

Date: May 23, 2022

To: Thomas B. Modica, City Manager *T.M.*

From: Johnny Vallejo, Acting Director of Economic Development *JV*

For: Mayor and Members of the City Council

Subject: **Report on Broadway Corridor Sales Tax**

On March 17, 2020, the City Council requested the City Manager to work with the Economic Development Department to report to City Council on the sales tax revenue generated along specific segments of the Broadway commercial corridor from Chestnut and Alamitos Avenues and Alamitos to Orizaba Avenues. The purpose of this memorandum is to provide the City Council with the data that was requested.

Part of the intent behind this request was to determine if the improvements on Broadway through the Alamitos Beach and Bluff Park neighborhoods had an impact on business activity. The data shows that for the time period reviewed, there was a corresponding increase in sales tax in that area, while on other sections of Broadway, there was a corresponding decrease.

Background

The sales tax revenue data collected to respond to this request is reported across three geographic segments along the Broadway corridor: (1) the entire segment of Broadway between Chestnut Avenue and Orizaba Avenue; (2) the segment of Broadway between Chestnut Avenue and Alamitos Avenue; and (3) the segment of Broadway between Alamitos Avenue and Orizaba Avenue. All data provided in this report was secured by the City from HdL Companies, the City's sales tax consultant. To comply with sales tax confidentiality standards, sales tax information is reported in the aggregate, and data is not provided for individual businesses along the Broadway corridor.

Broadway Avenue Corridor Sales Tax Revenue

Broadway – Chestnut Avenue to Orizaba Avenue

This section provides sales tax revenue data for the entire area along the Broadway corridor between Chestnut and Orizaba Avenues. It includes the annual and quarterly sales tax revenues generated by businesses along the corridor between calendar years 2016 to 2019.

Figure 1 below provides the annual sales tax revenue that has been generated by businesses along the Broadway corridor from 2016 to 2019. The data excludes a substantial one-time revenue allocation in 2018 to a specific business in the corridor. The one-time increase is an anomaly for the business, and revenue has not continued at or reached the higher level since 2018. The average annual sales tax revenue generated by businesses in the area is \$1,022,498. The area reported steady increases in sales tax revenue from 2016 to 2018, growing 7.7 percent over this period. However, from 2018 to 2019, sales tax revenue declined by 3 percent, or \$32,538.

Figure 1. Broadway Corridor Annual Sales Tax Revenue

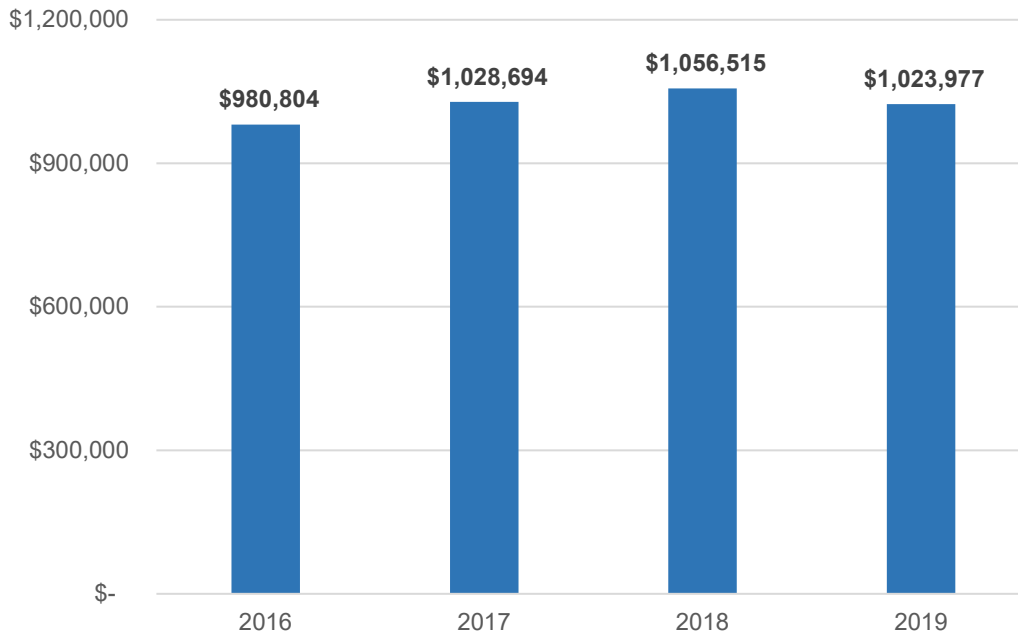
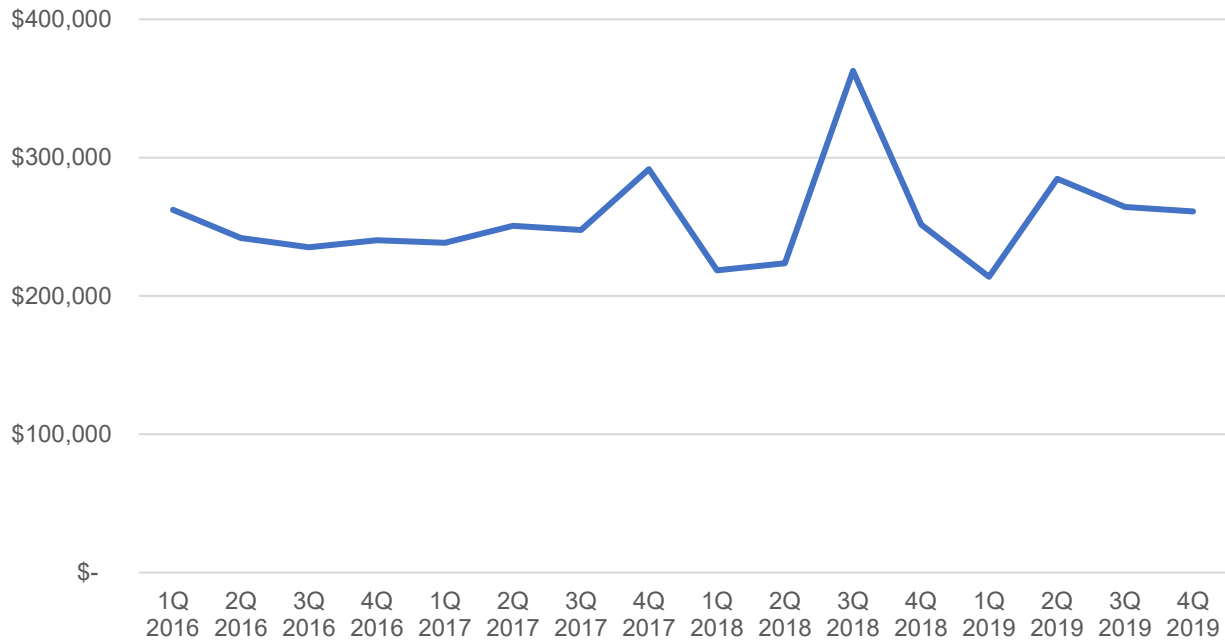


Figure 2 below provides quarterly sales tax revenue generated by businesses along the corridor between Quarter 1 (Q1) 2016 and Quarter 4 (Q4) 2019. The average quarterly sales tax revenue generated in the area is \$255,562. The area experienced a 5.6 percent decline in sales tax revenues from Q1 2016 to Q3 2017. Sales tax revenue increased by 18 percent from Q3 2017 to Q4 2017. However, the growth in sales tax revenue was temporary as it declined by 25 percent in Q1 2018. The sales tax revenues reported from Q2 2018 to Q4 2019 vary widely quarter by quarter. Overall, the area experienced a net loss of less than 1 percent from Q1 2016 to Q4 2019. The highest sales tax revenue recorded was \$362,773 in Q3 2018 and the lowest sales tax revenue recorded was \$213,856 in Q1 2019.

Figure 2. Broadway Corridor Quarterly Sales Tax Revenue

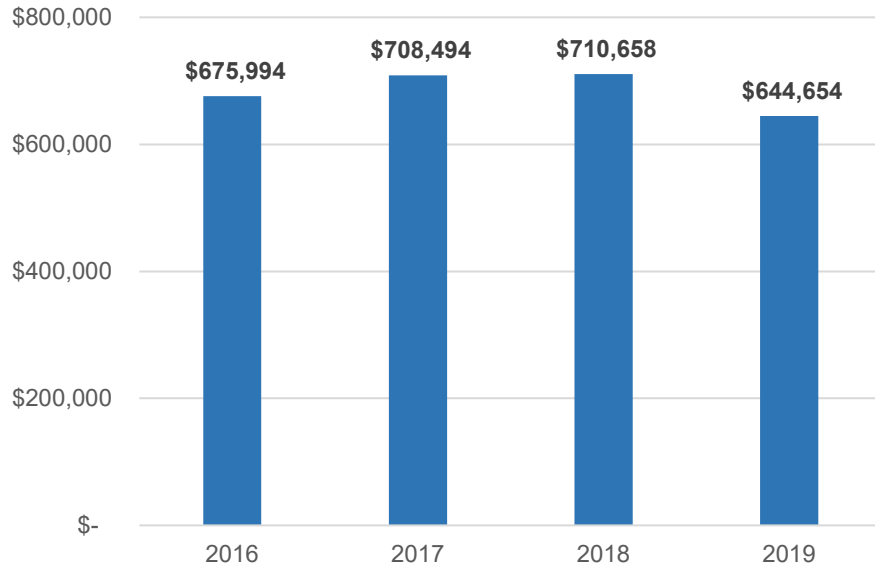


Broadway – Chestnut Avenue to Alamitos Avenue

This section provides annual sales tax revenue data for the area along the Broadway corridor between Chestnut and Alamitos Avenues that was generated between 2016 and 2019. As previously described, the data excludes a substantial one-time increase in 2018 from a single business. Figure 3 below provides the annual sales tax revenue generated by businesses in the area.

From 2016 through 2019, the average annual sales tax revenue generated in the area is \$684,950. The area experienced a 5.1 percent growth in sales tax revenue from 2016 to 2018 and a 9.3 percent decline in sales tax revenue from 2018 to 2019. Overall, the area experienced a 4.6 percent decrease in sales tax revenue from 2016 to 2019. The highest sales tax revenue recorded was \$710,658 in 2018 and the lowest sales tax revenue recorded was \$644,654 in 2019.

**Figure 3. Broadway Corridor Annual Sales Tax Revenue
 Chestnut Avenue to Alamitos Avenue**

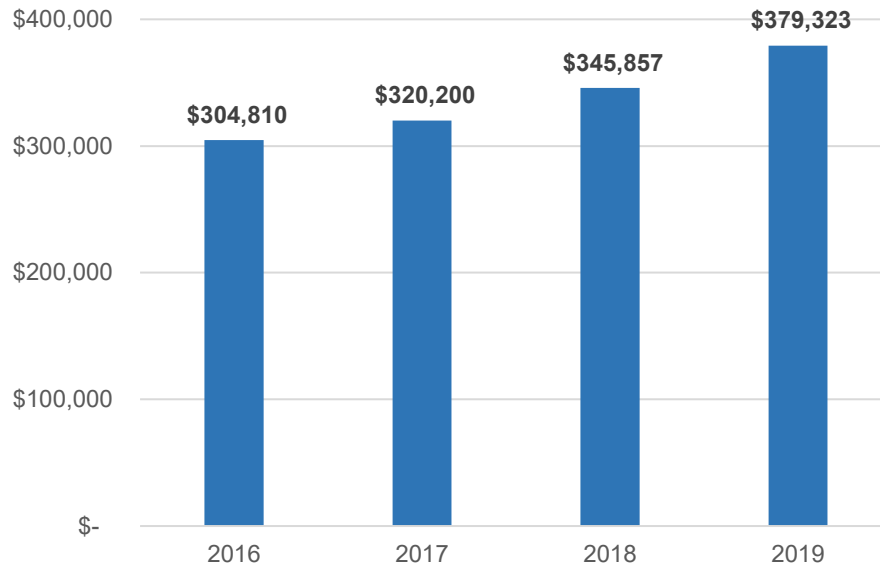


Broadway – Alamos Avenue to Orizaba Avenue

This section provides annual sales tax revenue data for the area along the Broadway corridor between Alamos and Orizaba Avenues that was generated between 2016 and 2019. Figure 4 below provides the annual sales tax revenue generated by businesses in the area.

The average annual sales tax revenue generated in the area is \$337,548. The annual data shows a steady increase in sales tax revenue collected year-over-year. Overall, the sales tax revenue generated in the area grew by 24 percent (or a \$74,513 increase) from 2016 to 2019. The highest sales tax revenue recorded was \$379,323 in 2019 and the lowest sales tax revenue recorded was \$304,810 in 2016. Of all the areas along the Broadway corridor that were studied for this report, the area between Alamos to Orizaba Avenues is the only area that reported steady growth in sales tax revenue.

**Figure 4. Broadway Corridor Annual Sales Tax Revenue
Alamos Avenue to Orizaba Avenue**



Conclusion

This report on Broadway corridor sales tax revenue completes the request made by Council on March 17, 2020. City staff will continue to track and report on sales tax revenue collected across commercial corridors in the quarterly reports that are provided to the Economic Development and Finance Committee.

Should you have any questions, please contact me at (562) 570-5282 or Johnny.Vallejo@longbeach.gov.

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