

Q4 2018



West Hollywood Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

West Hollywood In Brief

West Hollywood's receipts from October through December were 3.9% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 1.7%.

A combination of recent openings, closures and payment corrections distorted results in the restaurants and hotels group. On an actual basis, all categories were on the up side with the most positive results in hotels with liquor.

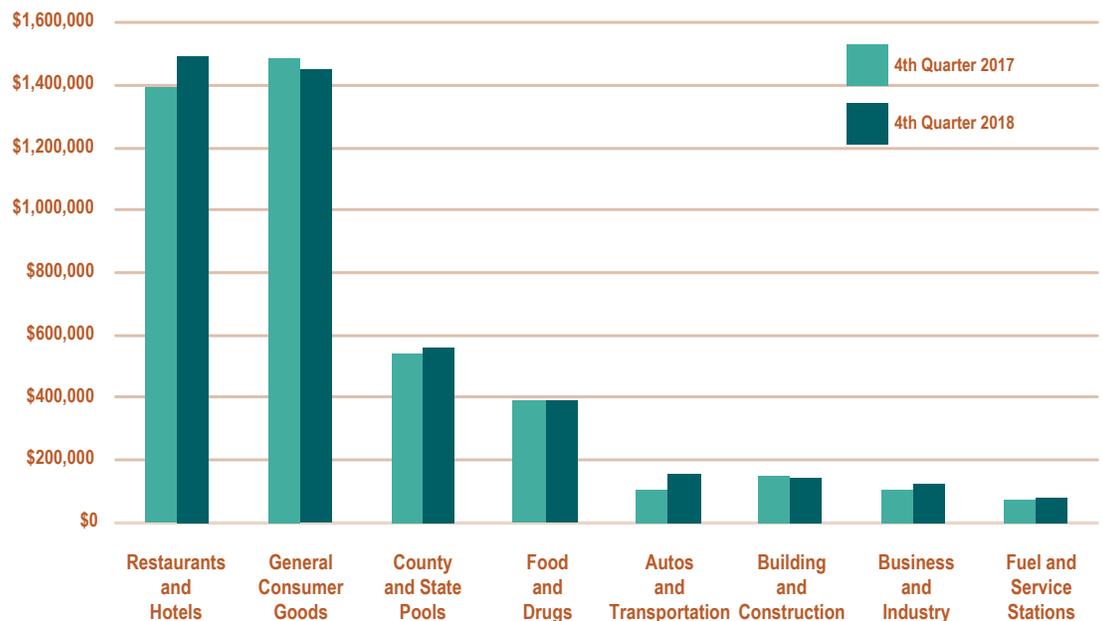
Robust sales in auto-related sectors were overstated by a double payment while reporting errors which will be reversed in a future period inflated business and industry.

Once temporary deviations were removed, holiday retail performance was up 1.3%. Family apparel, men's apparel and shoe stores were boosted by recent openings while electronics and home furnishings dipped.

The spike in cannabis related receipts following the addition of recreational products was offset by delayed disbursements in grocery stores.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	John Varvatos
Best Buy	Maxfield Bleu
BOA Steakhouse	MedMen WeHo
Boxwood at the London	Mondrian/Asian de Cuba/Sky Bar
Bristol Farms	Pavillions
Catch LA	Soho House West Hollywood
Cecconis	Sunset Tower Hotel
Christian Louboutin	Target
Craigs	The Abbey
Delliah	US Control Group
Gracias Madre	Waterworks
Hornburg Jaguar	Whole Foods Market
Land Rover	
Janus et Cie	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$7,430,586	\$8,315,136
County Pool	1,055,004	1,168,367
State Pool	3,993	4,166
Gross Receipts	\$8,489,584	\$9,487,669

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

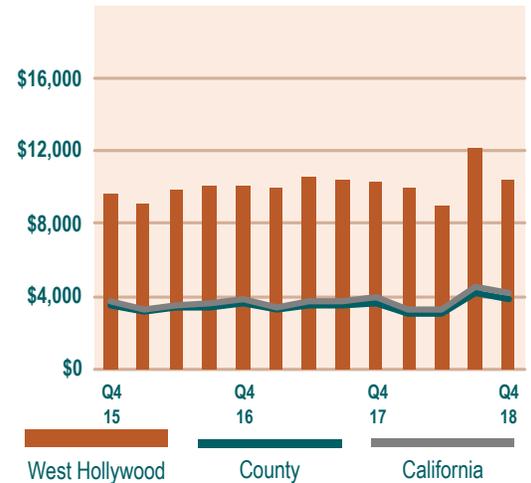
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

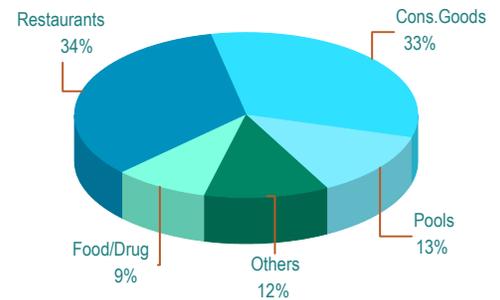
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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 Q4 '18*	West Hollywood Change	County Change	HdL State Change
Cannabis Related	83.8	114.4%	85.7%	49.7%
Casual Dining	544.9	0.7%	2.6%	2.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	3.9%
Electronics/Appliance Stores	205.3	-4.1%	3.3%	-1.6%
Family Apparel	217.2	5.2%	1.6%	0.5%
Fast-Casual Restaurants	82.4	3.3%	3.0%	4.5%
Fine Dining	456.3	18.9%	7.0%	6.7%
Grocery Stores	195.6	-17.5%	-19.3%	-11.7%
Home Furnishings	369.2	-6.9%	0.7%	0.0%
Hotels-Liquor	176.6	14.0%	6.5%	7.2%
Leisure/Entertainment	129.1	-14.4%	-5.9%	3.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	5.4%	5.8%
Quick-Service Restaurants	97.7	26.3%	7.0%	6.6%
Service Stations	82.0	11.0%	28.4%	28.5%
Specialty Stores	132.2	4.8%	-10.8%	-10.8%
Total All Accounts	3,845.4	3.9%	9.0%	7.0%
County & State Pool Allocation	563.6	4.0%	9.0%	8.6%
Gross Receipts	4,409.0	3.9%	9.0%	7.2%