CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

April 4, 2016

The Honorable City Council
Palo Alto, California

City of Palo Alto Sales Tax Digest Summary Third Quarter Sales (July - September 2015)

The following files are attached for this informational report for which no action is required.

ATTACHMENTS:

- Attachment A: Sales Tax Digest Summary - Background and Discussion(PDF)
- Attachment B: MuniServices Sales Tax Digest Summary (PDF)
- Attachment C: Economic Categories and Segments (PDF)
- Attachment D: MuniServices Economic News (PDF)

Department Head: Harriet Richardson, City Auditor

Office of the City Auditor

Sales Tax Digest Summary – Third Quarter Sales (July – September 2015)

Informational Report to the City Council

BACKGROUND

Sales and use tax represents about $27.6 million, or 15 percent, of projected General Fund revenue in the City's adopted operating budget for fiscal year 2016. This revenue includes sales and use tax for the City of Palo Alto and pool allocations from the state and Santa Clara County.[1]

We contract with MuniServices LLC (MuniServices) for sales and use tax recovery services and informational reports. We use the recovery services and informational reports to help identify misallocation of tax revenue owed to the City, and to follow up with the State Board of Equalization to ensure that the City receives identified revenues. We include sales and use tax recovery information in our quarterly reports to the Policy and Services Committee.

The California Revenue and Taxation Code, Section 7056, requires that sales and use tax data remain confidential. Therefore, the City may not disclose amounts of tax paid, fluctuations in tax amounts, or any other information that would disclose the operations of a business. This report, including the attached Sales Tax Digest Summary, includes certain modifications and omissions to maintain the required confidentiality of taxpayer information.

We share the information provided by MuniServices with the Administrative Services Department (ASD) for use in revenue forecasting and budgeting and with Economic Development for business outreach strategies. We coordinated this informational report with them.

DISCUSSION

MuniServices prepared the attached report (Attachment B) covering calendar year 2015 third quarter sales (July through September 2015). These funds are reported as part of the City's fiscal year 2016 revenue. In March, ASD should receive information from the state on aggregate sales and use tax receipts for the fourth quarter of 2015.

Following are some highlights of the sales and use tax information:

- Palo Alto's overall sales and use tax revenue (cash receipts) for the third quarter of 2015 increased by approximately $649,000, or 10.8 percent, including pool allocations, compared to the third quarter of 2014. For all Santa Clara County jurisdictions, sales and use tax revenue for the third quarter of 2015 increased by $2.6 million, or 2.6 percent, compared to the third quarter of 2014.
- Statewide, almost every region in California experienced an increase in sales and use tax revenue for the year ending in September 2015, with a one-year statewide increase of 3.3 percent.
- Palo Alto's sales and use tax revenue totaled $26.6 million for the year ending in September 2015, an increase of 3.7 percent from $25.7 million during the prior one-year period.

[1] See definitions of state and county pools on page 3.

- Excluding pool allocations and adjusting for prior-period and late payments, Palo Alto's sales and use tax revenue for the third quarter of 2015 increased by 10.0 percent compared to the third quarter of 2014 and increased by 2.4 percent compared to the prior year.

More detailed information is shown in Attachment B.

Economic Influences on Sales and Use Tax

In its Economic News & Trends (Attachment C), MuniServices discusses economic influences, including national and state economic trends, the commercial and real estate market, and auto and retail sales, that may affect the City's sales and use tax revenue.

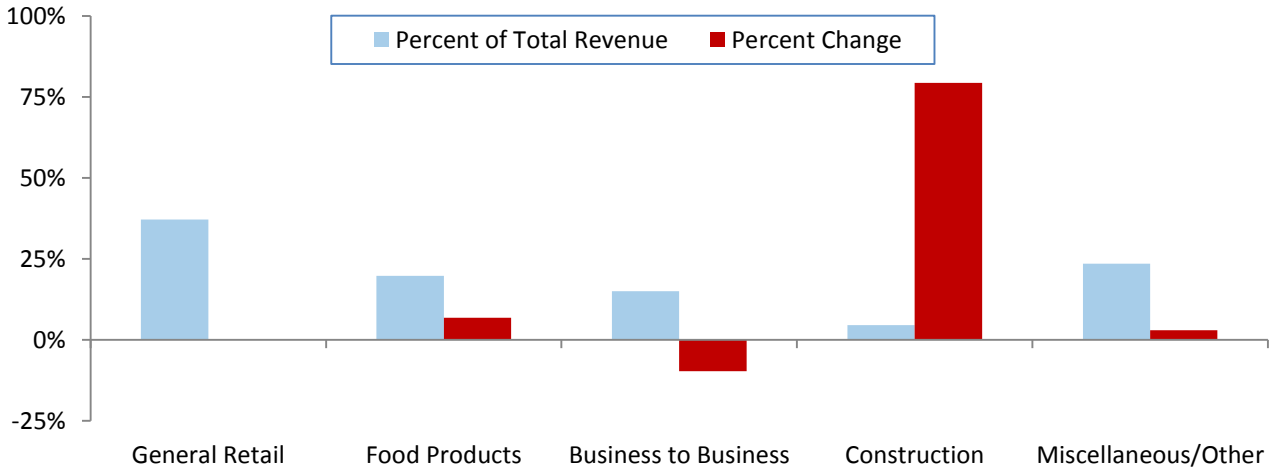
Preliminary estimates from the California Employment Development Department show that the December 2015 unemployment rate, which is not seasonally adjusted, is 3.7 percent in Santa Clara County and 2.5 percent in Palo Alto.

Economic Category Analysis

MuniServices' analysis of economic categories for the year ending September 2015 shows:

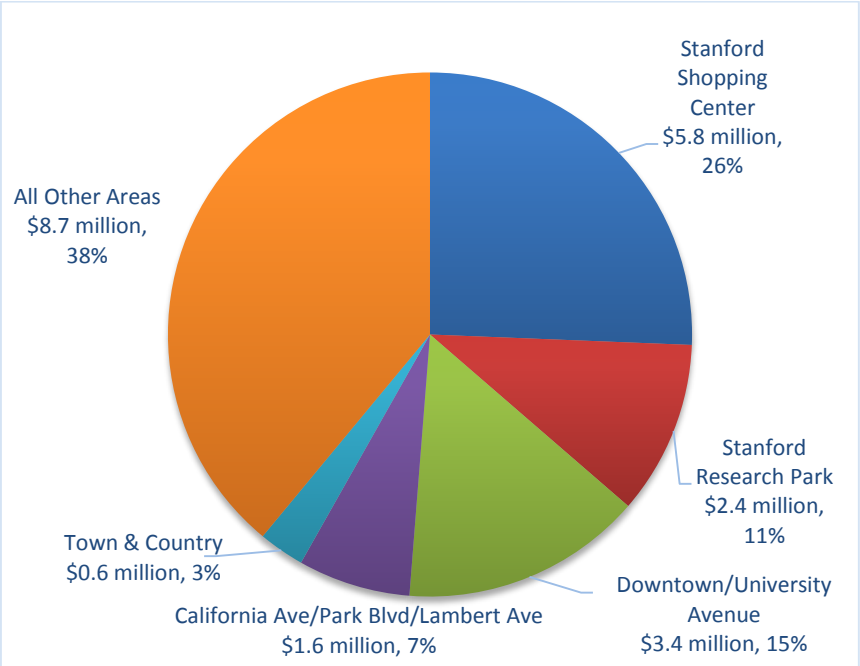
- General retail comprised 37.2 percent of Palo Alto's sales and use tax revenue, with no change compared to the prior year.
- Food products comprised 19.8 percent of total revenues, a 6.8 percent increase.
- Business-to-business comprised 15.0 percent of total revenues, a 9.7 percent decrease.
- Construction comprised 4.5 percent of total revenues, a 79.4 percent increase.
- Miscellaneous/Other comprised 23.5 percent of total revenues, a 3.0 percent increase.

Exhibit 1 - Comparison of Palo Alto's Sales and Use Tax Revenue and Percent Change by Economic Category for the Year Ending September 2015



The following chart shows sales and use tax revenue by geographical area, based on information provided by MuniServices.

Exhibit 2 – Palo Alto's Sales and Use Tax Revenue by Geographical Area
For the Year Ending September 2015
(Amounts include tax estimates and exclude pool allocations)



DEFINITIONS

In California, either sales tax or use tax may apply to a transaction, but not both. The sales and use tax rate in Palo Alto is 8.75 percent.

Sales tax – imposed on all California retailers; applies to all retail sales of merchandise (tangible personal property) in the state.

Use tax – generally imposed on consumers of merchandise (tangible personal property) that is used, consumed, or stored in this state; purchases from out-of-state retailers when the retailer is not registered to collect California tax, or for some other reason does not collect California tax; leases of merchandise (tangible personal property).

Countywide/statewide pools – mechanisms used to allocate local tax that cannot be identified with a specific place of sale or use in California. Local tax reported to the pool is distributed to the local jurisdiction each calendar quarter using a formula that relates to the direct allocation of local tax to each jurisdiction for a given period.

Examples of taxpayers who report use tax allocated through the countywide pool include construction contractors who are consumers of materials used in the improvement of real property and whose job site is regarded as the place of business, out-of-state sellers who ship goods directly to consumers in the state from inventory located outside the state, and California sellers who ship goods directly to consumers in the state from inventory located outside the state.

Other examples of taxpayers who report use tax through the pools include auctioneers, construction contractors making sales of fixtures, catering trucks, itinerant vendors, vending machine operators and other permit holders who operate in more than one local jurisdiction but are unable to readily identify the particular jurisdiction where the taxable transaction takes place.

Respectfully submitted,

Harriet Richardson

Harriet Richardson
City Auditor

Sources: MuniServices
California State Board of Equalization
California Employment Development Department
City of Palo Alto Fiscal Year 2016 Adopted Operating Budget

Audit staff: Lisa Wehara

City of Palo Alto
Sales Tax Digest Summary
Collections through December 2015
Sales through September 2015 (2015Q3)

California Overview

The percent change in cash receipts from the prior year was 3.3% statewide, 2.9% in Northern California and 3.6% in Southern California. The period's cash receipts include tax from business activity during the period, payments for prior periods and other cash adjustments. When we adjust for non-period related payments, we determine the overall business activity increased for the year ended 3rd Quarter 2015 by 2.7% statewide, 0.8% in Southern California and 3.0% in Northern California.

City of Palo Alto

For the year ended 3rd Quarter 2015, sales tax cash receipts for the City increased by 3.7% from the prior year. On a quarterly basis, sales tax revenues increased by 10.8% from 3rd Quarter 2014 to 3rd Quarter 2015. The period's cash receipts include tax from business activity during the period, payments for prior periods and other cash adjustments.

Excluding state and county pools and adjusting for anomalies (payments for prior periods) and late payments, local sales tax increased by 2.4% for the year ended 3rd Quarter 2015 from the prior year. On a quarterly basis, sales tax activity increased by 10.0% in 3rd Quarter 2015 compared to 3rd Quarter 2014.

Regional Overview

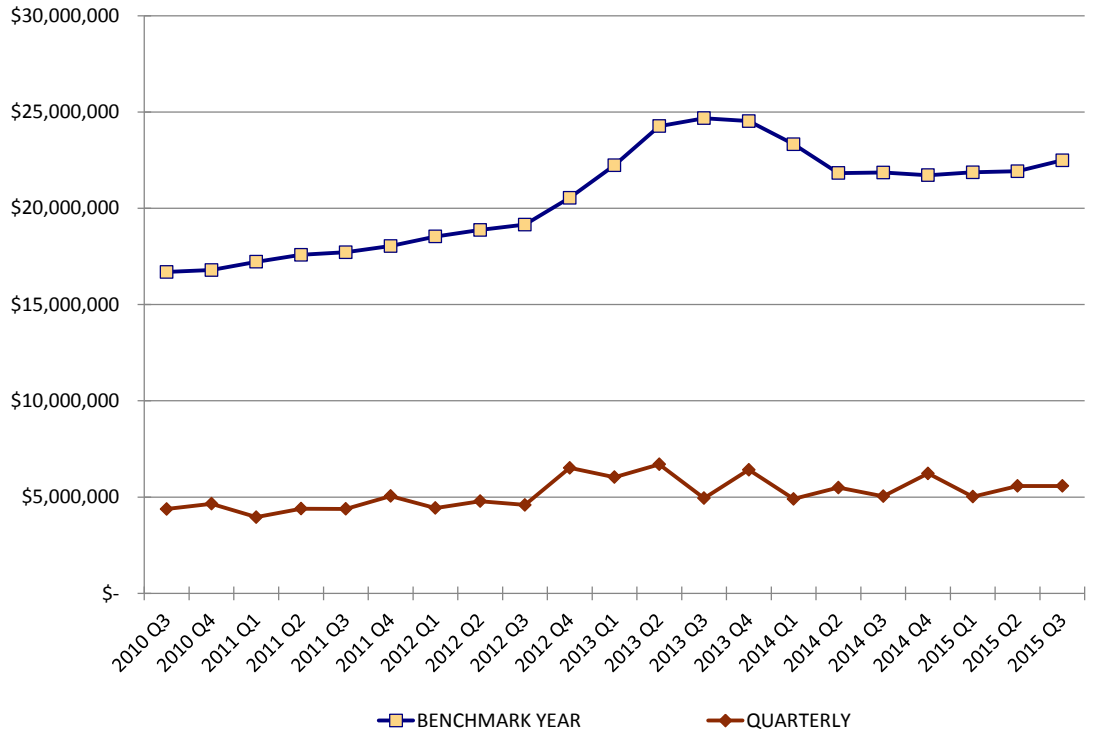
This seven-region comparison includes estimated payments and excludes net pools and adjustments.

CITY OF PALO ALTO

BENCHMARK YEAR 2015Q3 COMPARED TO BENCHMARK YEAR 2014Q3

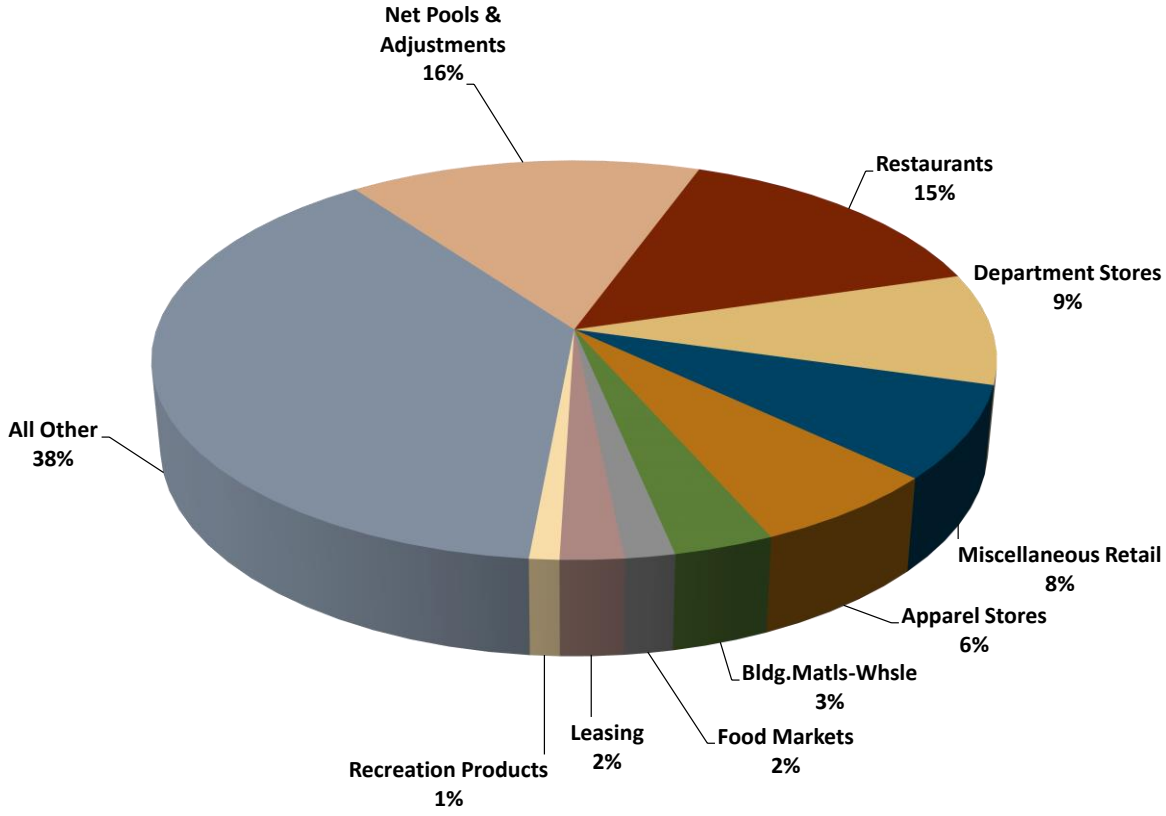
ECONOMIC CATEGORY ANALYSIS FOR YEAR ENDED 3rd QUARTER 2015									
% of Total / % Change	**City of Palo Alto**	**California Statewide**	**S.F. Bay Area**	**Sacramento Valley**	**Central Valley**	**South Coast**	**Inland Empire**	**North Coast**	**Central Coast**
General Retail	37.2 / 0.0	28.4 / 2.9	27.0 / 2.1	27.9 / 3.1	30.5 / 3.7	29.2 / 2.8	26.6 / 4.0	28.2 / 2.3	31.5 / 1.7
Food Products	19.8 / 6.8	20.2 / 5.6	21.6 / 6.8	17.0 / 5.6	16.2 / 4.2	21.2 / 5.3	17.0 / 5.4	18.5 / 3.3	30.8 / 4.0
Construction	4.5 / 79.4	9.3 / 7.3	9.4 / 7.6	11.2 / 7.2	11.8 / 7.5	8.2 / 6.9	11.2 / 7.6	13.3 / 9.3	9.2 / 2.7
Business to Business	15.0 / -9.7	16.7 / 0.7	19.7 / 2.9	14.0 / 3.7	13.7 / -1.8	16.4 / -1.5	16.0 / 4.9	8.9 / 1.3	6.3 / 26.3
Miscellaneous/Other	23.5 / 3.0	25.4 / -0.1	22.4 / -1.0	30.0 / 1.2	27.8 / 0.2	25.0 / -0.7	29.2 / 2.7	31.1 / -2.4	22.2 / -1.0
Total	**100.0 / 2.4**	**100.0 / 2.7**	**100.0 / 3.1**	**100.0 / 3.5**	**100.0 / 2.4**	**100.0 / 2.0**	**100.0 / 4.4**	**100.0 / 1.7**	**100.0 / 3.1**
ECONOMIC SEGMENT ANALYSIS FOR YEAR ENDED 3rd QUARTER 2015									
	City of Palo Alto	**State Wide**	**S.F. Bay Area**	**Sacramento Valley**	**Central Valley**	**South Coast**	**Inland Empire**	**North Coast**	**Central Coast**
Largest Segment	**Restaurants**	**Restaurants**	**Restaurants**	**Restaurants**	**Department Stores**	**Service Stations**	**Restaurants**	**Service Stations**	**Restaurants**
% of Total / % Change	17.6 / 6.4	14.2 / 7.2	15.3 / 7.7	15.4 / 6.7	13.6 / 1.7	26.3 / -6.4	11.0 / 8.2	11.8 / -13.1	22.1 / 4.5
2nd Largest Segment	***	**Auto Sales - New**	**Auto Sales - New**	**Auto Sales - New**	**Auto Sales - New**	**Restaurants**	**Auto Sales - New**	**Department Stores**	**Misc. Retail**
% of Total / % Change	*** / ***	11.0 / 8.3	10.7 / 8.9	11.1 / 6.9	10.8 / 11.3	12.7 / 7.1	10.9 / 11.1	11.2 / 1.0	10.2 / 7.3
3rd Largest Segment	**Department Stores**	**Department Stores**	**Department Stores**	**Department Stores**	**Restaurants**	**Food Markets**	**Department Stores**	**Auto Sales - New**	**Department Stores**
% of Total / % Change	10.7 / 1.0	9.7 / 0.6	8.1 / -0.1	9.4 / 0.2	10.3 / 7.6	8.5 / 4.7	10.7 / 2.0	10.8 / 8.9	8.8 / -0.9
	***** Not specified to maintain confidentiality of tax information**								

Gross Historical Sales Tax Performance by Benchmark Year and Quarter (Before Adjustments)



Net Cash Receipts for Benchmark Year 3rd Quarter 2015: $26,647,610

**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2015Q3 BMY is sum of 2015 Q3, Q2, Q1 & 2014 Q4)*

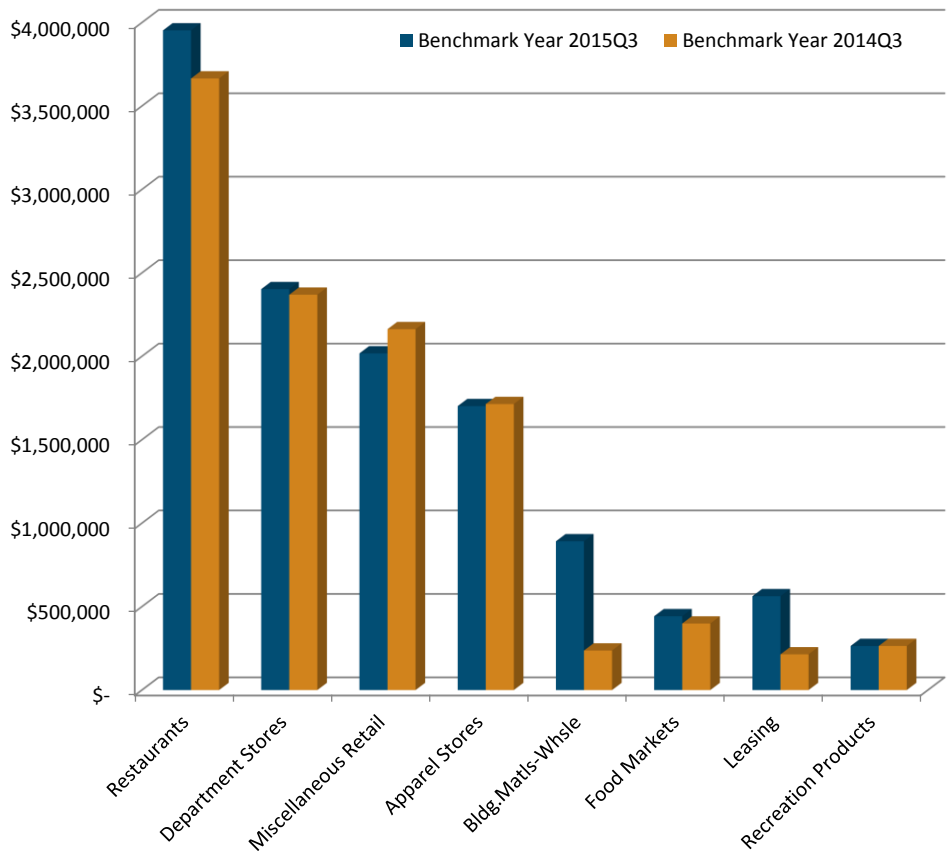


TOP 25 SALES/USE TAX CONTRIBUTORS

The following list identifies Palo Alto's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents the year ended 3rd Quarter 2015. The Top 25 Sales/Use Tax contributors generate 48.5% of Palo Alto's total sales and use tax revenue.

Anderson Honda
Apple Stores
Audi Palo Alto
Bloomingdale's
Critchfield Mechanical
CVS/Pharmacy
Eat Club
Fry's Electronics
Hewlett-Packard
Integrated Archive Systems
Loral Space Systems
Macy's Department Store
Magnussen's Toyota
Neiman Marcus Department Store
Nordstrom Department Store
Pottery Barn Kids
Stanford University Hospital
Tesla Lease Trust
Tesla Motors
Tiffany & Company
Urban Outfitters
Valero Service Stations
Varian Medical Systems
Volvo Palo Alto
Wilkes Bashford

Sales Tax from Largest Non-confidential Economic Segments



Historical Analysis by Calendar Quarter

Economic Category	%	2015Q3	2015Q2	2015Q1	2014Q4	2014Q3	2014Q2	2014Q1	2013Q4	2013Q3	2013Q2	2013Q1
General Retail	29.1%	1,935,178	2,009,743	1,797,756	2,591,589	1,994,264	2,032,155	1,791,298	2,585,931	1,945,413	1,959,201	1,759,098
Miscellaneous/Other	24.2%	1,609,541	1,564,157	1,400,769	1,655,225	1,400,415	1,437,507	1,283,210	1,553,169	1,196,569	2,974,293	2,796,863
Food Products	17.3%	1,146,174	1,167,014	1,061,755	1,096,087	1,054,462	1,051,681	972,997	1,009,848	950,359	966,208	882,949
Business To Business	13.4%	888,609	833,370	757,827	885,327	596,226	970,762	858,119	1,268,059	848,634	800,341	592,136
Net Pools & Adjustments	16.0%	1,060,979	1,039,250	968,777	1,178,482	945,653	786,945	1,013,633	1,095,801	924,963	1,227,552	1,162,968
Total	100.0%	6,640,481	6,613,534	5,986,884	7,406,710	5,991,020	6,279,050	5,919,257	7,512,808	5,865,938	7,927,595	7,194,014

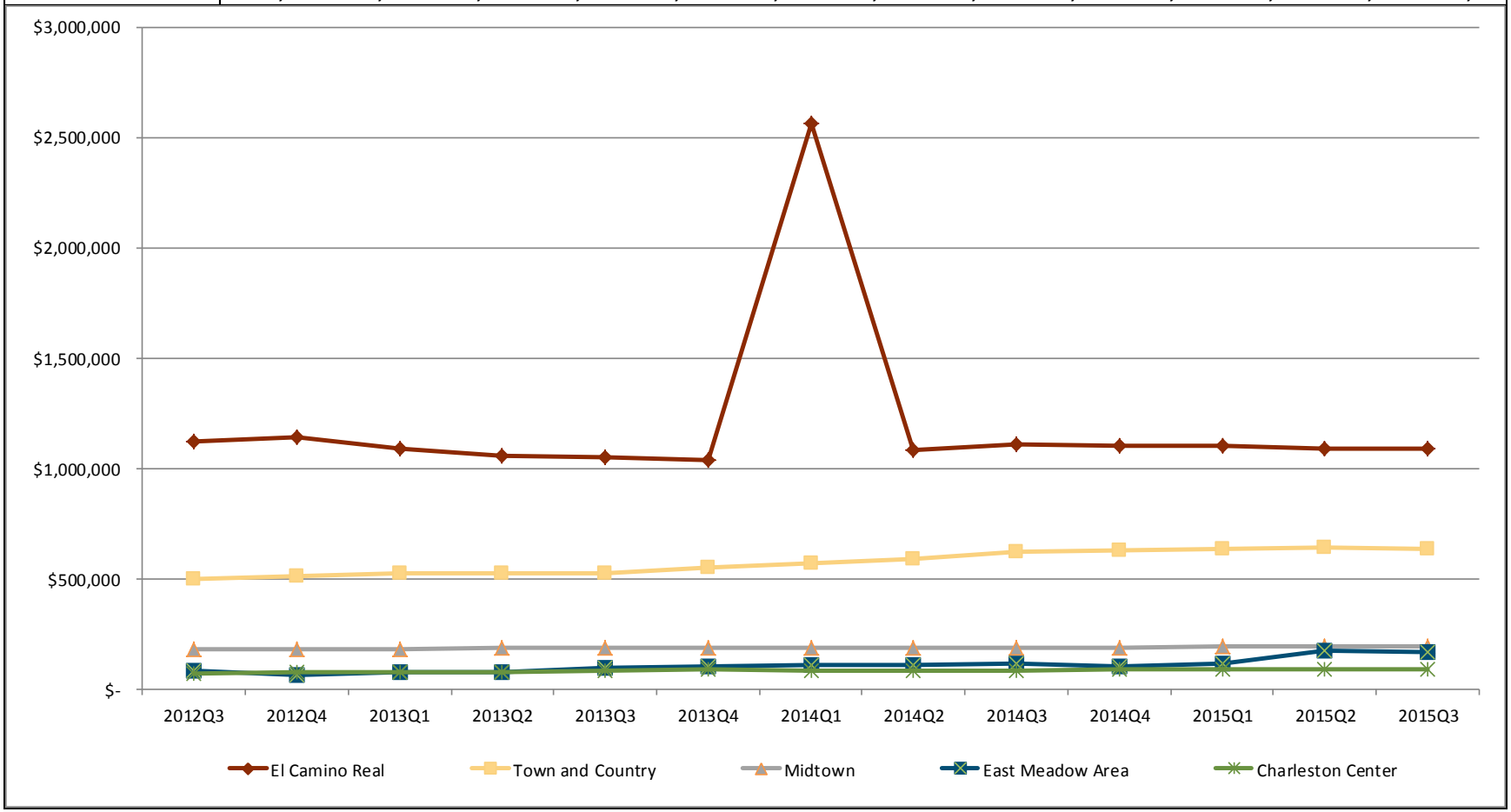
Economic Segments	%	2015Q3	2015Q2	2015Q1	2014Q4	2014Q3	2014Q2	2014Q1	2013Q4	2013Q3	2013Q2	2013Q1
Miscellaneous/Other	41.0%	2,720,241	2,549,852	2,370,361	2,906,134	2,211,697	2,577,014	2,328,959	3,184,808	2,230,000	3,943,660	3,584,353
Restaurants	15.4%	1,019,505	1,045,011	942,709	962,018	936,160	940,540	870,158	890,739	833,865	845,107	771,596
Miscellaneous Retail	7.2%	478,994	479,298	415,270	628,099	508,061	514,133	481,305	661,268	458,124	471,954	393,506
Department Stores	8.3%	553,325	595,374	503,590	750,481	548,595	591,500	472,857	762,760	574,389	603,773	509,699
Apparel Stores	6.0%	397,534	428,100	370,810	507,843	398,747	429,748	365,777	515,296	400,201	404,202	372,909
Service Stations	2.6%	173,082	181,582	148,902	166,861	203,484	215,162	184,185	177,096	214,276	196,568	187,333
Food Markets	1.7%	113,092	106,818	104,856	117,245	105,600	98,705	90,272	104,592	104,815	106,760	99,711
Business Services	0.8%	51,885	120,003	103,773	131,505	66,163	62,060	63,768	61,832	57,139	67,759	63,791
Recreation Products	1.1%	71,844	68,246	57,836	58,042	66,860	63,243	48,343	58,616	68,166	60,260	48,148
Net Pools & Adjustments	16.0%	1,060,979	1,039,250	968,777	1,178,482	945,653	786,945	1,013,633	1,095,801	924,963	1,227,552	1,162,968
Total	100.0%	6,640,481	6,613,534	5,986,884	7,406,710	5,991,020	6,279,050	5,919,257	7,512,808	5,865,938	7,927,595	7,194,014

*Net Pools & Adjustments reconcile economic performance to periods' net cash receipts. The historical amounts by calendar quarter: (1) include any prior period adjustments and payments in the appropriate category/segment and (2) exclude businesses no longer active in the current period.

Quarterly Analysis by Economic Category, Total and Segments: Change from 2014Q3 to 2015Q3

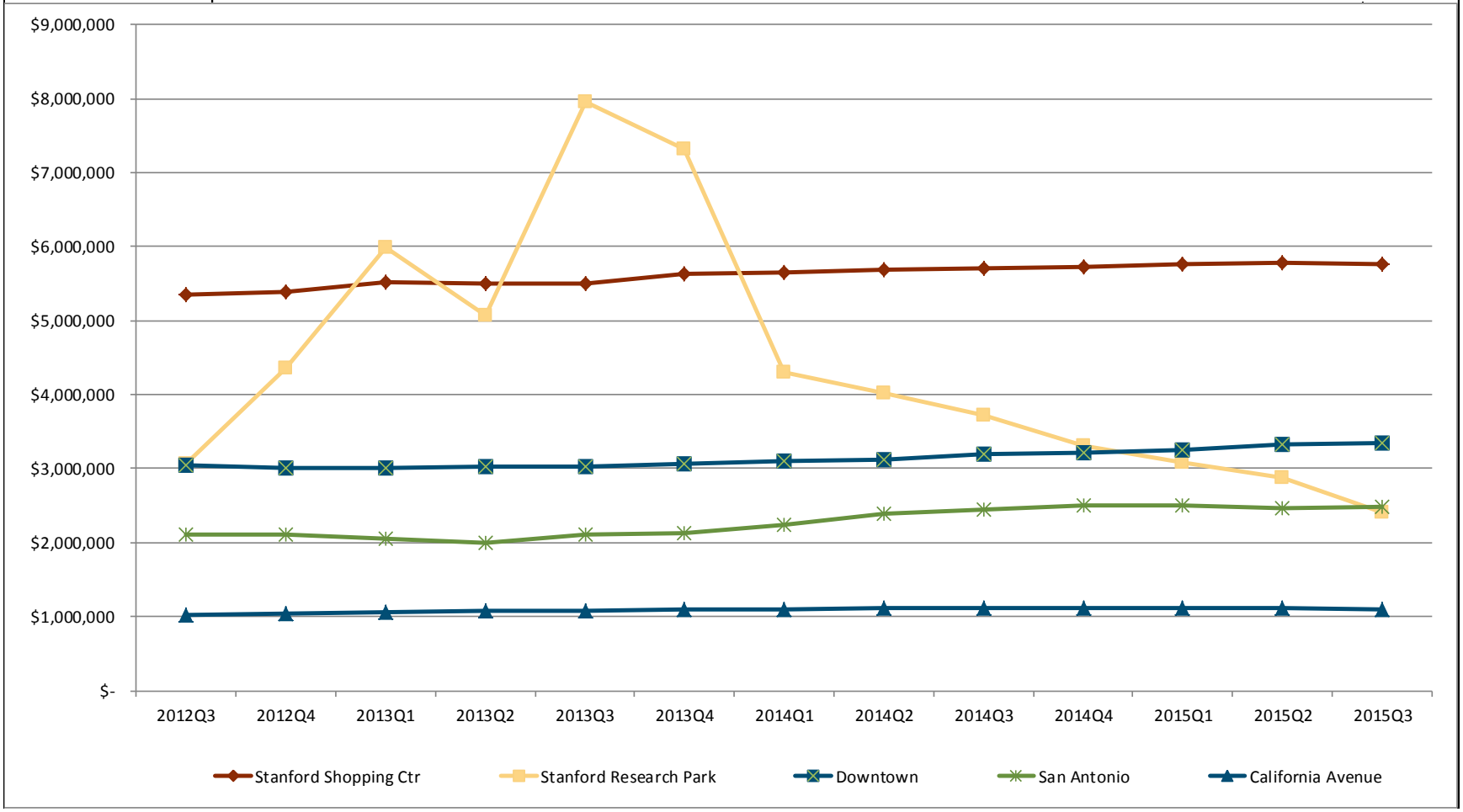
	General Retail	Food Products	Construction	Business to Business	Misc/Other	2015/3 Total	2014/3 Total	% Chg	Largest Gain	Second Largest Gain	Largest Decline	Second Largest Decline
Campbell	1.8%	5.0%	-2.0%	6.9%	-14.0%	2,297,548	2,314,814	-0.7%	Restaurants	Office Equipment	Service Stations	Bldg.Matls-Whsle
Cupertino	-6.4%	0.5%	49.3%	-15.1%	-14.0%	6,057,166	6,595,375	-8.2%	Bldg.Matls-Whsle	Office Equipment	Business Services	Heavy Industry
Gilroy	-0.4%	3.8%	4.0%	5.4%	11.6%	3,616,978	3,469,207	4.3%	Auto Sales - New	Misc. Vehicle Sales	Service Stations	Apparel Stores
Los Altos	1.7%	9.0%	30.7%	0.0%	11.0%	558,834	546,960	2.2%	Restaurants	Liquor Stores	Service Stations	Apparel Stores
Los Gatos	-12.9%	2.8%	-3.0%	18.8%	-17.3%	1,693,806	1,783,516	-5.0%	Office Equipment	Furniture/Appliance	Miscellaneous Retail	Service Stations
Milpitas	3.6%	5.8%	2.2%	27.1%	-5.3%	4,840,015	4,482,358	8.0%	Office Equipment	Bldg.Matls-Whsle	Service Stations	Electronic Equipment
Morgan Hill	1.2%	6.9%	5.4%	-7.5%	5.2%	1,876,740	1,820,657	3.1%	Auto Sales - New	Misc. Vehicle Sales	Service Stations	Electronic Equipment
Mountain View	-3.2%	13.5%	-12.1%	7.5%	-13.5%	3,962,368	3,923,141	1.0%	Business Services	Restaurants	Service Stations	Office Equipment
Palo Alto	-2.3%	8.3%	32.5%	48.5%	9.6%	5,579,499	5,071,091	10.0%	Electronic Equipment	Health & Government	Furniture/Appliance	Service Stations
San Jose	-0.2%	5.2%	3.9%	13.0%	-1.1%	38,788,708	37,305,372	4.0%	Leasing	Light Industry	Service Stations	Energy Sales
Santa Clara	4.9%	1.3%	-8.8%	-0.6%	-0.7%	11,193,347	11,234,161	-0.4%	Office Equipment	Heavy Industry	Electronic Equipment	Bldg.Matls-Whsle
Santa Clara Co.	-3.5%	11.6%	2.6%	-27.9%	1.8%	1,135,627	1,130,733	0.4%	Restaurants	Health & Government	Office Equipment	Heavy Industry
Saratoga	-3.9%	13.6%	-28.9%	86.3%	-11.4%	265,498	250,290	6.1%	Restaurants	Office Equipment	Service Stations	Miscellaneous Retail
Sunnyvale	-0.6%	8.2%	6.8%	12.3%	-2.8%	6,906,809	6,540,279	5.6%	Electronic Equipment	Light Industry	Service Stations	Office Equipment

City of Palo Alto - Selected Geographic Areas of the City Benchmark Year 3rd Quarter 2015	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
El Camino Real	1,122,001	1,143,951	1,090,870	1,055,524	1,049,438	1,038,409	2,563,317	1,084,815	1,108,045	1,102,757	1,105,340	1,090,236	1,088,571
Town and Country	502,127	509,180	522,374	523,504	525,116	550,852	570,860	590,134	624,333	629,346	637,224	644,288	636,497
Midtown	181,352	181,654	183,780	184,646	185,301	185,348	185,472	185,910	187,120	188,251	192,122	194,028	195,907
East Meadow Area	81,598	67,124	74,680	77,869	100,045	103,590	107,316	109,171	114,419	104,735	117,701	172,602	166,805
Charleston Center	74,213	74,683	76,315	78,734	81,455	90,116	84,760	86,432	86,288	87,413	88,622	89,612	90,642



**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2015Q3 BMY is sum of 2015 Q3, Q2, Q1 & 2014 Q4)*

City of Palo Alto - Selected Geographic Areas of the City Benchmark Year 3rd Quarter 2015	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Stanford Shopping Ctr	5,345,618	5,388,747	5,519,326	5,501,836	5,508,513	5,637,256	5,647,210	5,685,894	5,713,169	5,726,273	5,769,236	5,775,751	5,765,715
Stanford Research Park	3,073,009	4,362,778	5,995,489	5,075,848	7,949,998	7,307,557	4,299,015	4,027,889	3,724,671	3,304,003	3,082,331	2,869,143	2,411,043
Downtown	3,047,356	3,013,183	3,007,123	3,027,279	3,022,194	3,068,553	3,108,592	3,124,224	3,189,273	3,220,248	3,251,198	3,318,323	3,351,331
San Antonio	2,103,881	2,114,306	2,047,925	1,997,654	2,106,291	2,122,586	2,234,235	2,393,463	2,453,548	2,495,915	2,504,156	2,465,311	2,483,850
California Avenue	1,020,704	1,034,151	1,058,098	1,072,925	1,078,153	1,104,341	1,104,237	1,109,685	1,119,047	1,120,996	1,113,385	1,108,904	1,106,175

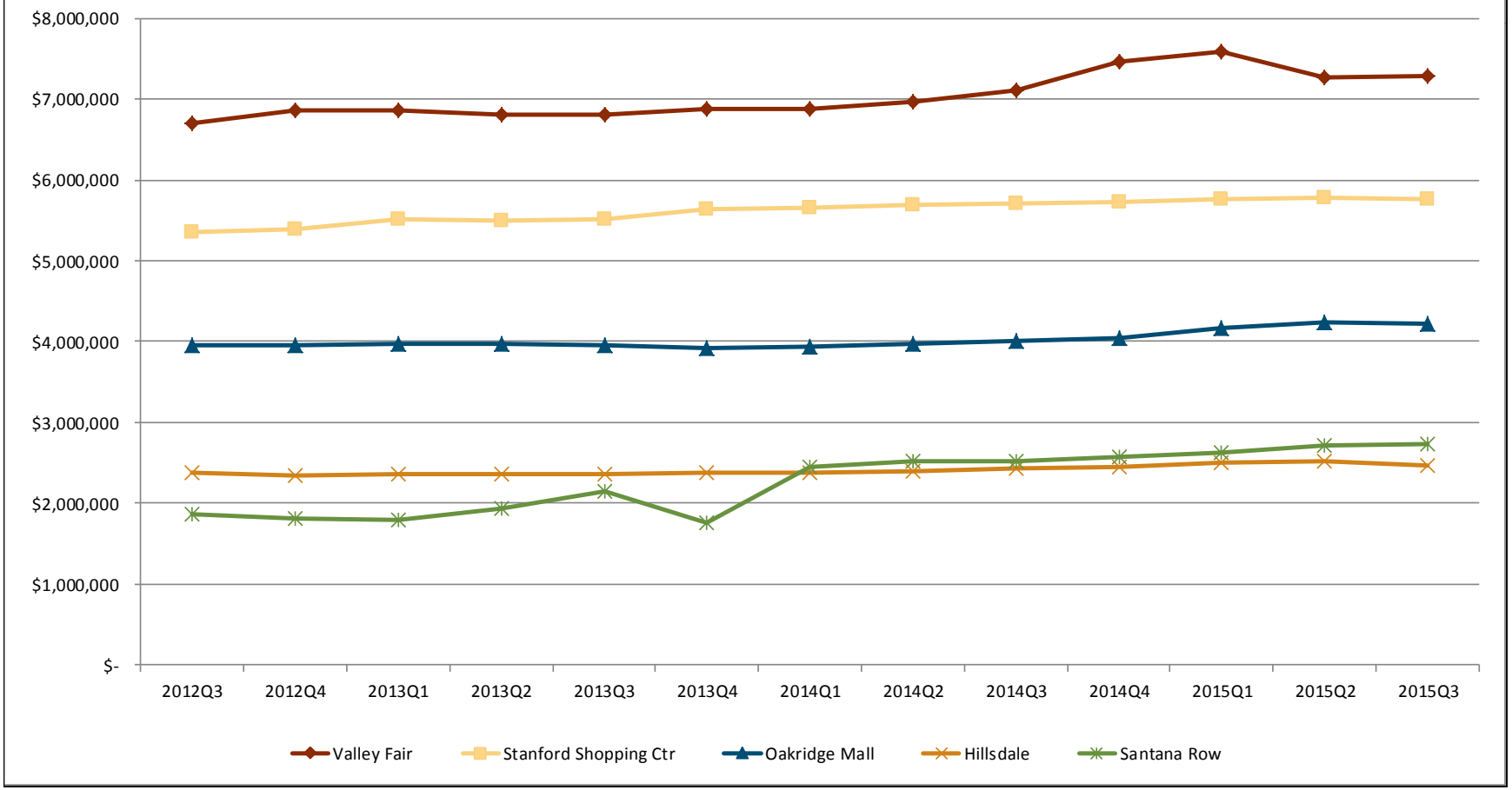


**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2015Q3 BMY is sum of 2015 Q3, Q2, Q1 & 2014 Q4)*

City of Palo Alto - Regional Shopping Mall Comparison

Benchmark Year 3rd Quarter 2015

	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3
Valley Fair	6,708,343	6,855,987	6,865,443	6,808,919	6,815,517	6,883,838	6,885,378	6,958,214	7,108,448	7,455,179	7,588,546	7,273,028	7,282,265
Stanford Shopping Ctr	5,345,618	5,388,747	5,519,326	5,501,836	5,508,513	5,637,256	5,647,210	5,685,894	5,713,169	5,726,273	5,769,236	5,775,751	5,765,715
Oakridge Mall	3,947,751	3,957,195	3,972,739	3,974,067	3,954,094	3,924,360	3,934,469	3,972,556	4,005,370	4,040,521	4,159,367	4,236,080	4,215,653
Hillsdale	2,381,548	2,348,668	2,367,315	2,356,855	2,367,935	2,387,185	2,374,185	2,401,370	2,438,295	2,450,278	2,494,792	2,513,866	2,470,404
Santana Row	1,867,513	1,819,616	1,795,942	1,938,742	2,156,984	1,765,101	2,453,638	2,523,193	2,525,349	2,565,665	2,634,908	2,706,867	2,735,522



**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2015Q3 BMY is sum of 2015 Q3, Q2, Q1 & 2014 Q4)*

Economic Categories and Segments		
Economic Category	**Economic Segment**	**Description**
Business to Business - sales of tangible personal property from one business to another business and the buyer is the end user. Also includes use tax on certain purchases and consumables.	Business Services	Advertising, banking services, copying, printing and mailing services
	Chemical Products	Manufacturers and wholesalers of drugs, chemicals, etc.
	Electronic Equipment	Manufacturers of televisions, sound systems, sophisticated electronics, etc.
	Energy Sales	Bulk fuel sales and fuel distributors and refiners
	Heavy Industry	Heavy machinery and equipment, including heavy vehicles, and manufacturers and wholesalers of textiles and furniture and furnishings
	Leasing	Equipment leasing
	Light Industry	Includes, but is not limited to, light machinery and automobile, truck, and trailer rentals
	Office Equipment	Businesses that sell computers, and office equipment and furniture, and businesses that process motion pictures and film development
Construction	Building Materials – Retail	Building materials, hardware, and paint and wallpaper stores
	Building Materials - Wholesale	Includes, but is not limited to, sheet metal, iron works, sand and gravel, farm equipment, plumbing materials, and electrical wiring
Food Products	Food Markets	Supermarkets, grocery stores, convenience stores, bakeries, delicatessens, health food stores
	Food Processing Equipment	Processing and equipment used in mass food production and packaging
	Liquor stores	Stores that sell alcoholic beverages
	Restaurants	Restaurants, including fast food and those in hotels, and night clubs

Economic Categories and Segments		
Economic Category	**Economic Segment**	**Description**
General Retail – all consumer focused sales, typically brick and mortar stores	Apparel Stores	Men's, women's, and family clothing and shoe stores
	Department Stores	Department, general, and variety stores
	Drug Stores	Stores where medicines and miscellaneous articles are sold
	Florist/Nursery	Stores where flowers and plants are sold
	Furniture/Appliance	Stores where new and used furniture, appliances, and electronic equipment are sold
	Miscellaneous Retail	Includes, but is not limited to, stores that sell cigars, jewelry, beauty supplies, cell phones, and books; newsstands, photography studios; personal service businesses such as salons and cleaners; and vending machines
	Recreation Products	Camera, music, and sporting goods stores
Miscellaneous/Other	Miscellaneous/Other	Includes but not limited to health services, government, nonprofit organizations, non-store retailers, businesses with less than $20,000 in annual gross sales, auctioneer sales, and mortuary services and sales
Transportation	Auto Parts/Repair	Auto parts stores, vehicle and parts manufacturing facilities, and vehicle repair shops
	Auto Sales - New	New car dealerships
	Auto Sales - Used	Used car dealerships
	Miscellaneous Vehicle Sales	Sale and manufacture of airplanes and supplies, boats, motorcycles, all-terrain vehicles, trailers and supplies
	Service stations	Gas stations, not including airport jet fuel

ECONOMIC NEWS & TRENDS



HIGHLIGHTS

- US GDP Grew 2.1% for 2015, average forecasts around 2.6% for 2016
- California GDP grew $2.2 trillion to $2.3 trillion in 2015, around the worlds eight largest economy
- California State Budget revenues over $660 million above projections
- 18.9 million workers in California labor force in 2015, a 2.1% increase from 2014
- Unemployment rate for US at 5% as of November 2015, California at 5.7%
- US Energy Information Administration projecting oil to average $38.54 a barrel for 2016
- US Housing market still strong, US housing starts up 10.3% November 2015 over November 2014
- California housing starts down 18% November 2015 over November 2014 but total valuation roughly equal

The median home sales price in California remains over double the national average at $477,060 as of November 2015. The most expensive home values in California are found in the Bay Area, with San Francisco median prices over $1.1 million as of November 2015. Kern County is the most affordable large area in California, with median prices just over $200,000 as of November 2015. Sacramento is far below the prices experienced in the Bay area, with median prices at $280,000. The California unemployment rate decreased 1.5% year over year, while the national unemployment rate only saw a 0.8% decrease. The highest unemployment rate by metropolitan area in California as of November 2015 is Fresno at 9.9%. The lowest unemployment rates in the state are the Bay Area, with both the San Francisco and San Jose metro areas at 3.9% unemployment as of November 2015.

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SECTION 1 - U.S. ECONOMY

Economic Trends and Outlook

Sources: http://bea.gov/newsreleases/international/trade/tradnewsrelease.htm; http://www.ebudget.ca.gov/2016-17/pdf/BudgetSummary/EconomicOutlook.pdf; http://www.bls.gov/news.release/empsit.nr0.htm; https://www.census.gov/retail/marts/www/marts_current.pdf

Gross Domestic Product: Will improve in 2016 to 2.4%; the economy will rebound after 2015's growth rate of 2.1%; the increase will slow to 2.2% in 2017
U.S. Manufacturing: Production will grow 2.6% in 2016, 3.0% in 2017, and 2.8% in 2018
Interest Rates: The Federal Reserve Board raised the Federal funds rate to 0.5% in December 2015
Business Spending: Increasing by 4%
Inflation: 1.6% in 2016, 1.9% in 2017 and 2.0 in 2018
Retail and Food Sales: $448.1 billion in December 2015 (an increase of 2.2% from December 2014); Retail trade sales were down 0.2% from November 2015, but up 1.6% from 2015. Sporting goods, hobby, book and music stores were up 7.6% from December 2014 and non-0store retailers were up 7.1% from last year
US Trade Deficit: Decreased 5.0% to $42.4 billion in November from a revised $44.6 billion in October
Imports and Exports: Exports of goods and services fell 0.9% to $182.2 billion (a four year low). Imports fell 1.7% to $224.6 billion (decline in consumer goods)
Petroleum Products: The deficit jumped in November by 20% to $5.24%
Unemployment: 4.7% in 2016, 2017, and 2018 (lower than 5.0% rate in 2015 and the Federal's 6.7% target)
Employment: Total nonfarm payroll employment rose by 292,000 in December 2015; employment gains occurred in several industries, led by professional and business services, construction, health care, and food services and drinking places; Mining employment continued to decline
Regional Job Growth in 2016: The West will look the best; California continues to weather the global economic slowdown and strong dollar, thanks to its robust tech, tourism and health industries. Agriculture figures to lag because of the severe drought, but coastal cities will see hiring continue to soar. (*Kiplinger*, 12/8/15)

2016 Forecasts

Sources: Wall Street Journal, January 14, 2016 (WSJ); Southern California Public Radio, December 21, 2015 (SCPR)

Real Gross Domestic Product: Average forecast for 2016 is 2.5%; Last year economists expected about 3% growth and are likely to end up with only about 2.1%. (WSJ)
Unemployment Rate: The 5% jobless rate could go even lower, "perhaps down to the mid-4's (Julie Heath, Director of the University of Cincinnati's Economic Center/ SCPR)
Average Monthly Change in Total Nonfarm Payrolls: First quarter: 202,000; Second quarter: 196,000; Third quarter: 185,000; Fourth quarter: 180,000. (WSJ)
Inflation: Average forecast for June 2016 is 1.2%; Average forecast for December 2016 is 2.2%; Economists expect inflation to rebound from its persistently low levels, but that's largely due to what the price of oil will do. (WSJ)
Interest Rates: Expect four [quarter-percentage-point] increases in 2016 (in March, June, September and December) and four more in 2017." IHS Global Insight. (SCPR)
Housing: Average forecast for new home construction is 1.27 million units in 2016; Average forecast for national home prices is 4.5% increase; Home prices are expected to rise, though slightly more slowly than in 2015. Home construction is expected to climb to its highest level since 2007. (WSJ)

Oil Prices: They likely will remain depressed, and may even fall below $35 a barrel. Laurence Fink, BlackRock chairman, speaking on Bloomberg TV. (SCPR)
Auto Sales: The 2015 threshold certainly will be surpassed in 2016 as sales stretch to an almost-mythical 18 million vehicles. (Robert Weagley, chair of the personal financial planning department at the University of Missouri/ SCPR)
Manufacturing: Stabilizing after a difficult 18-month period (mid-2014 to late 2015) and may accelerate further. (John Canally, economic strategist for LPL Financial/ SCPR)
Wages: The U.S. is poised for real wage growth of 2.7%, barring rising inflation. (Korn Ferry Hay Group/ SCPR)

The Next Recession and Inflation

Source: https://www.chase.com/commercial-bank/executive-connect/inflation-return-2016

Recession and Risks: Odds of recession: 17%. The next U.S. recession is in 2018 is based on the median of 31 economists from a Bloomberg News survey. (Wall Street Journal, January 14, 2016).
Commodities: Raw materials constitute a small fraction of the price of most finished consumer goods. For example, the cost of steel needed to manufacture the typical car fell from $578 to $323 in 2015. The price of steel has dropped steeply, but the total cost of new vehicles is unlikely to be affected by $255 in savings.
Food and Energy: Cheap oil is almost certainly skewing inflation figures downward. The most reliable measurements of consumer prices are designed to factor out the volatile food and fuel sectors, since these price fluctuations are often driven by external factors, like weather conditions, that have little to do with changes in the economy's aggregate demand. Gasoline sales at big-box retailers have allowed the cost of fuel to creep back into consumer price measurements.

SECTION 2 - CALIFORNIA'S ECONOMY

California Indicators

Source: Fast Facts, by the Assembly Committee on Jobs, Economic Development and the Economy (December, 2015 and January, 2016)

Largest private industry sectors: Finance, insurance, real estate, rental, and leasing (20.2% of state GDP); trade, transportation, and utilities (12.7% of total GDP); professional and business services (12.0% of state GDP); and manufacturing (12.0% of state GDP).
Employment/ workers: 18.9 million workers in the California labor force in November 2015 with 17.9 million individuals employed; month increase of 11,000 jobs, represents a 365,000 (2.1%) increase from the prior year.
Employment/ sectors: Seven of the 11 major industry sectors added jobs. The largest job gains in November 2015 were in government (6,200) and information (4,900), followed by construction (2,100), professional and business services (1,200), leisure and hospitality (900), other services (600), and trade, transportation, and utilities (600). Financial activities lost 5,900 which is the largest job loss for this sector since July 2009. Other sectors that lost jobs include educational and health services (2,000), manufacturing (200), and mining and logging (200) (*Department of Finance, November 2015).*

Economic Data (Revenues)

Sources: Department of Finance, Finance Bulletin (December, 2015); http://www.ebudget.ca.gov/2016-17/pdf/BudgetSummary/EconomicOutlook.pdf

Revenues: November year-to-date revenues are $664 million *above* the expected $37.053 billion.
Personal income tax: $103 million *above* the month's forecast of $3.701 billion. Proposition 63 requires that 1.76% of the total personal income tax collections be transferred to the Mental Health Services Fund; the amount transferred in October was $2 million higher than the forecast of $66 million.
Sales and use tax: $267 million *above* the month's forecast of $2.65 billion. Year-to-date, sales tax cash is $53 million *above* forecast.
Corporation tax: $55 million *below* the month's forecast of $45 million. Year-to-date revenues are $264 million below forecast.
Insurance tax: $5 million *above* the $396 million estimated for September. Year-to-date revenues are $22 million *above* the forecasted $1.005 million.
Revenues from the estate, alcoholic beverage and tobacco taxes, and pooled money interest: came in $294 million *above* the $413 million that was expected.

Demographics (Extrapolated from the Governor's Proposed 2016-17 State Budget)

Source: http://www.ebudget.ca.gov/2016-17/pdf/BudgetSummary/DemographicInformation.pdf

California's Population: As of July 2015, there were an estimated 39.1 million people residing in California. The projected increase is 39.4 million in 2016 and 39.8 million by 2017. The population is expected to reach 40 million in 2018. Over the next five years, the state is projected to grow by an average of 345,000 residents annually.
Worker Production: The unemployment rate dropped to 5.7% in November 2015 due primarily to the historically low labor force participation rate of 62%. It is expected to fall very gradually to around 5.5% as labor force participation stabilizes. California adds jobs with around 40,000 a month added on average in 2015.
Consumer Inflation: Measured by the CPI has been relatively low throughout the recovery, and is expected to remain around 2.5% over the forecast period.

Regional Travel and Tourism Outlook (2010 to 2018)

Source: http://industry.visitcalifornia.com/media/uploads/files/editor/CA_Regional_Forecast_July_2015 (1).pdf

The California Regional Travel and Tourism Outlook (published in July 2015) provides detailed forecasts for travel and tourism (for 12 regions in the State) looking at years 2010 and forecasted to 2018. The report looks at regional trips, seasonal trips, and spending. Refer to the above link for region specific data.

SECTION 3 - COMMERCIAL AND REAL ESTATE MARKET

Shrinking U.S. Shopping Malls Get Makeovers

Source: http://www.wsj.com/articles/shrinking-u-s-shopping-malls-get-makeovers-1448361001?tesla=y

Some owners are converting struggling malls into apartments, offices and industrial space, while others are turning big chunks of retail space into parks and playgrounds to keep shoppers interested. The decline has affected most categories of retail real estate, including strip centers and convenience stores, local shopping centers and large malls, according to data from the International Council of Shopping Centers. It comes after decades of expansion; the amount of retail square footage per person swelled by 54% between 1970 and 2009.

U.S. Real Estate Market

Source: www.nreionline.com (Richard Barkham, Ph.D., executive director and global chief economist at commercial real estate services firm CBRE, November 23, 2015)

Retail: As unemployment comes down and consumers start spending more aggressively from their savings in gas, the outlook for retail is quite good. There are some structural issues in retail, mainly the challenge from e-commerce and the challenge from very successful discounting firms like Wal-mart.
Malls: There may be a bigger challenge there for grade-B and grade-C malls, but there is also more new investment going on as shopping centers look to reposition themselves or change their offering a little bit. The outlook is reasonably good for bricks-and-mortar retail if it can continue to make itself relevant to consumers.
Office: The demand for office has been a little bit sluggish this cycle, and that is due to the finance sector not being as strong as it has been in previous cycles. Banks have had to deal with a lot of new regulation. The savior of the office sector is that not much is being built.

Shipping Containers – Use in Agriculture

Source: http://bigstory.ap.org/article/e578b87f55994cbe91bb3bf9b4c52c4b/farm-box-shipping-containers-reused-fresh-produce

Shipping containers have been turned into housing, art, even playgrounds. They are becoming high-tech mobile farms. Industry experts caution that upfront costs and annual operational expenses like electricity for lighting systems that often run 18 hours a day can mean slim profit margins for would-be farmers. But they also suggest technological advances are helping make indoor growing more feasible.

SECTION 4 - THE SHARED ECONOMY

The New Sharing Economy – Trends and Issues

Source: Tax Analyst

Collecting and Paying Back TOT Revenues: Not unlike Amazon's sales tax collection agreements with individual states, Airbnb has agreed to collect and remit hotel taxes in various municipalities, adding Chicago, the District of Columbia, and San Jose, to that list in January. Airbnb began collecting taxes in San Francisco in 2014.
State and Local Trends: Some localities and states approved measures to keep pace with home-sharing businesses. Examples include Nashville, Tennessee, which passed an ordinance regulating short-term rentals in February. Rhode Island's budget also included provisions subjecting home-share rentals to the state's hotel and sales taxes. California lawmakers considered but did not approve legislation (SB 593) to require home-sharing businesses to comply with local ordinances.

Additional Sharing Company Segments: Other elements of the sharing economy were also targeted. A new Nevada law allows rideshare companies, including Uber Technologies Inc. and Lyft, to operate, while imposing a new 3% excise tax on fares; the assessment also applies to traditional taxi rides. Chicago passed new rules allowing rideshare companies to pick up at airports while increasing fees on the service.
Hurdles and Tax Administration: The sharing economy poses not only a revenue challenge to governments, but also logistical hurdles for tax administration. As states and cities increasingly seek to collect revenue from the new business model, they can expect to encounter problems dealing with large, distributed networks that don't exist with traditional service businesses.

SECTION 5 - THE CHANGING ECONOMY – CAPTURING REVENUES

Addressing the Changing Economy

Source: MuniServices Policy Update, January 2016

As previously reported Senator Hertzberg introduced SB 8 in 2015 that is placeholder language to broaden the tax base by imposing a sales tax on services. It has been reported that 80% of California's economy is now providing services, not goods, and most of these services are untaxed. The discussion and action on this issue is expected to continue during the 2016 Legislative Session. Here is what we know may be in a bill this year and based on a conversation reported in the *Orange County Register* where Senator Hertzberg spoke during an Orange County Taxpayers Association meeting late October 2015. **Levy and to whom:** A maximum 5% tax on services, such as those provided by attorneys, accountants, engineers and architects. Exempted would be education, rent, health care and utilities, as well as services provided by businesses with under $100,000 in gross revenues. The new revenue would replace some of the more volatile revenue derived from income taxes, particularly those from the wealthy. **Income tax:** The top state income tax rate of 12.3% would be reduced to 9.3%, and there would also be a reduction in the rate for individuals making less than $100,000 and couples making less than $200,000. **Business income tax:** Businesses with less than $1 million in sales would be exempt from the current 8.8% business income tax.

Considerations / Reforms

Leakage: Leakage from internet sales. (E Fairness)
Pooling: End pooling of online retail Sales, third party vehicle sales made at DMV, and lower threshold to $100,000 from $500,000 on out of state sales)
Self accrual: Lower self accrual of use tax on construction projects from $5 million to $1 million
Sales tax distribution: From changing market--remote sales in California (CA based internet sales) (possibly split 75/25)
Modernize (Broaden to Services, On-Line Travel Companies & Vacation Rentals, Digital Downloads, flexible to future changes)
Destination Sourcing (Allocate local sales tax to the destination of buyer for all on-line retail sales)
Exemptions (Adopt criteria and sunset) Note: There are hundreds of exemptions; the cost to locals is $3.2 billion. Revenue lost is BOE estimates using data from outside sources. Data is not available for the majority of exemptions, and remain unknown. A list (last published in July 2014) is available in Sales and Use Tax: Exemptions and Exclusions (Publication 61). The BOE has a series of questions and answers about the application of sales tax. Also refer to http://www.boe.ca.gov/sutax/sutexempt.htm for "new and sales and use tax exemptions."

NCSL Task Force Promises Legislation Designed to Overturn Quill
Source: Tax Analyst

During Black Friday in 2015, online sales exceeded in-store sales for the first time. A number of retailers are suffering from intense online competition. State legislative leaders will soon be provided with a legal roadmap designed to overturn *Quill Corp. v. North Dakota* and allow the collection of taxes on remote sales.

Teaching and Learning the Benefits of Supporting the Local Economy (KidScoop.com)
Source: http://www.kidscoop.com/downloads/category/financial-literacy/

The Financial Literacy section of *Kid's Scoop* includes a 'shop local' series and asks the younger generation to consider: What happens to the money you spend in stores? Why is it important to support small local businesses in your community? How do the community in turn benefit from those businesses? The January 15, 2016 edition, focus is on teaching children about sales tax, looks at some basic economic principles about the relationship between exchanging money for goods and services. See http://www.kidscoop.com/downloads/sales-tax/.

SECTION 6 - AUTO NEWS

U.S. Auto Sales Surge in December
Source: http://www.programbusiness.com/News/US-Auto-Sales-Surge-in-December

Record Sales Strongest Since 2006: Auto makers reported their strongest annual U.S. sales since 2006, taking advantage of low fuel prices and interest rates to rebound from a global financial crisis that hammered results and forced some companies to undergo government-brokered restructurings.
Contributors to Increases in Sales: Enhanced year-end discounts and five sales weekends in December put a solid cap on a sixth consecutive year of growth. There were also two extra selling days last month compared with December 2014.
Sales Record in 2015: Pushed the annual tally above the 17,402,486 mark set in 2000.
The Gains: Nissan was the biggest gain, with a 19% jump from December 2014 levels. FCA US climbed 13%. Volume rose 11% at Toyota and 10% at Honda. Ford volume increased 8.3 % while General Motors deliveries rose 5.7%.
Luxury Sales: BMW finished 2015 with luxury sales of 346,023, followed by Lexus with 344,601 and Mercedes with 343,088, which excludes Sprinter deliveries. All three luxury brands, along with Audi and Porsche, set annual U.S. sales records in 2015.

California Tax Credit for Tesla: The California Alternative Energy & Advanced Transportation Financing Authority in December 2015 approved a financial assistance program, which frees companies from paying sales-and-use tax on some purchases, for Tesla (about $39 million on the purchase of $464 million in goods, spread out over 2015 and 2016). *Source: http://www.treasurer.ca.gov/news/releases/2015/20151215_incentives.asp*

Faraday Future: Faraday Future, based in Gardena announced its intention to launch a long-range electric car by 2017, and plans to build a state-of-the-art production facility in North Las Vegas, Nevada (or a seven hour drive from Tesla's GigaFactory). Faraday Future reports the plant will tours and other "engaging experiences" to the people who visit the city annually. *Source: http://www.motor1.com/news/60068/faraday-future-plans-to-open-1-billion-plant-in-nevada*

SECTION 7 - GASOLINE

Gas Prices Dropping: National Average Falls Lowest In Seven Years

Source: http://www.inquisitr.com/2713635/gas-prices-dropping-national-average-falls-lowest-in-seven-years/#zXmM2v1SwQuSQMDm.99 (January 16, 2016)

National Average: *Business Insider* reports that the last time there was a national average below $2 from the U.S. Energy Information Agency (EIA) was back in March of 2009.
West Coast: According to the EIA, the West Coast is the only region of the United States that still has an average above $2. As of January 14, 2016 the average was still at $2.63 a gallon, but that is to be expected for that area of the country.
US Regions: As of January 16, 2016, the different regions of the United States don't see a huge variance, except for the West Coast. All regions except the West Coast have seen drops below $2, and for now, there doesn't appear to be anything showing that will change anytime soon.
Projection: It is expected that the current gas prices below $2 will be around for a while and will eventually bottom out sometime in February. From that point, they could sit very low for a bit and then begin to rise, but not a lot. The expectation is that the national average price for a gallon of gas for all of 2016 will be just $2.03.

SECTION 8 - GROCERY STORE/ SUPPLIER NEWS

Grocery Store Changes

Source: http://www.theshelbyreport.com (October 2015 to January 2016)

City Target and Wal-Mart's Neighborhood Market: In 2015 six of the top 10 fastest-growing retail banners were small-box store formats such as City Target and Wal-Mart's Neighborhood Market. Smaller-format remains a key trend in 2016.
Fresh and Easy: In October 2015 announced closing its business; operates 97 stores in California, Nevada and Arizona.
Gelson's: Will reopen the first of its newly acquired Haggen stores next month in Rancho Mirage. Gelson's plans to open the remaining stores throughout early 2016; those stores are in Santa Monica, Ladera Ranch, San Diego, Thousand Oaks, Carlsbad and Laguna.
Grocery Outlet: Given bankruptcy court approval to buy six former Fresh & Easy stores in California. Grocery Outlet has 235 stores in six states and plans to add 30 stores in Orange and Los Angeles counties by the end of 2017.
Lucky (Subsidiary of Save Mart): The 100th EVgo Freedom Station in California is open at Lucky Supermarket's Fremont store; the nation's largest publicly available, multi-standard fast charging site to serve any electric vehicle (EV) on the road.
New Seasons: Announced plans to open two new stores in Northern California, in Emeryville and El Camino Real. The retailer said it would open at the Emeryville Public Market in late 2017.
Safeway: Anticipates more small-format stores, including a former Fresh & Easy Neighborhood Market in San Jose. The San Jose location is one of four new stores Safeway said it will open. The others are in Pacifica, Walnut Creek and Oakland.
Whole Foods Market's: First North Orange County location will open in February in Brea.

SECTION 9 - RETAIL NEWS

Holiday Spending Supports Store Openings Report: Consumers splurge on big ticket items: Initial reports indicate US retail sales grew 7.9% during the holiday season, excluding autos and gas (MasterCard Spending Pulse). The biggest winner this season was the furniture sector, which posted double-digit growth. Electronics and men's apparel lagged. *Source: National Real Estate Investor (December 30, 2015)*

Stockpile Cards at U.S. Retailers: Retailers are selling cards that give small amounts of stock in some of the country's best-known companies. Only 13.8% of American families own stock directly, down from nearly 18% before the financial crisis per the Federal Reserve. Gift cards were at $93.9 billion last year, nearly double the $51.8 billion in 2005. *Source: http://www.huffingtonpost.com/terry-savage/stockpile-a-holiday-gift_b_8585668.html*

Retail Store Changes

Source: www.plainvanillashsell.com (October 2015 to January 2016)

- **CVS Health Corp. and Target Corp:** Finalized CVS's acquisition of Target's pharmacy business in December 2015
- **Dog Haus:** Plans for 125 locations from 25 different franchisees in eight states, including California
- **Dos Coyotes:** Expanding with up to four locations in Sacramento
- **David's Tea:** Opening 10 new stores in the US, including a store in San Jose
- **Hurricane Grill and Wings:** 2015 was a record development year and had a first opening in California
- **JC Penny:** Closing 7 by mid-April, including a store in Cupertino
- **Kreiss:** Back in retail business with flagship store opening in West Hollywood
- **Kmart and Sears:** Multiple stores closing in California, including Chula Vista and Citrus Heights in April 2016
- **Macys:** Closing 40, including a Sacramento site; aims to open up to 50 "off-price stores"
- **Planet Fitness:** Expanding 500 stores that scheduled to open within the next three years
- **Pandora:** To open 200-300 stores a year through 2018
- **Shake Shack:** Expecting at least 16 US stores in 2016 and beyond; in 2016 there are plans to open in West Hollywood
- **Expedia Cruise Ship Centers:** In three years open franchise locations including Los Angeles, San Francisco & San Diego
- **Sportsman's Warehouse:** Selected Rohnert Park for first Bay Area store
- **Sonic:** Expanding in California with 33 new drive-ins
- **Stater Brothers:** Expanding in Southern California
- **Target:** 13 store closures including a Victorville location
- **Walmart:** Closing 154 stores, including sites in San Jose, Long Beach, Oakland, Los Angeles, Altadena, Bell Gardens, San Bernardino and Hawaiian Gardens

SECTION 10 – RESTAURANT AND FOOD TRENDS

Restaurant and Food Trends to Watch in 2016

Sources: http://restaurant-hospitality.com/trends/11-trends-will-impact-restaurants-2016/
http://www.cleveland.com/cooking/index.ssf/2016/01/food_trends_for_2016_ready_to.html/
http://www.baumwhiteman.com/2016Trends.pdf

- **No-tips:** A movement to a no-tipping policy, thereby raising wages for all of his staffers, front- and back-of-the-house
- **Tech driven economy:** Amazon, Uber and others will shake up the delivery game; latching onto the ease of locating a restaurant, ordering, paying, and getting loyalty points, without ever speaking to a human being
- **Obsession with fried chicken:** Will grow; Shake Shack made headlines this year with a limited release of a fairly conventional Chicken Shack sandwich; no longer just southern, fried chicken sandwiches have gone creative and ethnic
- **Retailers will renew their attack on restaurants:** Building revenue by luring shoppers for snacks and meals such as Outdoor World owned by Brass Pro Shops; Whole Foods investing into Mendocino Farms; and Lexus bringing in bistros
- **Fast food casual restaurant deliveries:** Panera, Chipotle, Starbucks and others will ramp up deliveries
- **Retailers expanding in store cafes:** 40% of customers buy nachos and hotdogs at Target
- **Value:** Millennials actively look to pay more for food (and restaurants) they believe has more "value"