

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1193 Session of
2015

INTRODUCED BY DEASY, BISHOP, COHEN, O'BRIEN, SCHREIBER,
V. BROWN, YOUNGBLOOD, KORTZ, THOMAS, PASHINSKI, LONGIETTI,
READSHAW, KINSEY, MURT, SCHWEYER, DeLUCA, D. COSTA, GIBBONS
AND ROZZI, MAY 12, 2015

REFERRED TO COMMITTEE ON URBAN AFFAIRS, MAY 12, 2015

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 Program 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 as well as offering important educational,
17 cultural and spiritual benefits for the citizens of this
18 Commonwealth. Therefore, the creation of the Cultural
19 Development District Program is in the best interest of the

1 citizens of this Commonwealth because it will help improve
2 the economic prosperity of the applicable areas and support
3 the economic growth of areas surrounding these cultural
4 sites.

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

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

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

23 Section 3. Definitions.

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

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

1 cultural benefits.

2 "Cultural development district." A district established
3 under section 4.

4 "Department." The Department of Community and Economic
5 Development of the Commonwealth.

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

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

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

15 "Municipality." The city, borough, township or incorporated
16 town which has proposed a cultural development district.

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 of cultural development districts.

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

22 (1) A municipality may propose the establishment of a
23 cultural development district. The proposal shall include
24 evidence of the benefits inclusion in the program would have
25 for the municipality. The proposal shall include:

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

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

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

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

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

(vi) A list of estimated nontax related expenses.

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

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

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

(1) The municipality shall hold at least one public hearing regarding the establishment of a cultural development district. The hearing shall be held to inform the local residents and business owners of the repercussions of the designation.

(2) Each affected municipality shall designate a representative to discuss the proposed district with the community.

(3) An interested party may meet with the representative to discuss the establishment of the district, its boundaries, the exclusion of a particular parcel of property from the

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

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

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

13 (2) A cultural development district may exist for a
14 period not to exceed five years unless an amendment is made
15 to the proposal by the municipality.

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

20 (4) The governing body of the municipality which has
21 proposed a district shall, by ordinance or resolution, agree
22 to participate or not to participate in whole or in part with
23 the Cultural Development District Program.

24 (5) If the resolution or ordinance is passed by the
25 municipality in which the cultural development district is
26 located, the municipality shall apply to the department for
27 the authority to receive tax exemptions of all kinds from the
28 Commonwealth.

29 (6) Two or more municipalities may join together to
30 create a cooperative cultural development district. If

multiple municipalities join together, each municipality shall pass a resolution or ordinance establishing the cultural development district. The municipalities may jointly apply to the department for review.

Section 5. Review by department.

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

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

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

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

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

Section 6. Eligibility.

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

(1) The district is a contiguous geographic area.

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

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

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

6 (b) Criteria for cultural development district
7 designation.--An area is eligible to be designated as a cultural
8 development district if the area may be described as one of the
9 following:

10 (1) Less than 50% of the land has been utilized for
11 commercial, residential or other purposes or it is considered
12 blighted under the Urban Redevelopment Law.

13 (2) It is considered to be in a deteriorated or
14 distressed condition and the department considers it
15 beneficial for it to be included in the program.

16 (c) Additional criteria for cultural development district
17 designation.--In addition to the required criteria under
18 subsections (a) and (b), the department shall consider the
19 following criteria:

20 (1) Evidence of distress, including unemployment,
21 percentage of population below the State median income,
22 poverty rate, deteriorated property and adverse economic and
23 socioeconomic conditions in the proposed district.

24 (2) Local public and private commitment to the
25 development of the proposed district and the potential
26 cooperation of surrounding communities.

27 (3) Existing resources available to the proposed
28 district.

29 (4) How cultural development district authorization
30 relates to other current economic and community development

1 projects and to regional initiatives or programs.

2 (5) Crime statistics and proposals to implement local
3 crime reduction measures.

4 (6) Proposals to establish and link job creation and job
5 training.

6 Section 7. Benefits of cultural development district.

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

8 (1) If a cultural development district has been
9 established, residences and businesses which enter the area
10 shall receive the benefits of the program from the time they
11 move in until the expiration of the cultural zone.

12 (2) A residence or business shall be reimbursed for its
13 Commonwealth tax burden.

14 (3) A business entity's income that is derived directly
15 from within the district shall receive tax abatement.

16 (4) The department shall create an exemption form to be
17 sent to the Commonwealth in replacement of the tax money.

18 (5) An entity within the district shall not receive full
19 benefits beyond the five years for which the zone is
20 established.

21 (6) If a business owner or resident sells property
22 within a cultural development district, the new resident or
23 owner shall receive the benefits of dwelling or conducting
24 business within the zone for the time for which the zone has
25 been established. The benefits of the zone shall remain with
26 the real property, not the individual or organization.

27 (b) Limitation on relocation.--A business owner may not
28 benefit from the program by relocating their business from one
29 cultural district to another. A business may receive the
30 benefits of the program within a district once, except that

several branches of the same business may receive benefits within numerous districts.

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

(d) Continuation of benefits.--If the cultural development district is abolished before the expiration of five years, the residences and businesses which have already been included within the district shall continue to receive the benefits provided under this act.

Section 8. Termination of cultural development district.

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

(b) Phased withdrawal of tax credits.--If a district has been established and developed and the five years of tax credit have expired, the residences and businesses within the zone that received the tax credit shall not receive full tax credit but shall be entitled to a phaseout of the tax credits as follows:

(1) In the first year after the expiration of the cultural development district, the residents and business owners shall be liable for 10% of the taxes for which they received credit in the past.

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

(3) In the third year after the expiration of the cultural development district, the residents and business owners shall be liable for 50% of the taxes for which they

1 received credit in the past.

2 (4) In the fourth year after the expiration of the
3 cultural development district, the residents and business
4 owners shall be liable for 75% of the taxes for which they
5 received credit in the past.

6 (5) In the fifth year and each year thereafter after the
7 expiration of the cultural development district, the
8 residents and business owners shall be liable for the full
9 amount of the taxes due.

10 Section 9. Reports.

11 (a) Effects.--The department, in cooperation with any other
12 State agencies and local governments involved in the Cultural
13 Development District Program, shall make a comprehensive report
14 to the Governor and the General Assembly every two years as to
15 the social, economic and financial effects and the impact of the
16 Cultural Development District Program.

17 (b) Evaluation.--At the conclusion of the Cultural
18 Development District Program or if this act is repealed before
19 the time period runs out, the department shall present a
20 complete evaluation of the effects of the Cultural Development
21 District Program.

22 Section 10. Rules and regulations.

23 The department may promulgate rules and regulations necessary
24 to carry out this act.

25 Section 11. Severability.

26 The provisions of this act are severable. If any provision of
27 this act or its application to any person or circumstance is
28 held invalid, the invalidity shall not affect other provisions
29 or applications of this act which can be given effect without
30 the invalid provision or application.

1 Section 12. Repeals.

2 All acts and parts of acts are repealed insofar as they are
3 inconsistent with this act.

4 Section 13. Expiration.

5 This act shall expire on the first day of January occurring
6 20 full calendar years after the effective date of this section.

7 Section 14. Effective date.

8 This act shall take effect immediately.