

Q3 2012



West Hollywood Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

West Hollywood In Brief

Receipts for West Hollywood's July through September sales were 6.8% lower than the same quarter one year ago. Actual sales activity was up 0.2% when reporting aberrations were factored out.

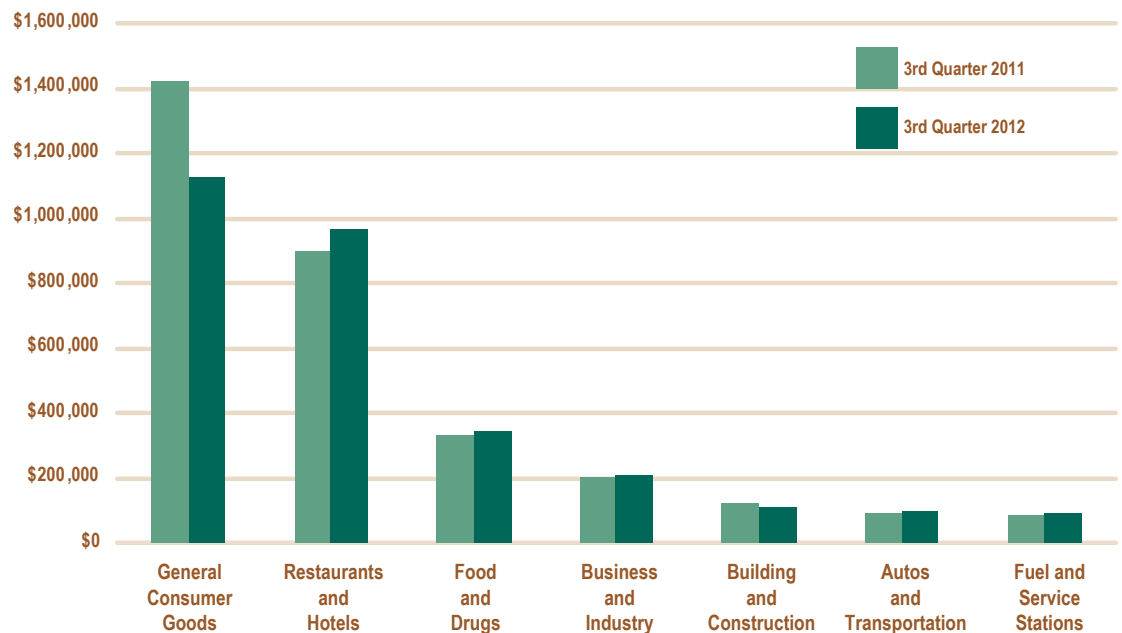
Onetime events that inflated the year-ago period accounted for the drop in family apparel and electronics/appliance stores. New openings in several groups including women's apparel and a retroactive adjustment in shoe stores helped offset the loss. Once adjusted for all aberrations, general retail as a whole dipped 1.1%.

Reporting changes and a temporary allocation error were the reason for the decline in building and construction.

New eateries contributed to the gain in restaurants and hotels but the increase lagged county and statewide trends. Retroactive adjustments inflated returns in food and drugs while higher fuel prices boosted receipts in service stations.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 5.8% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Best Buy	Ralphs
BOA Steakhouse	Ralphs
Ceconis	Saddle Ranch Chop House
Christian Louboutin	Shell
CVS Pharmacy	Soho House
Gelsons Market	Target
Hornburg Jaguar	Tesoro Refining and Marketing
Hudson	The Abbey
Janus Et Cie	The London West Hollywood
Katana	Trader Joes
Koontz Hardware	Whole Foods Market
Maxfield Bleu	
Mondrian/Asian de Cuba/Sky Bar	
Pavillions	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$5,934,731	\$5,823,852
County Pool	653,423	660,533
State Pool	991	1,806
Gross Receipts	\$6,589,145	\$6,486,192
Less Triple Flip*	\$(1,647,286)	\$(1,621,548)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

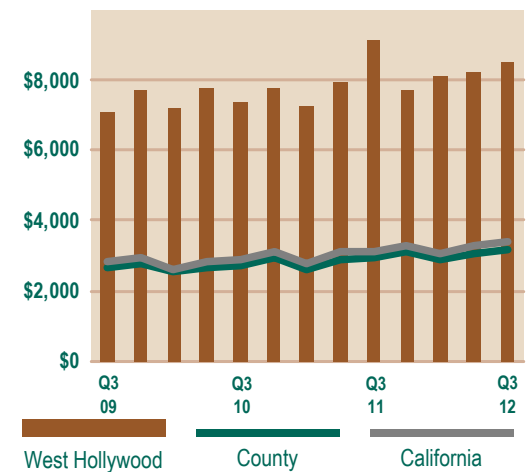
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q3 '12*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
Electronics/Appliance Stores	179.3	-35.5%	1.2%	-1.1%
Family Apparel	141.6	-61.5%	10.8%	9.7%
Grocery Stores Beer/Wine	63.0	8.0%	5.5%	4.6%
Grocery Stores Liquor	173.3	9.0%	13.5%	9.5%
Home Furnishings	228.9	1.1%	2.5%	4.5%
Hotels-Liquor	129.9	-5.2%	36.1%	23.5%
Restaurants Beer And Wine	111.3	8.6%	2.1%	2.4%
Restaurants Liquor	633.9	12.8%	9.0%	8.5%
Restaurants No Alcohol	93.9	-5.8%	7.1%	8.1%
Service Stations	96.2	9.8%	1.8%	1.5%
Shoe Stores	63.3	208.3%	9.3%	9.3%
Specialty Stores	96.9	14.0%	-0.4%	0.9%
Textiles/Furnishings	128.4	15.9%	9.4%	27.5%
Women's Apparel	55.2	22.1%	4.5%	7.5%
Total All Accounts	\$2,959.3	-6.7%	7.1%	8.8%
County & State Pool Allocation	322.1	-7.8%		
Gross Receipts	\$3,281.3	-6.8%		<i>*In thousands</i>