

Q2 2018



West Hollywood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

West Hollywood In Brief

For the second time this year, the State's software conversion resulted in unusual processing delays. Consequently, sizeable payments remain outstanding which accounted for the 10.8% decline compared to a year ago. Actual sales after adjusting for all anomalies, would have risen 2.9%.

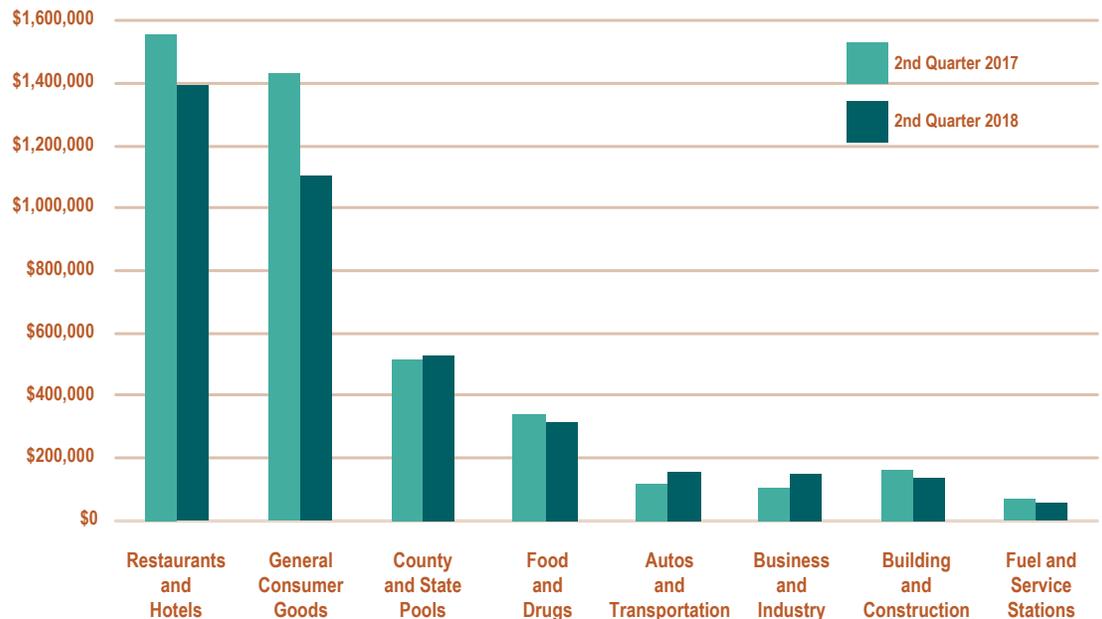
Hospitality and general retail were particularly impacted by missing allocations. Specific sectors included casual dining, fine dining, home furnishings, electronics, hotels with liquor and leisure/entertainment.

Once these disbursements were restored, recent openings would have yielded a 2.5% rise in restaurants and hotels. Despite the addition of new stores, general retail was expected to dip 3.5%.

The gain from cannabis proceeds, a onetime sale in business and industry, and higher auto-related returns contributed to overall positive results on an actual basis.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.6% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Anawalt Lumber	Gracias Madre
Best Buy	Hornburg Jaguar
BOA Steakhouse	Land Rover
Boxwood at the London	Maxfield Bleu
Brilliant Earth	Pavillions
Bristol Farms	Ralphs
Cassina	Soho House
Catch LA	Sur Restaurant
Ceconis	Target
Christian Louboutin	Tesoro Refining & Marketing
EP & LP	The Abbey
Factory Night Club	USB Leasing
Farmacy West Hollywood	Waterworks

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$14,535,850	\$14,416,282
County Pool	2,018,460	2,074,412
State Pool	7,982	8,417
Gross Receipts	\$16,562,292	\$16,499,110

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

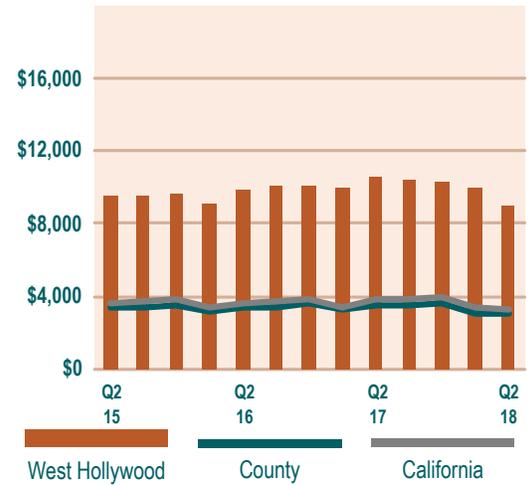
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

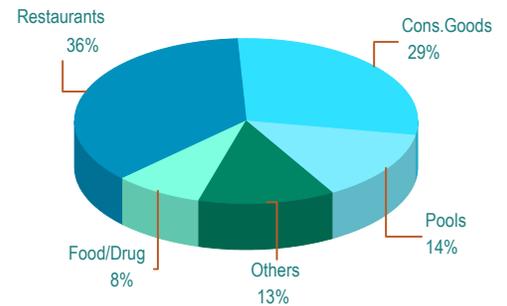
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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 '18*	West Hollywood Change	County Change	HdL State Change
Building Materials	63.0	-14.9%	-34.3%	-23.2%
Cannabis Related	86.7	134.0%	8.2%	7.5%
Casual Dining	534.8	-11.3%	-11.3%	-12.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-15.2%	-13.5%
Electronics/Appliance Stores	169.9	-0.4%	-7.0%	-5.1%
Family Apparel	168.3	-7.9%	-27.3%	-27.2%
Fast-Casual Restaurants	77.3	-1.0%	-5.9%	-3.3%
Fine Dining	439.3	-10.9%	-3.5%	-3.7%
Grocery Stores	151.4	-23.2%	-12.1%	-7.0%
Home Furnishings	270.6	-43.9%	-28.8%	-21.7%
Hotels-Liquor	136.4	-13.3%	3.3%	-6.4%
Leisure/Entertainment	117.8	-18.2%	-7.4%	-3.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-5.1%	-1.9%
Quick-Service Restaurants	84.7	10.4%	-5.9%	-5.8%
Specialty Stores	114.6	2.1%	-8.9%	-4.6%
Total All Accounts	3,304.7	-12.6%	-11.9%	-12.2%
County & State Pool Allocation	526.9	2.4%	3.2%	5.5%
Gross Receipts	3,831.6	-10.8%	-10.1%	-10.1%