

## Funding Municipal Elections in the Toronto Region<sup>1</sup>

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## **INTRODUCTION**

The number of research articles on aspects of municipal elections in Canada is limited. Most of the subjects and theories that tend to interest political scientists who are curious about elections, such as electoral systems<sup>2</sup>, political parties, campaign financing, leadership, participation, explanations of voter choice and studies of campaigns, are test-driven at the level of national politics, less often at the provincial level and never at the municipal level, until recently.<sup>3</sup> But this level of democratic politics offers a wide range of institutional arrangements and opportunities for comparison that may be more useful than comparing institutional arrangements across nations and cultures.

This paper begins to examine municipal election campaign funding for the 2003 elections in ten cities in the Toronto region. It examines how candidates for council, regional government and mayor fund their campaigns. It compares campaign funding across ten municipalities ranging in size from Toronto to Whitby. It examines the importance of corporate funding and candidate funding of campaigns. It examines the extent to which the development industry backs the campaigns of candidates for local office. Finally, the paper puts the prominence of the development industry into a broader explanation of campaign funding.

Why is it important to study municipal campaign finance? Funding election campaigns is an important political activity. A lot of energy is spent studying why and how people vote but considerably less time is given to other types of participation. The activity of funding candidates and parties is a uniquely important and little studied aspect of elections in general and municipal elections in particular. Second, knowing who contributes to campaigns and understanding the interests of those contributors may help to explain the candidates and views on offer and the broad directions of municipal governance. If those willing to contribute money to candidates are few and share common interests that are not necessarily shared by a wider public, they may be able to influence what candidates come forward, what views those candidates hold and what chances they have for election. Even in supposedly low cost municipal elections, a small amount of money may give a

candidate publicity and profile. Where voters often know next to nothing about what a candidate stands for, election signs and a campaign brochure may suggest that one candidate is credible while another, who lacks financial support, “must” represent fringe views. Thomas Ferguson’s Golden Rule. The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems makes the argument that US presidential elections can be “read” through coalitions of contributors or investors from different industries. He suggests that the policies of parties and candidates are influenced or perhaps selected by these funding coalitions. In the extreme, coalitions of investors can ensure that the only candidates that have a chance of winning are those backed by the coalition. While Ferguson’s work is about US national politics and often lacks an empirical base, it can be usefully applied to municipal politics. Third, it is often assumed that municipal elections are low cost affairs that do not require significant funding or organization.<sup>4</sup> Spending limits provide a misleading indication of what candidates actually spend and raise in different cities, for different offices and in different competitive races. Fourth, assumptions abound about the prevalence of development industry funding in municipal politics. A substantial literature on cities as growth regimes, argues that “First, local politics in the United States revolves around land development and is dominated by a pro-growth coalition. Second, the urban future is shaped by this coalition’s molding of local policy(Logan, et al., 605). But there is no systematic Canadian research on this point and we don’t know how important this funding is, whether it varies from city to city, and why it may vary. Apparently pro-development councils in many cities in the greater Toronto area have produced suburban cities that are automobile dependent, unfriendly to mass transit, lacking the density to support other services and dependent on urban infrastructure outside the boundaries of their municipalities. Fifth, all campaign financing takes place within a set of rules devised by governments and politicians usually with an eye to supporting their general interests. The rules of municipal campaign funding are created by the Ontario government, but there are some important differences across municipalities. It is also becoming clear that the current rules are far from adequate and that oversight of the rules is insufficient.<sup>5</sup>

Recent empirical literature on municipal elections in Canada has not paid much attention to the issue of campaigning funding. Stanwick's (2000) ecological analysis of aggregate voting in the 1997 Toronto mayoralty election uses ward level census data, turnout figures, and to a lesser extent, campaign events, to explain the outcome of the race between Barbara Hall and winner Mel Lastman. Cutler and Matthews' study of the 2002 Vancouver mayoralty election tests models of voter choice that have been developed from election surveys at national levels of governance. Kushner, Siegel and Stanwick (1997) examine Ontario municipal council elections in a sample of small, medium and large cities in the 1982, 1988 and 1994 elections. They explain election outcomes in terms of incumbency, gender, campaign expenditures and the number of candidates in the race. Not surprisingly, they find incumbency to be the most important factor with other explanations varying somewhat according to the size of the municipality. Siegel, Kushner and Stanwick (2001) explain the outcome of 32 large mayoralty races across Canada in terms of candidate characteristics such as, age, gender, education, incumbency and campaign expenditure. In all of these articles the aim is to explain election outcomes. Some acknowledge the importance of campaign expenditures but none examine the types of financial contributors that back candidates for office.

The American literature on funding coalitions in municipal politics can be a partial guide to examining funding although US municipal politics frequently has a formal party framework that is lacking in most Canadian cities. Krebs (2005) recent analysis of funding coalitions in Los Angeles council and mayoralty elections found that "Corporate interests dominate campaign contributions, but not all corporate interests are equally active" (Krebs 2005, 173). While the development industry was one of the two largest contributors, other groups of professionals and the entertainment and retail industries were also significant financiers of municipal candidates in Los Angeles. Krebs and Pelissero's study of Chicago mayoralty races between 1983 and 1995 revealed different funding coalitions backing mayors Daley and Washington. Hogan and Simpson studied the same Chicago mayoralty elections and added council elections to the research and came up with similar funding coalitions. Gierzynski, Kleppner and Lewis also looked at funding in Chicago council elections in 1991 and 1995 and found that money was

important to election outcomes even in a system dominated by political machines. Fleischmann and Stein's study of municipal campaign contributions in Atlanta and St. Louis found that funding coalitions were broader than the development industry and reflected the complex political economy of the two different cities.

## **The Data**

This is a study of campaign finance in ten municipalities including the city of Toronto and nine other municipalities that surround it, Oshawa, Whitby, Ajax, Pickering, Markham, Richmond Hill, Vaughan, Brampton and Mississauga. The three Regional Municipalities that surround Toronto, Durham, York and Halton, contain 20 municipalities that elect councils. The ten cities represent the inner tier of municipalities and contain the bulk of the population in the three regions. The data for the study comes from the financial reports filed by all candidates for local council, regional council and mayoralty offices in the ten municipalities following the 2003 municipal elections.<sup>6</sup> Candidates who either collect or spend more than \$10,000 must complete a detailed financial report (known as Form 5) that includes a list of contributors who gave more than \$100 in cash or in-kind goods and services, a breakdown of all campaign expenditures, fundraising activities, the final surplus or deficit, any loans obtained and paid off and any accounts outstanding at the end of the campaign period. The report must be audited and signed by a licensed accountant. Candidates who raise and spend less than \$10,000, are required to file a shorter report (Form 4) that discloses the names of contributors over \$100 but they are not required to provide a breakdown of campaign expenditures or have the report audited and signed by a licensed accountant. There was some variation in how much financial information was required of low spending candidates by the different cities.<sup>7</sup> The data for the study was built from these returns and the lists of contributors who gave more than \$100. The study included 443 candidates for ward councilor, regional councilor and mayor in the ten municipalities. Twenty-four candidates did not file reports and as a result are barred from running in the next election. Since nothing is known about the finances of these candidacies, they are excluded from the analysis. Most of the candidates that failed to file finished third or worse but five did

finish second, though in most cases, a distant second. One hundred and eighty-seven or 42% of the candidates reported raising or spending *less* than \$10,000 and as a result submitted less detailed financial reports but were still required to report the identities of donors of more than \$100. Five candidates were acclaimed and they are excluded from parts of the analysis. There were 44 candidates for Mayor of Toronto. This study analyzes the finances of the top five candidates who together captured 96.5 percent of the vote. Every other candidate won less than 0.3 percent of the vote. There were 199 candidates for the 44 seats on Toronto Council. This study included 143, dropping those with less than 4 percent of the vote. Some of the dropped candidates did not file financial statements and many others did not report income from outside the campaign.

When discussing contributions in following sections, unless otherwise noted, I am referring to those greater than \$100. Municipal election finance law requires the disclosure of names and addresses of those giving more than \$100. It is possible that substantial amounts of money may have been given to candidates in the form of contributions under \$100 but disclosed contributions made up 90 percent of all of the money and in-kind contributions made to the candidates in the study.<sup>8</sup>

### **Offices included in the study**

Municipal elections in the cities surrounding Toronto include races for both city councilor and regional councilor. Oshawa, Whitby, Ajax and Pickering all elect regional councilors to the Durham Region level of government. Markham, Richmond Hill and Vaughan elected councilors to York Region. Brampton has elections for regional councilors to Peel Region. Mississauga does not elect its share of Peel Region councilors but fills its allotted ten seats with the ten members of the municipal council. The regional level of government in Ontario has an important planning role in development. It also controls drinking water and waste water treatment capacities that are vital to suburban development. Toronto is not part of any elected regional level government.

Tables 1a and 1b here

Tables 1a and 1b provide some information on the 130 races for different offices across the 10 municipalities. One noteworthy difference is the use of ward and list systems for electing regional councilors. The list systems, where the entire city is one electoral district, probably require that a candidate raise more funds to campaign across a greater area than in a ward system. Interestingly, these systems occur in cities where development has been most rapid. The races for Mayor were generally uncompetitive with the exception of Oshawa, featuring three candidates with more than 15 percent of the vote, and the Toronto race between David Miller and John Tory. Elections were somewhat more competitive at the regional level and even more so at the local council level with the average number of candidates increasing. But there were still acclamations, races with just one candidate, and two occurred in the Toronto elections and all five were incumbents.

### **The Rules**

Municipal election campaign finance rules in Ontario differ from provincial and federal campaigns laws in several important ways. Municipal campaigns may begin at any time in the year of the election and candidates can begin raising and spending money in January, long before voting day on the second Monday in November. Both winning and losing candidates are permitted to raise funds to pay off campaign debts until the end of the year following the year of the election. This last provision allows winning candidates who ended the campaign with a deficit to raise funds while in office. The extra fundraising period is probably a result of the absence of parties at the municipal level. At the provincial and federal levels, local constituency associations automatically assume campaign deficits.

Individuals, trade unions and corporations are permitted to make contributions of up to \$750 in total to any candidate for all municipal offices with the one exception of a higher \$2,500 limit for candidates for the office of Mayor of Toronto. Unlike federal and most

provincial rules, candidates and their spouses can make unlimited donations to their own campaigns and self-financing was widespread.

All candidates for council and regional council were governed by a spending limit of \$5,000 plus 70 cents per voter. The nine suburban municipalities vary considerably in ward populations so expense limits for councilors ranged from an average of \$14,260 in Whitby to \$37,280 in Mississauga and \$36,690 in Brampton. Suburban regional council contests had widely varying spending limits partly as a result of at-large versus ward electoral districts. The limits in the at-large election systems of Markham and Vaughan were \$115,466 and \$104,500 respectively. Whitby had an average expenditure limit of about \$24,150 for the two electoral districts for regional councilor. The average limit for councilors in the Toronto was about \$31,250. Contestants for mayor had a spending limit of \$7,500 plus 70 cents per voter but had many more voters and so a much higher limit. The limit for the Toronto race was \$1,162,547 while the suburban limits ranged from \$299,000 in Mississauga to \$45,000 in Ajax.

The Toronto mayoralty race expenditure limit is about 30 percent higher than the federal election expenditure limits applied to the entire city of Toronto. The federal limit applied to council races in Toronto would create a limit almost 50% higher than the municipal limit.<sup>9</sup> Expenditure limits can be misleading because they exclude fund-raising and victory party expenses that can, on their own, exceed the advertised expenditure limit. Toronto councilor Kyle Rae reported fundraising expenses of \$94,459 with an overall campaign expenditure limit of \$40,500.

In 2003, 68 candidates in the 10 municipalities brought forward surpluses from prior elections that amounted to more than \$700,000. This rule is an obvious source of an incumbent's advantage in municipal politics. Most of the study below, because it focuses on the sources of income during the 2003 campaign period, ignores these past surpluses. Moreover, the surpluses are not transferred with the names of donors attached so it is impossible to trace the type of contributor back to the prior election.



## **Contributors to municipal campaigns**

Table 2 shows the source of contributions to candidates in the nine suburban and the City of Toronto 2003 municipal elections. The table includes only disclosed contributions.<sup>10</sup>

Table 2 here

The importance of contributions from individuals varied substantially across municipalities. In Whitby, just 25 contributions of greater than \$100 added up to less than eight percent of all disclosed funding going to candidates, whereas in Toronto almost 55 percent of disclosed contributions came from individuals. Even while accepting Whitby as an anomaly (Mississauga is only slightly higher), contributions from individuals made up just over 15 percent of all disclosed contributions in the suburban municipalities. This is a surprisingly low figure in comparison to the participation of citizens in the funding of provincial and federal parties. Whitby had 70,800 voters but just 25 gave more than \$100 to a municipal candidate. Even in the other suburban cities, the numbers of individual contributors are tiny. They strongly suggest that few candidates outside of Toronto organize campaigns that mobilize groups of citizens and few citizens' groups of any size organize themselves to support a candidate.

A first and easy explanation of the difference in the participation of individuals in funding candidates is the presence of a campaign contribution rebate program in the City of Toronto.<sup>11</sup> However, Ajax and Markham also had campaign rebate programs<sup>12</sup> for individual contributors but their rate of participation was not notably higher than the other suburban municipalities. Ajax had about 54,500 eligible voters but just 105 made a contribution of more than \$100 in their own names: a participation rate of 0.19% compared to 0.04% in Whitby.

Toronto stands out as notably different from the surrounding cities. Contributions from individuals are much more important and at least two candidates for council made election promises to accept only individual contributions. This suggests that some

campaigns in Toronto are much larger, better organized, involve more people, have active fund-raising arms and try to make connections to groups of supporters. But there are also campaigns in Toronto that were almost completely driven by funding from corporations. There is considerable variation in campaign funding sources and the use of averages can be misleading.

The lack of citizen interest in financially supporting candidates meant that corporate funding filled or commanded the resulting vacuum of citizen political interest. Corporate contributions made up two-thirds of the funds flowing to candidates in the suburban municipalities and in three of the nine it was over 70 percent reaching a high of 81 percent of all contributions over \$100 in Vaughan. Toronto was again different from the suburban municipalities. Just about one-third of contributions to candidates in Toronto came from corporations, although the dollar value was higher than total corporate contributions in the suburbs. The dominance of corporate funding in the suburban municipalities, largely funding from the development industry as we shall see, makes those politicians reliant on those interests for election funding and gives those corporations, and the individuals that own and control them, political capital that citizens have difficulty challenging

The aggregate figures hide some astonishingly high concentrations of corporate funding: one-quarter of the candidates that disclosed contributions (367) took more than 80% of their funding from corporations and 22 candidates reported only corporate supporters. Fifty-eight elected officials are amongst this top group including the mayors of Markham (83.1% corporate funding), Vaughan (93.5%), Whitby (80.7), Oshawa (81.3) and Pickering (84.7). Michael Di Biase, the Mayor of Vaughan, took in almost \$197,000 dollars in corporate contributions. Even by federal or provincial campaign fundraising standards, that is a remarkable figure. All of the six candidates running in the constituency of Vaughan in the 2004 Federal election spent just under \$144,000. The main mayoralty candidates in Toronto took in much more money from corporations because they had much higher spending limits, but they also balanced it with more

money from individuals. The twenty candidates who received the most corporate funding are given in Table 3 below.

Table 3 here

The number of winning candidates from Vaughan in the Table (6 of 9 Vaughan officeholders) suggests a dynamic that is different from other municipalities. We will return to this later. The only non-winner in the list other than the losing Toronto mayoralty candidates is a regional councilor from Vaughan.

Despite the fact that there were only 28 candidates for mayor in the study, that level captured 42 percent of corporate funding largely because of the higher spending limits and the expensive Toronto mayoralty race. The 80 candidates for regional council raised 19 percent of the corporate funds and the 311 candidates for council were the recipients of 39 percent of the corporate money. While city mayors have some leadership functions, in city council, they have no more voting power than ward councilors. Interest trying to build council coalitions must fund supportive candidates in all or most offices.

Trade union funding in the suburban races was almost non-existent and barely noticeable in Toronto. In seven of the 9 suburban municipalities trade union support for candidates was less than one percent of all funding and only in Oshawa (4.9%), Toronto (2.3%) and Whitby (1.8%) did it rise above one percent. The small amount of union funding was targeted at a few candidates: David Miller the winner of the Toronto mayoralty election, received \$78,000 from unions, by far the most received by any candidate. Just one Toronto council candidate received more than \$10,000 from unions and most of the others received less than \$5,000. However, with one or two exceptions, union funding was almost irrelevant. The lack of union support for candidates speaks of a larger absence of organized labour from municipal elections despite the fact that many municipal workers are unionized. At a time when those jobs are being privatized, one would expect to find unions involved in finding and supporting candidates for office. The Canadian Labour Congress launched a campaign in 2005 to get members, district

labour councils and union locals more involved in finding, funding and supporting labour friendly candidates for municipal offices. The results of the campaign will soon be evident.

Candidate self-financing was a very significant contributor to overall funding exceeding disclosed contributions coming from individuals in five of the suburban municipalities. As Table 3 shows, candidates themselves provided more than 17 percent of election financing in the suburban municipalities and over 10 percent in the City of Toronto.

Fifty-one percent of the 419 candidates who filed reports made contributions to their own campaigns or assumed campaign debts. While debts are sometimes not recorded in financial returns as contributions, they are the responsibility of the candidate.

Most of the candidate contributors, 176 of 213, made contributions greater than the contribution limit for their office and the amounts were often very large: Barbara Hall and Tom Jacobek ended up contributing \$273,000 and \$239,000 to their losing Toronto mayoralty campaigns. The average for the 83 candidates that contributed to their own campaigns for Toronto council was \$4,410, a very substantial figure for any but the wealthy to contribute to a political campaign. Ten of the 44 winning councilors made contributions to their own campaigns. Most of the self-financing was done by challengers who ended up losing. This suggests that municipal politics is not easily accessible to under-represented groups and often under-financed candidates from those groups. Even though municipal elections in some of the suburban cities did not require a great deal of money, enough money to buy signs and print brochures may still be beyond the capacity of communities and interests that do not have wealthy members.

### **Dissecting corporate contributions**

We need to look more closely at the sources and composition of corporate contributions. Where does this money come from? Not surprisingly, developers and the development industry are by the far the most important but the prominence of different sources varies between the suburbs and Toronto.

Table 4 here

The reliance of municipal candidates in this study on the development industry (developers plus building services and contractors) for campaign funds is undoubtedly far greater than the reliance of any other group of candidates on any one industry at any other level of government in Canada. In the suburban cities in this study, more than two-thirds of all corporate contributions come from the development industry. It is important to note that figures for the contributions from the development industry are certainly underestimates since they do not include contributions from individuals who are themselves developers or work for developers nor do they include a number of contributors who could not be identified but are likely to be connected to the development industry nor do they include contributions from individuals and some firms, such as lawyers and law firms, that do significant work for the development industry.

Other groups of corporate contributors to suburban candidates trail far behind the development industry in importance. The retail sector made up less than seven percent, manufacturers, less than six percent, and all remaining groups were less than four percent each.

A breakdown by suburban municipalities (not shown) shows that all but Ajax and Whitby had profiles much like the aggregations shown in Table 4. Developers and building services and contractors taken together made up about 80 percent of the corporate contributions in those two cities. In Whitby, that meant that 70 percent of all campaign funding flowed from development industry sources.

The development industry was less important in Toronto campaign funding than it was in the suburban municipalities. Almost 45 percent of corporate contributions in Toronto flowed from the development industry. The next largest group, at about 10 percent, included lawyers, consultants, lobbyists and business services, some of whom work some of the time for the development industry. Contributions to Toronto candidates from the

hotel, restaurant and entertainment sector and the financial sector were several times greater than money from those sectors in the suburban municipalities. That is not surprising given that the centre of both of these sets of activities is in the Toronto downtown area.

The importance of different contributing groups in Table 4 is not a reflection of the importance of those groups in the overall Toronto and surrounding economy. Developers do not make up 50 percent of the economy, they are not simply giving their “fair” share but a sum that is far greater.

Given the importance of funding from the development industry to municipal candidates, a theme I will return to later on, it is worth a short digression on how the industry was defined in this research.

The boundaries of the development industry are not easily drawn. Commercial and residential property development is a complex and dispersed activity. For the most part, developers are not fully integrated companies that complete all of the tasks of development in-house. Much of the construction work, concrete forming, framing, roofing, masonry, drywall, plumbing, electrical work, road building and landscaping is contracted out to other companies sometimes within a group of related companies or other times to friendly firms or through a bidding process. Much of the development process is also dispersed and contracted out beginning with the municipal planning and subdivision process (land use zoning changes, design approvals), site engineering and environmental assessments, site preparation, construction, sales, and even the financing of the enterprise. The suburban developer may do nothing more than find the raw land, put up some of the money to purchase it, carry a mortgage, often with partners, and supervise the development process. Financing the purchase of the land and the development costs through to the sale of homes can involve insurance companies, credit unions, mortgage companies, trust companies, chartered banks and even pension funds and often pools of capital with a global span. Developers usually specialize in one of suburban residential housing, commercial buildings such as shopping malls, high-rise

office buildings or apartment and condominium development. As a result, the developers that fund suburban candidates are not the same as those that fund Toronto candidates

To complicate matters further, much of the residential development industry is privately held. Suburban house building is largely supervised by a small number of private companies. Since contribution disclosure rules do not require a contributor to disclose a company's main activities, as is true in most US campaign legislation, identifying companies can be difficult. Information about most corporate contributors and particularly developers was unearthed through internet searches and other databases. Identifying developers has been made easier by cities placing on their websites committee minutes that refer to subdivision applications. This provides reliable information about the owner of the property and the subdivision applicant.

I chose to define the development industry in both a narrow and broad sense. The narrow definition is limited to the development companies that purchase land and supervise the development process from first application to completed sales. The broader development industry includes, planners, architects, engineers, some lawyers, realtors, all the construction trades, building material suppliers, some road builders, and property managers. All of these enterprises depend totally or substantially on the development industry and depend on suburban and urban commercial and residential home, condominium and office development and re-development.

### **Development industry funding**

Development industry contributions were not dispersed randomly to candidates for office but targeted in a manner that showed some coordination. This should not be surprising. The City of Toronto Computer Leasing Inquiry/Toronto External Contracts Inquiry Report, known as the Bellamy Inquiry revealed something about how contributions are orchestrated and delivered to different candidates supportive of policy directions favourable to donors. A number of witnesses at the inquiry testified to how political influence is organized through orchestrating financial support for particular candidates.<sup>13</sup>

This work of political organization is often contracted out to consultants and employees of developers who find pro-development candidates and organize campaigns and fundraising for them. The evidence from races in the suburban cities very strongly supports this explanation.

Table 5 here

The pattern of Table 5 shows that developer contributions seldom get wasted. Brampton, Markham, Richmond Hill, Vaughan and Whitby all had incumbent and re-elected mayors that favoured development. The development industry backed those candidates even in the absence of strong alternatives. The three instances that do not support the pattern need some explanation. The long serving Mayor of Mississauga, Hazel McCallion is so popular she does not bother to campaign and because that city is so pro-development, the industry does not need to fund a challenger. Steve Parrish, the Mayor of Ajax, is an opponent of poorly planned development and was opposed by someone generously backed (by Ajax standards) by the development industry. Parish has also said that he does not accept contributions from developers. Almost 90 percent of Parish's contributions came from individuals. Pickering has been the site of many of the most intense battles over development and many of those have occurred between developers over which land will be developed and which held in agricultural and green space preserves. This battle has pitted developers against each other and it is not surprising that different factions supported the incumbent winning candidate and the losing challenger.

The City of Toronto ward races reveal a starkly similar pattern of development industry contributions very carefully targeted in support of specific candidates. In 16 of the 28 wards where the candidate that received the most funds from the development industry won, the losing candidate received not a penny from the development industry. Table 6 shows the percentage of development contributions captured by the winning candidate in different types of races.

Table 6 here



The table hides a number of peculiar stories that are some of the important substance of local elections. Most of the left caucus on Toronto Council can be found in those elections where developers backed the loser or backed both candidates to some degree. The category of negligible developer funding includes David Soknacki who self-financed his entire campaign and Michael Walker and Clifford Jenkins who both made it known that they would not accept corporate contributions. Interestingly, in two of these cases the opponents did not accept or were not the recipients of development funding and in the other the funding was negligible.

It would not be difficult to pile up further evidence of the extent and directedness of development funding in municipal elections. However, some discussion might be more useful.

The development industry is uniquely dependent on local government to create its product and generate a profit. To turn land, whether it is agricultural land in the suburbs or downtown lots, into suburban subdivisions or shopping centres or condominiums or office towers, requires a complex approval process that involves local and regional councils.<sup>14</sup> All developers must either have the approval of municipal politicians or successfully challenge their decisions in front of the Ontario Municipal Board<sup>15</sup> before they can begin to produce a product and a profit.

Urban and suburban developers follow much the same process. In the suburbs, land development is a long term activity with land purchased years before it is brought into development. Land is bought with borrowed money, often from banks, credits unions, insurance companies and other financial institutions. A developer makes a profit on the increase in the value of the land as urban sprawl stretches outward or as the need for intensification drives up the cost of downtown land for redevelopment. Land may be sold or resold at this stage depending on the prospects for development and the costs of financing the holding of the land. A developer can increase the value of the land by many times through obtaining changes to the zoning or the subdivision plan for the land.

In downtown development, the value of the land is affected by the height of the allowable building. This process produces value through the re-designation of land uses and its division into smaller portions that can be sold at much higher values than the original portion of the land. When approved and serviced, the value of the land increases even further. Developers often complain that profit margins on the built homes are not huge, but very substantial profits have already been made on the land appreciation through the process of holding the land, rezoning and subdividing it.

It is not a stretch to say that municipal politicians are vital elements, even factors or inputs to the process of production of wealth for developers. Local politicians create value by approving rezoning or density rules, they make development possible through the extension of sufficient infrastructure like roads, sanitary sewers and drinking water to sites of development. Without municipally provided approvals for sewer access rights or water rights, developable land is a fraction of its possible value.

Competition within the development industry to be first in line to receive zoning changes, secure sewer access rights or to win extensions of services to land owned by one developer rather than another drives them to try to influence council decisions. Developers want politicians to approve their developments first and secondarily be supporters of the industry as a whole.

Municipal politicians have their own good incentives to participate in the process that drives development. They are not reluctant participants, for city councils need development to broaden a tax base that depends on the extent and value of property development. Trapped in this logic, the best way for municipal politicians to increase the tax base and respond to the needs of existing residents is to be advocates of development. New houses, factories, condominiums or office towers add new taxpayers to the property rolls and also drive up the value of pre-existing property. Increasing land values through development creates an appreciation in land values for citizens although it also increases taxes that are tied to property values.

Cities also compete with each other for development. Developers may be able to issue the threat of delaying development in favour of better terms secured on their land in another municipality. The fact that suburban regions are often divided into many municipalities is an advantage to developers. If one council is against them, developers may be able to move to a friendlier jurisdiction. To some extent, development created this patchwork of municipal authority through largely unregulated planning in former townships that were not capable of providing infrastructure or supervising development.

Research on campaign funding often culminates in a regression analysis that investigates the importance of spending or funding on success in elections. This often means equations including measures of campaign spending, closeness of the race, number of candidates, incumbency, and characteristics of the candidates and sometimes of the voters. Inevitably, incumbency soaks up much of the influence and reduces the other factors to insignificance. It is not the purpose of this paper to explain the influence of expenditures on campaign success for a number of reasons. First, campaign expenditures are far more complicated than most analyses allow. As was suggested earlier, candidates routinely spend more money than limits allow because of the exclusion of some costs from under the spending cap. Second, most measures of expenditure use lump sums or percentages of limits and do not analyze the use of those funds. This overlooks the wide variation in campaign spending patterns and the skill involved in campaigning and the use of limited funds. Third, the brief discussion of development industry funding of candidates for Toronto Council underlined may of the idiosyncrasies of local races. Some candidates refuse corporate or development industry funding, many candidates finance all or a significant portion of their own campaigns, some candidates like Hazel McCallion or Doug Holyday are so popular they do not run campaigns, while other candidates are opposed by people who are not serious alternatives. The fourth problem in this type of analysis is the use of incumbency. This is actually an aggregation of several characteristics that need to be broken apart. It includes such things as public profile, familiarity with the issues, knowledge of sources of campaign contributions, voting records, political experience and so on. Much more work needs to be done in

understanding and accounting for some of these influences before a more nuanced analysis of the importance of money can be arrived at.

## **Conclusion**

What has been learned from this first look at the composition of funding of municipal election candidates in Toronto and nine surrounding municipalities?

First, we need to be aware of the different climates or cultures of municipal politics and municipal campaign funding and how these vary from city to city. In some cities, citizens are almost completely absent from election funding money comes almost exclusively from corporations and the development industry. In these cities, politicians have not created links to supporting groups and individuals that would lead them to be involved in local politics. Interestingly, Whitby, with the fewest individual contributions, had one of the lowest rates of voting, while Toronto had the highest turnout and citizen participation in the funding of candidates.

Second, in the absence of citizen interest, funding from corporations has filled the space. But whether candidates are forced to raise money from the only sources that will offer it, or whether particular interests actually organize to find and support candidates that will represent their views is difficult to know without interviews and other corroborative research like voting records. It is likely that business and development interests scout out and encourage like-minded candidates and support them financially when they first come forward and at subsequent elections if they continuously support pro-development positions. In some municipalities, this has become the meaning of incumbency, for repeated pro-development stances bring secure campaign funding. Perhaps no other corporate funding sources have the long term interest to sustain this kind of political leverage.

Third, the paper shows the very limited importance of union contributions in all but a few municipalities and in all but a handful of candidacies. While labour contributions were

selective, supporting mostly those in the left caucus of Toronto council, in most cases they were probably not large enough to have much effect. Outside of Toronto, union involvement in funding candidates was insignificant.

Fourth, no prior research has described the importance of candidate self-financing in municipal politics in Ontario. The few articles probably overlooked candidate contributions in the form of campaign deficits and so significantly underestimated the extent. That is important because municipal politics has often been cast as a kind of low cost training ground for politicians. But this research shows that there may be significant barriers to participation for new candidates and potentially for those from recent immigrant communities that are not wealthy. Where no existing communities of financial supporters, such as political parties, can be relied on, candidates often provide their own funds.

The importance of the development industry in municipal campaign funding is another finding of this paper. While this varies somewhat across the ten municipalities in the study, the development industry is by the far the largest segment of corporate and of all contributions in all communities. This is not surprising given the political economy of the development industry and the vital role that municipal politics plays in the creation of profit. The paper showed how what appear to be coalitions of development interests back specific candidates. Future research needs to document the extent to which these candidates are pro-development once in office and whether campaign contributions lead to investors gaining greater access to politicians as Langbien's study of the US House of Representatives concluded. In the meantime, we have the inference from the pattern of development contributions to suggest that developers and those who organize development interests have a very good idea about who is a supporter of their goals. It seems unlikely that development interests would continue to support an incumbent who had not been supportive of development.

This paper has begun the detailed examination of campaign funding at the municipal level. It is limited to a few municipalities in the Toronto region, although some of the

findings, such as the prominence of the development industry, can probably be extended to a wider sample of growing cities. Future research can follow a number of paths towards building a wider theory of campaign funding.

Table 1a Selected characteristics of the municipalities and election contests

Municipality	Mayor			Regional Council					
	candidates	candidates with more than 15% of vote	Form 5***	N of seats	candidates	Average candidates per seat	seats with 3 or more candidates	acclaimed	Form 5
Ajax	2	2	2	2	4	2.0	0	0	3
Brampton	2	2	2	5	20	4.0	5	0	7
Markham	3	1	1	4	10	2.5	at large	0	7
Mississauga	5	1	0	10*					
Oshawa	5	3	3	7	27	3.9	6	0	5
Pickering	2	2	2	3	5	1.7	0	1	2
Richmond Hill	3	2	1	2	3	1.3	at large	0	2
Vaughan	2	2	2	3	6	2.0	at large	0	6
Whitby	2	2	1	3	5	1.7	at large	0	1
Toronto	5**	2	5	n/a					

\* Mississauga does not have separate elections for Halton Region Council.

\*\* Thirty-nine other candidates were excluded from the analysis

\*\*\* The number of candidates who spend or raised more than \$10,000

Table 1b Selected characteristics of the municipalities and election contests

	Local Council											
City	N of seats	candidates	Average candidates per seat	seats with 3 or more candidates	acclaimed	Form 5	Mayorality turnout valid/eligible	polls	valid ballots	eligible	contribution rebate	
Ajax	4	9	2.3	1		2	26.7	18	14,618	54,517	yes	
Brampton	5	38	7.6	5		12	24.1	85	54,825	227,038		
Markham	8	30	3.8	7	1	16	26.7	99	42,198	158,005	yes	
Mississauga	9	41*	4.6	5	1	15	19.6	207	81,533	416,456		
Oshawa	3	10	3.3	3	0	1	27.4	42	30,181	109,963		
Pickering	3	9	3.0	1		3	28.6	48	18,051	63,015		
Richmond Hill	6	22	3.7	6	0	7	?	232	23,339	?		
Vaughan	5	18	3.6	3	1	6	29.0	489	41,464	143,087		
Whitby	4	16	4.0	3	0	1	20.6	26	14,600	70,826		
Toronto	44	199	4.5	31	2	117	37.9		692,085	1,825,139	yes	

\* The figure is distorted by the 21 candidates that ran in Ward 5, 16 of which each got less than 5% of the vote and 8 received less than 1%.





Table 3. Candidates receiving the most corporate funding

City	Candidate	Office	Placing	Total disclosed contributions	Total contributions from corporations	Percent
Toronto	Tory, John	M	2	\$1,810,934	\$520,324	28.7
Toronto	Hall, Barbara	M	3	\$1,608,896	\$486,732	30.3
Toronto	Nunziata, John	M	4	\$701,296	\$417,067	59.5
Toronto	Miller, David	M	1	\$1,432,514	\$302,166	21.1
Vaughan	Di Biase, Michael	M	1	\$210,350	\$196,750	93.5
Vaughan	Rosati, Gino	RC	2	\$206,800	\$171,025	82.7
Brampton	Fennell, Susan	M	1	\$170,600	\$135,100	79.2
Vaughan	Frustaglio, Joyce	RC	1	\$142,450	\$124,875	87.7
Vaughan	Ferri, Mario	RC	1	\$142,080	\$116,880	82.3
Vaughan	DiVona, Bernie	W	1	\$94,175	\$86,275	91.6
Toronto	Jakobek, Tom	M	5	\$350,129	\$65,400	18.7
Vaughan	Meffe, Peter	W	1	\$67,025	\$64,825	96.7
Toronto	Mammoliti, Giorgio	W	1	\$82,400	\$63,825	77.5
Toronto	Rae, Kyle	W	1	\$82,025	\$61,650	75.2
Vaughan	Jackson, Linda	RC	1	\$79,508	\$61,475	77.3
Markham	Cousens, Donald	M	1	\$71,950	\$59,850	83.2
Toronto	Li Preti, Peter	W	1	\$79,385	\$55,750	70.2
Brampton	Sprovieri, John	RC	1	\$51,935	\$48,335	93.1
Markham	Scarpitti, Frank	RC	1	\$59,050	\$48,175	81.6
Toronto	Moscoe, Howard	W	1	\$64,917	\$46,507	71.6

M mayor

RC regional councilor

W ward councilor

Table 4. Classification of corporate contributions.

<b>Suburban municipalities</b>			
	N	Sum	Percent
Developers	2396	\$1,427,549	54.0
Building services & contractors	761	\$375,480	14.2
Retail	358	\$173,776	6.6
Manufacturers	299	\$154,061	5.8
Lawyers, consultants, lobbyists, business services	222	\$102,852	3.9
Other services	169	\$89,950	3.4
Hotel, restaurant, entertainment	88	\$43,995	1.7
Financial	73	\$34,382	1.3
Communications, media	51	\$28,900	1.1
All other	121	66000	2.5
Unclassifiable	296	\$145,185	5.5
<b>Total</b>	<b>4834</b>	<b>\$2,642,130</b>	<b>100.0</b>
<b>Toronto</b>			
	N	Sum	Percent
Developers	1279	\$921,139	30.7
Building services & contractors	623	\$409,698	13.6
Retail	309	\$195,056	6.5
Manufacturers	328	\$262,704	8.7
Lawyers, consultants, lobbyists, business services	509	\$308,255	10.3
Other services	328	\$192,456	6.4
Hotel, restaurant, entertainment	309	\$192,700	6.4
Financial	198	\$202,191	6.7
Communications, media	128	\$99,400	3.3
All other	64	\$39,425	1.3
Unclassifiable	304	\$182,042	6.1
<b>Total</b>	<b>4379</b>	<b>\$3,005,066</b>	<b>100.0</b>

Table 5. Funding from the development industry in Mayoralty races

	Winner	Second place
Ajax	\$200	\$13,050
Brampton	\$96,200	\$17,200
Markham	\$42,050	\$0
Mississauga	\$0	\$0
Oshawa	\$20,350	\$8,750
Pickering	\$14,934	\$15,180
Richmond Hill	\$16,800	\$0
Vaughan	\$137,900	\$6,450
Whitby	\$17,650	\$0

Table 6. Development industry funding in Toronto 2003 ward elections

	N of wards	average % of total development industry contributions to the top two candidates going to the winner
Development backed candidate won	24	94.4
Development backed candidate lost	7	8.4
Development funds split	6	52.9
Negligible development funding	3	0
	40*	

\* Four wards were excluded because of acclamations and non-filing of financial statements by candidates that placed second.

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Endnotes

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<sup>1</sup> This research could not have been done without the help of a number of people. York University and specifically the Dean of Arts, Robert Drummond provided research funds as did the Faculty of Graduate Studies. Micki Honkanen, Matthew Wilson and Mark Busser, and Issac Anidjar, all graduate or undergraduate students in Political Science at York, helped in obtaining or coding the data. Hugh MacDermid helped with the building of contribution datasets. The Green Door Alliance helped by obtaining some of the candidate financial statements. The clerks in several municipalities patiently and helpfully answered questions about the financial statements. Paul Farrelly, a founder of Vote Toronto, a public disclosure campaign finance website, has helped code the Toronto data and other members of the Vote Toronto have worked to bring daylight and reforms to municipal campaign finance - my thanks to all of them. Any errors, omissions or oversights are my responsibility.

<sup>2</sup> See Milner

<sup>3</sup> Cutler and Mathews is one recent exception

<sup>4</sup> Kushner, Siegel and Stanwick (1997: 546) are one example of this view.

<sup>5</sup> Two recent instances of citizens in Hamilton and Niagara Falls challenging candidate financial statements has once again shown the absence of needed oversight and enforcement by an independent body. The cases have also demonstrated how difficult it is for candidates and citizens to verify corporate information.

<sup>6</sup> In some cases these were filed more than a year after the campaign and included up to three filings.

<sup>7</sup> Form 4 disclosure statements in Mississauga and Vaughan did not require candidates to state their total contributions and total expenditures. The next best measure of campaign income would be the amount of disclosed contributions over \$100, but this would likely underestimate total campaign income because smaller contributions would not be accounted for.

<sup>8</sup> Candidates who finish a campaign with a surplus must deposit it with the city clerk who will return it to the candidate when they file for re-election. This allows some incumbents to build up very substantial surpluses that mean they do not have to raise funds at a subsequent election.

<sup>9</sup> The federal election expenditure limit in January 2004 was calculated as \$2.07 for the first 15,000 electors, \$1.04 for the next 10,000 and \$0.52 for all the remaining electors in the district.

<sup>10</sup> A number of candidates incorrectly disclosed the names of contributors who gave \$100 or less but these have been removed from the analysis in this paper.

<sup>11</sup> The Toronto rebate program, upon application by the contributor, gave back 75% of a contribution between \$25 and \$300 plus 50% of a contribution between \$300 and \$1000.

<sup>12</sup> The Ajax rebate bylaw gave back 75% of a contribution between \$25 and \$100 and 50% of the remaining contribution up to a maximum rebate of \$150. The Markham rebate was limited to contributions greater than \$100 and had a maximum of \$75.

<sup>13</sup> The testimony of Jeff Lyons and Susan Cross in particular showed how consultants organize political contributions to support policies that are good for their clients. 'Normally, Jeff Lyons would ask donors to make out cheques payable to various candidates, each cheque for an amount equal to or under the legal campaign donation limit. When he had a few cheques for a particular candidate, he would bundle them together and deliver them to the candidate with his usual cheery covering letter.' (Bellamy, Volume 1, 403) While the Bellamy Inquiry referred to contracting out of services, it is reasonable to assume the same dynamic exists with respect to contributions from the development industry.

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<sup>14</sup> James Lorimer's book, The Developers, is still one of the best analyses of the development industry in Canada.

<sup>15</sup> The OMB is an Ontario Government appointed board that hears appeals of municipal and regional land planning and land use decisions. The OMB has overturned decisions by local and regional councils that restricted the form and extent of development.