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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 15 Session of  
2010

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INTRODUCED BY DEASY, D. COSTA, COHEN, BELFANTI, BRADFORD,  
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SANTONI, SIPTROTH, STURLA AND YOUNGBLOOD, JULY 29, 2010

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REFERRED TO COMMITTEE ON COMMERCE, JULY 29, 2010

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AN ACT

1 Providing for the establishment of a Cultural Development  
2 District Program for communities in this Commonwealth with  
3 arts and cultural centers which benefit the public; and  
4 establishing Commonwealth tax exemptions for residents and  
5 businesses within the designated cultural development  
6 districts.

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3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Cultural  
7 Development District Program Act.

8 Section 2. Legislative findings and policy.

9 The General Assembly finds and declares as follows:

10 (1) The General Assembly recognizes that arts and  
11 cultural institutions are a vital and important economic  
12 development tool as well as offering important educational,  
13 cultural and spiritual benefits for the citizens of this  
14 Commonwealth. Therefore, the creation of the Cultural  
15 Development District Program is in the best interest of the  
16 citizens of this Commonwealth because it will help improve  
17 the economic prosperity of the applicable areas and support  
18 the economic growth of areas surrounding these cultural  
19 sites.

20 (2) Studies have shown that cultural centers are  
21 currently found throughout this Commonwealth, in both  
22 impoverished and flourishing areas. However, cultural centers  
23 relating to arts are most likely to be located in more  
24 racially mixed neighborhoods. As the Commonwealth has already  
25 invested a considerable amount of resources in cultural  
26 attractions, the areas in immediate proximity to the cultural  
27 attractions often are not as successful.

28 (3) Arts are collective enterprises. Clusters of arts  
29 organizations often develop because they aid the creative  
30 process and help create an environment of competition and

1 efficiency. Therefore, it is essential to support the art  
2 organizations as a group, which necessitates the creation of  
3 cultural zones instead of simply promoting specific art  
4 organizations.

5 (4) Commonwealth tax exemptions could encourage  
6 residents and businesses to relocate to certain areas which  
7 are underdeveloped or blighted at the current time.

### 8 Section 3. Definitions.

9 The following words and phrases when used in this act shall  
10 have the meanings given to them in this section unless the  
11 context clearly indicates otherwise:

12 "Cultural center" or "cultural attraction." A facility that  
13 functions as a community center, museum, marketplace, art  
14 studio, art gallery, theater, library or historic site and that  
15 provides the public with educational, social, artistic or  
16 cultural benefits.

17 "Cultural development district." A district established  
18 under section 5.

19 "Department." The Department of Community and Economic  
20 Development of the Commonwealth.

21 "District." The contiguous geographic area within one or  
22 more municipalities defined and created by resolution or  
23 ordinance of the governing body of the municipality creating the  
24 district in accordance with section 5.

25 "Elm Street Program." The program created by the act of  
26 February 9, 2004 (P.L.61, No.7), known as the Elm Street Program  
27 Act.

28 "Main Street Program." The program created by the act of  
29 April 23, 2002 (P.L.298, No.39), known as the Main Street Act.

30 "Municipality." The city, borough, township or incorporated

1 town which has proposed a cultural development district.

2 "Urban Redevelopment Law." The act of May 24, 1945 (P.L.991,  
3 No.385), known as the Urban Redevelopment Law.

4 Section 4. Establishment of cultural development districts.

5 (a) General rule.--A cultural development district shall be  
6 created in the following manner:

7 (1) A municipality may propose the establishment of a  
8 cultural development district. The proposal shall include  
9 evidence of the benefits inclusion in the program would have  
10 for the municipality. The proposal shall include:

11 (i) A plan of what is to be done in the district,  
12 including the types of businesses or residences the  
13 municipality hopes to attract in designating a cultural  
14 development district. This may include a possible theme  
15 for the area.

16 (ii) The potentially affected organizations or  
17 residential buildings which would be a part of the  
18 cultural development district.

19 (iii) An economic feasibility study of the project  
20 and the fiscal effects on the municipal tax base.

21 (iv) A detailed estimate of the amount of State tax  
22 expenditure incurred by the proposal.

23 (v) A map showing existing uses and conditions of  
24 real property in the proposed district.

25 (vi) A list of estimated nontax related expenses.

26 (vii) Evidence that the cultural attraction or  
27 cultural center in question provides sufficient benefit  
28 to the community where it is located by creating arts  
29 programs, cultural or ethnic education or programs, or  
30 other relevant aid to the general public.

1           (2) An organization, business or group of residents may  
2       appeal to the municipality for the establishment of a  
3       cultural development district.

4       (b) Hearing.--The municipality shall hold at least one  
5       public hearing regarding the establishment of a cultural  
6       development district. The hearing shall be held to inform the  
7       local residents and business owners of the repercussions of such  
8       a designation. Each affected municipality shall designate a  
9       representative to discuss the proposed district with the  
10      community. Any interested parties may meet with the  
11      representative to discuss the establishment of the district, its  
12      boundaries, the exclusion of particular parcels of property from  
13      the district and other relevant matters. Notice of this hearing  
14      shall be published in accordance with 65 Pa.C.S. Ch. 7 (relating  
15      to open meetings) and shall be mailed to the governing body of  
16      any municipality that levies property taxes within the  
17      boundaries of the proposed district. This notice shall be  
18      provided at least 30 days prior to the hearing.

19      (c) Resolution or ordinance.--In order to establish a  
20      cultural development district, the governing body of the  
21      municipality shall adopt, no more than three weeks after the  
22      public hearing, a resolution or ordinance which describes the  
23      boundaries of the district. A cultural development district may  
24      exist for a period not to exceed five years unless an amendment  
25      is made to the proposal by the municipality. The municipality  
26      shall assign a name to the district for identification purposes.  
27      The cultural development district may be established in  
28      conjunction with and covering the same area as a Main Street  
29      Program or Elm Street Program. The governing body of the  
30      municipality which has proposed a district shall, by ordinance

1 or resolution, agree to participate or not to participate in  
2 whole or in part with the Cultural Development District Program.  
3 When the resolution or ordinance is passed by the municipality  
4 in which the cultural development district is located, the  
5 municipality shall apply to the department for the authority to  
6 receive tax exemptions of all kinds from the Commonwealth. Two  
7 or more municipalities may join together to create a cooperative  
8 cultural development district. In such a case, each municipality  
9 shall pass a resolution or ordinance establishing the cultural  
10 development district. The municipalities may jointly apply to  
11 the department for review.

12 Section 5. Review by department.

13 The department shall review the application for the  
14 establishment of a cultural development district and determine  
15 whether the area is eligible for that designation. The review  
16 shall address the following factors:

17 (1) Whether the attraction in question fits the  
18 definition of "cultural."

19 (2) The boundaries of the proposed district do not  
20 exceed one-half of one square mile.

21 (3) If the application is from a first or second class  
22 city, that no more than ten cultural development districts  
23 have been proposed or implemented. If more than ten districts  
24 are proposed, the department shall determine which districts  
25 meet the greatest needs.

26 (4) When approving a district, the department shall  
27 maintain the final authority to determine whether or not  
28 businesses moving into the district fall within the proposed  
29 plan of the municipality and are thus eligible for tax  
30 abatement.

1 Section 6. Eligibility.

2 (a) Municipal burden of proof.--In order to establish a  
3 cultural development district, the municipality shall provide  
4 evidence to the department that:

5 (1) The district is a contiguous geographic area.

6 (2) The district is likely to undergo improvement if  
7 included under this program, defined as significant increase  
8 in value of real property in the district.

9 (3) The area within the district has not, as a whole,  
10 capitalized upon the cultural attraction in its vicinity to  
11 the degree of potential it could have.

12 (4) Private enterprise has not adequately developed the  
13 district in question.

14 (b) Criteria for cultural development district  
15 designation.--An area is eligible to be designated as a cultural  
16 development district if that area may be described as one of the  
17 following:

18 (1) It is considered underdeveloped; that is, less than  
19 50% of the land has been utilized for commercial, residential  
20 or other purposes or it is considered blighted under the  
21 Urban Redevelopment Law.

22 (2) It is considered to be in a deteriorated or  
23 distressed condition, though not necessarily blighted and the  
24 department considers it beneficial for it to be included in  
25 the program.

26 (c) Additional criteria for cultural development district  
27 designation.--In addition to the required criteria under  
28 subsections (a) and (b), the department shall consider the  
29 following criteria:

30 (1) Evidence of distress, including, but not limited to,

1 unemployment, percentage of population below the State median  
2 income, poverty rate, deteriorated property and adverse  
3 economic and socioeconomic conditions in the proposed  
4 district.

5 (2) Local public and private commitment to the  
6 development of the proposed district and the potential  
7 cooperation of surrounding communities.

8 (3) Existing resources available to the proposed  
9 district.

10 (4) How cultural development district authorization  
11 relates to other current economic and community development  
12 projects and to regional initiatives or programs.

13 (5) Crime statistics and proposals to implement local  
14 crime reduction measures.

15 (6) Proposals to establish and link job creation and job  
16 training.

17 Section 7. Benefits of cultural development district.

18 (a) General rule.--Once a cultural development district has  
19 been established, those residences and businesses which enter  
20 the area shall receive the benefits of the program from the time  
21 they move in until the expiration of the cultural zone. They  
22 shall be reimbursed for their Commonwealth tax burden. In  
23 regards to business entities, only that income derived directly  
24 from within the district shall receive tax abatement. The  
25 department shall create an exemption form to be sent to the  
26 Commonwealth in replacement of the tax moneys. Those within the  
27 district shall not receive full benefits beyond the five years  
28 for which the zone is established. Should a business owner or  
29 resident sell the property within a cultural development  
30 district, the new resident or owner shall receive the benefits



1 of dwelling or conducting business within that zone, extending  
2 only for the time for which the zone has been established. The  
3 benefits of the zone shall not remain with the individual or  
4 organization but with the real property.

5 (b) Limitation on relocation.--A business owner may not  
6 benefit from the program by relocating their business from one  
7 cultural district to another. A business may only receive the  
8 benefits of the program within a district once. However, several  
9 branches of the same business may receive benefits within  
10 numerous districts.

11 (c) Limitation on eminent domain.--A municipality may not  
12 use the power of eminent domain to establish a cultural  
13 development district.

14 (d) Continuation of benefits.--Should the cultural  
15 development district be abolished before the expiration of five  
16 years, the residences and businesses which have already been  
17 included within the district shall continue to receive the  
18 benefits provided in this act.

19 Section 8. Termination of cultural development district.

20 (a) General rule.--A cultural development district shall  
21 terminate five years after the date set by the municipality for  
22 establishment.

23 (b) Phased withdrawal of tax credits.--Once a district has  
24 been established and developed and the five years of tax credit  
25 have expired, the residences and businesses within the zone that  
26 received the tax credit will no longer receive full tax credit  
27 but will be entitled to a phaseout of the tax credits as  
28 follows:

29 (1) The first year after the expiration of the cultural  
30 development district the residents and business owners shall

1 be liable for 10% of the taxes for which they received credit  
2 in the past.

3 (2) The second year after the expiration of the cultural  
4 development district the residents and business owners shall  
5 be liable for 25% of the taxes for which they received credit  
6 in the past.

7 (3) The third year after the expiration of the cultural  
8 development district the residents and business owners shall  
9 be liable for 50% of the taxes for which they received credit  
10 in the past.

11 (4) The fourth year after the expiration of the cultural  
12 development district the residents and business owners shall  
13 be liable for 75% of the taxes for which they received credit  
14 in the past.

15 (5) The fifth year and each year thereafter after the  
16 expiration of the cultural development district the residents  
17 and business owners shall be liable for the full amount of  
18 the taxes due.

#### 19 Section 9. Reports.

20 The department in cooperation with any other State agencies  
21 and local governments involved in the Cultural Development  
22 District Program shall make a comprehensive report to the  
23 Governor and the General Assembly every two years as to the  
24 social, economic and financial effects and the impact of the  
25 Cultural Development District Program. At the conclusion of the  
26 Cultural Development District Program or if this act is repealed  
27 before the time period runs out, the department shall present a  
28 complete evaluation of the effects of the Cultural Development  
29 District Program.

#### 30 Section 10. Rules and regulations.

1       The department may, in the manner provided by law, promulgate  
2 the rules and regulations necessary to carry out this act.

3 Section 11. Severability.

4       The provisions of this act are severable. If any provision of  
5 this act or its application to any person or circumstance is  
6 held invalid, the invalidity shall not affect other provisions  
7 or applications of this act which can be given effect without  
8 the invalid provision or application.

9 Section 12. Repeals.

10       All acts and parts of acts are repealed insofar as they are  
11 inconsistent with this act.

12 Section 13. Expiration.

13       This act shall expire on the first day of January occurring  
14 20 full calendar years after the effective date of this section.

15 Section 14. Effective date.

16       This act shall take effect immediately.