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In Bid for Dominance, Mayor's Allies Flood S.F. Politics With Corporate Cash

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Last year spending on local elections was the highest on record, reaching nearly \$28 million. The infusion of cash demonstrates how politicians and their powerful associates wield an influence on the political process that our campaign finance laws cannot effectively or appropriately manage.

[Mayor Ed Lee appears frequently on and offstage with tech investor Ton Conway, who last year fundraised for Lee's causes, including a housing bond and key supervisor race. \(Creative Commons image from TechCrunch via Flickr\)](#) ⁽³⁾

[Graphic by Sara Bloomberg. Illustration by Anna Vignet \(Public Press\)](#) ⁽⁴⁾

[At a May meeting between San Francisco Ethics Commission staff and the authors of a proposed ballot measure for the November 2016 local election, Charles Marsteller and other members of the group Friends of Ethics discuss how to improve the potential law's language. If passed, it would create new lobbyist restrictions. \(Photo by Noah Arroyo // Public Press\)](#) ⁽⁵⁾

[KGO, owned and operated by ABC, aired the most paid political advertising but was second to last in producing election news coverage, among English-language San Francisco Bay Area TV stations. \(Photo by Hyunha Kim // Public Press\)](#) ⁽⁶⁾

[KRON aired the least political advertising among local stations that aired their own news. \(Photo by Hyunha Kim // Public Press\)](#) ⁽⁷⁾
Image

Tech, real estate donations made 2015 election the most expensive on record, posing challenge for campaign finance reforms this fall.

Last year spending on local elections was the highest on record, reaching nearly \$28 million. The infusion of cash demonstrates how politicians and their powerful associates wield an influence on the political process that our campaign finance laws cannot effectively or appropriately manage.

Large corporations may spend without limits on issue advocacy and influence the fate of proposed reforms, as illustrated by Airbnb's successful 2015 attack on expanding regulation of its core business, short-term housing rentals. The outsized and increasing power of the tech and real estate sectors threatens to overwhelm any constituencies that might seek to challenge them.

Extra: Public Press project editor Angela Woodall spoke with KALW's Ben Trefny about this investigation. [Listen to the interview from Aug 15, 2016.](#) ⁽⁸⁾

And politicians are able to act in careful concert with allied forces to exert influence over races and issues, thereby circumventing the campaign contribution limits that are designed to minimize the influence of donations to political candidates, as illustrated by a private meeting convened by Mayor Ed Lee to organize donors in a failed effort to defeat a supervisorial candidate challenging his hand-picked incumbent.

Reformers in San Francisco say a [November ballot measure](#) ⁽⁹⁾ to limit political donations by lobbyists would curtail some of the most blatant influence peddling in City Hall. But even if passed by voters this fall, it would do little to curb the kind of lavish corporate spending and coordinated fundraising that allowed the mayor and his allies to dominate most of the hotly contested items on the 2015 ballot.

If the recent past is any indication, the fall 2016 races will see another lopsided contest in which San Francisco's business leaders attempt to beat back an underfunded if spirited opposition.

Last year's election was the most expensive, even adjusted for inflation, since the city implemented a digital tracking system in 1998. More than a quarter of the spending in 2015 came from Airbnb, which pumped \$9 million into defeating [Proposition F](#) ⁽¹⁰⁾.

In all but one major campaign last fall, the winner was the side that spent the most.

The exception was Lee's effort to block the self-identified progressive caucus from retaking control of the Board of Supervisors. Though outspent, [former board president Aaron Peskin](#) ⁽¹¹⁾ and his supporters defeated [Julie Christensen](#) ⁽¹²⁾, whom the mayor had appointed in District 3.

This coming fall will see a rematch on housing-related ballot initiatives, and six supervisor seats are up for grabs, which will again determine which faction controls the board.

The massive sums flowing into local elections can drive sitting or aspiring politicians and their surrogates to push up against the limits of what is allowable under campaign finance laws.

One private meeting in April 2015, attended by the mayor, lobbyists representing several campaign committees and union representatives and other donors, raised eyebrows among journalists and ethics experts, and apparently led the San Francisco City Attorney's office to make inquiries to find out whether any laws were broken.

The meeting included a who's who of more than two-dozen well-connected insiders, including corporate representatives who "[bundled](#) ^[13]" — or collected personal contributions on behalf of other people — tens of thousands of dollars for Lee and other candidates. Proposed ethics reforms might restrict such bundling.

San Francisco has a mixed record of limiting the role of money in politics. Though a single campaign contributor can give no more than \$500 to a candidate or ballot measure committee, lobbyists can legally bundle those contributions ad infinitum, transforming the personal donation into just another type of fundraising. And ballot initiatives and candidate-controlled "issue committees" — local versions of what are known nationally as super PACs — may accept unlimited contributions.

Most campaign money comes from donors who want something — labor unions negotiating contracts, developers wanting permits or businesses seeking tax breaks, said [Bob Stern](#) ^[14], a political finance and ethics expert who helped write [California's Political Reform Act of 1974](#) ^[15]. Officials often decide in favor of the people donating, he said.

"That's worth a lot of money," said Stern, who was the state Fair Political Practices Commission's first general counsel. "It's human nature. It's not corrupt."

Some of these rules would change under a measure on the fall 2016 ballot — [Proposition T](#) ^[16] — that would strictly limit lobbyists' direct and indirect involvement in political fundraising. But the amount of money this would affect is minuscule: Last year this activity added up to less than 1 percent of the total amount spent on elections, according to campaign finance records compiled by advocates for the initiative. And plenty of other loopholes remain.

Millions for TV Ads

Last year, a small number of businesses paid for gigantic campaigns that deluged TV airwaves, mailboxes and inboxes with slick — and often very misleading — advertising.

On Nov. 3, 2015, voters soundly defeated Proposition F, which supporters said would have prevented landlords from displacing renters and driving up housing prices amid a shortage of affordable units. But advocates for the proposition never had a chance.

The \$9 million from Airbnb represented the second-largest political expenditure by a single company on record in the city. Its campaign to defeat the initiative included \$4.7 million for television advertising, 45 times what ShareBetter SF, the primary committee supporting the measure, spent on TV ads, city records show. The effort enabled the company to run 30 hours of ads on TV channels broadcast in the Bay Area, claiming that the measure would encourage neighbors to spy on neighbors — for profit — and report to the city who slept where and when, among other sensational claims.

The San Francisco Public Press, in collaboration with the [Internet Archive](#) ^[17], reviewed ads and news from the two months preceding the election. The ads, produced by expensive campaign consultants who usually work on high-profile national and statewide campaigns, overshadowed election news. On five local English-language stations with original news programs, ads exceeded coverage by a factor of 7-to-1.

In some news programs, TV journalists repeated several questionable statements, including language directly from ads and indirect citations that traced back to the campaigns' own paid sloganeers.

The campaign against Proposition F also relied on endorsements from Mayor Lee and [Lt. Gov. Gavin Newsom](#) ^[19], Lee's predecessor. (Separately, [Brian Chesky](#) ^[20], Airbnb's CEO, donated \$36,400 to a committee controlled by Newsom, who is considering a 2018 run to succeed term-out Gov. Jerry Brown.)

These and other pricey tactics worked. More than three-quarters of voters rejected the measure.

In a way, the attack on Proposition F was a trial balloon: This kind of political spending could help Airbnb fend off future challenges to its business model in scores of cities across the country and abroad. It was also a closely watched test of the power of money in politics for other technology-based businesses facing regulatory scrutiny.

Despite Airbnb's electoral victory, the Board of Supervisors dealt the company a blow in June by [enacting one of the major provisions](#) ^[21] of Proposition F. The revised ordinance requires hosting platforms to list only addresses that are registered with the city, and fines companies up to \$1,000 per violation per day.

Airbnb responded quickly by suing the city, arguing the new regulations violate federal statutes and the U.S. Constitution.

Valued at more than \$25 billion, the company appears willing to spend millions to influence San Francisco politics. It is building and funding a major political operation centered on a state-level entity it calls the "[Committee to Expand the Middle Class](#) ^[22]." From January to June, the committee donated nearly half a million dollars to business-friendly candidates for the local Democratic Party. Out of 10 candidacies, only two won. In June it also backed three winning non-housing-related ballot propositions favored by elected officials who had opposed the tighter rental regulations.

[Wendell Potter](#) ^[23], a senior analyst at the [Center for Public Integrity](#) ^[24], a Washington, D.C.-based watchdog organization, said Airbnb learned directly from a previous local corporate blitz. In 2014, the [American Beverage Association](#) ^[25] spent \$9.2 million to defeat a proposed tax in San Francisco on sugary beverages. "The tactics are tried and true, and often very effective," Potter said.

The beverage industry is gearing up for a ballot fight over another version of the sugar tax this November, a levy of a penny per fluid ounce. Opposing the industry are other well-heeled donors, including the Houston-based nonprofit [Action Now Initiative](#) ^[26]. The tax-exempt lobbying group was launched in 2011 by [billionaire John Arnold](#) ^[27], a former Enron executive, and his wife, Laura.

This kind of "social welfare" advocacy group — registered as a [501\(c\)4](#) ^[28] charity with the IRS — allows donors to pour unlimited amounts of cash into a campaign without ever being identified. The anonymity they offer contributors has earned them a reputation for secrecy and the name "dark money."

Reining in Lobbyists

The Board of Supervisors' [Budget and Legislative Analyst](#) ^[29] has recommended explicitly prohibiting any political contributions from registered lobbyists. As a step toward that goal, the Ethics Commission sponsored last fall's [Proposition C](#) ^[30], which the voters approved. It requires a broader group of people and organizations than in the past to register as "expenditure lobbyist" — those who employ someone else to lobby officials for them.

For the November 2016 ballot, the [Ethics Commission](#) ^[31] in early July was considering a measure to restrict lobbyist contributions, fundraising and gifts to officials. Voters could be asked to reduce total lobbyist contributions in an election cycle to between \$50 and \$250; the amount had not been decided. Similar restrictions would apply to amounts candidates and campaign committees could accept or solicit from lobbyists. Another proposed reform would make it illegal for lobbyists to bundle donations to candidates and their committees.

In addition, another potential fall initiative — introduced to the Board of Supervisors by Peskin and endorsed by the Ethics Commission — would prohibit elected city officials from establishing candidate-controlled general-purpose campaign committees.

[LeeAnn Pelham](#) ^[32], executive director of the Ethics Commission, said this spring that even with the proposed new legal powers, she would not have the capacity to effectively enforce campaign finance rules, because four key positions, including an investigator, remained unfilled.

At the time, she was pressing for a 27 percent budget increase to strengthen the commission's investigative work. The mayor originally countered with a proposed 1.5 percent cut to the commission's budget, which has flatlined in recent years. Ethics [commissioner Peter Keane](#) ^[33] told the San Francisco Chronicle that the apparent purpose of the cutback was "to keep this committee as a completely castrated body without any kind of ability to do its job."

Ultimately, Lee relented. In his city spending plan released May 31, the mayor fully funded the commission's \$3.3 million request for the next fiscal year — allowing for more staff, beefed-up enforcement and new technology — and committed to \$3.5 million for 2018. The Board of Supervisors approved the spending plan in late June.

Lee did not respond to multiple interview requests over three months from the Public Press about his fundraising activities or his efforts to reduce the budget of the city's ethics watchdogs.

The focus on exposing the sources of campaign funds is not an academic exercise. San Francisco politicians recently have faced serious legal trouble for receiving improper donations, including contributions from business people seeking favors.

The 2015 election occurred amid an ongoing local-state-federal investigation into political corruption that has targeted several of Lee's associates. In January, two women were indicted on state charges of bribery and money laundering after undercover FBI agents said they recorded the women agreeing to illegally bundle \$20,000 to pay off Lee's 2011 campaign debt, in exchange for business with the city, and to disguise the payments in the form of individual \$500 contributions to give the appearance of abiding by contribution limits.

In the wake of these indictments, [District Attorney George Gascón](#) ^[34] established something he called the [San Francisco Public Corruption Task Force](#) ^[35]. The investigative group is not specifically focused on any one incident and could include any public official, spokesman Max Szabo said.

In describing the task force, Gascón said in a prepared statement: "It's time for terms like 'good old boy' and 'pay-to-play' to be artifacts of our history, and this task force will work to ensure they are absent from our future."

But [even Gascón violated city election laws](#) ^[36] in seeking campaign cash. In May, the Ethics Commission fined him and two staff members for illegally soliciting donations through a 2014 fundraising event. The violation cost Gascón \$4,000, and Assistant District Attorney Michael Swart and Chief of Staff Christine Soto DeBerry each paid \$1,500.

These challenges are national in scope. Democratic presidential candidate Bernie Sanders made reforming what he calls the "corrupt campaign finance system" the top plank in his primary bid. Activists are advocating new laws to respond to [the 2010 Citizens United decision](#) ^[37] by the U.S. Supreme Court that invalidated limits on corporate expenditures.

For San Franciscans, the stakes are high. Voters in November will weigh in on four housing-related proposals. The San Francisco Association of Realtors has drafted [a change to the definition of middle-income housing](#) ^[38] that would extend opportunities to win competitive below-market-rate housing slots to people making 110 percent of the area median income — twice the current earnings cutoff. While encompassing a wider demographic swath, the measure would shift the focus away from helping lower-paid workers.

By early July, campaign finance records showed that a total of \$4.5 million had been spent during 2016 on primary races and ballot initiatives, and spending is escalating as November approaches.

Control of City Hall

Though the mayor's side lost one battle last fall — his effort to retain the District 3 board seat — it was not for lack of trying. During the campaign season, he led a small group of donors and political insiders, including city staff, to engage in aggressive fundraising.

Peskin's victory over Christensen tipped the balance on the Board of Supervisors toward a progressive coalition and empowered a new majority to scrutinize big business' access to City Hall.

Although Peskin's own campaign committee outspent Christensen's, roughly \$595,000 to \$481,000, that does not tell the whole story. The addition of third-party money targeted specifically to support Christensen, notably the Committee for a Progressive and Affordable San Francisco Opposing Peskin for Supervisor 2015, outweighed the money backing Peskin. That brought the totals to \$1,167,600 for Christensen and \$945,239 for Peskin, adding up to a record amount for a supervisorial race.

The mayor was so intent on defeating Peskin that he and tech investor [Ron Conway](#) ^[39] appeared at a private meeting in April 2015 at the law firm of [Hanson Bridgett](#) ^[40], where Lee's campaign treasurer, [Kevin Heneghan](#) ^[41], was a partner. In 2012, Lee had hired Heneghan, an attorney who specializes in election-law compliance, to clean up messy donation records from his first run for mayor in 2011.

Besides working for the mayor, Heneghan became treasurer for five other key fall 2015 campaigns connected to Lee.

The meeting, convened by the mayor, [Board of Supervisors President London Breed](#) ^[42] and [Supervisor Mark Farrell](#) ^[43] in an invitation marked "confidential," was called to discuss "campaign priorities."

Four days later, a marquee collection of Lee supporters, including lobbyists, developers and union representatives, assembled around a rectangle of tables pushed together in a 26th-floor conference room at the firm's Market Street offices.

The San Francisco Chronicle in August 2015 reported that the group included [Police Officers Association](#) ^[44] president Martin Halloran; plumbers union leader [Larry Mazzola Jr.](#) ^[45]; city retirement board commissioner [Victor Makras](#) ^[46]; lobbyist [Chris Gruwell](#) ^[47]; and [Chris Wright](#) ^[48], head of the [Committee on Jobs](#) ^[49], a business group. Breed and Farrell also were present.

The Public Press has learned from sources that the group also included commercial real estate developer [Dan Kingsley](#) ^[50] of the SKS firm; lobbyist [Alex Tourk](#) ^[51], a campaign manager and top aide when Newsom was mayor; [Rich Peterson](#) ^[52], a lobbyist for Goodyear Peterson Hayward & Associates; [FX Crowley](#) ^[53], head of the stagehands union and a registered lobbyist; and [Maggie Rothschild](#) ^[54], a fundraiser for [SGR Consulting](#) ^[55], the firm Lee hired to handle campaign outreach.

At the meeting, Lee stood beside his chief of staff, Steve Kawa, senior adviser and former campaign spokesman Tony Winnicker, and deputy chief of staff Jason Elliott. The Chronicle in 2014 nicknamed Kawa "[the enforcer](#)," ^[56] because of his willingness to "act as Lee's heavy" by forcing out department heads and performing other unpleasant tasks.

The assembly was no random grouping of donors and volunteers. It included three of the city's four top lobbyists who bundled the most donations from individual donors in 2015: Tourk of Ground Floor Public Affairs and tech-industry group sf.citi; Peterson, whose firm merged with Barbary Coast Consulting in June 2016 to form Lighthouse Public Affairs ^[57]; and Gruwell, of Platinum Advisors ^[58]. Together they raised \$140,224 of the \$235,124 in bundled funds declared last year, according to data from the Ethics Commission. Tourk collected \$88,024, Gruwell \$28,200 and Peterson \$24,000. Their cash went to six candidates, and all three men bundled for Lee.

At the same time, they were actively asking for favors from City Hall. Tourk had met with Elliot, Lee's deputy chief of staff, on April 1, 2015, just six days before the fundraiser, on behalf of ride-share startup Lyft, which wanted the mayor's support on a California Assembly bill.

Ethics Commission records show that Tourk had also been plying City Hall on behalf of Realtex ^[59], which was preparing to secure a permit for its fourth South of Market apartment building. Realtex needed the Planning Department and supervisors to sign off on a rezoning plan to increase height limits to 85 feet from 55 feet. The project is under review.

Tourk visited officials, planning commissioners and supervisors a total of 26 times over 10 months, between Feb. 19 and Nov. 20, two weeks after the election.

Tourk visited City Hall personnel six times. He called on city Planning Director John Rahaim ^[60], Supervisor Farrell and Mayor's Office of Housing and Community Development ^[61] Director Olson Lee to "discuss plans for development and create a relationship with department" as well as "potential housing policy," according to city records. He also met with Robert Beck, director of the Treasure Island Development Authority ^[62] Board, to "find underutilized properties for potential development."

Of the contributions he bundled, Tourk had already delivered to Christensen's campaign \$21,500 worth of checks written by Conway, his wife and two other family members, and from sf.citi, a trade group that is headed by Conway but whose everyday affairs are, according to Tourk, handled by Ground Floor. His lobbying firm and Conway's trade group have the same telephone number and address.

Participants at the April meeting said the mayor warned the guests not to donate to Peskin's campaign. Peskin had served twice on the board and was termed out of his seat in 2009. He had clashed with mayors Willie Brown ^[63] and Gavin Newsom and exasperated their friends in the business community. Among other actions, he blocked hotels from converting to condominiums and made it harder for landlords to evict tenants for similar purposes. Lee said he hoped to avoid a repeat of that dynamic.

"I'm paying attention," Lee told the group, according to the August 2015 Chronicle article that relied on the recollection of one of the participants at the meeting.

Interpretations of the mayor's words varied, according to sources who were present but did not want to be named for fear of retaliation from Lee's office and of a possible investigation by the City Attorney's office. Some viewed his approach as intimidation — a threat to use his office to affect the fortunes of people doing business with the city and corporate representatives seeking to influence legislation. One participant said Lee implied he would cut off access to city contracts, which would be illegal. The attendee said the point of the warning was to dampen money-raising for Peskin: "It was to make clear to people that if they supported Peskin, they'd pay."

Another participant also interpreted Lee's words to mean that anyone supporting Peskin would not get much support from City Hall. But the attendee would not be affected, so "I didn't take anything from it."

Conway addressed the group after the mayor, Kawa, Winnicker and Elliott left the room. According to the Chronicle and a September 2015 report in San Francisco Magazine, Conway drove home Lee's message of loyalty — that donating to Peskin would result in a backlash from City Hall.

Conway, whose records show he had already given the maximum \$500 allowed to Christensen's campaign, exhorted his audience to round up more money to keep Peskin from reclaiming his old seat, according to three people at the meeting who confirmed the San Francisco Magazine version of events.

Conway declined to comment on the meeting or what was said.

Sources who spoke with the Public Press said they were later contacted by the office of City Attorney Dennis Herrera ^[64] with questions about whether any laws were broken.

Herrera told the Public Press that he would "neither confirm nor deny" that there was an investigation. "We learn things all the time," he said. "If we think it merits inquiry we will look at it."

The Ethics Commission's Pelham said her agency also has a policy not to discuss investigations of complaints.

A Lee ally defended the mayor for demanding loyalty.

"As a leader, sometimes you need to make it clear that your allies can't play both sides," said Nathan Ballard ^[65], a veteran Democratic campaign strategist who has worked with national and local candidates and has done crisis communication for Lee. "Leaders expect monogamy."

But to Dan Newman, co-founder and president of MapLight, ^[66] a Berkeley-based nonprofit that tracks political spending in California and nationally, the secret April 2015 meeting sounded like a prime example of ethically questionable fundraising practices. He said that a proposed November 2016 ballot measure to tighten rules on lobbyists and other donors, while perhaps not preventing back-room deals, could expose the appearance of quid-pro-quo influence peddling.

Newman described the effect of such coordination between candidates and financial supporters as a form of "bribery, even if it's legal."

He added: "It's an indication of a broken campaign system that gives favors for money."

Campaign Coordination

An independent-expenditure committee may raise and spend unlimited amounts of money, but is required to operate separately from candidates' election teams. Holding the April 2015 meeting at Heneghan's law firm risked creating the appearance of coordination between two committees that campaign finance laws require stay separate: a candidate committee and an independent-expenditure committee.

Halloran's police union was contributing to two independent-expenditure committees focused on Peskin's defeat: Friends of Julie Christensen and the Committee for a Progressive and Affordable San Francisco.

Halloran's presence at the meeting put him in the same room as a person who worked for a representative of Christensen's campaign committee: Three attendees said Heneghan's paralegal was present while the mayor and Conway — a donor to the Christensen independent-expenditure committee —

discussed fundraising for their candidate.

Law firms go out of their way to keep the two kinds of committees separate to shield their clients from even the appearance of wrongdoing, several attorneys who handle campaign finance said.

Pelham, the city ethics director, said last year's election highlighted the difficulty of overseeing such large, complex and interconnected campaigns.

The commission does not call out any campaign committee for criticism absent a formal inquiry. But she said that having a single treasurer for six committees in one election, while not uncommon in California, created the possibility of coordination between candidate campaigns and third-party spending committees. Legally these must be funded and directed independently.

"When individuals working with or around a candidate's campaign wear multiple hats — and also play a role with a committee that is doing or planning non-candidate spending that could affect that candidate — identifying what makes something under the law to be independent or not is important," Pelham said.

By last fall, Heneghan became treasurer of six of the best-funded committees aligned with Lee.

These included the mayor's own re-election campaign; his separate ballot-measure committee, for which he was allowed to raise unlimited sums; a \$310 million affordable-housing bond proposal ([Proposition A](#) ⁽⁶⁷⁾); the clean-energy-source labeling proposal ([Proposition H](#) ⁽⁶⁸⁾); opposition to a moratorium on luxury housing in the Mission District ([Proposition I](#) ⁽⁶⁹⁾); and Christensen's race.

As such, Heneghan was the treasurer of committees whose coffers held one-quarter of all the money flowing in and out of the city's most expensive races — \$7.2 million of the total \$27.8 million spent last year, according to campaign finance records.

Heneghan's political work on behalf of this loose pro-business coalition made him so sought after that in early 2016 he was hired away by Airbnb as a full-time corporate lawyer. He was also made treasurer of the new "[Committee to Expand the Middle Class](#)" ⁽⁷⁰⁾.

A 2000 graduate of UC Hastings law school, Heneghan was deeply versed in the city's campaign finance regulations. One of his duties starting out at Nielsen, Merksamer, Parrinello, Mueller & Naylor LLP, a political and government law and lobbying firm in San Rafael, involved creating systems to ensure Fortune 500 companies complied with campaign and lobbying regulations. He did similar ethics and compliance work when he joined the Sutton Law Firm in San Francisco in 2003.

Heneghan had just been hired by Hanson Bridgett, a firm co-founded by former San Francisco District Attorney Raymond Hanson, when Lee tapped him to clean up a financial mess.

Lee's 2011 campaign committee had accepted checks that later had to be returned, including \$3,500 from Archway Property Services LLC and its director, Andrew Hawkins Cohen. The California Fair Political Practices Commission [ruled in 2014 that the donors tried to evade](#) ⁽⁷¹⁾ the San Francisco Campaign and Governmental Conduct Code's \$500 limit on donations by making contributions in the name of other people. The agency said the arrangement violated the California Political Reform Act.

The 2014 decision condemned what it called "campaign money laundering," which it said was "one of the most serious violations of the act because such conduct circumvents campaign contribution limits, violates disclosure requirements, and deceives the voting public as to the true source of funds."

Archway Property Services and Cohen were fined the maximum allowed, \$40,000, for making the donation to Lee and a separate \$500 contribution to the committee of one of his many competitors, Assessor Phil Ting.

Lee's campaign manager for 2011 and 2015, Bill Barnes, said Lee never knowingly accepted an illicit donation in any election.

Barnes said donors expect the campaign to spend money on compliance efforts so they do not run into such problems. "If you don't pay for compliance you can get into trouble," he said.

Perennial Reform Efforts

Recent events, including the ongoing probe that has involved more than a dozen politically connected public officials, political staffers and organized crime suspects, often get grouped in news reports under the general category of a "culture of corruption."

The mayor has issued statements denouncing corruption, and said he had nothing to do with the events that led to the joint investigation by the San Francisco District Attorney's office and FBI.

But the city's [Civil Grand Jury](#) ⁽⁷²⁾, a committee of volunteer watchdogs with subpoena powers, sharply criticized city leaders, saying in a [2014 report](#) ⁽⁷³⁾ that "San Francisco officials at all levels have impeded actions intended to establish a culture of ethical behavior." The panel said the focus on accountability needs greater leadership from the mayor, supervisors, city attorney, district attorney, department heads and commissioners.

Lee shot back at the criticism, saying he disagreed with the panel's conclusions. "No actual misdeeds or examples are provided as evidence in the report," he wrote in August of that year.

The Civil Grand Jury member who wrote the report, Robert van Ravenswaay, said the criticism illustrated the unwillingness of department heads and city leaders such as the mayor to crack down on appointees and staffers despite wrongdoing, and he responded by saying that Lee should not have attempted to cut the Ethics Commission budget.

The commission, the first line of defense for campaign finance complaints, is emerging from a long period of disorganization. In August 2015, just as the electoral season kicked into high gear, John St. Croix, the commission's executive director, resigned.

Pelham was appointed in January. She now oversees planned audits of many, but not all, of the campaigns. The Peskin-Christensen race must be audited because both candidates took public funding. Lee did not, so his committee will not face an audit. The commission also randomly chose issue committees with expenses over \$10,000 for audits. As the election's largest spenders, Proposition F and all of the other races championed by Lee landed on the list. So did the lobbying firms that sent representatives to the April 2015 meeting.

The audits are one way the commission can check the work of campaign compliance staff and potentially find patterns that might reveal improper donations or spending. But tracking improper influence by monied interests is difficult even with the extensive documentation lobbyists must provide to the city.

As an administrative enforcement agency, Pelham said, the Ethics Commission has an important role in checking those who might cut corners.

"Having an effective traffic cop is critical," she said, "if you're going to enforce the laws long before a busy intersection becomes so dangerous that the public has no choice but to completely avoid it."

Sara Bloomberg, Noah Arroyo, Meka Boyle and Cody Wright contributed to this report.

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