

Sales Tax and the Evolving Retail Environment Trends and Challenges

February 23, 2018

**South Bay Cities
Council of Governments**

South Bay Cities Council of Governments Three Year Trend

Sales Tax by Major Industry Group

General Consumer Goods
Count: 19,161

Autos And Transportation
Count: 2,600

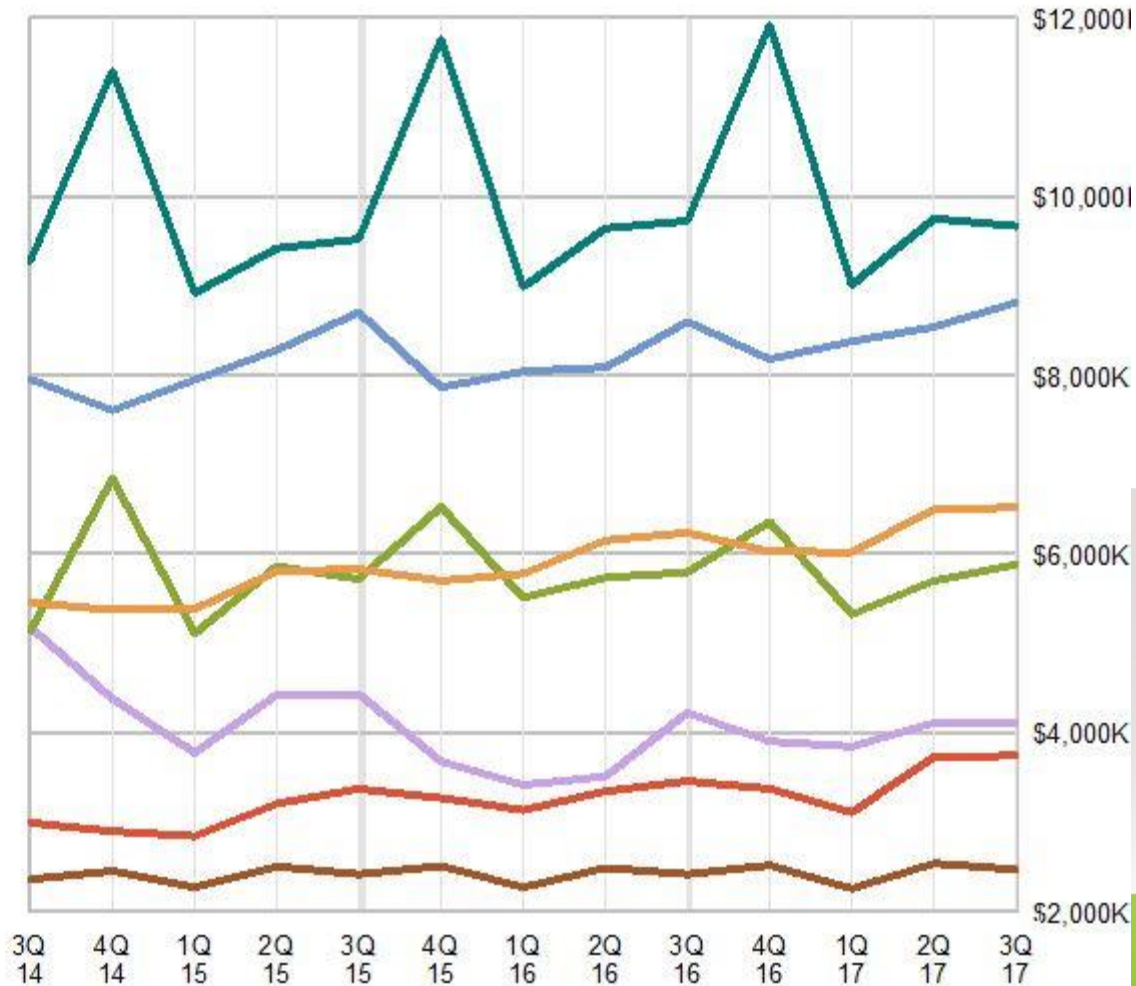
Restaurants And Hotels
Count: 3,420

Business And Industry
Count: 9,433

Fuel And Service Stations
Count: 343

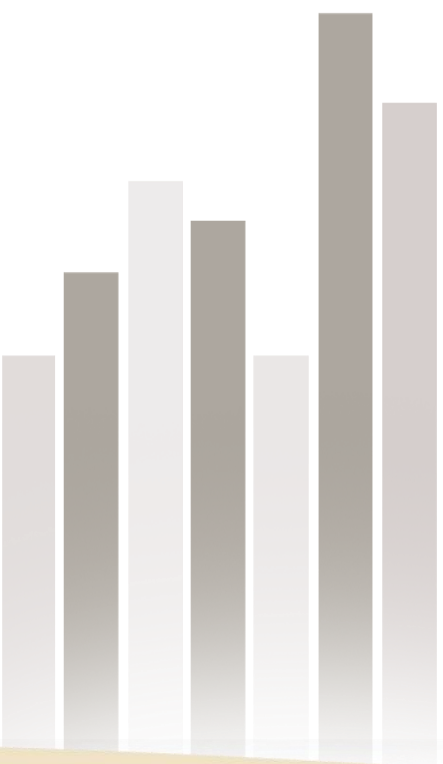
Building And Construction
Count: 920

Food And Drugs
Count: 1,319



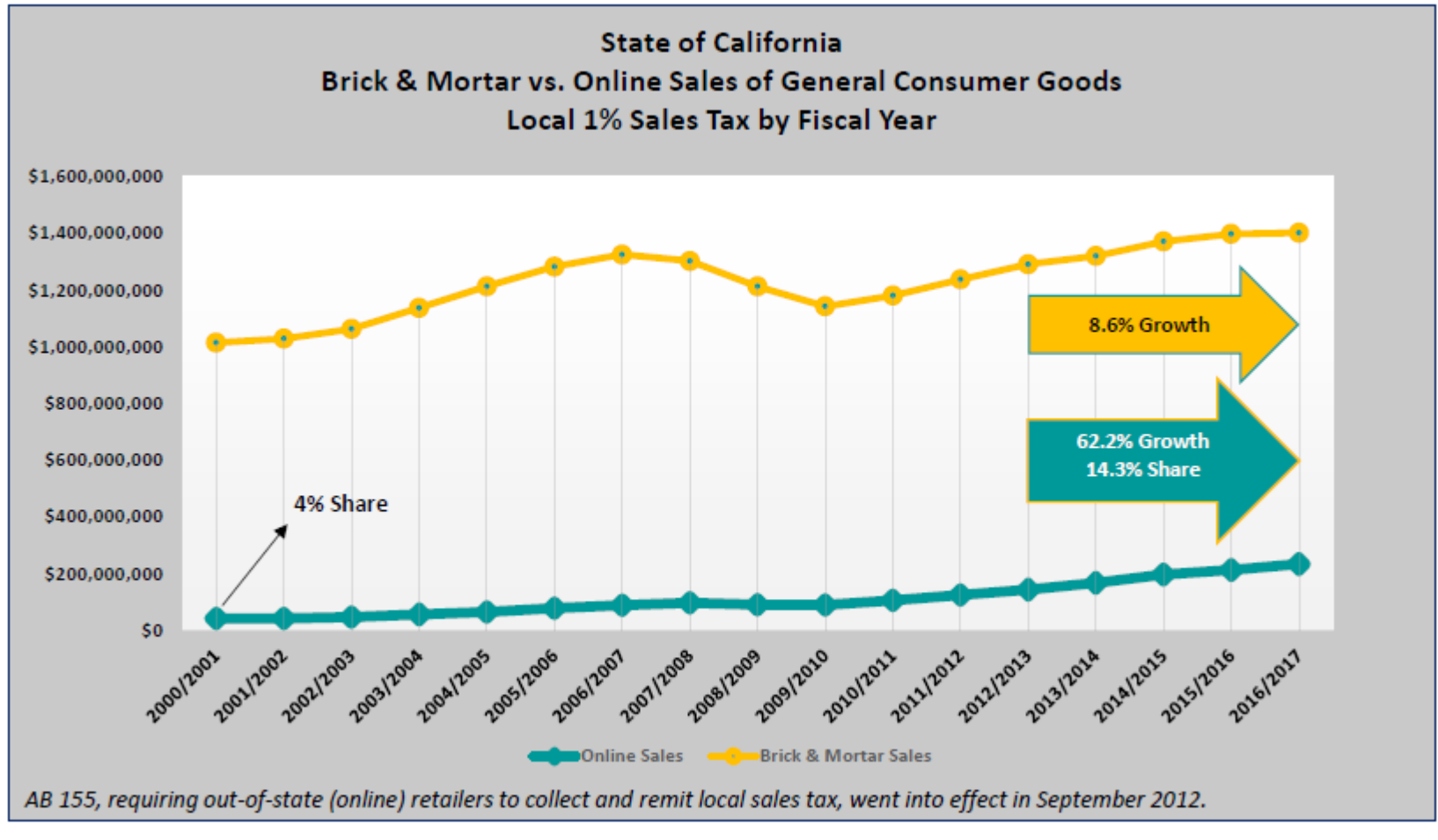
Challenge #1.....

Changing Shopping Habits

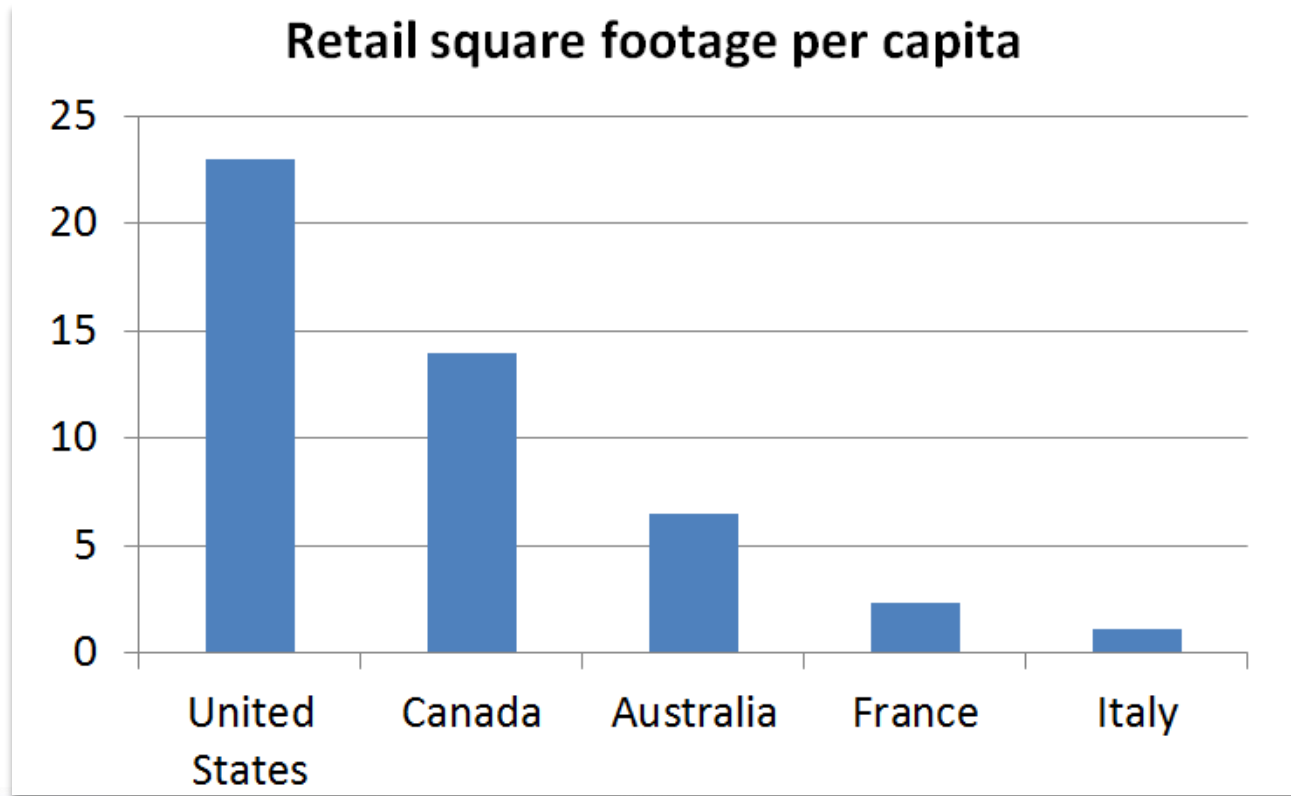
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- **Digital Downloads**...no sales tax
 - **Social Networking**....no sales tax
 - **Focus on Experiences**...Little sales tax
 - Travel, Gyms, Classes, entertainment.
 - **Extreme Price Awareness**....ouch!
 - **Sharing Economy**...no sales tax

Challenge #2.....

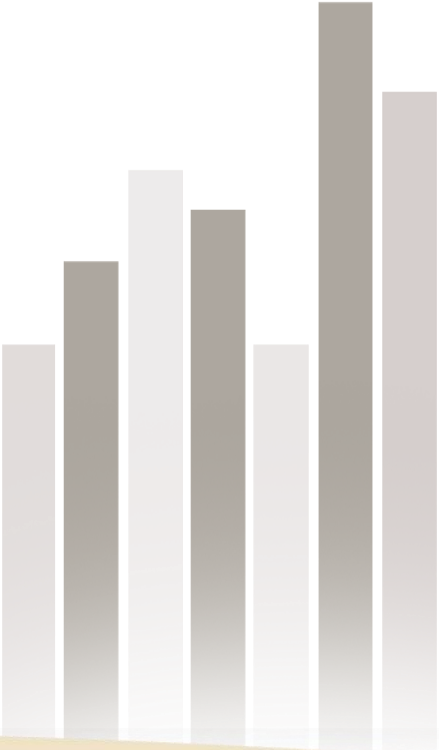
Consumers Are Moving Online



Challenge #3..... TOO MANY STORES



The Evolution in Retail.....

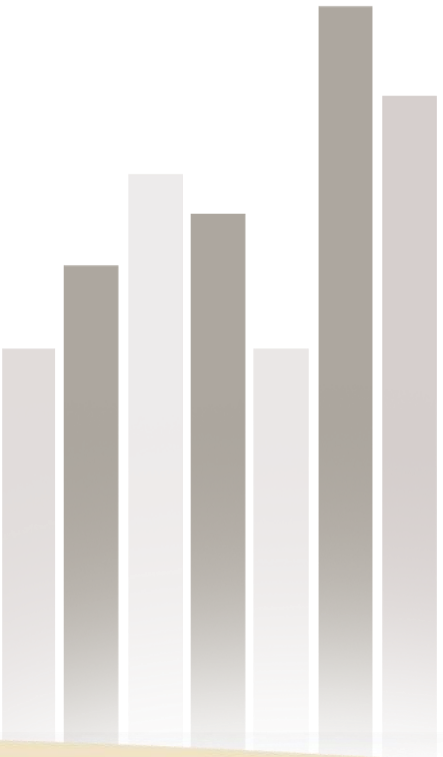
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- **Fewer Stores.**
 - **Smaller, more efficient footprints.**
 - **“Omni-Channel” Retailing.**
 - **“Retailtainment”**
 - Ambiance, emotion, sound & food.
 - **Industry supplanting brick and Mortar.**

Where there is Chaos, there is opportunity...



- **Brick & Mortar Not Going Away.** -See, touch and feel will always be important
- **Smaller Footprint stores can accommodate previously ignored markets.**
- **Main Street Back in Vogue.** -new opportunities to rebuild downtowns and community shopping centers.
- **Industry is the new Retail.**

What Successful Cities are Doing...

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- **Realistic Trade Area Assessments.**
 - **Understands Retailer Site Criteria.**
 - **Fosters Personal Relationships.**
 - Key property Owners and Brokers, Existing Business Owners, Lending Institutions.
 - **Creates a Vision – Retail & industrial tenant mix plans and strategies.**

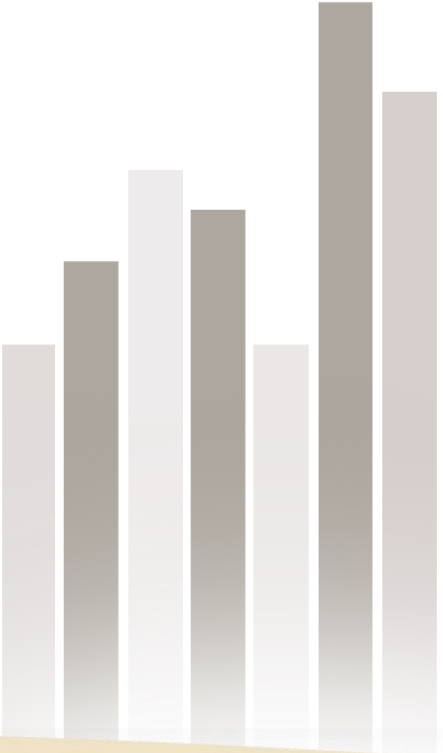
The Biggest Challenge.....

The Tax Is Obsolete!



- No Long reflects this century's economy.
- Narrow base with high rate is Regressive.
- Consolidating "Points of Sale" reduces tax payer benefit.

THE BOTTOM LINE.....

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- **Slower Sales Tax Growth in The Future.**
 - **Economic Development Game will Require greater sophistication:** Focused, balanced and strategic- retail and industry. - credible data
 - **Ultimate Solution - Tax Reform:** lower rates and broaden base by taxing this century's economy/Allocate to Buyer's jurisdiction rather than to place of order.



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