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Building a Future: George M. Hezel Honored for Innovative Use of Tax Credits

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George M. Hezel
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use of tax credits

A happy accident of timing laid
the groundwork for some
groundbreaking legal work in
UB Law School's Affordable
Housing Clinic - initiatives
that have now been recog-
nized with special recognition
from a most grateful client.
UB Law Clinical Professor
George M. Hezel was hon-
ored by the Heritage Christian
Home Inc., at its sixth annual
dinner in January 2001. Her-
itage Christian Home Inc. is a
non-profit agency serving
people with developmental
disabilities.

The happy accident was
that both Hezel and Ronald
Little, vice president of fi-
nance and acting director of
Heritage Christian Home,
were in the same UB Law
Class of 1973. Little had read
about the Affordable Housing
Clinic in UB Law Forum, and
he called his old friend with a
challenge: How could the
nonprofit agency leverage the
investment money necessary
to build non-institutional
housing for its clients?

The problem was a tricky
one. New York State, through
its Office of Mental Retarda-
tion and Developmental Dis-
abilities, had been trying to
create housing for develop-
mentally disabled people in
the state. Gov. George E.
Pataki's New York Cares pro-
gram was created in an at-
tempt to "outplace" 5,000 dis-
able individuals within five
years from the big institutions
where they traditionally have
lived. There was also the
problem of disabled people
living at home with aging par-
ents who were less and less
able to provide the care that
they needed.

But New York Cares was
extremely expensive - "a
strain on the state budget," Hezel said - and it was falling
far short of the need
statewide. At Little's request,
Hezel and Disare, with stu-
dents in the Affordable Hous-
ing Clinic, set out to investi-
gate alternative ways to fi-
nance new housing for devel-
opmentally disabled people.

They finally settled on Sec-
tion 142 of the Internal Rev-
ue Service Code, under
which bond investors (both
individuals and corporations)
"We were told over and over that it would not work. ... But we puzzled over it and found a way to make the gears mesh."

can get a dollar-for-dollar tax write-off for investing in projects that create affordable housing for low-income people. Why not, the professors and students reasoned, use these federal tax credits for the developmentally disabled as well? After all, many developmentally disabled people have low incomes.

"We were told over and over that it would not work," Hezel said, "that these were not matching programs. But we puzzled over it and found a way to make the gears mesh."

The result, he said, was that in 2000, three applications for housing development "sailed" through the competitive round, and all three were funded. It is a use of federal tax dollars instead of state, but more importantly, Hezel said, "what it means is that you can build twice as many units using tax credits as without." That is important, he noted, because there may be as many as 15,000 individuals statewide awaiting an opportunity to move into these newly built "nurturing centers."

And no wonder there is a waiting list - these homes may encompass, for example, four apartments of two or three bedrooms, plus an inviting common space for all residents and a service desk staffed around the clock. In short, there are all the comforts of home - and all the support needed for those who reside there.

The use of federal tax credits "relieves the state treasury," Hezel said, "and it provides developer's fees to the not-for-profit agency developing the housing. The vehicle for the bond investment, he said, is a limited partnership, with the not-for-profit agency serving as general partner and the tax investor entering into a limited partnership with it.

"As a direct result of his efforts, millions of new dollars will be available for low-income housing for people with special needs," Little said. He praised Hezel's command of the complex IRS code, his problem-solving abilities and his willingness to learn the unique funding system for developmentally disabled people.

For his part, Hezel applauded "the wonderful students who really came up with very creative ideas. They really deserve the roses."

Heritage Christian Home serves about 1,000 people in the Buffalo and Rochester areas. It operates 34 homes, respite programs, service coordination and day habilitation programs for its clients.