CITY OF SHORELINE REVENUE REPORT — MAY 2015

Key to trend indicators
= **Positive:** Positive change or variance > +2%.
= **Neutral:** Change or variance of -1% to +2%.
= **Warning:** Negative change or variance of -1% to -4%.
= **Negative:** Negative change or variance of > -4%.

All Sales Tax Sectors:
When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

Table 1: Sales Tax - Variance by Month

Month of Activity	2015 Budget Projection	2015 Actual	2015 Actual v. Bud. Proj. % Var.	2014 Actual	2015 v. 2014 % Change
December (Prior Yr)	$713,638	$792,683	11.1%	$712,174	11.3%
January	$546,336	$565,161	3.4%	$554,366	1.9%
February	$515,769	$547,403	6.1%	$533,674	2.6%
March	$608,209	$630,073	3.6%	$609,471	3.4%
Totals	$2,383,951	$2,535,319	6.3%	$2,409,686	5.2%
	Totals may not foot due to rounding.				

You may recall from past reports that staff was working with the Washington State Department of Revenue to correct the miscoding of some tax returns. This issue has since been resolved. The amount reported for the month of March is approximately $113,000 higher than that shown in this report due to the aggregate amount of the correction for the period of November 2014 through February 2015 being received with the March distribution.

For the purpose of this report and accuracy of future projections, the miscoded tax returns were allocated to their respective periods, with the exception of the return for the period of November 2014 since that will be considered late revenue booked to 2015. The following tables (See Tables 2a, 2b, and 2c) show adjusted results for the periods reported in the last three monthly reports.

Total sales tax receipts through the month of May 2015, which reflects activity from December 2014 through March 2015, are higher than the budget projection by 6.3% and the year-ago level by 5.2% (See Table 1). Removing one-time construction activity from the calculation reveals total receipts are 5.6% higher than the budget projection (See Table 3), but 5.5% lower than the year-ago level.

Table 2a: Sales Tax - Primary Sectors December (Prior Year) - January

Primary Sector	2011	2012	2013	2014	2015
Construction	$91,442	$204,230	$187,418	$168,515	**$178,605**
$ Change	($9,142)	$112,788	($16,812)	($18,903)	**$10,090**
% Change	-9.1%	123.3%	-8.2%	-10.1%	**6.0%**
Retail Trade	$685,548	$704,842	$782,320	$795,090	**$864,650**
$ Change	$23,963	$19,294	$77,478	$12,770	**$69,560**
% Change	3.6%	2.8%	11.0%	1.6%	**8.7%**
Hotels / Restaurant	$63,134	$61,896	$67,378	$71,571	**$76,081**
$ Change	$2,527	($1,238)	$5,482	$4,193	**$4,510**
% Change	4.2%	-2.0%	8.9%	6.2%	**6.3%**
All Others	$195,694	$181,653	$206,346	$231,365	**$238,508**
$ Change	($3,696)	($14,041)	$24,693	$25,019	**$7,143**
% Change	-1.9%	-7.2%	13.6%	12.1%	**3.1%**
Total Revenue	$1,035,818	$1,152,621	$1,243,463	$1,266,540	**$1,357,844**
$ Change	$13,652	$116,803	$90,841	$23,078	**$91,303**
% Change	1.3%	11.3%	7.9%	1.9%	**7.2%**

Table 2b: Sales Tax - Primary Sectors December (Prior Year) - February

Primary Sector	2011	2012	2013	2014	2015
Construction	$132,359	$281,852	$315,814	$252,347	**$250,135**
$ Change	($4,979)	$149,493	$33,962	($63,467)	**($2,212)**
% Change	-3.6%	112.9%	12.0%	-20.1%	**-0.9%**
Retail Trade	$957,195	$993,256	$1,097,457	$1,108,079	**$1,211,164**
$ Change	$32,165	$36,061	$104,201	$10,622	**$103,085**
% Change	3.5%	3.8%	10.5%	1.0%	**9.3%**
Hotels / Restaurant	$88,962	$92,039	$99,372	$103,406	**$110,057**
$ Change	($1,191)	$3,077	$7,333	$4,034	**$6,650**
% Change	-1.3%	3.5%	8.0%	4.1%	**6.4%**
All Others	$273,036	$260,365	$292,714	$336,382	**$333,891**
$ Change	($16,922)	($12,671)	$32,349	$43,668	**($2,491)**
% Change	-5.8%	-4.6%	12.4%	14.9%	**-0.7%**
Total Revenue	$1,451,552	$1,627,512	$1,805,358	$1,800,215	**$1,905,247**
$ Change	$9,073	$175,960	$177,845	($5,143)	**$105,031**
% Change	0.6%	12.1%	10.9%	-0.3%	**5.8%**

Table 2c: Sales Tax - Primary Sectors December (Prior Year) - March

Primary Sector	2011	2012	2013	2014	2015
Construction	$172,566	$369,091	$421,446	$344,777	**$342,959**
$ Change	($12,378)	$196,525	$52,354	($76,669)	**($1,818)**
% Change	-6.7%	113.9%	14.2%	-18.2%	**-0.5%**
Retail Trade	$1,276,576	$1,303,912	$1,445,225	$1,473,339	**$1,602,217**
$ Change	$53,932	$27,336	$141,313	$28,114	**$128,878**
% Change	4.4%	2.1%	10.8%	1.9%	**8.7%**
Hotels / Restaurant	$119,736	$125,412	$135,431	$142,926	**$150,714**
$ Change	($1,283)	$5,676	$10,019	$7,495	**$7,788**
% Change	-1.1%	4.7%	8.0%	5.5%	**5.4%**
All Others	$397,170	$351,251	$390,759	$448,645	**$439,430**
$ Change	$8,488	($45,919)	$39,508	$57,885	**($9,215)**
% Change	2.2%	-11.6%	11.2%	14.8%	**-2.1%**
Total Revenue	$1,966,048	$2,149,666	$2,392,861	$2,409,686	**$2,535,319**
$ Change	$48,759	$183,618	$243,195	$16,825	**$125,633**
% Change	2.5%	9.3%	11.3%	0.7%	**5.2%**

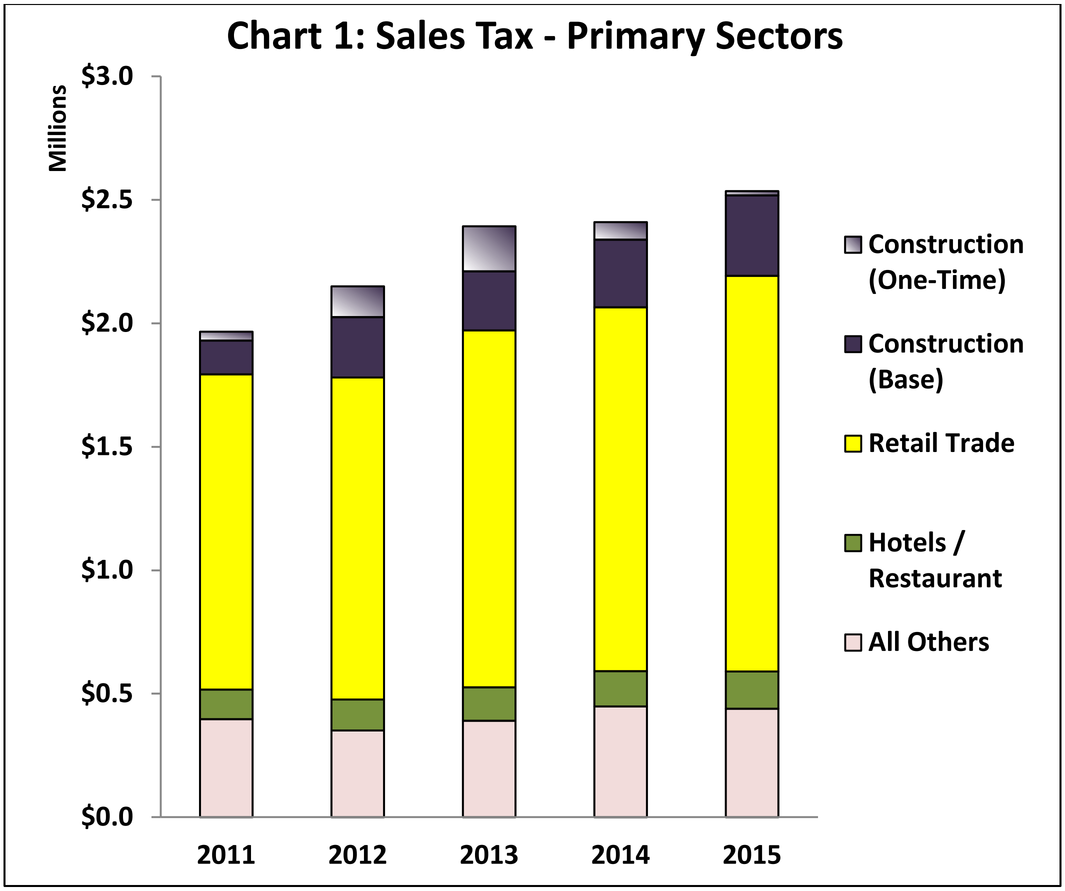

Table 3: Comparison of 2015 YTD Actual Less One-Time to 2015 Budget Projection December 2014 - March 2015

Primary Sector	2015 YTD Budget Projection	2015 YTD Actual	2015 YTD Actual Less One-Time	2015 YTD Actual Less One-Time v. 2015 YTD Bud. Proj.
Retail Trade Sector	$1,527,383	$1,602,217	$1,602,217	4.9%
Construction Sector	$286,384	$342,959	$325,674	13.7%
Other Taxable Sales Sectors	$570,183	$590,144	$590,144	3.5%
Total Local Sales & Use Tax	$2,383,951	$2,535,319	$2,518,034	5.6%

Totals may not foot due to rounding.

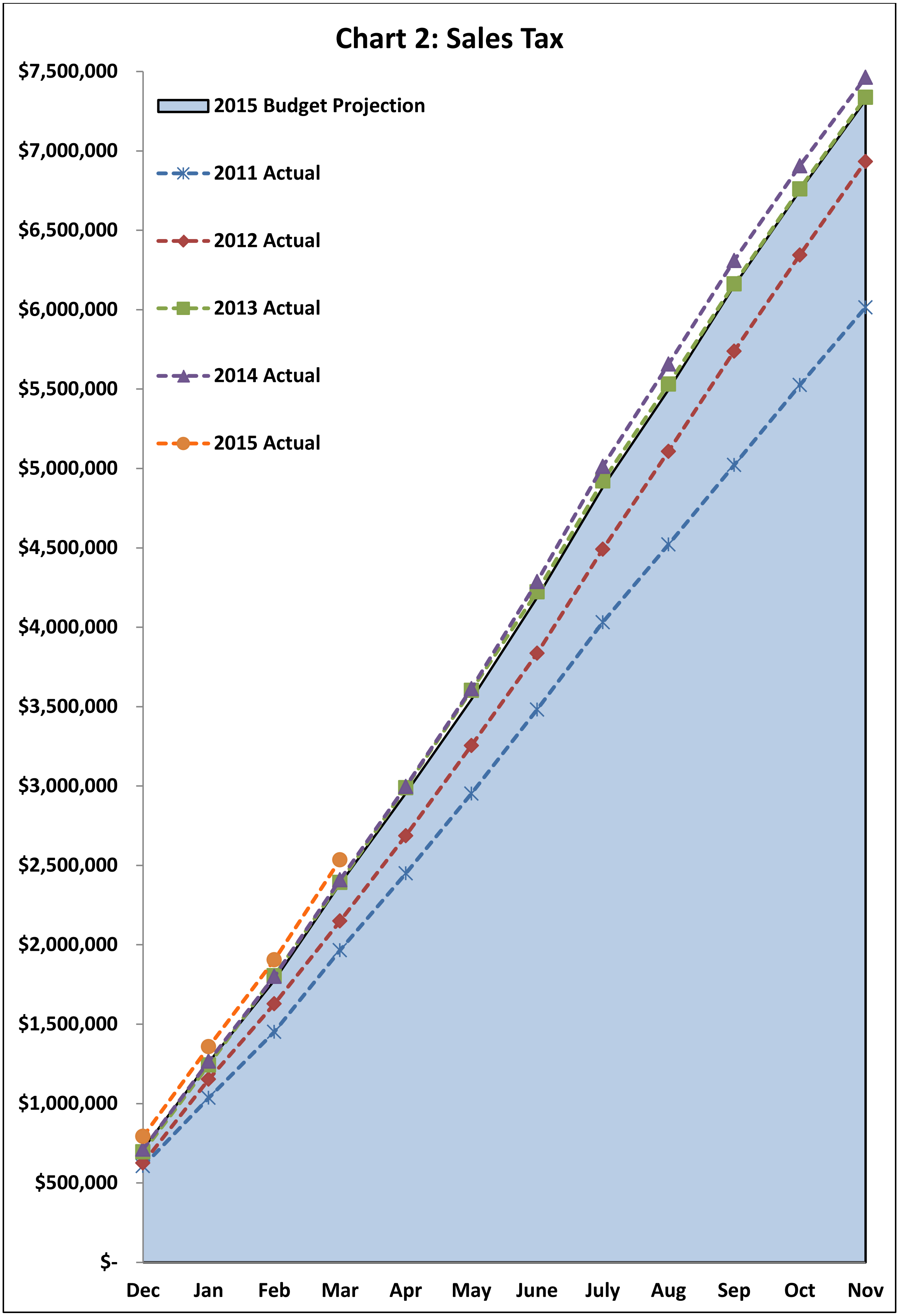
Chart 2: Sales Tax
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2015 Budget Projection
2011 Actual
2012 Actual
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Retail Trade Sector:
Receipts from activity for December 2014 through March 2015 are higher than the budget projection by 4.9% (See Table 3) and the year-ago level by 8.7% (See Tables 2c and 4c). The amount reported for the month of March is approximately $113,000 higher than that shown in this report due to the aggregate amount of the correction for the period of November 2014 through February 2015 being received with the March distribution. As noted earlier, the miscoding of prior returns has been corrected.

Again, for the purpose of this report and accuracy of future projections, the miscoded tax returns were allocated to their respective periods, with the exception of the return for the period of November 2014 since that will be considered late revenue booked to 2015. The following tables (See Tables 4a, 4b, and 4c) show adjusted results for the periods reported in the last three monthly reports.

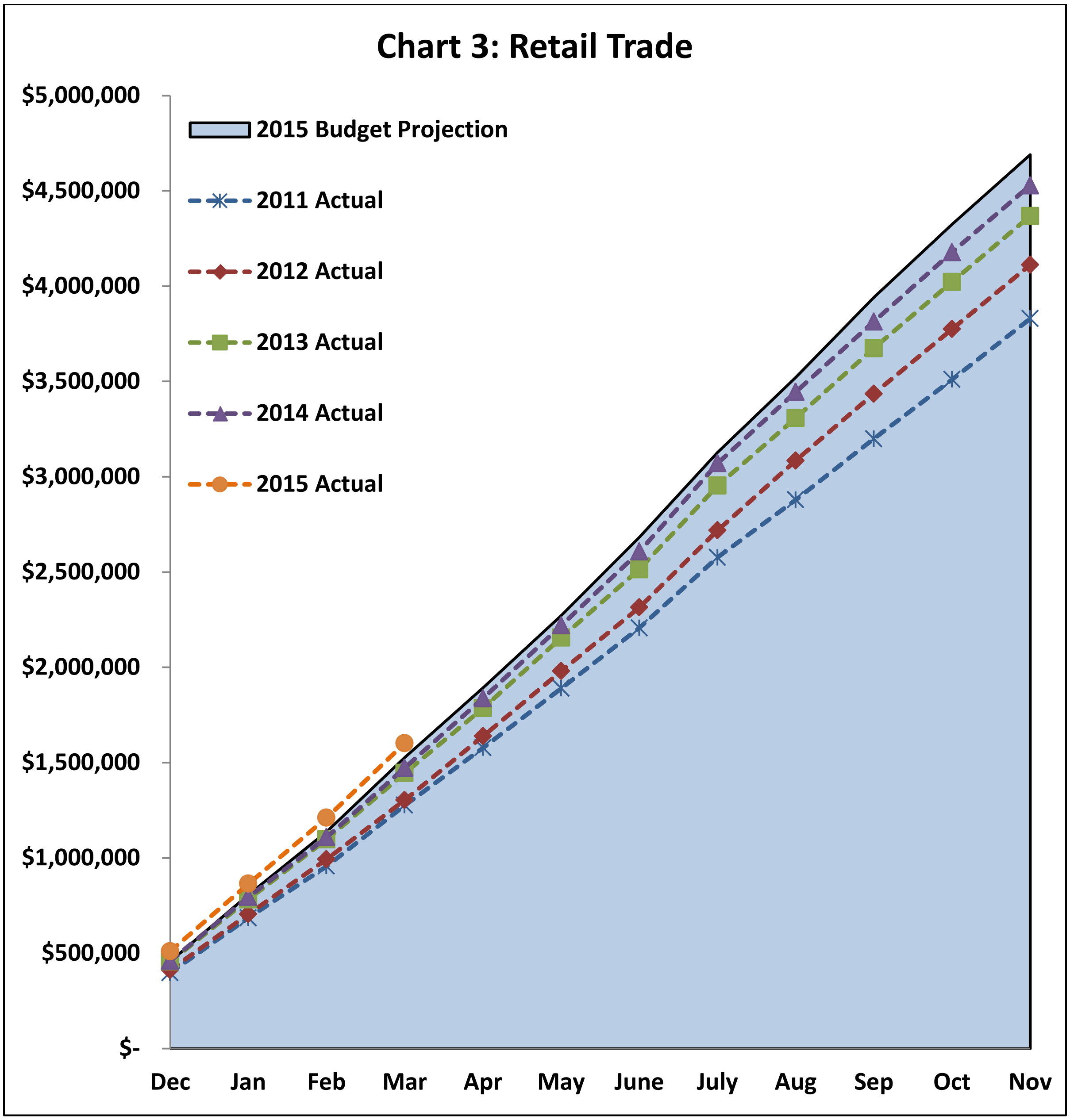


Table 4a: Retail Trade Categories December (Prior Year) - January

Category	2013	2014 v. 2013 % Change	2014	2015 v. 2014 % Change	2015
Motor Veh. & Parts Dealer	$198,130	5.0%	$208,082	5.4%	$219,244
Furniture & Home Funishings	$9,550	4.4%	$9,968	5.0%	$10,470
Electronics & Appliances	$13,899	22.6%	$17,045	33.7%	$22,793
Building Material & Garden	$87,045	-3.8%	$83,724	49.2%	$124,902
Food & Beverage Stores	$44,915	-2.2%	$43,929	7.8%	$47,334
Health & Personal Care Stores	$30,114	4.8%	$31,567	12.9%	$35,632
Gasoline Stations	$11,557	2.5%	$11,850	1.7%	$12,056
Clothing & Accessories	$10,101	-4.3%	$9,665	27.2%	$12,295
Sporting Goods, Hobby, Books	$16,641	9.4%	$18,208	-1.3%	$17,980
General Merchandise Stores	$281,644	-2.6%	$274,402	1.6%	$278,704
Miscellaneous Store Retailers	$46,846	5.9%	$49,622	-11.4%	$43,954
Nonstore Retailers	$31,879	16.2%	$37,029	6.1%	$39,287
Total Retail Trade	**$782,320**	**1.6%**	**$795,090**	**8.7%**	**$864,650**

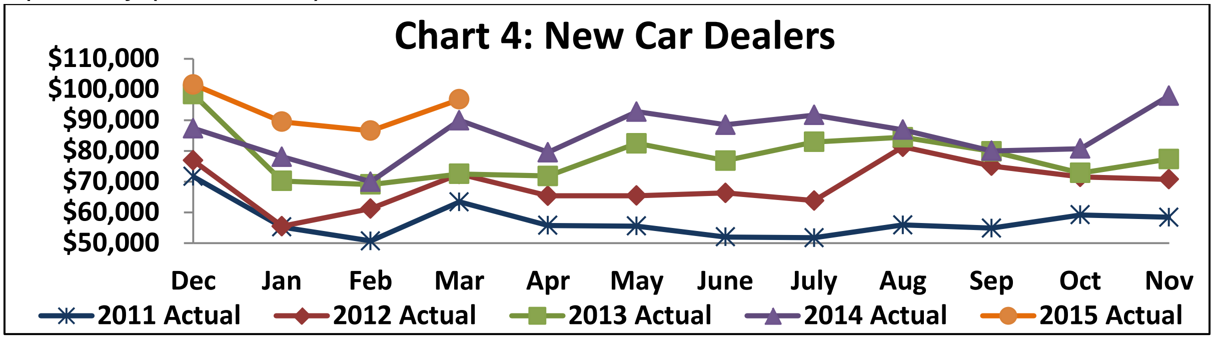
Table 4b: Retail Trade Categories December (Prior Year) - February

Category	2013	2014 v. 2013 % Change	2014	2015 v. 2014 % Change	2015
Motor Veh. & Parts Dealer	$282,836	3.9%	$293,809	10.1%	$323,389
Furniture & Home Funishings	$14,166	17.6%	$16,666	-16.3%	$13,943
Electronics & Appliances	$25,544	-4.9%	$24,280	23.5%	$29,989
Building Material & Garden	$124,789	-2.2%	$122,018	43.7%	$175,381
Food & Beverage Stores	$64,073	-2.7%	$62,343	6.8%	$66,566
Health & Personal Care Stores	$42,340	2.4%	$43,357	16.2%	$50,383
Gasoline Stations	$17,200	0.1%	$17,214	2.3%	$17,615
Clothing & Accessories	$13,324	-4.0%	$12,789	25.5%	$16,052
Sporting Goods, Hobby, Books	$20,868	8.2%	$22,577	1.4%	$22,897
General Merchandise Stores	$382,730	-2.4%	$373,504	2.4%	$382,369
Miscellaneous Store Retailers	$66,684	4.7%	$69,815	-13.9%	$60,079
Nonstore Retailers	$42,902	15.9%	$49,706	5.6%	$52,503
Total Retail Trade	**$1,097,457**	**1.0%**	**$1,108,079**	**9.3%**	**$1,211,164**

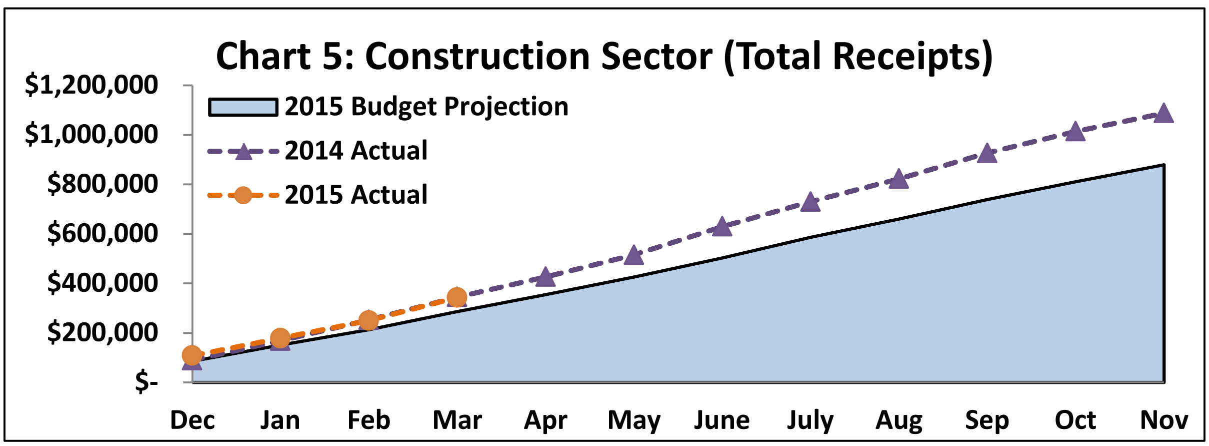
Table 4c: Retail Trade Categories December (Prior Year) - March

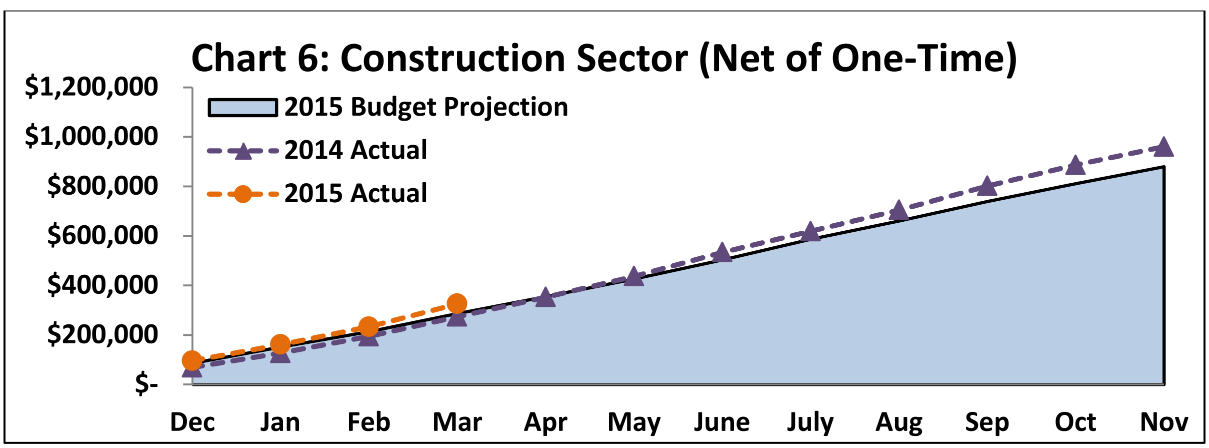
Category	2013	2014 v. 2013 % Change	2014	2015 v. 2014 % Change	2015
Motor Veh. & Parts Dealer	$371,684	8.5%	$403,108	9.0%	$439,301
Furniture & Home Funishings	$18,878	17.8%	$22,246	-17.3%	$18,404
Electronics & Appliances	$31,259	0.2%	$31,311	20.9%	$37,850
Building Material & Garden	$182,326	-4.4%	$174,306	36.9%	$238,705
Food & Beverage Stores	$85,525	-2.9%	$83,080	7.9%	$89,668
Health & Personal Care Stores	$55,403	5.1%	$58,235	15.7%	$67,351
Gasoline Stations	$23,677	-1.6%	$23,290	4.5%	$24,349
Clothing & Accessories	$17,093	-1.0%	$16,929	21.5%	$20,575
Sporting Goods, Hobby, Books	$27,134	9.5%	$29,713	3.9%	$30,872
General Merchandise Stores	$486,101	-2.2%	$475,255	2.6%	$487,412
Miscellaneous Store Retailers	$90,970	1.2%	$92,081	-13.2%	$79,935
Nonstore Retailers	$55,175	15.6%	$63,786	6.3%	$67,795
Total Retail Trade	**$1,445,225**	**1.9%**	**$1,473,339**	**8.7%**	**$1,602,217**

There continues to be significant growth in receipts from new car dealers (in the Motor Vehicle and Parts Dealer category) since 2011. Receipts for the month of March were higher than those for the same period of 2014, 2013, 2012 and 2011 by 7.6%, 33.4%, 33.5%, and 52.6%, respectively (See Chart 4).



Construction Sector:
Receipts from activity for December 2014 through March 2015 of $342,959 are 0.5% lower than the year-ago level of $344,777 (See Table 2 and Chart 5). Of the amount collected so far this year, $17,285, or 5.0%, is attributable to one-time activity. Of the amount collected for the same period of 2014, $71,080, or 20.6%, was attributable to one-time activity. Removing one-time activity from the calculation reveals receipts are 13.4% higher than the budget projection (See Table 3) and higher than the year-ago level by 19.0% (See Chart 6). Large one-time projects generated less sales tax this year than they did in prior years. These year-over-year changes reflect an increased level of ongoing construction activity within the City.





Gambling Revenue:
Total receipts through May 2015, inclusive of taxes on gambling activity and payments on promissory notes, in the amount of $389,108, are lower than 2014 collections by $84,965, or 17.9%. The bulk of the year-over-year decrease is attributable to one-time revenue resulting from promissory note payments made in 2014 totaling $86,162.

Table 5: Gambling Revenue January - May

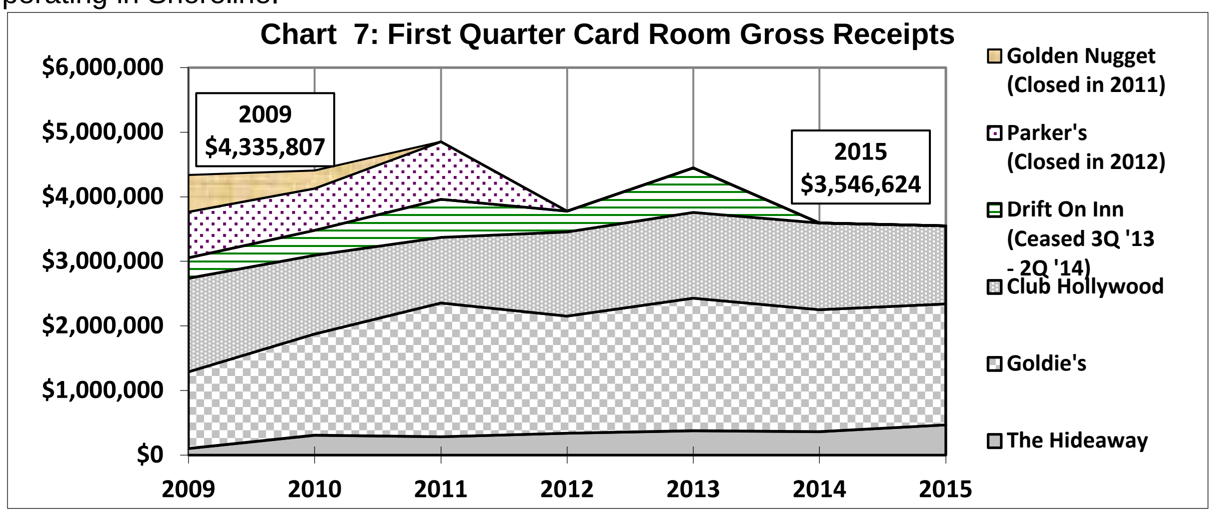
Operation	2015	*2015 v. 2014 % Change*
Pull-Tabs	$35,682	16.5%
Amusement Games	$42	-95.4%
Card Rooms	$352,662	-1.0%
Promissory Notes	$721	-99.2%
Total Revenue	**$389,108**	**-17.9%**

First Quarter Gambling Activity:
Pull-tab and card room activity reported for the first quarter of 2015 is higher than that reported for the previous quarter by 12.9% and 1.3%, respectively. Compared to the year-ago level, pull-tab activity is also higher (+12.1%), but card room activity has slightly declined (-1.3%). All activity ceased at Drift on Inn in late July 2013; however, its pull-tab license was renewed in April 2014 and card room license was renewed in early July 2014. There has only been one card game held at the Drift on Inn since the third quarter of 2014. The year-over-year decrease in Amusement Games revenue is due to a single raffle held in 2014.

Table 6: Gambling Trends For 1st Quarter 2015

Operation	Gross Receipts	Since 4Q 2014	*Since 1Q 2014*
Pull-Tabs	$721,854	12.9%	12.1%
Amusement Games	$1,928	-28.4%	-95.0%
Card Rooms	$3,546,624	1.3%	-1.3%

Chart 7 exhibits the last seven years of first quarter gross receipts reported by card rooms operating in Shoreline.



First Quarter Gambling Tax Revenue:
Pull-tab and card room taxes paid on first quarter of 2015 activity is higher than that paid the previous quarter by 11.4% and 0.8%, respectively. Compared to the year-ago level, pull-tab taxes paid are also higher (+11.4%), but card room taxes paid have slightly declined (-1.0%). Overall, tax receipts are 1.6% higher than the previous quarter but 0.3% lower than the year-ago level.

Table 7: Gambling Tax Revenue For 1st Quarter 2015

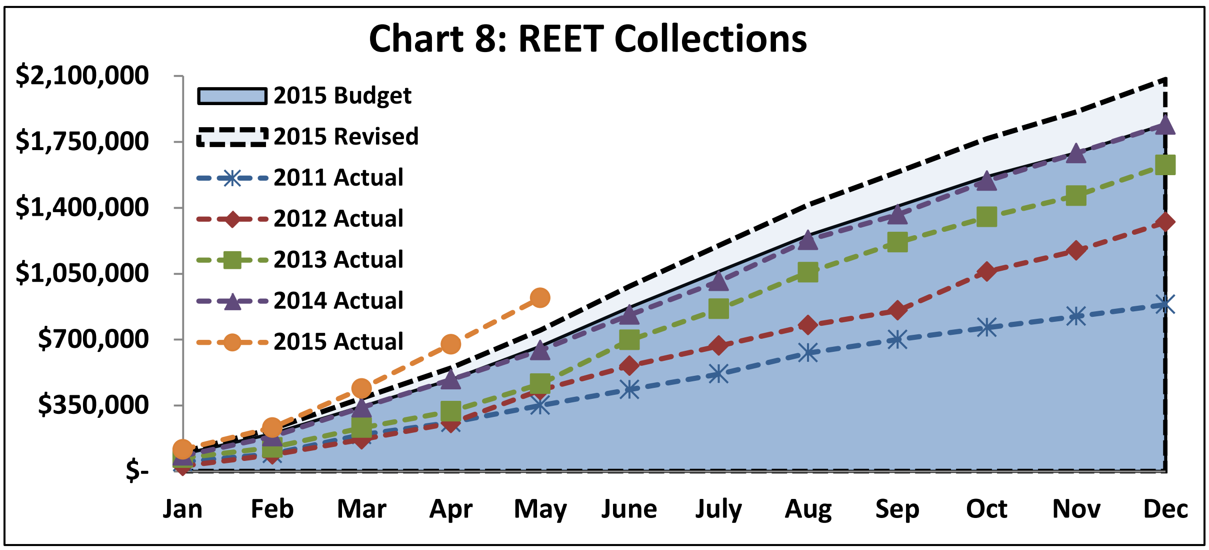
Operation	Tax Revenue	Since 4Q 2014	*Since 1Q 2014*
Pull-Tabs	$34,858	11.4%	11.4%
Amusement Games	$42	-30.7%	-95.4%
Card Rooms	$352,662	0.8%	-1.0%
Total Revenue	$387,563	1.6%	-0.3%

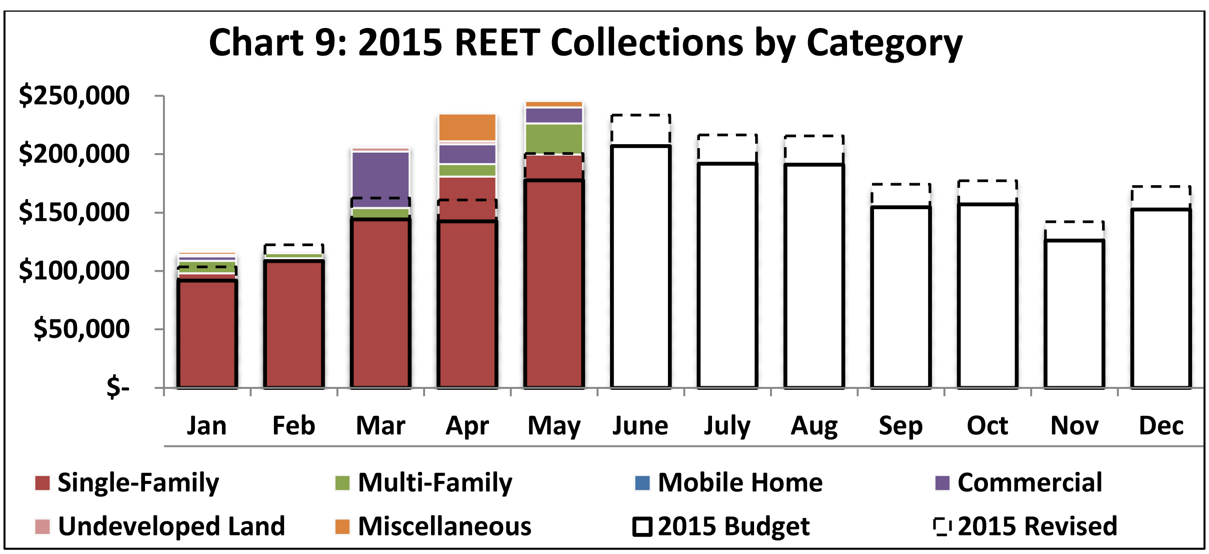
REET Collections:
Total REET collections through May 2015 totaling $919,960 are ahead of the budget projection by 38.4%, the revised projection by 22.6%, and the year-ago level by 43.1%. Table 8 and Chart 8 below exhibit the REET collections. Chart 9 below exhibits the actual collections by category compared to the overall budget and revised projections for each month. The collections from Commercial transactions shown in Chart 9 and Tables 10 and 11 for March 2015 were mostly from the sale of the Safeway on Aurora Ave. just south of N 155th St. for $9.3 million.

Table 8: REET Collections

Month of Activity	2015 Budget Projection	2015 Revised Projection	2015 Actual	2015 Actual v. Bud. Proj.	2015 Actual v. Rev. Proj.	2014 Actual	2015 v. 2014 Actual $ Change	2015 v. 2014 Actual % Change
January	$91,716	$103,520	$116,569	27.1%	12.6%	$82,900	$33,669	40.6%
February	$108,441	$122,398	$115,392	6.4%	-5.7%	$102,625	$12,766	12.4%
March	$144,136	$162,687	$207,359	43.9%	27.5%	$153,759	$53,600	34.9%
April	$142,556	$160,904	$234,906	64.8%	46.0%	$149,062	$85,844	57.6%
May	$177,690	$200,560	$245,735	38.3%	22.5%	$154,550	$91,184	59.0%
Totals	$664,538	$750,070	$919,960	38.4%	22.6%	$642,897	$277,063	43.1%

Totals may not foot due to rounding.





REET Transactions:

The number and value of the transactions in May 2015 were higher than the year-ago level. Year-to-date there has been eighty-seven more transactions with a value that is $55.4 million more than the year-ago level. Table 9 below exhibits the number of sales and value of all residential and commercial transactions that occurred during the period of January through May in 2014 and 2015. It is interesting to note how much higher transaction values are even though there were only twelve transactions greater than $1.0 million in 2015, as compared to ten in the same period of 2014 (See Table 11).

Table 9: REET Sales ($ in thousands)

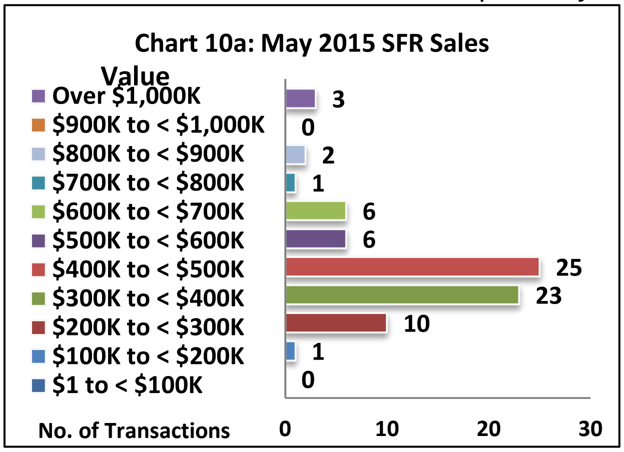
	2015		2014		2015 v. 2014		
Month of Activity	No. of Sales	Value	No. of Sales	Value	No. of Sales	Value $ Change	Value % Change
January	56	$23,314	46	$16,580	10	$6,734	40.6%
February	63	$23,078	41	$20,525	22	$2,553	12.4%
March	87	$41,472	74	$30,752	13	$10,720	34.9%
April	104	$46,981	84	$29,812	20	$17,169	57.6%
May	99	$49,147	77	$30,910	22	$18,237	59.0%
Totals	409	$183,992	322	$128,579	87	$55,413	43.1%
	Totals may not foot due to rounding.						

Table 10 below exhibits the number and value of sales by category that occurred during the period of January through May 2015.

Table 10: 2015 REET Sales by Category ($ in thousands)

	Single-Family		Multi-Family		Mobile Home		Commercial		Miscellaneous		Undeveloped	
Month of Activity	No. of Sales	Value	No. of Sales	Value	No. of Sales	Value	No. of Sales	Value	No. of Sales	Value	No. of Sales	Value
January	44	$19,604	9	$2,138	0	$0	1	$768	1	$505	1	$300
February	59	$22,189	3	$888	0	$0	0	$0	0	$1	1	$0
March	73	$28,831	9	$1,962	0	$0	2	$9,677	1	$305	2	$697
April	84	$36,212	11	$2,104	0	$0	1	$3,400	7	$4,767	1	$499
May	77	$39,995	19	$5,274	0	$0	1	$2,750	2	$1,128	0	$0
Totals	337	$146,831	51	$12,365	0	$0	5	$16,595	11	$6,706	5	$1,495
	Totals may not foot due to rounding.											

Charts 10a and 10b are histograms exhibiting the number of single-family residences that sold in 2015 in each of the various price ranges. The majority (75.3%) of the homes sold through May were priced from $200,000 to $499,999 with 29.9% priced from $300,000 to $399,999 and 32.5% priced from $400,000 to $499,999. The average transaction value year-to-date, excluding sales with a transaction value greater than $1 million, was 6.1% higher in 2015 than 2014 at $418,387 and $394,236, respectively.



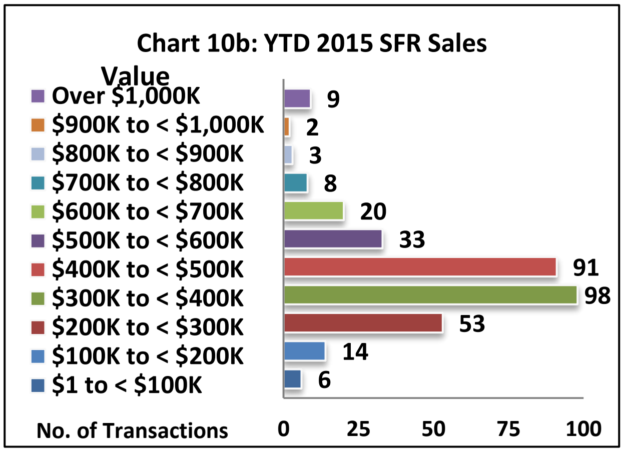


Table 11 below exhibits the number and value of all residential and commercial transactions greater than $1.0 million. In May 2015 there were four transactions greater than $1.0 million, three of which were homes, including a transaction that consisted of two parcels near NE 145th St and Bothell Way NE, and one commercial property (future home of Potala Apartments on Aurora Ave N). Year-to-date through May 2015, there have been nine SFRs sold for more than $1.0 million, which accounts for $13.4 million, or 41.2%, of the total and three commercial properties, which accounts for $19.1 million, or 58.8% of the total.

Table 11: REET Sales > $1 Million ($ in thousands)

Month of Activity	2015 No. of Sales	2015 Value	2014 No. of Sales	2014 Value	2015 v. 2014 No. of Sales	2015 v. 2014 Value $ Change	2015 v. 2014 Value % Change
January	1	$1,755	1	$1,500	0	$255	17.0%
February	0	$0	3	$5,966	(3)	($5,966)	N/A
March	2	$10,322	5	$6,000	(3)	$4,322	72.0%
April	5	$8,875	0	$0	5	$8,875	N/A
May	4	$11,515	1	$2,096	3	$9,419	449.3%
Totals	12	$32,467	10	$15,562	2	$16,905	108.6%

Totals may not foot due to rounding.

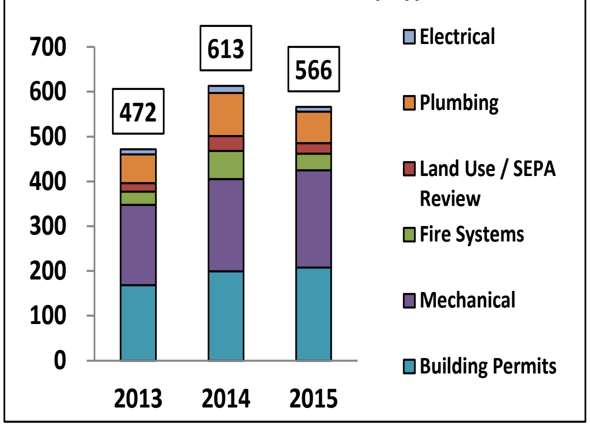
The number of permits issued in 2015 is 7.7% lower than the year-ago level, but the number of building permits issued and plan checks has increased 4.5% (See Table 12 and Chart 11).

Table 12: Permit Count by Type

Type	2013	2014	2015	2015 v. 2014 # Chg.	2015 v. 2014 % Chg.
Building *	168	199	208	9	4.5%
Mechanical	180	206	217	11	5.3%
Fire Systems	29	63	37	(26)	-41.3%
Land Use / SEPA Review	19	33	23	(10)	-30.3%
Plumbing	64	96	71	(25)	-26.0%
Electrical	12	16	10	(6)	-37.5%
Totals	472	613	566	(47)	-7.7%

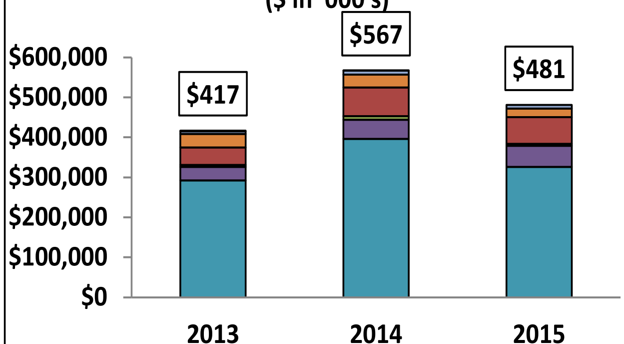
* Includes Plan Check

Chart 11: Permit Count by Type



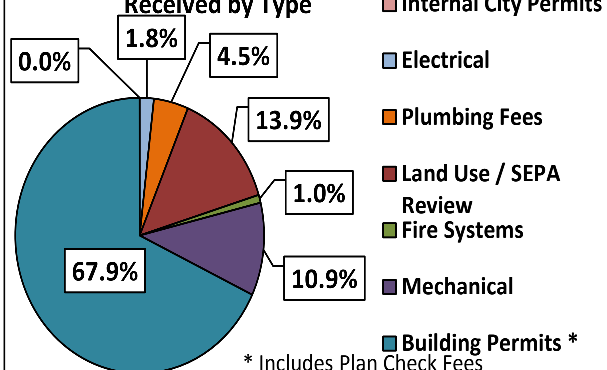
Permit revenue in May 2015 totaled $129,548. Total revenue to date is $480,706, which is 10.6% ahead of the year-to-date projection but 15.2% lower than the year-ago level.

Chart 12: Revenue Received by Type ($ in '000's)



Refer to Legend for the Percentage of 2014 Revenue chart

Chart 13: Percentage of 2015 Revenue Received by Type



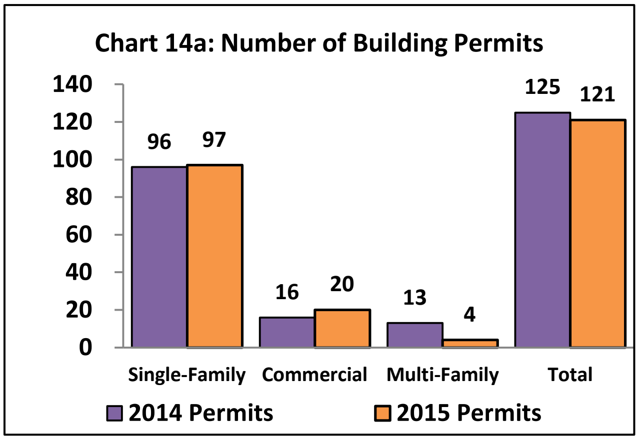
* Includes Plan Check Fees

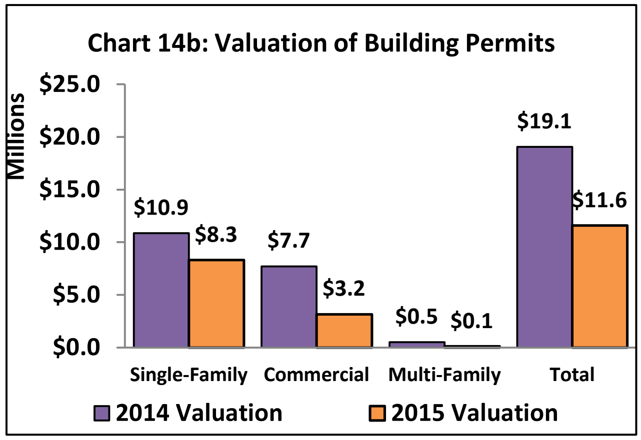
Valuation of 43 building permits for new construction and remodels issued in May totals $4.8 million and is comprised 62.1% of residential and 37.9% of commercial / multi-family valuation. Valuation of 121 building permits for new construction and remodels issued year-to-date totals $11.6 million (See Chart 14b) and is comprised 71.8% of residential and 28.2% of commercial / multi-family valuation.

Table 13: 2015 Issued Building Permits and Valuation ($ in thousands)

	Residential				Commercial				Multi-Family			
	New		Add/Remodel		New		Add/Remodel		New		Add/Remodel	
Month	#	Valuation	#	Valuation	#	Valuation	#	Valuation	#	Valuation	#	Valuation
January	0	$0	14	$863	0	$0	2	$15	0	$0	4	$106
February	2	$423	18	$1,578	0	$0	3	$28	0	$0	0	$0
March	4	$1,045	12	$600	0	$0	2	$1,288	0	$0	0	$0
April	1	$427	15	$382	0	$0	1	$3	0	$0	0	$0
May	6	$2,283	25	$710	0	$0	12	$1,824	0	$0	0	$0
Totals	13	$4,178	84	$4,133	0	$0	20	$3,157	0	$0	4	$106

Local development activity in 2015, in terms of the number of building permits pulled for new construction and remodels in 2015, is lower than the year-ago level (See Chart 14a). The valuation is also lower (See Chart 14b). A substantial portion of the difference is related to the timing of the large projects that occurred in March and April 2014 (see list below). A significant project worth mentioning in 2015 is also listed below.





2014 Large Projects:

- **March:**
  - North City Water District: 3,200 sf pump station ($4.0M)
- **April:**
  - Washington State Public Health Lab: Remodel ($1.8 M)

2015 Large Projects:

- **March:**
  - Costco: Gas station expansion ($1.2M)