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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 228 Session of  
2019

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INTRODUCED BY DEASY, JANUARY 28, 2019

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REFERRED TO COMMITTEE ON URBAN AFFAIRS, JANUARY 28, 2019

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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.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. Short title.

10 This act shall be known and may be cited as the Cultural  
11 Development District Act.

12 Section 2. Legislative findings and policy.

13 The General Assembly finds and declares as follows:

14 (1) The General Assembly recognizes that arts and  
15 cultural institutions are a vital and important economic  
16 development tool and offer important educational, cultural  
17 and spiritual benefits for the residents of this  
18 Commonwealth. Therefore, the creation of cultural development  
19 districts is in the best interest of the citizens of this  
20 Commonwealth because it will help improve the economic

1 prosperity of the applicable areas and support the economic  
2 growth of areas surrounding these cultural sites.

3 (2) Cultural centers are currently found throughout this  
4 Commonwealth in both impoverished and flourishing areas, but  
5 cultural centers relating to arts are most likely to be  
6 located in more racially mixed neighborhoods. As the  
7 Commonwealth has already invested a considerable amount of  
8 resources in cultural attractions, the areas in immediate  
9 proximity to the cultural attractions often are not as  
10 successful.

11 (3) Arts are collective enterprises. Clusters of arts  
12 organizations often develop because they aid the creative  
13 process and help create an environment of competition and  
14 efficiency. Therefore, it is essential to support the art  
15 organizations as a group, which necessitates the creation of  
16 cultural development districts instead of simply promoting  
17 specific art organizations.

18 (4) Tax abatement may encourage residents and businesses  
19 to relocate to certain areas which are underdeveloped or  
20 blighted.

21 Section 3. Definitions.

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

25 "Cultural center" or "cultural attraction." A facility that  
26 functions as a community center, museum, marketplace, art  
27 studio, art gallery, theater, library or historic site and that  
28 provides the public with educational, social, artistic or  
29 cultural benefits.

30 "Cultural development district." A district established

1 under section 4.

2 "Department." The Department of Community and Economic  
3 Development of the Commonwealth.

4 "District." The contiguous geographic area within one or  
5 more municipalities defined and created by resolution or  
6 ordinance of the governing body of the municipality creating the  
7 cultural development district in accordance with section 4.

8 "Elm Street Program." The program established by the act of  
9 February 9, 2004 (P.L.61, No.7), known as the Elm Street Program  
10 Act.

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

13 "Municipality." A city, borough, township or incorporated  
14 town.

15 "Tax abatement." An exemption, deduction, abatement or  
16 credit for any tax owed to the Commonwealth.

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

19 Section 4. Establishment.

20 (a) General rule.--A cultural development district shall be  
21 created as follows:

22 (1) A municipality may propose the establishment of a  
23 cultural development district. The proposal shall include:

24 (i) Evidence of the benefits of the creation of the  
25 cultural development district to the municipality.

26 (ii) A plan of what is to be done in the cultural  
27 development district, including the types of businesses  
28 or residences the municipality hopes to attract in  
29 designating a cultural development district, including a  
30 possible theme for the area.

1 (iii) The potentially affected organization or  
2 residential building which would be a part of the  
3 cultural development district.

4 (iv) An economic feasibility study of the project  
5 and the fiscal effects on the municipal tax base.

6 (v) A detailed estimate of the amount of State tax  
7 abatement incurred by the proposal.

8 (vi) A map showing existing uses and conditions of  
9 real property in the proposed cultural development  
10 district.

11 (vii) A list of estimated non-tax-related expenses.

12 (viii) Evidence that the cultural attraction or  
13 cultural center in question provides sufficient benefit  
14 to the community where it is located by creating arts  
15 programs, cultural or ethnic education or programs or  
16 other relevant aid to the general public.

17 (2) An organization, business or group of residents may  
18 apply to the municipality for the establishment of a cultural  
19 development district.

20 (b) Hearing.--The following shall apply:

21 (1) The municipality shall hold at least one public  
22 hearing regarding the establishment of a cultural development  
23 district. The hearing shall be held to inform local residents  
24 and business owners of the benefits and detriments of the  
25 designation.

26 (2) Each affected municipality shall designate a  
27 representative to discuss the proposed cultural development  
28 district with the community.

29 (3) An interested party may meet with the representative  
30 to discuss the establishment of the cultural development

1 district, its boundaries, the exclusion of a particular  
2 parcel of property from the cultural development district and  
3 other relevant matters. Notice of the hearing shall be  
4 published in accordance with 65 Pa.C.S. Ch. 7 (relating to  
5 open meetings) and shall be mailed to the governing body of a  
6 municipality that levies property taxes within the boundaries  
7 of the proposed cultural development district. The notice  
8 shall be provided at least 30 days prior to the hearing.

9 (c) Resolution or ordinance.--The following shall apply:

10 (1) In order to establish a cultural development  
11 district, the governing body of the municipality shall adopt,  
12 no more than three weeks after the public hearing under  
13 subsection (b), a resolution or ordinance that describes the  
14 boundaries of the cultural development district.

15 (2) A cultural development district may exist for a  
16 period not to exceed five years.

17 (3) The municipality shall assign a name to the cultural  
18 development district for identification purposes. The  
19 cultural development district may be established in  
20 conjunction with and covering the same area as a Main Street  
21 Program or Elm Street Program.

22 (4) If the resolution or ordinance is passed by the  
23 municipality in which the cultural development district is  
24 located, the municipality shall apply to the department for  
25 the authority to receive tax abatement from the Commonwealth.

26 (5) Two or more municipalities may join together to  
27 create a cooperative cultural development district. If  
28 multiple municipalities join together, each municipality  
29 shall pass a resolution or ordinance establishing the  
30 cultural development district. The municipalities may jointly

1 apply to the department for review.

2 Section 5. Review by department.

3 (a) Criteria.--The department shall review the application  
4 for the establishment of a cultural development district and  
5 determine whether the area is eligible for designation. The  
6 review shall address the following factors:

7 (1) Whether the attraction in question is a cultural  
8 attraction.

9 (2) If the boundaries of the proposed cultural  
10 development district exceed one-half of one square mile.

11 (3) If the application is from a first or second class  
12 city, that no more than 10 cultural development districts  
13 have been proposed or implemented. If more than 10 cultural  
14 development districts are proposed or implemented, the  
15 department shall determine which cultural development  
16 districts meet the greatest needs.

17 (b) Approval.--If approving a cultural development district,  
18 the department shall maintain the final authority to determine  
19 whether or not businesses moving into the cultural development  
20 district fall within the proposed plan of the municipality and  
21 are eligible for tax abatement.

22 Section 6. Eligibility.

23 (a) Municipal burden of proof.--In order to establish a  
24 cultural development district, the municipality shall provide  
25 evidence to the department that the cultural development  
26 district:

27 (1) Is a contiguous geographic area.

28 (2) Is likely to undergo improvement, defined as  
29 significant increase in real property values, if included  
30 under this program.

1           (3) Has not adequately capitalized on its cultural  
2 attractions and resources.

3           (4) Has not been adequately developed through private  
4 enterprise.

5           (b) Criteria for designation.--An area is eligible to be  
6 designated as a cultural development district if:

7           (1) less than 50% of the property has been utilized for  
8 commercial, residential or other purposes or the property is  
9 considered blighted under the Urban Redevelopment Law; or

10           (2) the property is considered to be in a deteriorated  
11 or distressed condition.

12           (c) Additional criteria for designation.--In addition to the  
13 required criteria under subsections (a) and (b), the department  
14 shall consider the following criteria:

15           (1) Evidence of distress, including unemployment,  
16 percentage of population below the State median income,  
17 poverty rate, deteriorated property and adverse economic and  
18 socioeconomic conditions in the proposed cultural development  
19 district.

20           (2) Local public and private commitment to the  
21 development of the proposed cultural development district and  
22 the potential cooperation of surrounding communities.

23           (3) Existing resources available to the proposed  
24 cultural development district.

25           (4) How cultural development district approval relates  
26 to other current economic and community development projects  
27 and to regional initiatives or programs.

28           (5) Crime statistics and proposals to implement local  
29 crime reduction measures.

30           (6) Proposals to establish and link job creation and job

1 training.

2 Section 7. Cultural development districts.

3 (a) General rule.--The following shall apply:

4 (1) If a cultural development district has been  
5 established, residences and businesses which enter the area  
6 shall receive tax abatement from the time they move in until  
7 the expiration of the cultural development district.

8 (2) A business entity's income that is derived directly  
9 from within the cultural development district shall receive  
10 tax abatement.

11 (3) The department shall create a tax abatement form to  
12 be sent to the Commonwealth in replacement of taxes due.

13 (4) An entity within the cultural development district  
14 may not receive full tax abatement after the five years for  
15 which the cultural development district is established.

16 (5) If a business owner or resident sells property  
17 within a cultural development district, the new resident or  
18 owner shall receive tax abatement for the cultural  
19 development district for the time for which the cultural  
20 development district has been established. The abatement of  
21 the cultural development district shall remain with the real  
22 property, not the individual or organization.

23 (b) Limitation on relocation.--A business owner may not be  
24 granted tax abatement if the business owner relocates the  
25 business from one cultural development district to another. A  
26 business may receive the tax abatement within a cultural  
27 development district once, except that several branches of the  
28 same business may receive tax abatement within numerous cultural  
29 development districts.

30 (c) Limitation on eminent domain.--A municipality may not

1 use the power of eminent domain to establish a cultural  
2 development district.

3 Section 8. Expiration.

4 (a) General rule.--A cultural development district shall  
5 expire five years after the date set by the municipality for  
6 establishment.

7 (b) Phased withdrawal of tax credits.--If a cultural  
8 development district has expired, the residences and businesses  
9 within the cultural development district that received the tax  
10 abatement shall receive full tax abatement for a period of five  
11 years and shall be entitled to a phaseout of the tax abatement  
12 as follows:

13 (1) In the first year after receipt of five full years  
14 of tax abatement, the residents and business owners shall be  
15 liable for 10% of the taxes for which they received abatement  
16 in the past.

17 (2) In the second year after receipt of five full years  
18 of tax abatement, the residents and business owners shall be  
19 liable for 25% of the taxes for which they received abatement  
20 in the past.

21 (3) In the third year after receipt of five full years  
22 of tax abatement, the residents and business owners shall be  
23 liable for 50% of the taxes for which they received abatement  
24 in the past.

25 (4) In the fourth year after receipt of five full years  
26 of tax abatement, the residents and business owners shall be  
27 liable for 75% of the taxes for which they received abatement  
28 in the past.

29 (5) In the fifth year and each year thereafter after  
30 receipt of five full years of tax abatement, the residents

1 and business owners shall be liable for the full amount of  
2 the taxes due.

3 Section 9. Reports.

4 (a) Effects.--The department, in cooperation with other  
5 State agencies and local governments, shall develop and submit a  
6 comprehensive report to the Governor and the General Assembly  
7 every two years as to the social, economic and financial effects  
8 and the impact of approved cultural development districts.

9 (b) Evaluation.--If this act is repealed, the department  
10 shall present to the Governor and the General Assembly a  
11 complete evaluation of the effects of the creation of cultural  
12 development districts in this Commonwealth.

13 Section 10. Rules and regulations.

14 The department may promulgate rules and regulations necessary  
15 to carry out this act.

16 Section 11. Severability.

17 The provisions of this act are severable. If any provision of  
18 this act or its application to a person or circumstance is held  
19 invalid, the invalidity shall not affect other provisions or  
20 applications of this act which can be given effect without the  
21 invalid provision or application.

22 Section 12. Repeals.

23 All acts and parts of acts are repealed insofar as they are  
24 inconsistent with this act.

25 Section 13. Effective date.

26 This act shall take effect immediately.