

Q1 2014



West Hollywood Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

West Hollywood In Brief

Receipts for West Hollywood's January through March sales were 6.8% higher than the same quarter one year ago. Actual sales activity was up 8.5% when reporting aberrations were factored out.

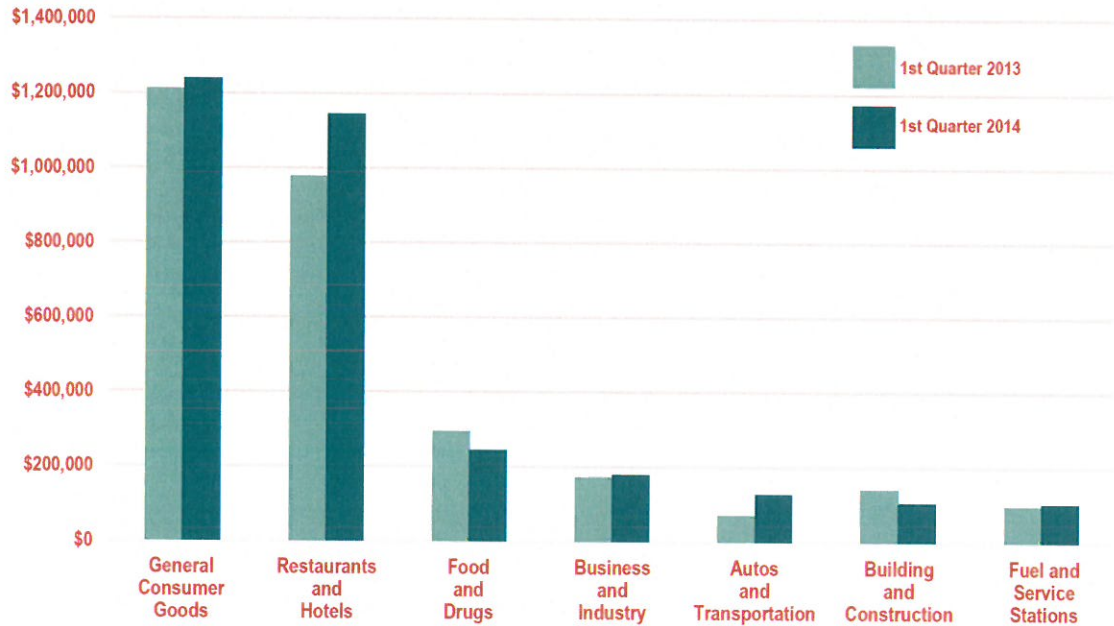
Recent additions that helped boost revenues from casual dining and leisure/entertainment were primarily responsible for the current increase.

The city experienced a strong sales quarter for art/gift/novelty stores. A onetime accounting adjustment that negatively impacted last year's allocation and strong sales caused the increase in autos and transportation.

The gains were partially offset by reporting aberrations that temporarily depressed results from grocery stores and family apparel.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 3.5% over the comparable time period, while the Southern California region as a whole was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

1 Oak	Saddle Ranch Chop House
Best Buy	Shell
BOA Steakhouse	Soho House
Ceconis	Standard Hollywood
Christian Louboutin	Steinway & Sons
CVS Pharmacy	Sunset Tower & Tower Bar
David Hockney	Target
Gelsons Market	Tesoro Refining & Marketing
Hornburg Jaguar	The Abbey
John Varvatos	Waldos Designs
Maxfield Bleu	Whole Foods Market
Pavillions	
Rag & Bone	
Riva Bella	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$11,743,689	\$12,403,587
County Pool	1,399,174	1,483,079
State Pool	6,098	8,400
Gross Receipts	\$13,148,961	\$13,895,066
Less Triple Flip*	\$(3,287,240)	\$(3,473,766)

*Reimbursed from county compensation fund

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Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

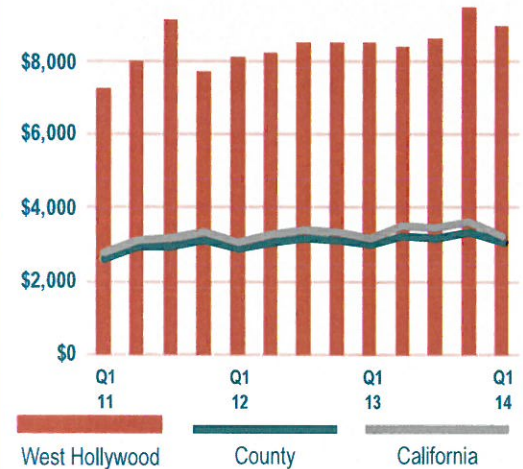
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q1 '14*	Change	Change	Change
Art/Gift/Novelty Stores	73.8	63.5%	0.7%	2.1%
Casual Dining	540.0	18.0%	6.3%	6.6%
Discount Dept Stores	—	CONFIDENTIAL	-2.9%	-2.6%
Electronics/Appliance Stores	165.9	2.9%	7.7%	2.5%
Family Apparel	209.3	-19.0%	-3.7%	-3.2%
Fine Dining	302.6	10.5%	13.4%	13.4%
Grocery Stores Liquor	115.6	-31.1%	-34.4%	-14.2%
Home Furnishings	239.3	11.3%	7.2%	6.8%
Hotels-Liquor	92.5	-18.0%	10.9%	8.4%
Leisure/Entertainment	103.3	202.0%	26.2%	7.5%
New Motor Vehicle Dealers	—	CONFIDENTIAL	10.0%	9.3%
Quick-Service Restaurants	76.2	3.3%	4.5%	4.8%
Service Stations	102.5	6.1%	-3.6%	-1.0%
Specialty Stores	108.4	16.3%	2.7%	3.1%
Textiles/Furnishings	117.9	5.1%	8.9%	11.4%
Total All Accounts	\$3,144.5	6.0%	1.8%	3.2%
County & State Pool Allocation	\$396.3	13.8%	9.2%	7.7%
Gross Receipts	\$3,540.8	6.8%	2.5%	3.7%