

### Economic Outlook 2008 Mid-Year Report

## Retail Sales Post Slight Increase

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**A**mid reports of waning consumer confidence, the U.S. Department of Commerce last month released data on retail and food sales that point toward a positive shift. Figures show that retail sales increased one percent in May – the largest one-month increase since November – and the agency attributed the rise to the government tax rebates issued as part of President George W. Bush’s economic stimulus package.

In addition, upward revisions to the March and April estimates show sales for the three-month period ending in May were 2.6 percent higher, year-over-year.

The latest statistics are welcome news, according to Commerce Secretary Carlos M. Gutierrez, who notes “the bipartisan economic growth package proposed by the president is starting to kick in and . . . we are seeing some positive signs of its impact on the U.S. economy.”

In May, the Internal Revenue Service began sending out tax rebate checks to roughly 130 million U.S. families and individuals. Still, many people are reluctant to draw a direct connection between the rise in sales and the stimulus checks, with some economists noting that any impact will likely be short-lived.

“The reality is that the rebates are a one-shot deal, and we did see a significant boost in retail sales just a month ago, in large part caused by the rebates. But because it’s a one-shot deal and it is transitory, we are looking for the economy to have a slower quarter in the third quarter of this year,” says Joseph Magaddino, chair of the California State University, Long Beach Department of Economics. “We think that the economy will sort of bottom out and then start to improve in the fourth quarter of this year.”

In Long Beach, Mayor Bob Foster notes that citywide sales taxes remain largely flat, with a slight decline.

“You don’t see any dramatic drop, and hopefully, that remains the same. That may be part of the effect of some of the tax policies that have put some more money in people’s pockets recently, but it’s hard to say,” Foster tells the Business Journal.

“If we’re in for a difficult economic time, . . . you wind up having, at the state level, lower capital gains receipts, lower income tax receipts, lower sales tax receipts,” he explains. “So, if in fact this economy gets very sluggish, that’s an area of the economy you have to be concerned about.”

Local business associations, meanwhile, note the obvious negative impacts of the slow national economy on their respective districts, but continue to push forward with efforts to support local tenants.

The Downtown Long Beach Associates (DLBA) Board, for instance, recently voted to freeze the Consumer Price Index (CPI) increase to its assessments. The Long Beach City Council approved the recommendation last month.

“This is one small portion and one small gesture we could extend to businesses by looking at our own assessments and, obviously, by freezing the CPI, which is automatically adjusted on an annual basis on the city’s business license,” says DLBA President and CEO Kraig Kojian. “We’re doing the same thing [with] property owners as well. And that will come in front of city council, I think, in August.”

He notes that the DLBA is also working to advance the technology on its Web site to allow brokers and property owners to list their available spaces. The new option is expected to be ready within the next three or four months, he says.

In the meantime, the association will continue working with its stakeholders to further develop downtown retail. “We do want to give stronger retail presence in our downtown to create a stronger balance between the experience [of] those who visited for dining and entertainment, but also receive a retail experience.”

Shoreline Village Property Manager Maureen Baker says she expects the summer months will help bolster activity in the district, as rising energy prices force some people to take “staycations.”

“We’re keeping the positive thought here,” she says. “Things have been going along pretty well. I think we have something unique to offer people that’s kind of timeless, and with people staying closer to home this year, hopefully our businesses can continue to survive this downturn.”

Gene Rotondo, president of the Belmont Shore Business Association, expects more foot traffic and – he hopes – more retail activity as the summer moves along.

“I think that most of what we will have [for the remainder of the year] will be fairly decent to flat,” he says. “I think some places will probably do a little bit better. We’ve had some new stores coming in here that I think will complement the area and, at the same time, possibly bring new people down, which will help some of the other stores that have been here for a while.”

For instance, Rotondo’s Legends Sports Bar and Restaurant is still relatively new and will contribute to activity levels in the area, he notes. Open Sesame has just expanded, while Olives Gourmet Grocer and Powell’s Sweet Shoppe recently opened with some early success, he adds. In addition, Cabo Cantina is expected to open by the end of the year.

“It’s been a successful area for years and years and years, and I don’t see any reason why we won’t continue,” Rotondo says. “At some point, I guess you’d say that you can strangle any business community to the point that it can’t survive. And we just have to hope that we don’t encounter that level of strangulation, because it isn’t from a lack of operators not knowing what they’re doing and not presenting their best foot forward. It would have to be from outside sources. It’s more government and things like energy that are going to be more an issue than anything else.”

Blair Cohn, executive director of the Bixby Knolls Business Improvement Association, expresses a similar sentiment, noting that the closure of the 405 Freeway’s Atlantic Avenue off-ramp has impacted business in the area.

“We’re trying to get people up and into Bixby Knolls, and they can’t get here directly, . . . so that’s been one factor that we’ve fought, and the other is just the sign of the times,” he says, noting that Four Olives Café and Mod-L-Mania recently closed their doors. “Things are just in line with the state of the country at the moment. The bad stuff and the people

going out of business, that’s as bad as it gets and we hate to see it happen, and it’s as painful as anywhere else. But we stay optimistic because we’ve got these other businesses coming in that are well received.”

Il Poggio, for instance, recently opened to much favor with the neighborhood, which is also excited about the new businesses at Bixby Point on Carson Street and Atlantic Avenue, Cohn notes.

Engaging the community and promoting the area, he adds, have become increasingly important. “You have to connect the community to get the residents on board. This isn’t where we retreat; this is when we keep pushing forward,” he says. “The biggest point of it now is to always stay full steam ahead with doing things up here to keep it vibrant and active and give it a makeover – take this time, when it’s kind of a downturn in the economy, to dress ourselves up and get ready for the next upswing.” ■