

Q2 2017



West Hollywood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

West Hollywood In Brief

West Hollywood's receipts from April through June were 5.8% above the second sales period in 2016. Excluding reporting aberrations, actual sales were up 3.7%.

The triple digit spike in the business and industry group was due to corrections that reduced year-ago returns.

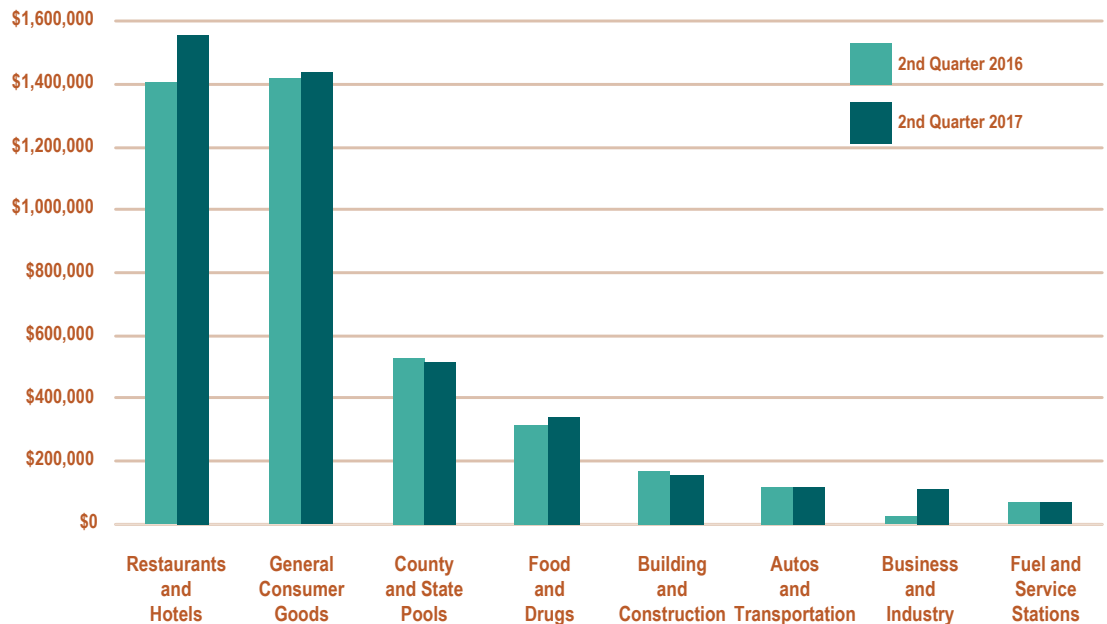
Recent openings boosted impressive performance in the fine dining and leisure/entertainment categories. However, an incorrect taxpayer remittance overstated the rise in fine dining while hotels with liquor measured up to especially high results in the comparison quarter.

Extraordinary sales in art/gift/novelty stores and jewelry stores that bumped up year-ago receipts partially offset solid results in other general retail sectors including home furnishings/design. A new outlet boosted grocery stores.

Business closures depressed building and construction while a onetime statewide correction accounted for the decline in the countywide use tax allocation pool.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|-----------------------|--------------------|
| 1 Oak | Gracias Madre |
| Anawalt Lumber | Hornburg Jaguar |
| Audio Video Interiors | Land Rover |
| Best Buy | Janus Et Cie |
| BOA Steakhouse | Maxfield Bleu |
| Boxwood at the London | Pavillions |
| Brilliant Earth | Ralphs |
| Bristol Farms | Soho House |
| Cassina | Sunset Tower Hotel |
| Catch LA | Target |
| Ceconis | The Abbey |
| Christian Louboutin | Toca Madera |
| EP & LP | Whole Foods Market |

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

| | 2016-17 | 2017-18 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$3,528,921 | \$3,780,958 |
| County Pool | 529,728 | 516,460 |
| State Pool | 1,238 | (1,977) |
| Gross Receipts | \$4,059,887 | \$4,295,441 |
| Less Triple Flip* | \$0 | \$0 |

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

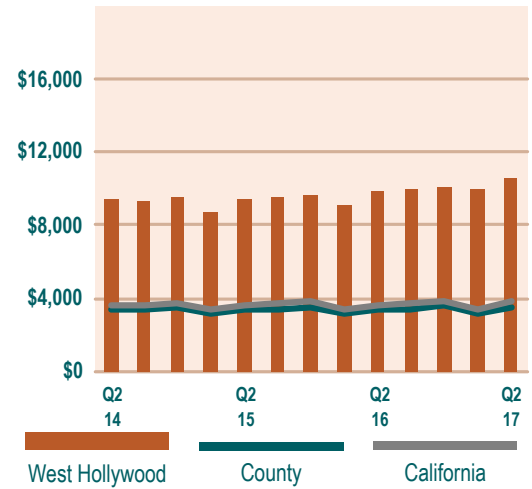
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

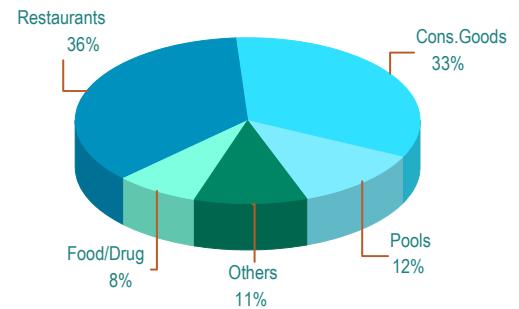
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
West Hollywood This Quarter



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

| Business Type | *In thousands of dollars | | | |
|---|--------------------------|-----------------------|---------------|------------------|
| | West Hollywood Q2 '17* | West Hollywood Change | County Change | HdL State Change |
| Casual Dining | 618.7 | -0.4% | 2.7% | 1.9% |
| Contractors | 71.6 | -27.0% | 8.3% | 9.7% |
| Convenience Stores/Liquor | 68.8 | 5.3% | 4.9% | 5.2% |
| Discount Dept Stores | — CONFIDENTIAL — | | 3.3% | 3.2% |
| Electronics/Appliance Stores | 169.8 | -5.1% | 0.4% | 0.3% |
| Family Apparel | 211.2 | 10.1% | 4.4% | 4.0% |
| Fast-Casual Restaurants | 67.2 | -17.4% | 11.1% | 9.2% |
| Fine Dining | 497.7 | 41.4% | 12.8% | 13.4% |
| Grocery Stores | 197.0 | 5.4% | 2.0% | 2.1% |
| Home Furnishings | 483.1 | 14.6% | 6.0% | 0.5% |
| Hotels-Liquor | 157.2 | -0.1% | 3.5% | 3.3% |
| Leisure/Entertainment | 133.6 | 15.5% | 9.7% | 6.5% |
| Quick-Service Restaurants | 77.4 | 1.7% | 5.6% | 5.9% |
| Service Stations | 69.6 | 2.9% | 9.5% | 8.6% |
| Specialty Stores | 111.3 | 3.9% | 1.1% | 1.4% |
| Total All Accounts | 3,781.0 | 7.1% | 4.8% | 6.4% |
| County & State Pool Allocation | 514.5 | -3.1% | -5.2% | -9.9% |
| Gross Receipts | 4,295.4 | 5.8% | 3.5% | 4.1% |