

# Q4 2018



# Manhattan Beach Sales Tax *Update*

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

## Manhattan Beach In Brief

Manhattan Beach's receipts from October through December were 13.1% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 4.5%.

CDTFA has resolved the bulk of outstanding payments that resulted from the State's software conversion. These multi-quarter adjustments spiked fuel-related receipts and the City's share of the countywide use tax allocation pool.

However, recurring late disbursements accounted for the drop in food and drugs and dragged down positive results in both general retail and restaurants. On an actual basis, a reporting error in family apparel temporarily bumped up holiday retail performance.

The adjusted 5.5% rise in hospitality-related sectors was a mixed bag. Fine dining and hotels with liquor were the major contributors to the gain.

A taxpayer refund that reduced year-ago returns overstated the rise in the business-industrial group.

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

Apple	Nick's Manhattan Beach
Barnes & Noble	Old Navy
BevMo	Pottery Barn
Chevron	Ralphs Fresh Fare
Circle K	REI
CVS Pharmacy	Skechers by Mail
Frys Electronics	Strand House Standbar
Houston's	Target
Kettle	Tin Roof Bistro
Macys	Toyota Lease Trust
Manhattan Beach Toyota Scion	True Religion
Marriott Manhattan Beach Hotel	Vons
	Wrights

### REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$3,960,353	\$4,471,356
County Pool	562,541	630,284
State Pool	2,114	2,235
<b>Gross Receipts</b>	<b>\$4,525,008</b>	<b>\$5,103,876</b>

**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.

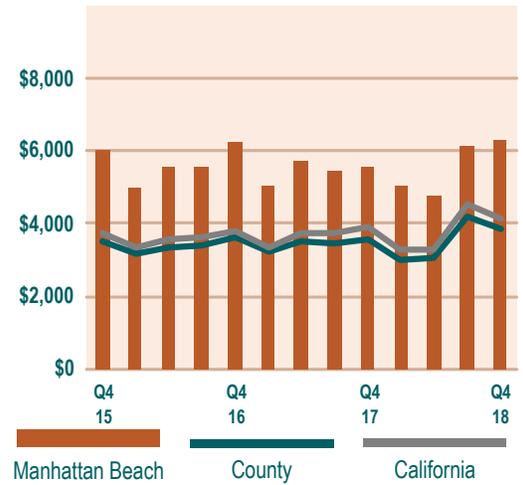
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

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.

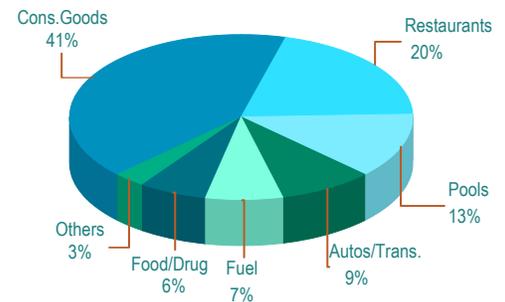
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

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**  
Manhattan Beach This Quarter



**MANHATTAN BEACH TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Manhattan Beach Q4 '18*	Manhattan Beach Change	County Change	HdL State Change
Casual Dining	235.2	-12.0%	2.5%	2.4%
Convenience Stores/Liquor	51.7	1.3%	2.8%	2.8%
Department Stores	— CONFIDENTIAL —	—	-5.8%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —	—	2.7%	3.9%
Electronics/Appliance Stores	274.9	-1.1%	3.3%	-1.6%
Family Apparel	155.0	28.5%	1.6%	0.5%
Fine Dining	141.7	3.3%	5.7%	6.3%
Grocery Stores	67.5	-35.7%	-19.3%	-11.7%
Home Furnishings	61.5	4.0%	3.8%	0.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	5.4%	5.8%
Quick-Service Restaurants	54.6	8.3%	7.0%	6.6%
Service Stations	187.4	131.1%	28.4%	28.4%
Specialty Stores	53.1	-32.5%	-10.7%	-10.6%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	-1.7%	-2.3%
Women's Apparel	59.9	-10.4%	-0.5%	-3.6%
<b>Total All Accounts</b>	<b>2,262.4</b>	<b>13.1%</b>	<b>9.0%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>331.6</b>	<b>13.1%</b>	<b>9.0%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>2,593.9</b>	<b>13.1%</b>	<b>9.0%</b>	<b>7.2%</b>