borough of Manhattan. These are undercover operations. They take a little bit of time. We have to go in several times before we have probable cause for a search warrant and we execute a search warrant and we make arrests based on that information that we garner from the search warrant and we seize the computers, but typically the march operations as the commissioner of community affairs is referring to take place in the patrol boroughs by patrol personnel.

CHAIRPERSON GARODNICK: So we don't know--

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

INSPECTOR JOHN DENISOPOLIS:

[interposing] The exact number at this time.

CHAIRPERSON GARODNICK: --today  
whether there has been a march operation.

INSPECTOR JOHN DENISOPOLIS: We  
would be able to get you that number and provide  
it to you in the future. We don't have it at this  
- - .

CHAIRPERSON GARODNICK: I think  
that is important because the city's Department of  
Consumer Affairs is citing that as the example of  
the way that they are best able to cooperate in an  
enforcement action, and they have cited Manhattan-  
-one event last Wednesday in Manhattan in advance  
of this hearing, but without any other examples  
and particularly in the area which my colleagues  
are citing as the prime area for a problem and  
certainly I assume that there is also an issue in  
Lower Manhattan.

INSPECTOR JOHN DENISOPOLIS: Mr.  
Chair, as a representative of the New York City  
Police Department, I am sure we can provide you  
that information.

CHAIRPERSON GARODNICK: We would

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

appreciate that. Now in terms of the 58 gaming cafes, do we know how many of them are operating as internet sweepstakes cafes?

DEPUTY COMMISSIONER FREEDMAN: No. Sorry.

CHAIRPERSON GARODNICK: Is that something with which you think that DCA would be able to figure out if it were to visit them?

DEPUTY COMMISSIONER FREEDMAN: It's an interesting question.

CHAIRPERSON GARODNICK: I bet I could figure it out.

DEPUTY COMMISSIONER FREEDMAN: We I am sure could.

INSPECTOR JOHN DENISOPOLIS: Mr. Chair, one of the things that we are doing with the New York City Police Department vice is we are actually have our vice captains attend community council meetings citywide, so if that information is available to the community where they could report it to us, we will be able to investigate those specifically. In addition, we are right now putting together a lesson plan for patrol officers and our collaborative agencies like DCA to

1  
2 recognize these gambling locations. As you said,  
3 there are certain indicators that let you know  
4 right away that there is illegal gambling  
5 activities taking place.

6 CHAIRPERSON GARODNICK: I am sort  
7 of surprised that there have been between 2008 and  
8 2013 no reported complaints about any of these  
9 gaming cafes. Is that what your testimony--

10 DEPUTY COMMISSIONER FREEDMAN:  
11 [interposing] That is correct, from consumers.

12 CHAIRPERSON GARODNICK: From  
13 consumers. You have gotten complaints from  
14 elected officials?

15 DEPUTY COMMISSIONER FREEDMAN: From  
16 elected officials and sometimes from the  
17 community. And then we of course do inspections.

18 CHAIRPERSON GARODNICK: So let's  
19 just be very clear about that. You have gotten  
20 complaints, but when you say from consumers, you  
21 are talking about complaints that somehow the  
22 business itself did not provide a service that  
23 they were promising.

24 DEPUTY COMMISSIONER FREEDMAN:  
25 Exactly or that there was an experience that was



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

unpleasant or...

CHAIRPERSON GARODNICK: I highlight this for the benefit of people who are watching and listening that DCA is looking at this from a very, very narrow perspective and we talk about this frequently. The charge of this agency is to protect consumer laws and so if certain number of minutes are promised for certain fee at a gaming café, that is the question that DCA is really focusing on here. So when we say that there weren't complaints, you are talking about complaints about those--

[crosstalk]

CHAIRPERSON GARODNICK: So now with that I am going to defer to my colleagues. Council Member Williams, you are first.

COUNCIL MEMBER WILLIAMS: Thank you, Mr. Chair. Thank you, Inspector, Assistant Commissioner, and Deputy Commissioner for testifying. I think from the testimony at the end of it we all kind of want to make sure this problem is dealt with. It does strike me as a little odd though that some of the questions weren't anticipated so we can have some of the

1  
2 answers like how many of the sweepstakes cafes are  
3 operating without a license or doing illegal  
4 gambling, how many enforcement instances there  
5 have been. Did you not anticipate those questions  
6 being asked today on this particular bill?

7 DEPUTY COMMISSIONER FREEDMAN: I am  
8 not sure, Council Member. We are very straight  
9 up. I mean we do consumer protection. That is  
10 what we do. I have reported those inspections  
11 that we have done and what the top violations  
12 were. In anticipation I can say that anticipation  
13 of this hearing, we did not go out and do a  
14 complete sweep with the police department. That  
15 is certainly something we can talk about.

16 COUNCIL MEMBER WILLIAMS: I  
17 apologize. I am being summoned to go to a vote  
18 before it closes, so I would like to continue my  
19 questioning when I come back. I am sorry about  
20 that. Thank you.

21 DEPUTY COMMISSIONER FREEDMAN:  
22 Council Member Fidler.

23 COUNCIL MEMBER FIDLER: [off mic]  
24 This entire hearing frankly strikes me as a little  
25 bit like the beginning of the Wizard of Oz where

1  
2 the scarecrow says they went that way. I have to  
3 tell you that the testimony I have heard here from  
4 DCA is disappointing. The testimony I have heard  
5 from the police department is exactly contrary to  
6 the information that my office has been given by  
7 One Police Plaza each time we have called to  
8 complain about one of these locations. We have  
9 been told by the police department that their  
10 awaiting results of the Chinatown bust before they  
11 do enforcement elsewhere, and so Inspector, I  
12 guess I would ask you was that accurate or was  
13 whoever was answering that question from my office  
14 and for Community Board 15 just completely  
15 uninformed?

16 INSPECTOR JOHN DENISOPOLIS: Mr.  
17 Council Member, it is the first time I am hearing  
18 that you made an inquiry. I work in organized  
19 crime control on the 13<sup>th</sup> floor of New York City  
20 Police Department. I am the chief's  
21 representative in handling vice related matters in  
22 the police department, and it is the first time I  
23 am hearing of your inquiry. We received community  
24 complaints from the public. We also garner  
25 complaints from community council meetings. We

1  
2 get complaints from officers on patrol who make us  
3 aware of locations. We get from complaints from  
4 or information from confidential informants after  
5 we arrest them, debrief them and they tell us that  
6 there may be one of these illegal gambling  
7 facilities and just simple by going to these  
8 locations and doing observations and actually  
9 undercover operations, we are able to determine if  
10 illegal activities are taking place, but I am  
11 sorry. I have not received a direct question or  
12 inquiry concerning this prior to this point.

13 COUNCIL MEMBER FIDLER: So your  
14 testimony is that the complaints made by both  
15 Council Member Williams' office and my office  
16 regarding the location on Flatbush Avenue or the  
17 complaints made by my office and Community Board  
18 15 repeatedly about a location at East 26<sup>th</sup> Street  
19 and Avenue U, you have not heard of that? This is  
20 complete news to you.

21 INSPECTOR JOHN DENISOPOLIS: We  
22 actually have a location on Avenue U where we  
23 executed a search warrant, and we vouchered  
24 computers at the location.

25 COUNCIL MEMBER FIDLER: And when

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

was that?

INSPECTOR JOHN DENISOPOLIS: I  
could tell you the date at the break.

COUNCIL MEMBER FIDLER: Do you know  
what the result was? You vouchered computers?  
Does that mean you seized those computers?

INSPECTOR JOHN DENISOPOLIS: Well,  
in the interest of making sure the investigation  
is promulgated in the correct matter, I would have  
to discuss this with you at the break.

ASSISTANT COMMISSIONER PETITO:  
Because it is an ongoing prosecution.

COUNCIL MEMBER FIDLER: I think you  
need to identify yourself for the record.

ASSISTANT COMMISSIONER PETITO: I'm  
sorry. Susan Petito, police department. Because  
I think what the Inspector is saying that he would  
rather to you about it offline because it is a  
current case, as opposed to in the public forum.  
I can just add that the Council had supplied me  
with three locations. I don't know who the  
sources of the Council Members--which Council  
Member had referred it, but one of the Council  
staff did give me three locations I believe back

1  
2 in January, and I passed them on to the  
3 Inspector's colleague in the vice enforcement, so  
4 that may be some of these locations. Again  
5 because these are sensitive, ongoing matters, we  
6 would rather not talk in too much detail about  
7 them publically.

8 COUNCIL MEMBER FIDLER: I can  
9 appreciate that. Just what I don't necessarily  
10 appreciate is the response that my office and  
11 Community Board 15 got from Police Plaza, which  
12 was that you weren't going to be taking any  
13 action. That is quite a difference, and we will  
14 well understand and appreciate well, we are going  
15 to do an undercover operation, so shut up. That  
16 is far different from telling us that you are not  
17 going to enforce it.

18 INSPECTOR JOHN DENISOPOLIS:  
19 Council Member, I can assure you that we are  
20 enforcing these locations, made several inquiries  
21 to district attorneys' offices, they are willing  
22 to prosecute these cases, as well as our own legal  
23 bureau. We have grounds to investigate illegal  
24 criminal activity in these locations. If illegal  
25 gambling is taking place, I can assure you were

1 are going to address those issues and have been.

2 COUNCIL MEMBER FIDLER: When  
3 something like this, which is I believe the Avenue  
4 U location you just referred to--

5 INSPECTOR JOHN DENISOPOLIS:  
6 [interposing] Fantastic intelligence.

7 COUNCIL MEMBER FIDLER: I assume  
8 that something like this will trigger an  
9 investigation by PD. I mean they are not even  
10 hiding it. Grand opening, Reels of Fortune  
11 internet sweepstakes café. Bring this card in and  
12 receive 500 free sweepstakes points. Open to the  
13 public. Come in for chances to win big money.

14 INSPECTOR JOHN DENISOPOLIS: We are  
15 absolutely looking for that intelligence  
16 information.

17 COUNCIL MEMBER FIDLER: Okay. So  
18 let me then ask DCA because you seem to be looking  
19 at this issue with blinders on, only if somebody  
20 comes in and says I won money and they didn't pay  
21 me, I am complaining as a consumer. I don't see--  
22 can you tell me why DCA takes such a narrow view  
23 of this issue in terms of your enforcement powers?

24 DEPUTY COMMISSIONER FREEDMAN: I  
25

1  
2 first want to clarify, Council Member, that we  
3 don't base our inspections on complaints. I was  
4 merely reporting that. Our inspections are on  
5 patrol, so of course, our inspectors are if they  
6 come upon an establishment and be it an arcade or  
7 gaming café will go in, but what we are charged  
8 with is enforcing consumer protection laws. When  
9 we see or suspect gambling activity, we report  
10 that to the police. That is not in our - - . We  
11 are not peace officers, so that is not in our - -  
12 .

13 COUNCIL MEMBER FIDLER: Let's take  
14 that in two parts. So then can you tell us how  
15 many times your inspectors on patrol have run into  
16 these locations?

17 DEPUTY COMMISSIONER FREEDMAN: They  
18 have inspected 395 in the last five years, not on  
19 patrol.

20 COUNCIL MEMBER FIDLER: Unique  
21 locations or you repeating locations in that 395?

22 DEPUTY COMMISSIONER FREEDMAN: I  
23 don't know the answer to that.

24 INSPECTOR JOHN DENISOPOLIS:  
25 Council Member, DCA has referred us one



1  
2 investigation in which we took enforcement action.  
3 It was a location in Queens. Within the last few  
4 months we executed a search warrant and made  
5 arrests at the location.

6 COUNCIL MEMBER FIDLER: Could we  
7 get the answer to the question from DCA? Could  
8 you provide this committee with information as to  
9 whether or not the 395 locations over the last  
10 five years are unique locations?

11 DEPUTY COMMISSIONER FREEDMAN:  
12 Certainly.

13 COUNCIL MEMBER FIDLER: And if not,  
14 can you tell us how many locations are involved in  
15 those 395 inspections? It might tell us at least  
16 to some degree the number--and I assume these are  
17 all locations that are operating under some DCA  
18 license, so we are not even talking about the ones  
19 that are totally without license.

20 DEPUTY COMMISSIONER FREEDMAN:  
21 Correct. Although if on patrol there is a café  
22 and an inspector goes in, he does cite them, and  
23 they are not licensed, he does site them for  
24 unlicensed activity.

25 COUNCIL MEMBER FIDLER: Okay, and

1  
2 so can you tell us how many of those there are  
3 within that 395 number or if they are above and  
4 beyond the 395 number? Also, I am curious since  
5 gaming cafes per se are prohibited from offering  
6 cash prizes why would DCA refer that to the PD as  
7 opposed to taking steps that DCA has within their  
8 power under the administrative code?

9 DEPUTY COMMISSIONER FREEDMAN: if  
10 we see it, we write it. The problem is that one  
11 doesn't often see it when one goes in, so it tends  
12 to not get written.

13 COUNCIL MEMBER FIDLER: It tends  
14 not to get written because you have to see it.

15 DEPUTY COMMISSIONER FREEDMAN: You  
16 have to see it. You have to actually see it.

17 COUNCIL MEMBER FIDLER: Well, what  
18 time of the day do DCA inspectors generally go to  
19 these cafes?

20 DEPUTY COMMISSIONER FREEDMAN: It  
21 is the daytime hours. Daytime hours.

22 COUNCIL MEMBER FIDLER: - -

23 DEPUTY COMMISSIONER FREEDMAN:  
24 Unless we join the police department in some  
25 evening operation.

1  
2 COUNCIL MEMBER FIDLER: Do either  
3 of you have an opinion as to whether or not these  
4 places flourish more during daytime hours or in  
5 the evening?

6 INSPECTOR JOHN DENISOPOLIS:  
7 Typically, we find that they are traditionally  
8 daytime, late afternoons, early evenings. Less  
9 people work back and forth during transitional  
10 hours. Many of our informants tell us that it is  
11 during the day as well as the night, so I think in  
12 the eight instances where we executed search  
13 warrants or eight arrests we affected all of them  
14 were before 11 o'clock at night, so it is not late  
15 night hours. It is typically in the early evening  
16 or evening and daytime.

17 COUNCIL MEMBER FIDLER: Okay. I  
18 would hope that DCA would be advised about the  
19 fact that - - inspections after five o'clock at  
20 night as a result of that answer. I am going to  
21 read one or two questions that my counsel prepared  
22 for me because they are more technical, and I want  
23 to be sure that I get them right. When your  
24 inspectors inspect an internet sweepstakes café,  
25 do you find the gambling software or the

1  
2 sweepstakes software installed directly on the  
3 individual computers?

4 DEPUTY COMMISSIONER FREEDMAN: I  
5 don't know the answer to that. I am sorry.

6 COUNCIL MEMBER FIDLER: Okay. if a  
7 café offered a sweepstakes with money prizes, but  
8 the gambling software that customers use was not  
9 installed directly on computers, if it were  
10 installed on a central server or on the internet  
11 someplace and the customers were using the  
12 terminals to access it through a browser, would  
13 you consider that café to be a gaming café and  
14 would it be covered by the bill?

15 DEPUTY COMMISSIONER FREEDMAN: I  
16 don't know the answer to that either. I am sorry.

17 COUNCIL MEMBER FIDLER: I am going  
18 to turn it over to Councilman Williams. I have to  
19 tell you I am very frustrated. These are the  
20 answers that my office was getting offline from  
21 DCA. We are getting different answers from the  
22 police department today than we had gotten. The  
23 answers that we are getting from the police  
24 department today are at least positive and  
25 constructive, but the answers that we are getting

1  
2 from DCA are we don't know, we are not there, it's  
3 not our job, and quite frankly, I disagree with  
4 all of that, and I wish DCA had come to class a  
5 little better prepared today because I really  
6 don't think you have answers to the very, very  
7 basic questions that this issue involved, and I  
8 think it is a reflection of the fact that DCA does  
9 not understand that this is a new phenomenon that  
10 is proliferating in our communities, and it needs  
11 to be addressed, and the fact that at least two  
12 council members and at least one community board  
13 attempted to get your attention on this issue, and  
14 continue to get answers from DCA that said not my  
15 job, it has not improved today. We obviously  
16 haven't gotten your attention, and I am sorry to  
17 be harsh about it, but the fact of the matter is  
18 you really have come here today with no  
19 substantive answers to a problem that clearly  
20 needs to be addressed, and it needs to be  
21 addressed before it becomes a huge citywide  
22 problem. I will pass it on back to the Chair. I  
23 am very upset about this.

24 CHAIRPERSON GARODNICK: thank you,  
25 Council Member Fidler. Let's go to Council Member

1 Williams. I am sorry, before we do that, we  
2 actually were joined by Council Member Barron. I  
3 would like to give him a chance to vote on the  
4 override, so I will ask the clerk to call the roll  
5 as to Council Member Barron.  
6

7 COMMITTEE CLERK: Barron?

8 COUNCIL MEMBER BARRON: I vote aye  
9 on the override. Thank you, Mr. Chair.

10 CHAIRPERSON GARODNICK: Thank you.

11 COMMITTEE CLERK: Final vote in the  
12 Committee on Consumer Affairs, seven in the  
13 affirmative, zero in the negative, no abstentions.

14 CHAIRPERSON GARODNICK: Great.  
15 Thank you, and that is everybody on the committee  
16 for that matter. Council Member Williams?

17 COUNCIL MEMBER WILLIAMS: Thank  
18 you. Sorry that I had to leave, but I am back. I  
19 am sure my colleague, Council Member Fidler, has -  
20 - . I can understand there not being answers to  
21 these questions when we first brought it up  
22 several months ago. I can understand the answers  
23 to these questions not being answered when I  
24 brought it to the commissioner at a budget  
25 hearing. I cannot understand why we would have a

1  
2 hearing on this issue, propose a bill for DCA to  
3 look at before the hearing, and you still not have  
4 information about the problem that we brought to  
5 you. Can you just explain to me why there was no  
6 research done to answer fundamental questions  
7 about the problem that is here, like how many have  
8 you inspected, like how many operating without a  
9 license, like how many march orders I think were  
10 given? Was there any research done prior to this  
11 hearing?

12 DEPUTY COMMISSIONER FREEDMAN:

13 Council Member, I did tell you how many  
14 inspections we did. The march operations--

15 COUNCIL MEMBER WILLIAMS:

16 [interposing] Inspections on the illegal  
17 sweepstakes café and how many are there.

18 DEPUTY COMMISSIONER FREEDMAN: We  
19 have no idea how many illegal cafes there are. I  
20 don't think the police department knows that  
21 either. It is not possible to tell that just from  
22 looking. We reason we don't have much  
23 information--

24 COUNCIL MEMBER WILLIAMS:

25 [interposing] Wait, so your testimony says some of

1  
2 these premises operate quite openly advertising  
3 the availability of gambling. How many of them  
4 operate quite openly advertising the availability  
5 of gambling?

6 DEPUTY COMMISSIONER FREEDMAN: I  
7 don't know that answer. I am sorry. - -

8 INSPECTOR JOHN DENISOPOLIS:  
9 Council Member, we were discussing ways that we  
10 learn about illegal gambling in these locations,  
11 and some of them are community council members,  
12 some of them are from members of the community  
13 making community complaints. We do it through  
14 arresting people at other gambling locations, and  
15 they give us these spots. Councilman Fidler  
16 provided us with some intelligence information.  
17 Those are the types of things that we learn, how  
18 we learn that these places are actually illegal in  
19 nature. Also by our observations when we go in  
20 some of the places have it posted where you get X  
21 amount of credits for X amount of plays, so we are  
22 right now in the process of designing a lesson  
23 plan that we can share collaboratively with our  
24 collaborative agents like DCA and also rookie  
25 police officers so they can determine if illegal



1  
2 activity is afoot in these locations and also for  
3 the members of the department that aren't assigned  
4 to strictly vice related duties. So it is a  
5 constant endeavor for us to try to learn more  
6 about these locations and find out which ones are  
7 illegal. So we are in the process of doing that  
8 now.

9 COUNCIL MEMBER WILLIAMS: I

10 appreciate the work the NYPD is doing, Inspector,  
11 and I appreciate the responses you have given. I  
12 am very frustrated at DCA for apparently either  
13 not taking this seriously. I don't know what has  
14 happened here, but you have in your testimony  
15 saying that some of these are advertising openly  
16 and then have no idea how many of those that you  
17 are apparently seeing so that you can put it in  
18 the testimony are. Then you mentioned that there  
19 was something that was done last Wednesday, but  
20 you can't tell me when it was done before that and  
21 when it was done in other boroughs. That says to  
22 me that this issue for some reason wasn't taken  
23 seriously, the two council members that brought it  
24 to your attention wasn't taken seriously, that  
25 this Committee--I don't know what to say about

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

that.

DEPUTY COMMISSIONER FREEDMAN: We do, Council Member, take it seriously. We don't organize the march operations, so that is within police department purview. That is not something we are - - .

COUNCIL MEMBER WILLIAMS:

[interposing] Let me ask another question before we get to the bill. Are you fully prepared to answer questions about the bill that has been proposed and about the internet sweepstakes cafes today? Are you prepared to have a discussion about that? Do you feel you have all the information?

DEPUTY COMMISSIONER FREEDMAN: We do support the bill strongly. We have said that. We strongly support the bill. It is--

COUNCIL MEMBER WILLIAMS: I am asking if you felt you are prepared with the proper information to have a discussion on the problems that are going on with the internet sweepstakes cafes?

DEPUTY COMMISSIONER FREEDMAN: I think that the police department is better

1  
2 equipped to talk about illegal gambling. That is  
3 something that traditionally has been their  
4 purview.

5 COUNCIL MEMBER WILLIAMS: Do you  
6 need the police department to enforce anything on  
7 illegal gambling sites that you find? Is there  
8 anything you can do without the police department?

9 DEPUTY COMMISSIONER FREEDMAN: No.

10 COUNCIL MEMBER WILLIAMS: There is  
11 absolutely nothing, so if you identify them--

12 DEPUTY COMMISSIONER FREEDMAN:

13 [interposing] We refer.

14 COUNCIL MEMBER WILLIAMS: There is  
15 nothing in the codes that says--

16 CHAIRPERSON GARODNICK: I just  
17 wanted to just clarify with the Deputy  
18 Commissioner, these are licensed entities with the  
19 Department of Consumer Affairs, so presumably, if  
20 the city's Department of Consumer Affairs found  
21 them to be doing an improper or illegal activity  
22 there is some consequence that they might suffer  
23 at the hands of the Department.

24 DEPUTY COMMISSIONER FREEDMAN: We  
25 could hold a fitness hearing. Absolutely.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

[crosstalk]

CHAIRPERSON GARODNICK: Why don't you amend your answer to Council Member Williams? I think that is what he was asking.

DEPUTY COMMISSIONER FREEDMAN: I am sorry. I didn't know whether you meant can we do something on the spot. We can hold a fitness hearing and would hold a fitness hearing. The value of your bill would give us the teeth to do-- if tied to a criminal determination, would give us the teeth to automatically revoke a license without a fitness hearing.

COUNCIL MEMBER WILLIAMS: Council Member Fidler was asking why only if a criminal determination?

DEPUTY COMMISSIONER FREEDMAN: You mean if linked to a criminal determination? Because otherwise we would have to adjudicate it in our tribunal and hold a fitness hearing and it's too removed.

COUNCIL MEMBER WILLIAMS: I don't understand.

DEPUTY COMMISSIONER FREEDMAN: in other words, if your mandatory revocation was tied

1  
2 to the findings of a criminal action that would  
3 give us the teeth to automatically without any  
4 other hearing, without any other review, fitness  
5 review revoke, which we currently don't have now.  
6 So it is a very good--

7 COUNCIL MEMBER WILLIAMS:

8 [interposing] I am happy that we work with the  
9 NYPD, but if there are other things that DCA can  
10 do--Lord knows I try to keep the NYPD accountable--  
11 -everybody knows that--for many other things that  
12 they are doing, so I believe there are other  
13 agencies that can assist, they would and they  
14 should, and I believe that DCA has other things  
15 like the fitness hearings, like if this gives you  
16 power to revoke that you use the tribunal  
17 hearings, that you use other options that you have  
18 to assist the NYPD. We cannot expect them to do  
19 all of these things when we have other powers at  
20 our hand to do it. With the fitness hearings, if  
21 you did get complaints, did you ever not have a  
22 fitness hearing? Did this ever rise? Did DCA  
23 know about this problem before we brought it to  
24 your attention?

25 DEPUTY COMMISSIONER FREEDMAN: We

1  
2 were just hearing rumblings. It was not something  
3 that was on our radar to be perfectly honest.

4 COUNCIL MEMBER WILLIAMS: It  
5 doesn't sound like it really is still on your  
6 radar. How do you differentiate between gaming  
7 cafes and internet cafes?

8 DEPUTY COMMISSIONER FREEDMAN:  
9 Regular internet cafes like those that are  
10 attached to places like Starbucks don't need  
11 licenses from us.

12 COUNCIL MEMBER WILLIAMS: So the  
13 differentiation is just--when you walk into  
14 someplace--what is your inspections like? Can you  
15 explain the inspections that you do to internet  
16 cafes, to gaming cafes? What are the inspections?

17 DEPUTY COMMISSIONER FREEDMAN: As I  
18 said, if it's on patrol, and there is a street  
19 level establishment, an inspector would go in and  
20 look for certain consumer protection issues like  
21 refund policies, like price lists, receipts. They  
22 would look for the license. They would look to  
23 make sure that the license not only was current,  
24 but had the appropriate number of machines listed--  
25 --that sort of thing. That is what they would do

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

on an inspection.

COUNCIL MEMBER WILLIAMS: Do you see a historically paid particular scrutiny to industries that are found to engage in legal activity, such as the tow truck industry? Do you think that internet sweepstakes cafes rise to the level of warranting of such scrutiny?

DEPUTY COMMISSIONER FREEDMAN: I think with the evidence, Council Member, that you and other members have brought to our attention we need to look at it in a different way.

COUNCIL MEMBER WILLIAMS: Have you ever looked for advertisements for internet sweepstakes cafes?

DEPUTY COMMISSIONER FREEDMAN: We haven't, but if we received them we would certainly not only look at them, but if it were from a licensed entity it would become a fitness issue.

COUNCIL MEMBER WILLIAMS: I am trying to understand what you are saying because again, your testimony says some of these premises operate quite openly, advertising the availability of gambling on the premises of prominent signage.

1  
2 With that line, what have you done in response to  
3 that line that you have put--

4 DEPUTY COMMISSIONER FREEDMAN:

5 [interposing] If we see that that is what we refer  
6 to - - the police department.

7 COUNCIL MEMBER WILLIAMS: And when

8 because you put it in this testimony, so it's  
9 when--

10 DEPUTY COMMISSIONER FREEDMAN:

11 [interposing] When we see it we do refer it to the  
12 police department.

13 COUNCIL MEMBER WILLIAMS: But you

14 do not know how many times you have referred it to  
15 the police department?

16 DEPUTY COMMISSIONER FREEDMAN: No,

17 I don't.

18 COUNCIL MEMBER WILLIAMS: You do

19 not know if you have looked at people advertising  
20 for them anywhere?

21 DEPUTY COMMISSIONER FREEDMAN: I

22 will say that we are not conducting a search of  
23 the media to look for these ads.

24 COUNCIL MEMBER WILLIAMS: In the

25 past 30 minutes, my staff went on the internet on



1  
2 backpage.com and found three advertisements in  
3 three different neighborhoods of people  
4 advertising these internet cafes and sweepstakes  
5 telling you about the chances to win--you have got  
6 Lucky 7, Monopoly Café--with similar images to the  
7 ones that Council Member Fidler gave you. It is  
8 pretty much that simple.

9 DEPUTY COMMISSIONER FREEDMAN:

10 Right, and we would be happy to look at those ads  
11 and match them with licensees and use them for  
12 fitness investigations.

13 COUNCIL MEMBER WILLIAMS: The  
14 positive that I can say I am glad that you are  
15 supportive of the bill. It is glaringly apparent  
16 that there was no preparation done by DCA on this  
17 issue before the hearing. I think that that is  
18 unfortunate. I am glad there is a partnership  
19 with the NYPD. It seemed the NYPD had a little  
20 bit more information in terms of what has been  
21 done, so I hope that partnership is strengthened,  
22 but I am looking for DCA to take a lead on this so  
23 that the NYPD can then do enforcements  
24 particularly if most of their enforcements are  
25 coming from information that you provided for

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

them. I am hoping that DCA will take this issue a little bit more seriously because as mentioned, this is proliferating - - we don't want to proliferate here. They are completely violating the law. According to your own testimony there has been instances where this has been witnessed, but we have no idea where, when and how many, and to me, that is a problem. So I thank you for supporting the bill, but I think we need to do a little bit more than that from here on in.

DEPUTY COMMISSIONER FREEDMAN: I take your point.

COUNCIL MEMBER WILLIAMS: Thanks.

CHAIRPERSON GARODNICK: Thank you, Council Member, and I will observe that this does feel like a low priority from DCA, and I hope that this becomes a higher priority for you because there is a clear issue here, and certainly feeling among my colleagues that this issue is not getting appropriate attention. My impression from hearing the testimony today is the same. So let me just ask you, Deputy Commissioner, about those fitness hearings because under Chapter 20 as you pointed out the Commissioner can hold hearings on whether

1 or not violations of that section have occurred.  
2  
3 Have you held such hearings?

4 DEPUTY COMMISSIONER FREEDMAN:

5 Actually, there have been only three suspensions  
6 in the last five years of these sorts of licenses.  
7 We routinely hold fitness hearings in other  
8 industries, but for this one, I would have to go  
9 back and see.

10 CHAIRPERSON GARODNICK: That is an  
11 important point because the fact that you have the  
12 power to do it and may not be doing it is a point  
13 that is of interest to this committee. I would  
14 also note that the commissioner has an opportunity  
15 under the code to issue a civil penalty for  
16 violation of that chapter of up to \$500 for  
17 somebody who is violating the law, particular of  
18 interest for today's hearing any of the provisions  
19 that would allow for money prizes and things like  
20 that. So do you know if there have been any civil  
21 fines issued?

22 DEPUTY COMMISSIONER FREEDMAN: We  
23 have not.

24 CHAIRPERSON GARODNICK: Ever?

25 [crosstalk]

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

DEPUTY COMMISSIONER FREEDMAN: I  
can't say ever.

CHAIRPERSON GARODNICK: When you  
say you have not then tell me what term of years  
you are referring to.

DEPUTY COMMISSIONER FREEDMAN: I  
would say in the last five years.

CHAIRPERSON GARODNICK: Okay, so  
there have been no civil penalties issued by the  
commissioner in this area in the last five years.  
Now some of these businesses are incorporated, and  
they are licensed by DCA with names like Lucky 8  
Sweepstakes Café, Lucky Jade Internet Sweepstakes  
Café, Players Club Internet Sweepstakes Café among  
others. Now when somebody comes to DCA and says I  
would like a license. This is my corporate name.  
Presumably that would raise a red flag as to what  
sort of activities are being engaged in here.  
Right?

DEPUTY COMMISSIONER FREEDMAN: By  
name only, I don't think so. I think that I tried  
to explain what it is we do before a license is  
issued, so we do coordinate a multi-agency process  
with fire, Department of Buildings, the council

1 member in the location, and the community board.  
2  
3 Now interestingly a council member brought  
4 something recently to our attention, and I won't  
5 say who and I won't say in what district, but he  
6 was absolutely right, and we denied the license.  
7 In other words, it did not fit the location  
8 geographically. It was an entity that wanted a  
9 gaming café license in a residential area, so we  
10 were able to deny that.

11 CHAIRPERSON GARODNICK: If you had-

12 -

13 DEPUTY COMMISSIONER FREEDMAN:

14 [interposing] But we don't deny on names.

15 CHAIRPERSON GARODNICK: Well, I am  
16 just wondering if it is a common sense sort of  
17 question. If the name was Come Gamble Here, it  
18 must raise a red flag for DCA.

19 DEPUTY COMMISSIONER FREEDMAN: But  
20 there are many different names, you know.

21 CHAIRPERSON GARODNICK: I  
22 understand--

23 DEPUTY COMMISSIONER FREEDMAN:  
24 [interposing] That might not rise to--

25 CHAIRPERSON GARODNICK: Right. But

1  
2 these certainly should be red flags I would think  
3 for DCA on licensing and certainly for follow up  
4 by PD. It seems like they would be obvious places  
5 to take a look at, well certainly at licensing and  
6 certainly now that you know the issue is a real  
7 issue for follow up.

8 DEPUTY COMMISSIONER FREEDMAN: I  
9 can assure you that I will bring back to the  
10 commission the critical nature of this issue, and  
11 we will take a different look.

12 CHAIRPERSON GARODNICK: is a  
13 complaint from--what is sufficient to push DCA to  
14 call one of these licensed entities in for a  
15 fitness hearing? Is repeated complaints from a  
16 local representative enough? Is a 311 consumer  
17 related complaint--must it be consumer related or--  
18 -

19 DEPUTY COMMISSIONER FREEDMAN:  
20 [interposing] No, all of the above. All of the  
21 above.

22 CHAIRPERSON GARODNICK: So for  
23 example if Council Members Williams and Fidler  
24 have said to you, look, we have got a list of ten  
25 locations which we have seen with our own eyes are

1  
2 operating as illegal gambling cafes, that would be  
3 sufficient for DCA to call them in for a fitness  
4 hearing?

5 DEPUTY COMMISSIONER FREEDMAN: And  
6 in fact we are reviewing Council Member Fidler two  
7 of your--one of your enforcement tips was out of  
8 business at our last visit. Two are now currently  
9 under investigation.

10 CHAIRPERSON GARODNICK: That is  
11 helpful. I don't know how many were on his list.  
12 If it was 20--

13 DEPUTY COMMISSIONER FREEDMAN:  
14 [interposing] No, no. I think the Council Member  
15 had three I believe inquiries and one when we  
16 visited in January was out of business, and the  
17 other two are currently under investigation.

18 CHAIRPERSON GARODNICK: Well, that  
19 is an important fact that this Council needs to  
20 know, which is if members identify businesses that  
21 they have very strong and clear reason to believe  
22 are operating in a way that is not consistent with  
23 their license that DCA will on that basis call  
24 them in for a fitness hearing, ask the right  
25 questions and potentially exercise your right to

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

penalize them under the code.

DEPUTY COMMISSIONER FREEDMAN: And I believe Council Member Williams, that we did investigate an inquiry from you as well.

CHAIRPERSON GARODNICK: I am going to go to Council Member Koslowitz.

COUNCIL MEMBER KOSLOWITZ: Thank you. You issued the licenses for these cafes.

DEPUTY COMMISSIONER FREEDMAN: Yes, ma'am.

COUNCIL MEMBER KOSLOWITZ: You don't have the capacity if--well, nobody has walked in, so it's hard. Like if you walk in to a place that is disobeying their license agreement with you, you cannot close the place down?

DEPUTY COMMISSIONER FREEDMAN: They get a violation for unlicensed activity.

COUNCIL MEMBER KOSLOWITZ: And they continue doing business. They continue running their business.

DEPUTY COMMISSIONER FREEDMAN: Case by case, there are fines they have to pay. There are a variety of things that occur.

COUNCIL MEMBER KOSLOWITZ: Well,



1 paying fines if illegal gambling is going on--

2 [crosstalk]

3  
4 DEPUTY COMMISSIONER FREEDMAN: No,  
5 no, no. Let me make it clear, if there is illegal  
6 gambling, we refer that to the police. No. We  
7 don't. That is what we refer to the police if we  
8 suspect upon an inspection that there is illegal  
9 gambling going on, we don't have the authority to  
10 take any action. That is all for the police.

11 COUNCIL MEMBER KOSLOWITZ: Board of  
12 Health can close down a restaurant. They can  
13 close down a restaurant. They don't need the  
14 police.

15 DEPUTY COMMISSIONER FREEDMAN:  
16 Illegal gambling is a referral to the police  
17 department. Our inspectors don't have the  
18 authority to do that.

19 COUNCIL MEMBER KOSLOWITZ: What I  
20 don't understand if you go into a place and there  
21 is illegal gambling going on, whoever goes into  
22 that place should walk out--I can understand they  
23 don't want to get hurt in any way--they should  
24 walk out and go to the corner and call the police  
25 immediately. That place should be shut down

1  
2 immediately and not be allowed to continue doing  
3 what they are doing for another minute.

4 DEPUTY COMMISSIONER FREEDMAN: And  
5 our inspectors I am sure make those referrals.  
6 That is what they do.

7 COUNCIL MEMBER KOSLOWITZ: Alright.  
8 'Cause Council Member Fidler passed around the  
9 machines of the places, and they have the address  
10 on it. If I wanted to go tonight, I know where I  
11 could go, and that place is still doing business.

12 DEPUTY COMMISSIONER FREEDMAN: All  
13 I can tell you is that we don't shut down illegal  
14 gambling. We refer to the police. There is  
15 nothing else I can tell you. That is what we do.

16 COUNCIL MEMBER KOSLOWITZ: But what  
17 I am saying to you is why can't it be done  
18 immediately? Like I said, the person, the  
19 inspector, whoever it may be go outside and call  
20 the police?

21 DEPUTY COMMISSIONER FREEDMAN: I am  
22 not at all sure that it isn't being done  
23 immediately. In terms of making the calls.

24 COUNCIL MEMBER KOSLOWITZ: Well,  
25 how many places have been closed down if it is

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

being done?

INSPECTOR JOHN DENISOPOLIS:

Council Member, we have at least one time within the last four months that we received a complaint from DCA saying there was illegal gambling taking place at a location and we conducted an investigation and established probably cause, got a search warrant, made an arrest and brought that person to justice, seize their computers and shut them down for a period, so DCA has at least once during this last four month period given us a complaint concerning illegal gambling.

COUNCIL MEMBER KOSLOWITZ: What

else do you find in these places when they are doing illegal gambling? Is that the only thing that is being done there? - -

INSPECTOR JOHN DENISOPOLIS: Is

that question being directed to me?

COUNCIL MEMBER KOSLOWITZ: Yes.

INSPECTOR JOHN DENISOPOLIS: What

we see in these locations is some of them are set up very elaborately with carpeting and mood lighting and you might see a chart that issues or indicates pay outs, so in those places, we kind of

1 know that what is going on is illegal gambling.  
2 In the last case that the commissioner referred  
3 to, members of Manhattan south were out in the  
4 march operation and they noticed that there was  
5 illegal cigarette sales taking place--that was  
6 sales without a license. Typically we make  
7 observations and arrests for untaxed cigarettes as  
8 well. These locations traditionally don't serve  
9 alcohol--coffee and soft drinks, and in some cases  
10 the people that are running these things think  
11 they are legitimate places, but we investigate  
12 them for gambling and those back page articles and  
13 the flyers are excellent intelligence for us to  
14 conduct investigations at these spots, but the  
15 investigations don't happen overnight. If we do  
16 it, we send operatives in whether it be informants  
17 or we work in undercover operations, and we have  
18 to build the case prior to shutting the place  
19 down, so we wouldn't just walk in and close the  
20 place down just on the observation of gambling.  
21 We would try to establish a case that we could  
22 prosecute in a district attorney's office, so it  
23 may take us a few days, weeks to accomplish that  
24 mission.  
25

1  
2 COUNCIL MEMBER KOSLOWITZ: But when  
3 you walk into these places, the only thing that is  
4 being done is gambling.

5 INSPECTOR JOHN DENISOPOLIS: In the  
6 nine locations that we have become aware of since  
7 November that is what we are making arrests for--  
8 gambling.

9 COUNCIL MEMBER KOSLOWITZ: Alright,  
10 but no other machines are in the place other than  
11 gambling machines.

12 INSPECTOR JOHN DENISOPOLIS:  
13 Internet gambling machines is what we are talking  
14 about.

15 COUNCIL MEMBER KOSLOWITZ: Okay.  
16 Alright because my fear is and I have a very  
17 personal feeling about this--my late father in law  
18 was in the business. I don't want it to be mixed  
19 up with coin operated amusement machines. There  
20 is a difference. There is a big restriction on  
21 them to begin that and I don't want to see that  
22 mixed up. If you walk into a place and there is  
23 gambling going on certainly that place should be  
24 closed down, but I don't want it to be a war on  
25 all kinds of machines, including arcade machines

1  
2 because it is an industry and it is a dying  
3 industry because now we have the internet where  
4 people can go on and play games all night, so I  
5 just want to separate certainly gambling illegal  
6 gambling I am certainly against, but we have to  
7 separate them. I don't want there to be a war on  
8 other machines or arcades that do legal business.  
9 That is it.

10 CHAIRPERSON GARODNICK: Thank you,  
11 Council Member Koslowitz. I am going to go back  
12 to Council Member Williams.

13 COUNCIL MEMBER WILLIAMS: Thank  
14 you. First I was remiss in just publically not  
15 thank the Department for the work that has been  
16 done the past few days making New York City feel  
17 safe to continue operating, particularly after  
18 Boston, so I want to thank you for that. The  
19 shutdown that occurred in the past four months was  
20 that a sweepstakes café?

21 INSPECTOR JOHN DENISOPOLIS: All  
22 the locations, all nine of them in fact were  
23 internet cafes where illegal gambling type games,  
24 casino games were on computers.

25 COUNCIL MEMBER WILLIAMS: Do you

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

know how many were shut down in the past two years?

INSPECTOR JOHN DENISOPOLIS: I don't have that number. This is a recent phenomenon for us. We have done a lot of illegal gambling locations, but the internet cafes have seemed really to surface since November of last year.

COUNCIL MEMBER WILLIAMS: And Deputy Commissioner, you say you don't have the authority to shut them down, but what you said before it sounded like you have the authority through a fitness hearing and then a tribunal, but you don't want to use that authority. You would rather go through NYPD.

DEPUTY COMMISSIONER FREEDMAN: On consumer protection issues we can use our tribunal, but on illegal gambling this is in the purview of the police department.

COUNCIL MEMBER WILLIAMS: It's not in the purview in practice or is it codified that it is not in the purview?

DEPUTY COMMISSIONER FREEDMAN: I think as the inspector explained there is a

1  
2 definite process that the police department goes  
3 through in terms of - - .

4 COUNCIL MEMBER WILLIAMS:

5 [interposing] Do you know if it is not a purview  
6 in practice or not a purview that is codified?

7 ASSISTANT COMMISSIONER PETITO:

8 Council Member, maybe I can help--

9 CHAIRPERSON GARODNICK:

10 [interposing] Please identify yourself.

11 ASSISTANT COMMISSIONER PETITO:

12 Susan Petito. I believe that the administrative  
13 tribunal that the commissioner is talking about is  
14 geared toward consumer protection issues, and I  
15 think that the problem is that there may not be a  
16 technical prohibition from their dealing with  
17 criminal law and penal law violations, but that  
18 isn't their expertise and so what we are  
19 suggesting in terms of their being able to take  
20 summary action or having strong evidence of  
21 illegal gambling for purposes of a fitness hearing  
22 that it would be much better if it was tied to a  
23 conviction related to an arrest for gambling, so I  
24 don't think it is necessarily black and white law  
25 that they can't consider it, but the problem is



1  
2 that their whole tribunal doesn't have the  
3 criminal law expertise to make evidentiary  
4 findings on that basis.

5 COUNCIL MEMBER WILLIAMS: But as  
6 mentioned--so the other places where you can  
7 revoke the license I can't remember what my  
8 colleague - - you cited some other places where  
9 they do revoke the license, health, so the belief  
10 is that DCA then has the health expertise?

11 DEPUTY COMMISSIONER FREEDMAN: No,  
12 we don't revoke health licenses.

13 COUNCIL MEMBER WILLIAMS: Does DCA  
14 ever--

15 [crosstalk]

16 DEPUTY COMMISSIONER FREEDMAN: We  
17 revoke licenses. Council Member, we license now  
18 81,000 businesses in 55 different industries, and  
19 we do have the power based on a fitness review and  
20 a hearing to revoke licenses for cause, and so we  
21 have revoked licenses in other industries.

22 COUNCIL MEMBER WILLIAMS: And just  
23 so I understand illegal gambling under the purview  
24 of DCA is not a consumer affairs issue unless they  
25 complain they didn't get their prize or something.

DEPUTY COMMISSIONER FREEDMAN:

Actually, no. We will be able to review for example the ads that you have now pointed out vis-à-vis fitness for entities. We will be able to review as we are now the complaints that have been coming in from elected officials and on that basis we will be able to recommend a revocation or a suspension.

COUNCIL MEMBER WILLIAMS: Has DCA or NYPD spoken with other municipalities who are having this issue and anybody else in the country?

DEPUTY COMMISSIONER FREEDMAN: DCA has not at this time, but it is a great idea. Thank you.

INSPECTOR JOHN DENISOPOLIS: We haven't either; however, it is something we are looking into. We are looking at best practices nationwide and we actually have a major case vice team that I actually have reaching out to surrounding areas at this point. Some places it is legal to actually have these. In fact in Jersey, I understand it's legal to have these internet gambling cafes.

COUNCIL MEMBER WILLIAMS: Just to

1  
2 more questions, one, back to your comment some of  
3 these premises quite openly advertising the  
4 availability of gambling on premises. Where were  
5 you basing that information from?

6 DEPUTY COMMISSIONER FREEDMAN: The  
7 police department.

8 COUNCIL MEMBER WILLIAMS: But the  
9 police department doesn't know how many of them  
10 there are?

11 INSPECTOR JOHN DENISOPOLIS:  
12 Illegal or advertising?

13 COUNCIL MEMBER WILLIAMS:  
14 Advertising.

15 INSPECTOR JOHN DENISOPOLIS: At  
16 this point we don't know exactly how many are  
17 advertising; however, it is something we are  
18 obviously looking into.

19 COUNCIL MEMBER WILLIAMS: So there  
20 was none--this was brought to my attention--  
21 basically - - bordered my district. There weren't  
22 any inside. One was right across the line and the  
23 other was on the other side of the line. I think--  
24 -hopefully, if I get reelected I will pick up one.  
25 I don't know if that is fortunate or not. I know

1  
2 one was shut down. I think that was Reels of  
3 Fortune.

4 INSPECTOR JOHN DENISOPOLIS:

5 Councilman, just for clarity the New York City  
6 Police Department doesn't shut down these places.  
7 We go through nuisance abatement proceedings--the  
8 New York State nuisance abatement proceedings,  
9 which specify a few occurrences at a location to  
10 prove that criminal conduct is taking place, and  
11 then we shut them down through New York State  
12 nuisance abatement proceedings.

13 COUNCIL MEMBER WILLIAMS: Two were  
14 closed. I know the Reels of Fortunate and I  
15 believe Lucky Spot, and I was just wondering if  
16 any of those were closed down through the police  
17 or DCA taking action or just business wasn't good?

18 INSPECTOR JOHN DENISOPOLIS: Well,  
19 typically what happens too is we are removing the  
20 computers, so we are taking the venue to commit  
21 these crimes away from them. We are seizing them  
22 as arrest evidence.

23 COUNCIL MEMBER WILLIAMS: So it is  
24 quite possible the two that I recently saw that  
25 are no longer operating may have been shut down

1  
2 eventually because of investigations. Do you know  
3 if Lucky Spot and Reels of Fortune were--

4 INSPECTOR JOHN DENISOPOLIS: The  
5 one on Avenue U I mentioned to Councilman Fidler  
6 that it is an ongoing investigation. I can  
7 discuss that with you at the break.

8 COUNCIL MEMBER WILLIAMS: Sure.  
9 You don't know about Lucky Spot?

10 INSPECTOR JOHN DENISOPOLIS: Lucky  
11 Spot, if you have the address I can tell you.

12 COUNCIL MEMBER WILLIAMS: - - Give  
13 me one second. I am sorry. It's Flatbush Avenue  
14 and Newkirk Avenue [phonetic].

15 INSPECTOR JOHN DENISOPOLIS: Not at  
16 this time. Not yet.

17 COUNCIL MEMBER WILLIAMS: Thank you  
18 very much.

19 CHAIRPERSON GARODNICK: Thank you,  
20 Council Member Williams. Before we go to our next  
21 panel, I just want to make sure that it is clear  
22 to everybody here and also to DCA that within  
23 Title 20, that is the consumer affairs title of  
24 the Ad Code, it is very explicit that no amusement  
25 arcade or gaming café owner or gaming café shall

1  
2 offer money prizes or awards or such other prizes  
3 or awards, which are redeemable or may be redeemed  
4 in money or which may be used as a credit or  
5 allowance which may be exchanged for any money,  
6 credit or allowance, so it is right there in the  
7 DCA code with the ability for the DCA commissioner  
8 upon suspicion that that is happening to call that  
9 licensee in for a fitness hearing to determine  
10 whether that actually has happened, and upon a  
11 finding of a violation of that, the commissioner  
12 can impose a civil penalty. There also is a class  
13 b misdemeanor that is present if you violate those  
14 rules, but for DCA purposes only if you suspect,  
15 call them in and make a finding that they are in  
16 fact violating the terms of their license, which  
17 includes no cash prizes there is a civil penalty  
18 that can be imposed by the commissioner so I just  
19 wanted to make sure the DCA does have a role in  
20 this. It is not all referenced to the police  
21 department. That may be practice as to what you  
22 do, but DCA does in fact have the power under  
23 Title 20 to do that and we know that obviously  
24 this has not historically been a high priority for  
25 the Department and we want it to be, but I am

1  
2 certain that that point has been made and I hope  
3 heard--

4 DEPUTY COMMISSIONER FREEDMAN:

5 [interposing] Abundantly. Thank you.

6 CHAIRPERSON GARODNICK: With that,  
7 I am going to call up the only other witness who  
8 is here to testify today, Danny Frank on behalf of  
9 the Amusement and Music Owners' Association of New  
10 York, and we thank all the representatives of the  
11 city agencies for their presence here today. Mr.  
12 Frank, as soon as you are settled, you can begin.  
13 Alright, Mr. Frank, whenever you are ready.

14 DANNY FRANK: So thank you for the  
15 opportunity to come here. As some of you know I  
16 represent what is called the Amusement and Music  
17 Owners' Association of New York. We are a trade  
18 group that goes back to the 1940s. Our industry  
19 has operators of electronic music, jukeboxes and  
20 amusement games that are typically, generally in  
21 entertainment establishments, bars, taverns,  
22 clubs. We do not represent the internet cafes.  
23 We don't even represent arcades. That being said,  
24 all that I have heard today, the evidence of this  
25 proliferation of gambling and other things that I

1  
2 had mentioned at the previous hearing on the bill  
3 690, sponsored by Ms. Koslowitz and Mr. Comrie,  
4 other sources of gambling like the lottery, New  
5 York State Lottery and the racinos [phonetic],  
6 which I would like to touch on. Again, all of  
7 this is I think validation of why we need for our  
8 industry 690 by Ms. Koslowitz and Mr. Comrie to  
9 give our legitimate industry a fair playing field,  
10 an equal playing field. We are asking through 690  
11 a little opportunity to promote some excitement,  
12 to promote some competition among players, who  
13 instead have been attracted by these illegal  
14 venues, this gambling that is proliferating for  
15 the opportunity to get cash and free prizes, and  
16 once again, it appears Ms. Freedman has run out of  
17 the room, hasn't sit to listen to us, but last  
18 time we were here, she was ruthless in crucifying  
19 our industry and speaking against 690, Ms.  
20 Koslowitz's bill about the quality of life how  
21 that would be threatened and how it would promote  
22 truancy. What I am hearing here again, all of  
23 this gambling activity is really why our industry  
24 needs 690 and we would appreciate it and hope that  
25 you would support release of your committee,



1  
2 Consumer Affairs, of 690 and that the general  
3 Council would have the opportunity to vote on it.

4 CHAIRPERSON GARODNICK: Thank you  
5 very much, Mr. Frank, and that is still a live  
6 issue here in this committee. We appreciate your  
7 testimony and your presence as always. Is there  
8 something you wanted to add?

9 DANNY FRANK: Well, I would like to  
10 say that the last time I was here, which is now I  
11 think about three months and going back prior to  
12 that, it is now a total of about six months. We  
13 had given to Ms. Freedman directly a list of  
14 arcades that are operating that have no license  
15 that advertise openly on the internet. In fact I  
16 believe one is currently in the midst of Getting  
17 approval by the SLA to sell alcohol and again,  
18 this goes back about six months now that we turned  
19 over this list to Ms. Freedman, and so best as we  
20 can determine nothing has been done on these  
21 arcades. It's pretty easy to go to--there is one  
22 of them a couple of blocks from here--a big  
23 internet presentation, and nothing has been done  
24 on the license. They haven't been closed down, no  
25 fines, nothing, and I also, Mr. Garodnick had as a

1  
2 follow up sent some information. Again, the  
3 competitive pressure we continue to feel by the  
4 aggressiveness on the part of the New York State  
5 Lottery. You walk in now to many places that--  
6 someone here mentioned Wal-Mart before--these  
7 lottery machines are supposed to be for people I  
8 guess over the age of 18, and there is supposed to  
9 be some oversight or enforcement where they are  
10 located, and more and more you are seeing these  
11 lottery machines for tickets, automated machines  
12 in public places without any oversight, and again,  
13 all this does is put further pressure, unfair  
14 competition on our industry. It is not fair.  
15 It's a double standard, and we don't have the same  
16 playing field. With respect to the advertising  
17 that several of you have mentioned, leaving here  
18 the last time I testified I got on the subway, a  
19 block or two away from here, and I am sitting  
20 down, and there is a big series of these posters  
21 on the subway. You all know what I am referring  
22 to, these ads that are supervised, managed by the  
23 MTA, TA. Come to New York City's only gambling  
24 casino. A whole spread, a whole advertising  
25 presentation, and that if you go to Jamaica on the

1  
2 subway, take the subway to Jamaica, there is  
3 regular shuttle service that will take you to  
4 Aqueduct, free shuttle service, and people over  
5 18, so I don't know. Again, we were dealt with by  
6 Ms. Freedman the last time very harshly. You  
7 would have thought our industry - - what we were  
8 asking for, little bit of room to compete, and yet  
9 here is this advertising openly on the subway  
10 obviously endorsed by government because  
11 government manages and runs this advertising and  
12 they are openly supporting the only casino in New  
13 York City, gambling casino. I rest my case.  
14 Thank you for your time.

15 CHAIRPERSON GARODNICK: Thank you,  
16 Mr. Frank. We are going to let you have the last  
17 word, and obviously, we have--I just want to make  
18 sure. Is there actually somebody leftover from  
19 the Department of Consumer Affairs who is present  
20 to hear that? Well, I am sorry that they didn't  
21 hear your testimony. We will certainly draw their  
22 attention to it online because they should watch  
23 it. With that, I want to thank Council Members  
24 Williams and Fidler in particular for bringing the  
25 issue of the illegal gambling to the attention of

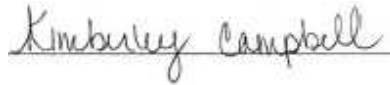
1  
2 this committee and the Council and we will be  
3 following up on this issue maybe perhaps even with  
4 another hearing to see whether DCA has made any  
5 progress on this subject, and with that, and no  
6 other witnesses seeking to testify today, this  
7 committee hearing is adjourned. Thank you.

8 [gavel]

C E R T I F I C A T E

I, Kimberley Campbell certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature

Handwritten signature of Kimberley Campbell in cursive script, written over a horizontal line.Date 5/13/13