

Q2 2019



West Hollywood Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

West Hollywood In Brief

West Hollywood's receipts from April through June were 23.7% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system. Excluding reporting aberrations, actual sales were up 0.9%.

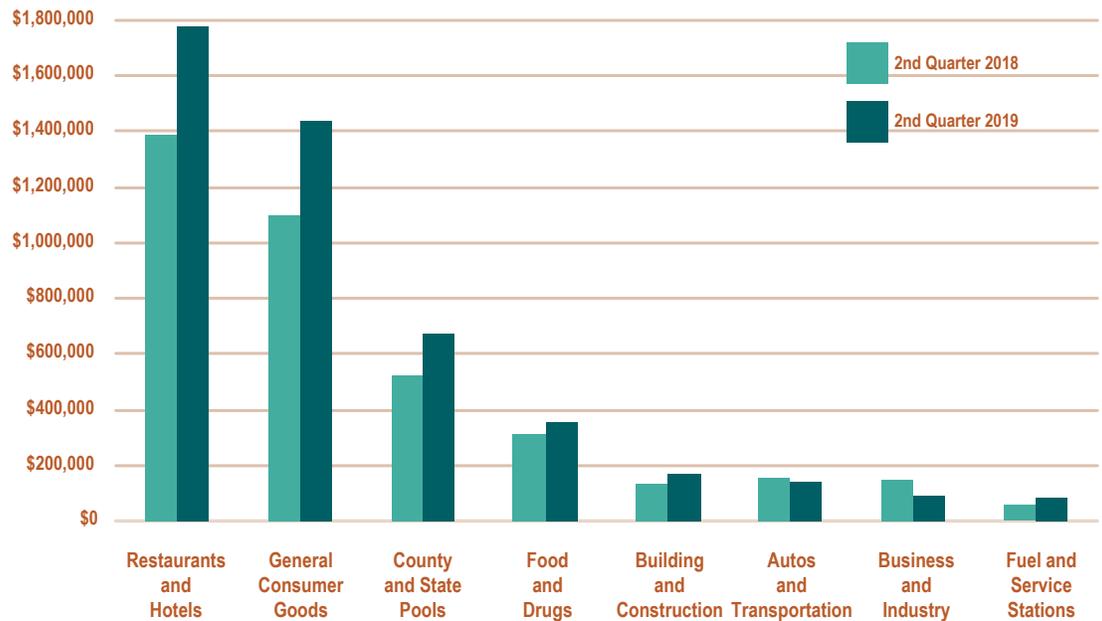
A kaleidoscope of onetime events including disbursement issues related to the CDTFA spiked results in hospitality-related sectors. On an actual basis, hotels with liquor, leisure/entertainment and fast-casual restaurants outpaced regional trends.

Similar payment issues triggered the double-digit increase in general retail compared to a year ago. Several reporting errors that will be corrected in a future quarter and lower returns in electronics and specialty stores contributed to the 1.8% decline once deviations were removed.

Onetime use tax that hiked year ago proceeds combined with close-outs curtailed receipts in the business and industry group.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% 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	Maxfield Bleu
Best Buy	MedMen WeHo
BOA Steakhouse	Mondrian/Asian de Cuba/Sky Bar
Boxwood at the London	Pavillions
Bristol Farms	Soho House West Hollywood
Catch LA	Standard Hollywood
Cecconis	Sunset Tower
Christian Louboutin	Sunset Tower Hotel
EP & LP	Sur Restaurant
Euro Concepts	Target
Gracias Madre	The Abbey
Hornburg Jaguar	Waterworks
Land Rover	
Matthew Marks Gallery	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$14,416,282	\$16,133,358
County Pool	2,074,412	2,398,613
State Pool	8,417	8,066
Gross Receipts	\$16,499,110	\$18,540,036

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

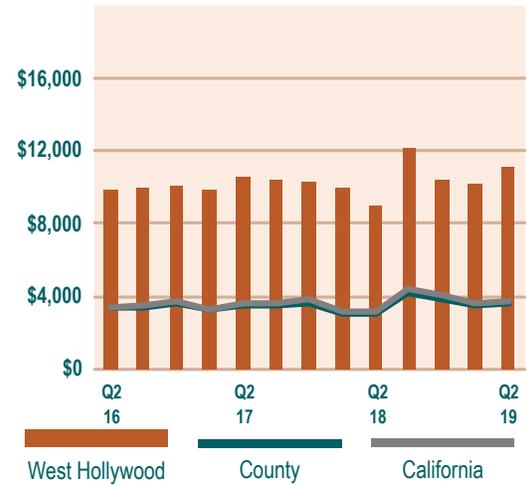
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

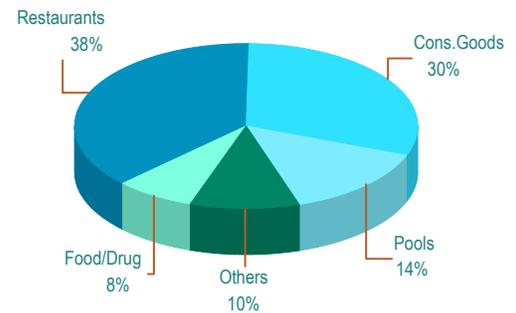
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
West Hollywood This Quarter



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	West Hollywood		County	HdL State
	Q2 '19*	Change	Change	Change
Art/Gift/Novelty Stores	88.1	132.6%	21.6%	16.4%
Casual Dining	674.3	21.4%	23.0%	24.5%
Convenience Stores/Liquor	75.2	74.5%	11.7%	14.9%
Discount Dept Stores	— CONFIDENTIAL —		29.0%	26.3%
Electronics/Appliance Stores	167.3	-1.5%	10.5%	7.0%
Family Apparel	208.2	23.7%	43.2%	45.3%
Fast-Casual Restaurants	96.1	22.9%	17.2%	18.6%
Fine Dining	467.7	12.0%	13.8%	16.5%
Grocery Stores	176.3	16.5%	10.5%	9.6%
Home Furnishings	411.2	51.9%	20.1%	15.6%
Hotels-Liquor	264.8	94.2%	9.3%	15.7%
Leisure/Entertainment	167.8	40.2%	17.1%	16.3%
Quick-Service Restaurants	104.4	26.0%	12.8%	15.8%
Service Stations	85.3	59.2%	39.6%	51.4%
Specialty Stores	111.1	-3.1%	-3.2%	-8.1%
Total All Accounts	4,067.6	23.1%	18.4%	20.1%
County & State Pool Allocation	670.4	27.2%	22.4%	22.4%
Gross Receipts	4,738.0	23.7%	19.0%	20.4%