

Q3 2017



West Hollywood Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

West Hollywood In Brief

West Hollywood's receipts from July through September were 4.6% above the third sales period in 2016.

The recent addition of hotels serving food-liquor and fine dining establishments boosted restaurant results even though other categories like quick-service and fast-casual eateries experienced lackluster returns.

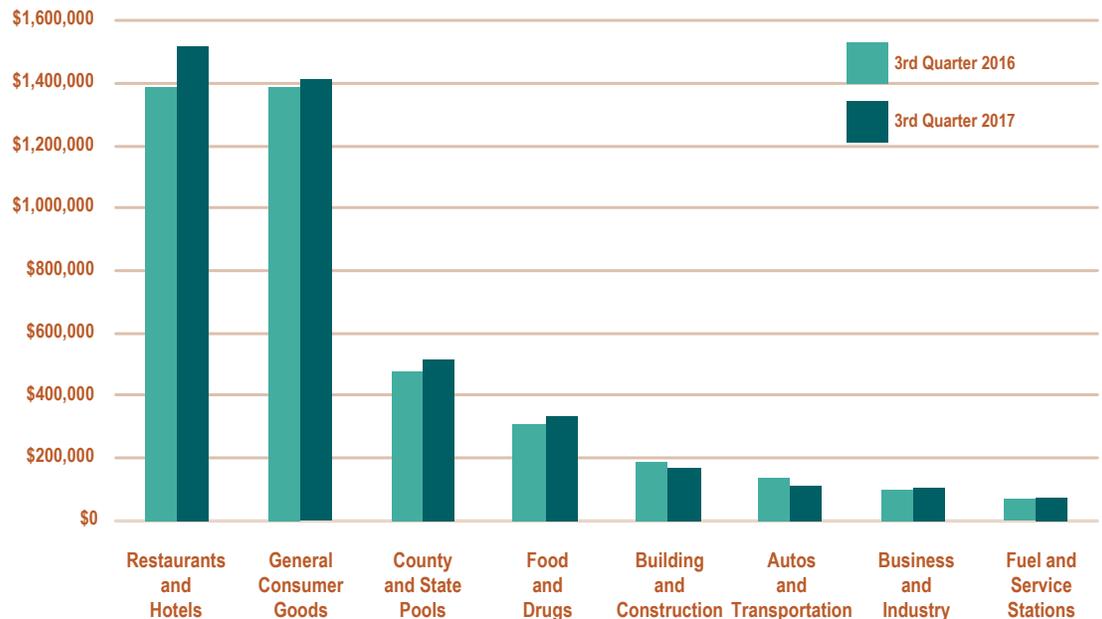
Solid growth by electronics and family apparel retailers lifted general consumer goods, while a new grocery store helped push food-drugs higher.

These increases in local point of sale revenue and increased capital and online purchases of items shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

Decreased summer activity by auto-transportation merchants and contractor suppliers compared to last year, partially offset the gains.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Janus Et Cie
BOA Steakhouse	Maxfield Bleu
Boxwood at the London	Mondrian/Asian de Cuba/Sky Bar
Bristol Farms	Pavillions
Cassina	Serafina Sunset
Catch LA	Soho House
Cecconis	Sur Restaurant
Christian Louboutin	Target
Commune	Tesoro Refining & Marketing
EP & LP	The Abbey
Gracias Madre	Waterworks
Hornburg Jaguar Land Rover	Whole Foods Market
James West Hollywood	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$7,111,024	\$7,511,392
County Pool	1,008,574	1,030,430
State Pool	2,468	942
Gross Receipts	\$8,122,065	\$8,542,764

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

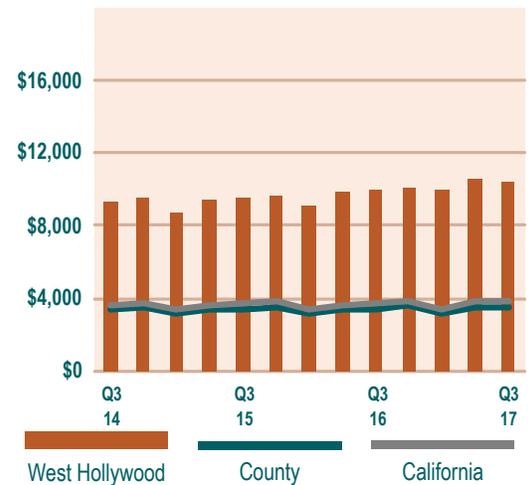
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

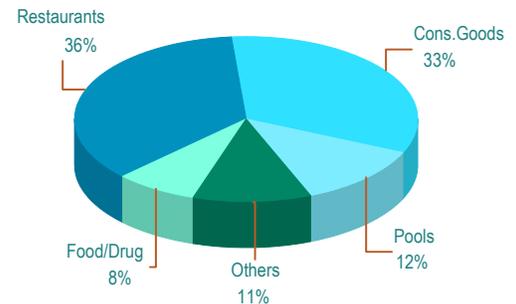
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

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 Q3 '17*	West Hollywood Change	County Change	HdL State Change
Casual Dining	621.6	1.4%	3.2%	2.4%
Contractors	87.0	-19.3%	13.9%	6.5%
Convenience Stores/Liquor	69.2	7.5%	7.2%	7.8%
Discount Dept Stores	— CONFIDENTIAL —		6.3%	6.1%
Electronics/Appliance Stores	178.8	5.6%	-1.2%	0.3%
Family Apparel	211.6	1.9%	3.4%	1.7%
Fast-Casual Restaurants	70.8	-8.6%	11.6%	8.7%
Fine Dining	456.9	25.7%	5.7%	8.6%
Grocery Stores	192.9	3.0%	0.3%	0.6%
Home Furnishings	468.1	0.9%	3.4%	0.6%
Hotels-Liquor	191.1	30.7%	12.4%	4.8%
Leisure/Entertainment	97.7	-6.5%	3.2%	1.7%
Quick-Service Restaurants	78.8	-0.1%	3.7%	4.8%
Service Stations	78.4	9.5%	6.8%	9.2%
Specialty Stores	116.7	-6.7%	1.6%	2.2%
Total All Accounts	3,730.4	4.1%	3.2%	4.1%
County & State Pool Allocation	516.9	7.7%	6.7%	4.8%
Gross Receipts	4,247.3	4.6%	3.6%	4.2%