

Q3 2018



West Hollywood Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

West Hollywood In Brief

West Hollywood's receipts from July through September were 19.6% above the third sales period in 2017. This dramatic rise is mostly attributed to CDTFA's transition to a new reporting system where multiple returns not processed in the prior period were received with this quarter's allocations. Once all remittances were shown correctly, actual sales in the current period were up 2.2%.

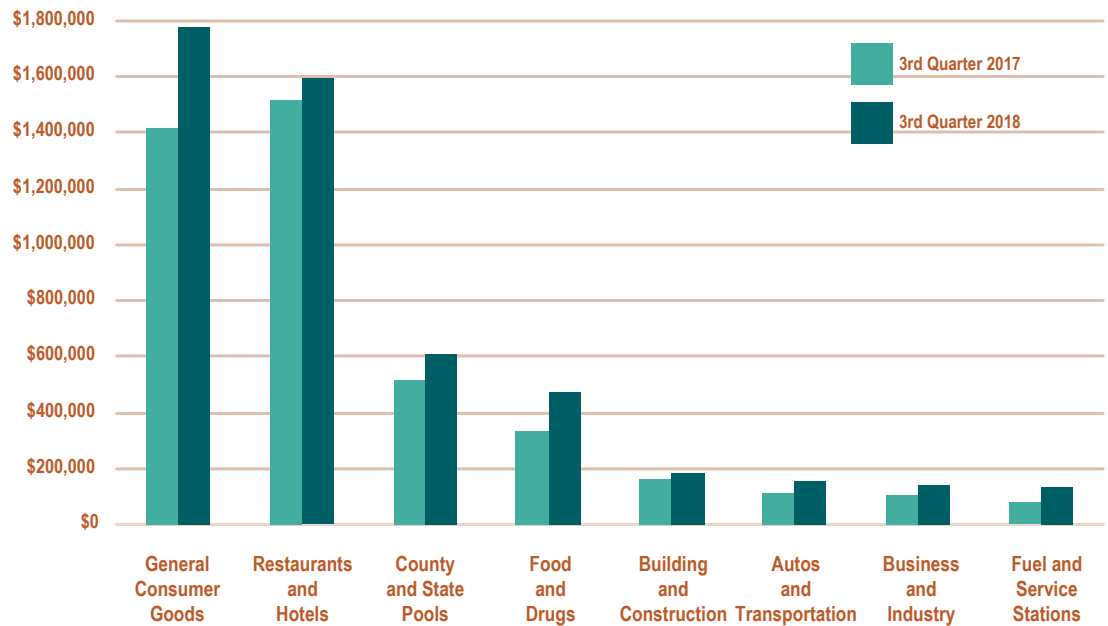
General consumer group experienced sensational growth from multiple categories including men's apparel, family apparel and home furnishing stores. Strong returns from cannabis related merchants boosted food-drugs.

Steady price increases at the pump, mostly due to the global cost of crude oil and implementation of SB-1 locally, pushed gas station receipts higher, while increased car leasing activity and allocations from the countywide use tax pool further contributed to the gains.

Once adjusted, restaurants and hotels experienced lackluster results after a long period of growth, a trend consist throughout the state.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

1 Oak	Martyn Lawrence
Best Buy	Bullard Design
BOA Steakhouse	Mass Beverly
Catch LA	Maxfield Bleu
Ceconis	Pavillions
Craigs	Ralphs
EP & LP	Shell
Farmacy West Hollywood	SJB Fine Art Services
Fred Segal Sunset	Soho House West Hollywood
Gracias Madre	Target
Herringbone	The Abbey
Hornburg Jaguar	Trader Joes
Land Rover	Whole Foods Market
Janus Et Cie	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$3,730,434	\$4,469,715
County Pool	513,970	606,688
State Pool	2,919	2,294
Gross Receipts	\$4,247,323	\$5,078,697

California Overall

The CDTEFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

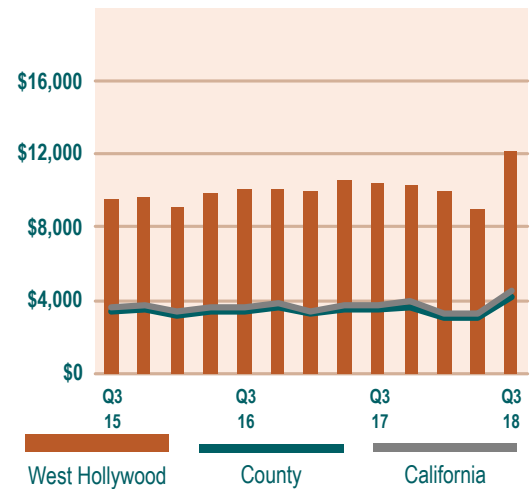
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

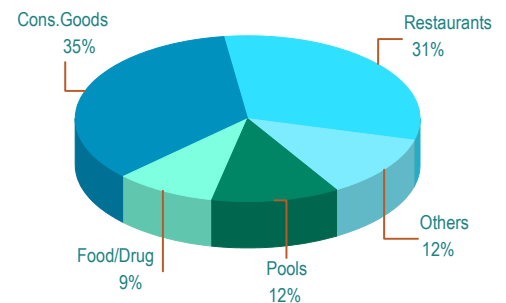
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

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 '18*	West Hollywood Change	County Change	HdL State Change
Cannabis Related	81.1	106.5%	104.3%	65.7%
Casual Dining	602.4	-1.8%	16.0%	14.8%
Convenience Stores/Liquor	90.9	30.2%	16.5%	20.6%
Discount Dept Stores	— CONFIDENTIAL —		17.9%	18.3%
Electronics/Appliance Stores	193.9	8.4%	9.9%	12.4%
Family Apparel	256.3	38.3%	36.4%	36.3%
Fast-Casual Restaurants	92.7	13.2%	12.0%	15.2%
Fine Dining	480.2	9.5%	10.5%	15.8%
Grocery Stores	268.3	39.1%	22.4%	16.1%
Home Furnishings	617.3	30.3%	25.4%	21.9%
Hotels-Liquor	173.3	-10.6%	15.8%	16.9%
Leisure/Entertainment	155.0	40.1%	17.0%	16.9%
Quick-Service Restaurants	89.3	13.3%	11.6%	13.5%
Service Stations	137.0	76.0%	43.7%	43.0%
Specialty Stores	136.9	15.8%	12.0%	8.4%
Total All Accounts	4,469.7	19.8%	21.7%	21.8%
County & State Pool Allocation	609.0	17.8%	19.7%	27.8%
Gross Receipts	5,078.7	19.6%	21.5%	22.6%