

**City of Lockhart  
Historical Preservation Commission  
February 6, 2019**

**WORKSHOP MINUTES**

Members Present: Juan Alvarez, Jr., Ronda Reagan, Richard Thomson, Kathy McCormick

Members Absent: Victor Corpus, John Lairsen, Ron Faulstich

Staff Present: Yvette Aguado, Kevin Waller, Dan Gibson

Guest Speaker: Caroline Wright, Texas Historical Commission

Public Present: Members of the public were in attendance, but names were not recorded.

1. Call meeting to order. Vice-Chair Reagan called the meeting to order at 5:45 p.m.
2. Citizen comments not related to an agenda item. None.
3. Consider the minutes of the January 2, 2019 meeting.

*Vice-Chair Reagan moved to approve the minutes as presented. Commissioner Alvarez seconded, and the motion passed by a vote of 4-0.*

4. Discuss State, federal, and local tax credit and abatement incentives for improvements to historic buildings. Speakers include Caroline Wright of the Texas Historical Commission and Kevin Waller, City of Lockhart Historical Preservation Officer.

Planning Staff Kevin Waller introduced Caroline Wright, Tax Credit Project Reviewer for the Texas Historical Commission. Mr. Waller utilized a PowerPoint presentation to refer to the City Historic District and the recently adopted Historic Landmark properties as potentially eligible for tax credit and tax abatement funding. He stated that the City Council recently approved 11 properties, 10 of those being residential and one being the former Carver School, as Historic Landmarks and potentially eligible for tax credit funding.

Ms. Wright provided a comprehensive analysis of the State tax credit program, as well as certain details of the federal program. These programs were created to help offset the cost of rehabilitating historic buildings. The Federal Historic Rehabilitation Tax Credit program offers 20% of qualified rehabilitation expenditures for historic, income-producing buildings. The Texas Historic Preservation Tax Credit offers 25% of qualified rehabilitation expenditures for historic, income-producing buildings, non-profits, and public universities. The State tax credit is transferable and can be applied either to the State franchise tax or State insurance premium tax. Ms. Wright referred to handouts provided that compare the State and federal tax credit programs, offer helpful tips, and list relevant weblinks.

A member of the public asked if a roof replacement or anything non-structural would be eligible for the tax credits.

Ms. Wright replied that anything that preserves the building is a qualified expense.

Another member of the public asked if the Texas Historical Commission inspects the property.

Ms. Wright replied that an inspection would be completed at the end of the project.

A member of the public asked if the residential properties recently listed as Historic Landmarks will qualify for the State program.

Ms. Wright responded that those properties will not qualify, as they are not income-producing.

A member of the public asked if a building outside the Historic District is eligible.

Ms. Wright replied that a building outside the District is eligible if it is a designated Historic Landmark.

A member of the public asked if a residential rental property is eligible.

Ms. Wright responded that residential rental properties are eligible. If the property owner lives in a portion of the building, however, that portion would be ineligible for the tax credits.

A public citizen asked about how depreciation affects the required expenditure equal to the value of the building.

Ms. Wright replied that this would depend upon the situation. The State credit only requires a minimum expenditure of \$5,000.

Commissioner Alvarez asked if work completed in a previous year would be eligible for the program.

Ms. Wright replied that work would not be eligible, since the application process must begin before completion of a project.

A public citizen stated that the tax credits may be sold, provided one is not part of a franchised business.

Vice-Chair Reagan explained that a franchised business would have the ability to sell the tax credit for 80 cents on the dollar, receiving the proceeds in cash and not a credit.

Ms. Wright explained that this is correct, but that one must understand how they are taxed on that income and other finances. She also stated that if you are a small business that pays franchise tax and earn more credit on a project than you owe in a specific year, the credit can be carried forward for five years.

Commissioner McCormick asked if the federal and State tax credits apply only to for-profit businesses or non-profits.

Ms. Wright replied that the federal credit is only for income-producing properties, while the State credit is for income-producing or non-profit organizations.

A member of the public asked if a property is a designated Historic Landmark and is a rental property, will it qualify.

Ms. Wright replied that the property would qualify.

Vice-Chair Reagan asked if an owner-occupied house with a historic marker would qualify.

Ms. Wright replied that it would not qualify if the home was owner-occupied but would if the home was converted to a rental.

Commissioner Alvarez asked if a bed and breakfast would be eligible.

Ms. Wright explained that the portion of the house devoted to the income-producing bed and breakfast business would be eligible, and not the portion comprising the property owners' living quarters.

Mr. Waller began the City Tax Abatement portion of the workshop, discussing the local incentives for historic building renovations. He explained that the application for tax abatement, which has yet to be developed since the program has not yet been utilized, is reviewed by the Lockhart Historical Preservation Commission, which will make a recommendation to City Council within 30 days. The City Council will then issue a decision within 30 days of the Commission's recommendation. Upon completing the improvements, the applicant must submit a sworn statement of completion, to be followed by the Commission's inspection of the property within 30 days to determine its eligibility for tax abatement. Once the Commission confirms that the improvements are acceptable, it will notify the City, which in turn will notify the Caldwell County Appraisal District. The Appraisal District will then provide the property with the proper tax abatement.

A public citizen stated that if this is how the program works, then there is no need to apply for the State or federal program.

Mr. Waller replied that one can apply for the local tax abatement and State tax credit programs simultaneously. He added that the abatement would apply to taxes paid within the previous two tax years.

A public citizen asked if the ordinance specified two years or five years.

Mr. Waller replied that the maximum abatement allowed is five years, with a minimum of two years.

A public citizen asked if the City Council makes the decision on abatement. It was also asked if following the five-year period, the abatement would be allowed for an additional five years at a reduced assessment rate of 50%.

Mr. Waller replied that the City Council makes the decision, after considering the Historical Preservation Commission's recommendation. He also indicated that the additional five years of tax abatement at a 50% assessment rate is correct, not to exceed a total of 10 years of tax abatement.

Commissioner McCormick stated that she understood one must apply and receive approval from the City Manager, Historical Preservation Commission, and City Council. Additionally, the applicant would have one year to complete the project and submit a certificate of completion when finished. She asked if the project's completion could precede its approval.

Mr. Waller stated that according to the Historic Districts and Landmarks Ordinance, the approval process must be completed before work begins.

Discussion ensued amongst Commission members.

Commissioner McCormick asked if the tax abatement can apply to interior improvements.

Mr. Waller replied that interior improvements are eligible, although they are typically do not require a Certificate for Alteration (CFA). However, since the tax abatement program requires a CFA, any interior work would need an approved CFA.

Vice-Chair Reagan asked if the addition of central air and heating in her home would qualify for the tax abatement program.

Mr. Waller replied that it would, provided it meets the minimum thresholds specified in the Ordinance.

5. Discuss the date and agenda of next meeting, including Commission requests for agenda items.

Vice-Chair Reagan suggested that Planning Staff begin working on a draft Tax Abatement application for review.

Mr. Waller stated that an application had been submitted for the February 20, 2019 meeting.

6. Adjournment.

*Commissioner McCormick moved to adjourn the meeting, and Commissioner Thomson seconded. The motion passed by a vote of 4-0, and the meeting adjourned at 6:45 p.m.*

Approved: \_\_\_\_\_

2/20/19  
(date)

  
Yvette Aguado, Recording Secretary

  
John Lairsen, Chair