

Q3 2011



West Hollywood Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

West Hollywood In Brief

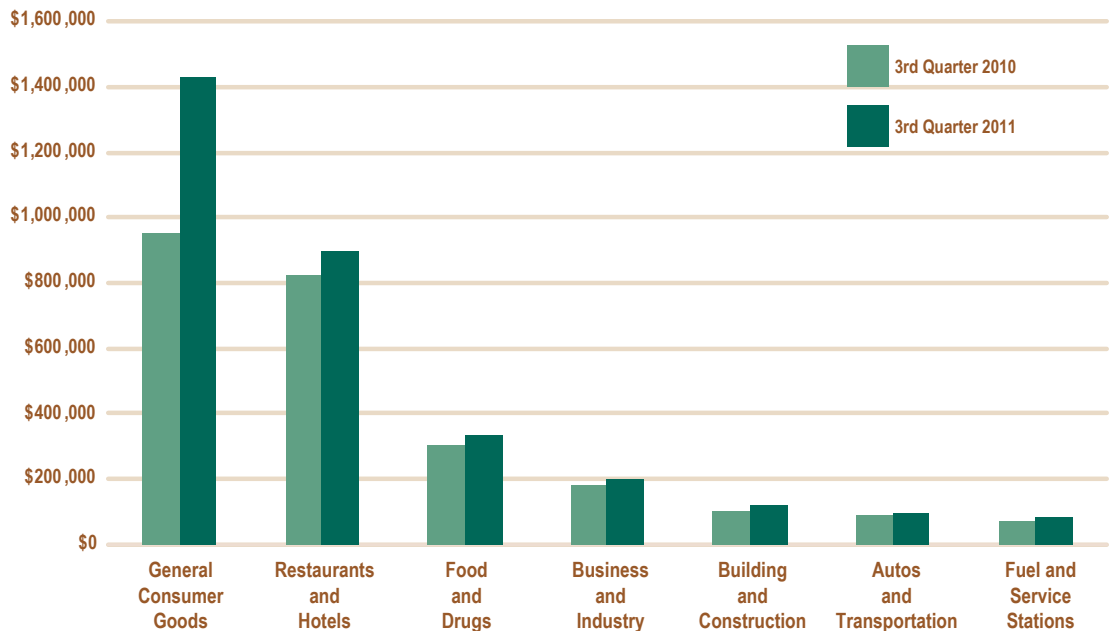
West Hollywood's allocation of tax revenues from its July through September sales was 24.2% higher than the same quarter one year ago.

However, the data was skewed by state accounting adjustments which erroneously inflated comparisons in the family apparel and consumer electronics categories. The real gain over the previous year is closer to 11% when these and other aberrations were factored out.

A solid quarter for companies selling home furnishings and/or serving the design industry plus recent restaurant-hotel additions were the primary contributors to the actual increase in sales. Higher fuel prices and correction of previous misallocations in the general consumer goods group were also factors.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 8.1% over the comparable time period while Southern California as a whole was up 8.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Abbey Food & Bar	Maxfield Bleu
Best Buy	Mondrian Hotel
BevMo	Pavillions
Boa	Ralphs
Cecconis	Ralphs
CVS Pharmacy	Saddle Ranch Chop House
Gelsons Market	Soho House West Hollywood
Herman Miller Workplace Resource	Steinway & Sons
Hornburg Jaguar	Target
Katana	Trader Joes
Koontz Hardware	Whole Foods Market
London West Hollywood	World Oil Marketing
Mansour Fine Rugs	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$5,221,226	\$5,934,731
County Pool	595,555	653,423
State Pool	3,693	991
Gross Receipts	\$5,820,473	\$6,589,145
Less Triple Flip*	\$(1,455,118)	\$(1,647,286)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

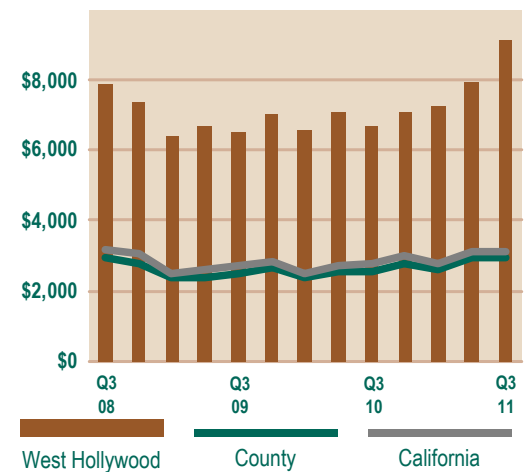
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q3 '11*	Change	Change	Change
Art/Gift/Novelty Stores	45.2	-0.3%	5.8%	8.5%
Discount Dept Stores	— CONFIDENTIAL —	—	5.2%	3.1%
Electronics/Appliance Stores	275.7	67.1%	-3.1%	-9.1%
Family Apparel	364.5	228.9%	7.5%	7.9%
Grocery Stores Beer/Wine	58.3	17.5%	8.1%	4.9%
Grocery Stores Liquor	159.0	3.5%	16.0%	10.7%
Home Furnishings	224.8	39.3%	8.1%	7.4%
Hotels-Liquor	128.8	57.6%	16.3%	8.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	13.7%	12.3%
Restaurants Beer And Wine	99.4	10.6%	0.5%	0.9%
Restaurants Liquor	573.4	0.6%	10.4%	10.8%
Restaurants No Alcohol	98.8	18.7%	7.0%	7.1%
Service Stations	87.6	18.6%	20.0%	20.5%
Specialty Stores	95.0	-0.1%	7.7%	7.9%
Textiles/Furnishings	110.8	3.1%	16.6%	11.0%
Total All Accounts	\$3,170.7	25.0%	10.3%	9.4%
County & State Pool Allocation	349.4	17.2%		
Gross Receipts	\$3,520.1	24.2%		<i>*In thousands</i>