

PAC Spending Influence on Laguna Beach 2018 Election for City Council

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The 2018 local election in Laguna Beach saw three Council seats up for grabs. It saw a large number of candidates vying for those seats. It also saw a new and very monied Political Action Committee, “Liberate Laguna” (LL) engage in campaigning to provide its preferred candidates unequaled advantages in the contest. In the end, the 2 candidates for whom it provided the most “independent expenditures” won seats. Both 1st time candidates. One was a political and civic neophyte, never having been engaged in civic affairs before and having self-proclaimed to have never voted before. The other had been civically involved and had served time on the Planning Commission. Both received an extraordinary number of votes for 1st time council candidates.

The story goes beyond the enormous amounts of money spent on behalf of LL's preferred candidates. It also goes to the equally large amounts of money Liberate Laguna spent on “opposition” campaigning, namely producing advertisements and mailers intended to drive down support for candidates that they saw as opposing their development friendly agenda.

Liberate Laguna Spending on Behalf of Candidates Peter Blake and Sue Kempf

The U.S. Supreme Court's 2010 Citizen's United decision ruled that corporations (and non-profits and other associations) have free speech rights; therefore independent political speech by such entities was allowable. Furthermore, if expenditures made on behalf of, or against any particular candidate or initiative is not coordinated with the candidate or entity, this type of spending is not limited. Together, this means that Political Action Committees are free to raise unlimited amounts of money and spend it in an unlimited fashion, either for or against their candidates or positions, as long as there is no “coordination” with these candidates. Liberate Laguna took full advantage of the situation to raise enormous amounts of money primarily from developers or developer interests, and spend it in order to get their preferred candidates, Blake and Kempf, elected.

Let's look at the numbers. According to its Fair Political Practices Commission (FPPC) Form 460 filings (mandatory financial filings detailing receipts and expenditures) for 2018, this new PAC, Liberate Laguna took in \$152,502 in cash and in-kind contributions and spent \$152,836.33. This is an enormous amount of money and resources and what's more astounding is that the vast majority was contributed by 5 entities! Table 1 shows the details:

Liberate Laguna Top Donors – 2018

Entity	Monetary Contribution	Non-Monetary Contribution (\$ value)	
4G Wireless (Mo Honarkar)	\$20,000.00		
Domin Investment Group	\$10,000.00		
Samuel Goldstein (Radford Ventures LLC)	\$20,000.00		
Michael Ray (S.J. Ray Development)	\$22,000.00		
Cindy Shopoff (Shopoff Realty Investments)	\$8,500.00	\$30,000.00	
Shopoff Enterprises		\$30,000.00	Top 5 Donors=
5 Individual donors of >\$100	\$9,700.00		\$140,500.00
Non-reportable donations <\$100	\$2,302.00		
	\$92,502.00	\$60,000.00	Grand Total =
			\$152,502.00

Table 1¹

1 Form 460, Liberate Laguna - <http://www.lagunabeachcity.net/civicax/filebank/blobdload.aspx?BlobID=21980>

From the Form460s we can see that about 92% of the total contributions that Liberate Laguna collected in 2018 came from 5 entities (we're considering the Shopoff entities as one). All of them are real estate/development interests.

But What About Village Laguna on the Other Side of the Fight?

Some may say that PAC influence on local Laguna Beach elections has been going on for a long time and indeed was pioneered by the PAC, Village Laguna. Village Laguna is a long-time special interest group promoting a “quaint” Laguna Beach, and has always taken a strong stand against the over-commercialization of the City. Village Laguna supported two candidates, 5-time incumbent Toni Iseman and previous 1-term Councilperson Ann Christoph. Liberate Laguna opposed these 2 candidates with details below. Looking through this organization's Form 460 filings is a bit more difficult; it seems that they weren't fortunate enough to have professional accountants and legal advice guiding their hand. But with some effort the numbers of interest are easily discernable:

The Village Laguna PAC took in \$8,978 in cash and in-kind contributions and spent \$15,717 in 2018. What's more, of the \$8,978 in donations, 1 donation was an artwork valued at \$3510. So really, the cash donations for 2018 were mere \$5,468. This is a mere 3.58% of the cash-tsunami that Liberate Laguna enjoyed. In terms of spending, Village Laguna spent 10.28% of the amount spent by Liberate Laguna on 2018 electioneering. If we look at the 2018 contributors to Village Laguna, we see that their median donation was \$350.50. Let's display this comparison in an easy-to-read table:

2018 Numbers	Liberate Laguna	Village Laguna
Total Contributions	\$152,502.00	\$8,978.00
Total Expenditures	\$152,836.33	\$15,717.00
Top 5 donor contr %	92.13%	59.38%
Median Top Donor Donation (Cash)	\$20,000.00	\$350.50

Table 2

So How Did Liberate Laguna Spend This Windfall?

Most candidates for elected office want to portray an image of having gotten themselves elected by their hard work, political positions and saavy. It looks bad if the “independent” support of a wealthy-donor PAC is the primary reason for your election win. Not surprisingly, we've heard utterances from the biggest beneficiary of Liberate Laguna's deep-pockets, Peter Blake, downplaying the enormous positive effect of the ton of money they “independently” spent on his behalf. He has stated that he didn't ask for their endorsement and that they only sent out 2 mailers on his behalf during the 2018 election cycle, spending only \$12,000². The Form460s tell a very different story.

Candidates Blake and Kempf both benefited from an avalanche of “independent” campaign items conceived, produced and made-public by Liberate Laguna. This was in the form of glossy mailers, web and print ads and slick videos. My analysis shows these are the “independent” items produced on behalf of these two candidates:

- 3 pro-Blake glossy mailers (11” x 6”) Each unique with different messaging and images
- 3 pro-Kempf glossy mailers (11” x 6”) Each unique with different messaging and images
- 1 pro-Blake 1 min professional video
- 1 pro-Kempf 45sec professional video
- At least 11 pro-Blake newspaper ads (& design services)
- At least 8 pro-Kempf newspaper ads (& design services)
- 2 pro-Blake web ads (running for varying periods)

² Blake comment – Laguna Beach City Council meeting – 04/23/2019 at 00:23:30 onwards

- 2 pro-Kempf web ads (running for varying periods)

Each of these glossy mailers cost about \$6200 (with mailing). The videos about \$625 each. The newspaper ads typically run for \$880 for a full page ad, \$440 for a half page. If we look at LL's Schedule D of the Form 460s and 496s (Independent Expenditure Report), the total “independent expenditure” amounts for 2018 claimed are:

- Blake - \$19,007.96³
- Kempf - \$18,307.96

However, in their filings, the Liberate Laguna PAC has chosen not to include the costs of mailing the tens-of-thousands of glossy mailers across all of Laguna. From the 460s and 496s, I estimate that each of the glossy mailers cost \$1,971.57 to send. This would add \$5,914.71 to the “independent expenditure” on behalf of each candidate (for 3 mailings each), if it had been reported in this way (for transparency, I believe the cost of mailing should be included in the Schedule D reporting – but I have no evidence that not doing so contravenes FPPC requirements). If we accept that the cost of the mailings should rightly be attributed to the “independent expenditure” for the benefit of each Blake and Kempf, then the amounts become:

- Blake - \$19,007.96 + \$5,914.71 = \$24,922.67
- Kempf - \$18,307.96 + \$5,914.71 = \$24,222.67

The amount expended on behalf of Blake exceeds his total “reportable” donations of \$23,026 reported on his form 460s for 2018!⁴ For Kempf, with her own campaign spending at \$38,139.40 for 2018⁵ plus the boost provided by Liberate Laguna, the total monies spent on her behalf comes to almost \$63,000; far in excess of any other candidate on the ballot (the next highest campaign spender was Iseman at a reported \$46,608⁶ followed by Christoph with \$42,081.90⁷). So that we compare apples to apples, if we add-in the amounts spent by Village Laguna on behalf of Iseman and Christoph (roughly 50/50 spend), then we have to add \$7,858.50 to each, netting \$54,466.50 for Iseman and \$49,940.40 for Christoph.

The substantial costs of election consultants, strategists, pollsters, accountants, lawyers, communications experts are built into the base-expenditures of the Liberate Laguna PAC and NOT attributed to any specific candidate or policy that it supported. As an example, they employed the very well known top-tier polling and survey research firm of Stu Mollrich Communications to the tune of \$21,000 to craft and fine-tune their messaging and approach. This spending isn't attributed to an “independent expenditure” to the benefit of either candidate, but a benefit must indeed have been gained, if tertiarily. As a side note, for the sake of thoroughness, I will mention that Liberate Laguna made additional “independent” expenditures in the amount of \$176 on a print-ad supporting Cheryl Kinsman's candidacy and \$250 on a web ad opposing passage of Laguna's Measure P ballot measure.

But wait, there's more!

Even this accounting of the monies spent doesn't give the full picture of how Liberate Laguna flooded the town with developer money to get their preferred candidates elected. They also conducted opposition “Independent Expenditures” against Toni Iseman and Ann Christoph; two candidates that don't align with their pro-development viewpoints. In 2018, Liberate Laguna spent on:

- 4 anti-Toni Iseman glossy mailers. Each unique with new messaging and images (6” x 11”)
- 1 anti-Ann Christoph glossy mailer. Extra-large at 8.5” x 11”.

3 Form 460, Liberate Laguna - <http://www.lagunabeachcity.net/civicax/filebank/blobdload.aspx?BlobID=21980>

4 Form 460, Peter Blake - <http://www.lagunabeachcity.net/civicax/filebank/blobdload.aspx?BlobID=21870>

5 Form 460, Sue Kempf - <http://www.lagunabeachcity.net/civicax/filebank/blobdload.aspx?BlobID=21950>

6 Form 460, Toni Iseman - <http://www.lagunabeachcity.net/civicax/filebank/blobdload.aspx?BlobID=23028>

7 Form 460, Ann Christoph - <http://www.lagunabeachcity.net/civicax/filebank/blobdload.aspx?BlobID=21340>

- 1 print ad opposing Toni Iseman

In total, the Form460s claim \$17,218 spent against Iseman and \$6,751 against Christoph. Again, the postage associated with the mailers was listed separately. Adding this back in, it becomes \$23,132.71 against Iseman and at least \$8,722 against Christoph. Total opposition “Independent Expenditures” were therefore in the neighborhood of \$31,854.71. How much this enormous war-chest suppressed Iseman and Christoph votes, or increased the tally for Blake and Kempf is impossible to determine, but it certainly provided wind behind the sails of the Blake and Kempf campaigns and anchors to those of Iseman and Christoph.

The Results

The 2018 election was held on November 8, 2018 but the final vote tally didn't arrive until about 1 month later. In the end, both Liberate Laguna candidates won a seat, as did 5-time incumbent Toni Iseman. The vote counts were as follows:

2018 LB City Council Votes	
Candidate	Vote Count
Blake*	4881
Iseman*	4792
Kempf*	4483
Christoph	4235

* won a council seat

Table 3 ⁸

The tally is remarkable in that it underscores the role money plays in politics; even local races. That a newcomer with no political experience or civic involvement can be catapulted to the number 1 spot in vote count is a testimony to both the candidate's talents but even more so, the effect of having a wealthy benefactor with a professional campaign organization behind it. Kempf's candidacy followed a more traditional path and even without the enormous boost provided by Liberate Laguna, she probably was in contention for 1 of the 3 seats, but we can only speculate, what the erosive effect of Liberate Laguna's negative advertising against Christoph had, she might well have secured the 3rd spot to the detriment of Kempf. In the final analysis it is safe to say that allowing huge “independent expenditures” to influence voting to the degree that wholly unknown and untested candidates become top-contenders has to be strongly discouraged. Voters simply don't know who it is that they are electing; without a substantial track record we are in danger of electing a crackpot.

The Future

Of course the big question Lagunans should be asking themselves now is whether Liberate Laguna's success in getting their preferred, pro-development candidates elected will result in noticeable changes to the City's built-up environment. We must remember that with 3 votes, the City Council is able to pass/alter any ordinance over which it has jurisdiction. Ordinances can be passed, altered or eliminated. Spending can be approved. Appointments can be made. Let's take a look at the voting records of the 5 councilpersons from December 11, 2018 (1st full council meeting after swearing-in) until September 24 2018 (the most recent city council meeting).

⁸ OC Registrar data at <https://www.ocvote.com/fileadmin/live/gen2018/results.htm#c-2012>

Iseman supports DRB decisions 81.8% of the time. Whalen 60% of the time. The rest support DRB only 54.5% of the time
Iseman votes against PC decisions 75% of the time. The rest support PC decisions 75% of the time
Blake votes 100% for STL rights/STL applications. Dicterow does so 80% of the time. The rest 20% of the time.

Table 4

While the data in Table 4 don't show any Councilperson's absolute attitude towards commercial development per se, it is fair to summarize a few points:

- Iseman is by far the most supportive of the Design Review Board. DRB is seen as a backstop against development that is not in keeping with neighborhood sensibilities or the overall village atmosphere of the downtown.
- Iseman is the lone voice against the newly activist Planning Commission that has developed a taste for encouraging “vibrancy” in the downtown by encouraging greater density, intensification of use and a more laissez faire approach to business conditional use permits.
- Blake votes in support of STL applications and in a pro-Property rights manner 100% of the time.

Beyond these data-based conclusions, there is anecdotal evidence that the strict guiderails concerning commercial development are being diminished. As an example, the draft Downtown Specific Plan working its way through the Planning Commission has proposed changes that are very developer friendly. The draft makes a number of suggested changes that will:

- reduce the parking-ratios long in effect
- allow increased height of buildings in the downtown
- allow combining commercial lots so that bigger projects can be accommodated
- eliminate most buildings currently considered “historical” from such designation

These changes virtually guarantee an intensification of use of the downtown area; but such an intensification doesn't guarantee benefits for residents or existing business owners. They would, however, create opportunities for developers to be handsomely rewarded for tearing-down the old, and building much larger replacements (without the need for adding additional parking). Other changes that portend our future relate to the 6 massive development projects planned by the Laguna Beach Company (this firm is owned by Mo Honarkar, who also owns 4G Wireless, which contributed \$20,000 to the Liberate Laguna PAC). Although we're being assured of full transparency and adherence to existing rules of review and public input, there are worrisome developments that are cause for concern. First, the usual public process has been delayed while the developers meet with a council subcommittee of two members. Second, there are plans afoot for the City to ink a “development agreement” between with the developer which affords many benefits and in certain cases can supercede existing zoning regulations for a given project.

What's more, installing pro-development candidates on the City Council also leads to appointment of more development friendly citizens to the variety of City Commissions, Committees and Boards (CCB) that are involved promoting policy and decisions that affect our collective future. This cascade can turn into a torrent that eventually erodes the bedrock of restraint that has helped Laguna Beach remain quaint. Once the ethos that guided downtown development is replaced with a “bigger is better” or “vibrancy over quaintness” mindset, and developments are approved that align to that thinking, it can't be undone and Laguna will have started its unstoppable transformation into just another California beach town.

My advice for future elections: be wary of candidates or ballot initiatives or advertising that has the weight of big money PACs behind it. Even more so, any PACs where 92.13% of their funds come from 5 entities in the business of property development. They might be able to use their high-priced pollsters to create a “for the people” message, or a “grassroots” aura. But realistically, haven't we all seen this movie many times before. Who's interests are they really looking out for first and foremost?

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