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Page 8



VICKI THOMPSON

THE CLAN The Sobrato family: John A. Sobrato, center, with daughter Lisa Sobrato Sonsini and son John M. Sobrato.

All in the family

Sobratos pledge to support health, education, nonprofits in Valley

BY NATHAN DONATO-WEINSTEIN

When it comes to Silicon Valley real estate, John A. Sobrato always thinks big. He also gives big.

The founder of one of the region's marquee development companies, The Sobrato Organization, is amplifying his donations, pushing his charitable enterprises to the top of the Business Journal's 2012 corporate philanthropy list. That puts him ahead of valley heavy-hitters such as Cisco Systems Inc., Google Inc., and Intel Corp.

His company supports family-led philanthropies that touch nearly every corner of Silicon Valley, buttressing diverse programs in education, health care and job training, among others.

Hundreds of millions of dollars have been pumped into nonprofits from San Mateo to Gilroy through the business, foundations and individual giving by family members.

"I'm 73 years old, and I'm interested in seeing some of the projects take hold while I'm still alive," said Sobrato, chairman of The Sobrato Organization, which has developed high-profile commercial buildings in the Valley, including Apple Inc.'s world headquarters in Cupertino. "So we've kind of ratcheted up our giving. I want to see good things happen."

GIVING GUIDE 2012/2013

In the enclosed special issue learn about those who make a difference.

See **SOBRATO**, Page 24

The Business Journal crunched the numbers, looking at ZIP codes to tally the trends in giving

<h1>Good giving</h1> <p>in Silicon Valley</p>	<h1>\$740.1M</h1> <p>total giving</p>	<h1>\$300M</h1> <p>total education giving</p>	<h1>\$202.3M</h1> <p>San Jose donors topped the list</p>
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ALL NUMBERS AS OF 12/31/11 SOURCE: ESRI, SILICON VALLEY BUSINESS JOURNAL RESEARCH



INSIDE

Not your typical Town Square

Find out what the opening of Willow Glen's new major retail/office center means to the neighborhood.

Page 3

SOBRATO: Family ranks as one of the top givers in Silicon Valley, passionate about education



HEALTHY DONATION: John A. Sobrato and wife, Sue, donated \$5 million to VMC and are asking the community to match that grant. From left, Sue Sobrato, John A. Sobrato, VMC Foundation Executive Director Chris Wilder, John M. Sobrato and Lisa Sobrato Sonsini participated in the announcement.

CONTINUED FROM PAGE 1

Lessons learned

The family's total giving through diverse mechanisms – from small office-space grants to major cash donations – has now reached \$478 million.

A major vehicle for those gifts is The Sobrato Family Foundation. Along with individual family gifts, the foundation has contributed a total of \$239 million in direct investments since its creation in 1996.

The Sobrato Organization has donated another \$239 million worth of real estate on top of that, funding the family's foundation and donor-advised funds at the Silicon Valley Community Foundation.

This philanthropic mindset is something the self-made John A. Sobrato was exposed to as a young child. The son of Ann Sobrato, a real-estate legend in her own right, Sobrato got his start selling houses on the Peninsula. He credits his mother for helping to open his eyes to rewards of helping others.

"As a little 12-year-old kid, I used to follow my mother around when she was a volunteer at the St. Anthony's dining room in the Fair Oaks section of Redwood City," he recalled while being interviewed in his Atherton home last month. "That kind of got me into the spirit of giving back."

As the family business grew, its members gave their time, treasure and talent to those most in need. But it wasn't until 1996 that those efforts crystallized into The Sobrato Family Foundation.

What began with his daughter, Lisa Sobrato Sonsini, holding a rubber-banded folder stuffed full of requests for donations is today a charity engine so large that philanthropic superstars like Warren Buffett and Bill Gates have taken notice.

During the first six months of building out the foundation, the family decided to focus on four different program areas – education, job training, health and human services and youth development.

"We learned by doing," said Sobrato Sonsini, president of The Sobrato Family Foundation. "We started giving around those things that we were passionate about."

In addition to going through that rubber-banded folder, she remembers calling nonprofits out of the phone book.

"We basically said, we've formed this foundation, and this is how to apply if you're interested in support," she said. "We thought everyone and their brother would instantly respond. But I honestly think people were so shocked they didn't know what to do with it."

The foundation grew in size and complexity, and the family realized in 2001 that the organization needed more structure. They brought in Diane Parnes as its first executive director. Still, throughout the years, the family has always maintained a hands-on approach in the decision-making process. Today, a search is currently underway

for a new executive director who will help "take us to the next level," Sobrato Sonsini said. Until then, Sobrato Sonsini is filling the role.

A major recent focus for the foundation has been education, which the trustees see as critical for tackling poverty.

The family is also discussing other areas where they can make an impact. One possibility is medical research.

"We're really still in our infancy as I see it," said John M. Sobrato, son of John A., CEO of The Sobrato Organization and CFO of The Sobrato Family Foundation. "We see this as a long-term effort lasting for generations."

Since its inception through 2011, the foundation had made 1,249 grants to 397 local agencies. That expansion has driven the need for structure and branding. The new entity, The Sobrato Philanthropies, encompasses the family foundation and its support organization, the family's individual giving and donations from the corporation, according to its website.

As big as the numbers are, the figures don't fully describe their impact, said Chris Wilder, executive director of the Valley Medical Center Foundation, which received a \$5 million challenge grant from John A. Sobrato and his wife, Sue, earlier this year. The money will help furnish a new 370,000-square-foot inpatient building.

"By the time they make a decision to support an organization, it means they've exhaustively vetted it – so it's really like a seal of approval," Wilder said.

Gabrielle Miller, national executive director for Raising a Reader, agreed. Her nonprofit, which provides free books to children, receives donated office space totaling about 5,350 square feet at the Sobrato Center for Nonprofits in Milpitas and Redwood Shores. Those locations would cost \$100,000 a year in rent.

"It helps me redirect resources to the children and families who need us," Miller said. "It's one of the most cre-

ative and thoughtful opportunities for giving that I've come across in many, many years."

The two locations, plus a third in San Jose, total 350,000 square feet of donated office and meeting space that house 68 nonprofits. The annual lease value for all three properties is about \$5.4 million, according to the foundation.

SOBRATO FAMILY GIVING

- **1,249** grants
- **397** agencies
- **\$478M** charitable donations
- **\$5.4M** value of office space grants
- **\$17.8M** affordable housing fund

SOURCE: THE SOBRATO ORGANIZATION

Beyond his family's tradition of helping others, Sobrato is motivated to give by concerns about wealth disparity in the Silicon Valley. That drive has vaulted the family into philanthropy's global upper echelon.

The elder Sobrato and wife, Sue, joined by their son, pledged earlier this year to give 100 percent of their wealth to philanthropy upon their passing. That commitment is part of the Giving Pledge, a charitable initiative started by Buffett and Bill and Melinda Gates in 2010.

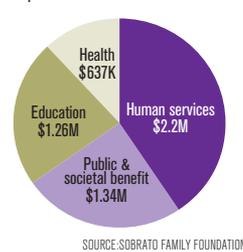
The bequest wasn't a difficult decision, John M. Sobrato said.

"At the end of the day, what else is there really to do with it but to try to help those that didn't have the same good fortune that you did?" he said.

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WHO GETS WHAT

Allocation of office space to various nonprofit sectors



SOURCE: SOBRATO FAMILY FOUNDATION

WELCOME MAT: Below are two of the three buildings that The Sobrato Family Foundation offers to nonprofits. A total of 68 nonprofits are housed in all three.



Found a home

Sample of some of the largest facilities leased by the foundation to nonprofits throughout Silicon Valley

Grantee	Annual Value	Move-in Year	City	Square Footage
TheatreWorks	\$769,158	2012	Redwood Shores	38,768
United Way Silicon Valley	\$385,602	2008	San Jose	18,362
Santa Clara Valley Health & Hospital System	\$354,879	2008	San Jose	16,899
Parents Helping Parents, Inc	\$325,710	2008	San Jose	15,510
Notre Dame de Namur University	\$303,072	2012	Redwood Shores	12,628
Silicon Valley Education Foundation	\$254,499	2008	San Jose	12,119
The Health Trust	\$247,821	2008	San Jose	11,801
Community Gatepath	\$228,024	2012	Redwood Shores	9,501
Legal Aid Society of San Mateo County	\$188,952	2012	Redwood Shores	7,873
San Juan Bautista Child Development Center, Inc.	\$174,993	2008	San Jose	8,333

SOURCE: SOBRATO FAMILY FOUNDATION

John A. Sobrato wants to school the community on better education

BY NATHAN DONATO-WEINSTEIN

The Sobratos have always had educational needs at the top of its list.

Now the family and their foundation are increasing that effort with a number of initiatives aimed at low-income students.

That includes a new Sobrato Family Foundation education fund, which recently distributed more than \$2 million in grants to education-focused nonprofits aimed at underprivileged children.

The foundation also is funding a five-year pilot program, Sobrato Early Academic Learning, now in its third year. The program aims to boost the English skills of Spanish-speaking children in pre-kindergarten through 3rd grade. It's the first time the foundation has started its own program from scratch. The programs are in San Jose and Redwood City schools, and early results are encouraging.

"On all of the data points, our SEAL kids are outscoring the comparison group," said Laurie Olsen, director of the pilot.

John A. Sobrato, chairman of the family foundation, is passionate about the subject, which he said is key to addressing the region's wealth gap and boosting local competitiveness. Recently he challenged the community to match a \$1.25 million grant to help establish a new Catholic high school called Cristo Rey that focuses on low-income students.

"Let's face it — with the right education, these kids are the raw material that can be ready to work in technology," he said.

Guidance needed for setting up foundation

BY NATHAN DONATO-WEINSTEIN

For high-net-worth individuals, a charitable foundation could be the right way to give. Setting



Nancy Barrett

one up isn't difficult. But it requires plenty of planning and ongoing support, and a foundation is not a one-size-fits-all solution. Mistakes can be costly and invite penalties by the Internal Revenue Service. Yet with the looming changes in federal tax regulations and the potential for significant drops in the estate tax exemption, foundations may be an important consideration when looking for philanthropic strategies.

U.S. Trust Executive Vice President Nancy Barrett, based in Palo Alto, helps families and high-net worth individuals decide if a charitable foundation is right for them. If it is, she can bring in the US Trust Philanthropy Group to get foundations

off the ground. Here are some key things to keep in mind when considering establishing a foundation.

Q: What are the benefits of setting up a foundation?

A: There is a tax benefit on the money that's donated to the foundation. But for most people, there are two primary reasons: They like to get their family involved with their charities, and you feel like you're doing something good for the community.

Q: How do you know if a foundation is the right move?

A: We typically don't recommend a foundation if the amount of money is less than \$5 million because of the administration. There are other ways to give, such as direct gifts through donor-advised funds.

Q: So what's the first step?

A: An attorney can help you draft a document. Make sure all family members or board members are on the same page as to what the mission statement will be. That way when grant requests come in, you can easily

decide what meets your criteria.

Q: What are some important considerations?

A: Knowing how long you want the foundation to last is key because it directs the investment policy. Will it only last for five years or go on perpetually?

Q: What about the running of the foundation?

A: You need to know who will be the contact person for receiving grants, who will vet those, who's going to read them and decide when to give. You either have to be equipped to do that or hire a professional. Our team will do everything from soup to nuts, or be the grant-making address of record.

Q: Any pitfalls to watch out for?

A: There are things you can do within the foundation that can trigger an IRS penalty. The IRS requires you to distribute 5 percent annually, and if you don't, they'll penalize you. We recommend working closely with an investment manager and a tax adviser.

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