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Nonprofits generate law firm growth

BY ERIC YOUNG

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As money flows into nonprofits and government regulations increasingly affect their operations, Bay Area lawyers catering to the sector are enjoying big growth.

"The practice is booming," said Sheila Warren, a nonprofit lawyer at Coblenz Patch Duffy & Bass LLP, a San Francisco firm with a nonprofit practice. "There's more than enough work to go around. Everyone is busy."

A number of factors are combining to grow legal work. The number of nonprofits in California is on a rapid rise. The number of public charities, which can receive donations from anyone, grew to 102,677 last year, an increase of 60 percent in the past decade. Private foundations, which are controlled by a few individuals, are up to 12,661, more than double the number since 1996.

The nonprofits are richer, too. Nonprofit assets for private foundations have grown 80 percent in the last decade, spurred in part by wealth generated in Silicon Valley and elsewhere in the Bay Area's growing economy.

Meanwhile, government regulation is expanding, leading to more requests for legal advice. California and the federal government have set forth new requirements for reporting, auditing, how money is handled and other controls.

Some nonprofits have merged, hoping that combined they can capture more donors than apart. These deals, like the recent union of the Peninsula Community Foundation and Community Foundation Silicon Valley, mean more legal work.

Nonprofits are engaging in increasingly complex deals, which also boosts the work for nonprofit lawyers.

"Nonprofits are doing more transactions, donors are making more complicated and more interesting gifts" beyond cash or stock to include assets like real estate and stakes in private businesses, said Erik Dryburgh, a partner at Silk Adler & Colvin LLP, a San Francisco firm that caters to nonprofits. "It's like any other industry. It's grown up."

Some seasonality also is factoring into the boom in nonprofit legal work. The run up to the 2008 presidential election is spurring many nonprofit directors to call their attorneys. Nonprofits can't engage in candidate campaigning, but

are permitted to get involved in lobbying on issues. Many 501c3s want advice so they don't cross the line, said Warren.

Nonprofit law tends to be the domain of small law firms. Silk Adler, for example, with 16 lawyers, is one of the biggest in the Bay Area that focuses only on nonprofits. One exception is megafirm Pillsbury Winthrop Shaw Pittman LLP. The 800-attorney firm, based in San Francisco, has 27 lawyers who focus primarily on nonprofits and even more in various offices that can be called upon.

The firm advises more than 175 national nonprofits that include trade organizations, professional societies and educational groups. Billable hours and revenues from nonprofits has more than doubled in the past five years, said Jerald Jacobs, the partner who oversees the group.

For the most part, nonprofits cannot — or won't — pay the kind of hourly rates that large law firms charge. At firms like Evans and Rosen LLP in San Francisco, partners keep in mind the super-sensitivity their clients have to legal rates.

"The culture of nonprofits is such that they need to spend money on their mission. People funding them would not be happy if they see high legal fees," said attorney Cherie Evans. Her hourly rates, for example, might be around \$250 — about half what a big firm might charge.

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