

Q3 2016



West Hollywood Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

West Hollywood In Brief

West Hollywood's receipts from July through September were 6.6% above the third sales period in 2015.

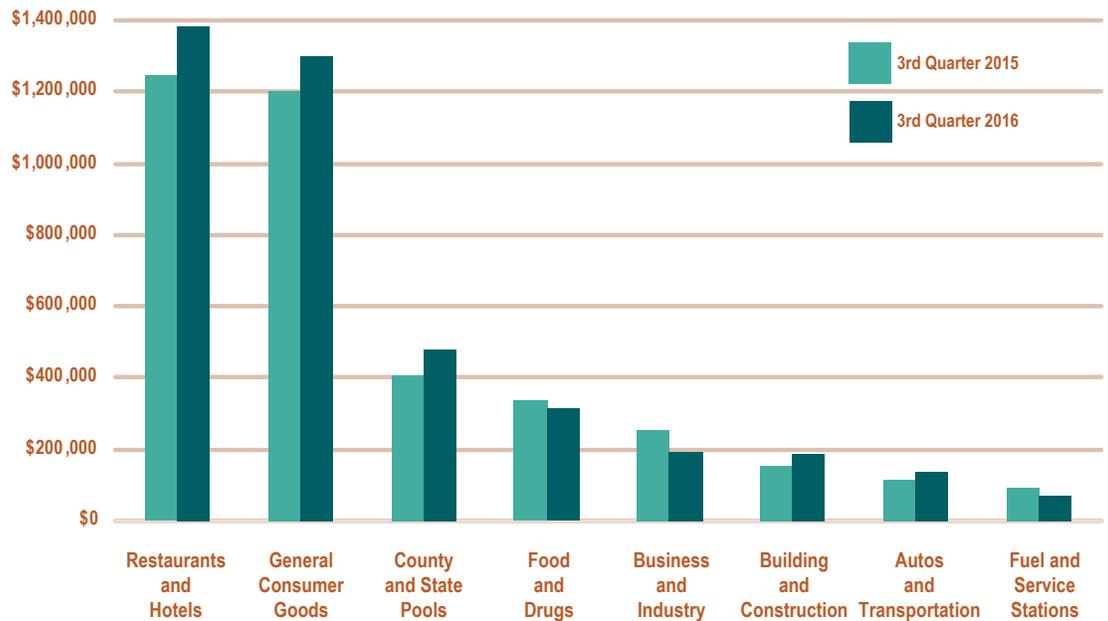
Greater variety and new concepts continue to enhance interest in eating out, leading to strong growth from all restaurant sectors, especially fine dining establishments. Although a large retroactive payment temporarily exaggerated home furnishings returns, solid summer performance by family apparel and specialty retailers pushed general consumers higher.

The City experienced solid returns from contractor suppliers and auto-transportation vendors. While allocations from the county-wide use tax pool also increased 17%, mostly attributed to the rise in purchases made online, further contributing to the overall positive outcome.

Lower gas prices continued for the eighth straight quarter negatively impacting revenue from service stations, while payment aberrations which inflated the comparison period, pulled textiles/furnishings and other business-industrial merchants down, partially offsetting the gains.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

1 Oak	Hornburg Jaguar
Adam Hunter	Janus Et Cie
Best Buy	Maxfield Bleu
BOA Steakhouse	Mondrian/Asian de Cuba/Sky Bar
Boxwood at the London	Pavillions
Bristol Farms	Porcelanosa
Cecconis	Shake Shack
Christian Louboutin	Soho House
Diva	Sunset Tower Hotel
EP & LP	Target
Food Lab Catering	The Abbey
Gracias Madre	Whole Foods Market
Harlowe	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$6,792,290	\$7,111,024
County Pool	849,070	1,008,574
State Pool	3,486	2,468
Gross Receipts	\$7,644,846	\$8,122,065
Less Triple Flip*	\$(1,911,212)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

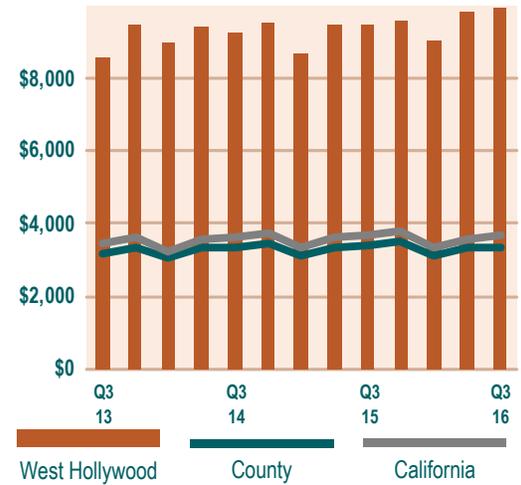
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

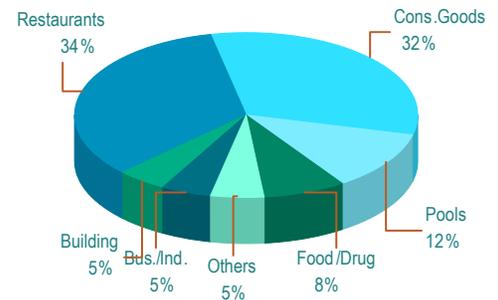
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

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 '16*	West Hollywood Change	County Change	HdL State Change
Casual Dining	621.8	3.3%	5.0%	4.5%
Contractors	115.6	51.3%	0.8%	1.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.4%	-0.4%
Electronics/Appliance Stores	169.3	-4.8%	-0.3%	-1.5%
Family Apparel	207.7	5.3%	6.4%	5.9%
Fine Dining	363.5	31.0%	11.9%	11.9%
Grocery Stores	187.3	-10.8%	-6.6%	-2.1%
Home Furnishings	377.0	18.4%	-1.8%	-0.2%
Hotels-Liquor	146.3	-3.3%	3.5%	5.5%
Leisure/Entertainment	104.5	1.1%	-1.9%	1.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.9%	4.8%
Quick-Service Restaurants	76.1	5.9%	10.3%	8.9%
Service Stations	71.6	-24.0%	-18.3%	-13.8%
Specialty Stores	122.8	12.7%	3.3%	2.1%
Textiles/Furnishings	130.7	-21.4%	13.4%	25.3%
Total All Accounts	3,582.1	5.3%	0.3%	0.9%
County & State Pool Allocation	480.1	17.4%	11.9%	11.5%
Gross Receipts	4,062.2	6.6%	1.6%	2.2%