
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 561 Session of
2021

INTRODUCED BY DEASY, N. NELSON, LONGIETTI, SANCHEZ, ZABEL, HILL-
EVANS, D. WILLIAMS, CIRESI, MALAGARI, SCHWEYER, PISCIOTTANO
AND MATZIE, FEBRUARY 24, 2021

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, FEBRUARY 24, 2021

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

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

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

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

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

22 Section 3. Definitions.

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

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

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

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

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

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

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

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

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

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

20 Section 4. Establishment.

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

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

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

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

1 possible theme for the area.

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

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

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

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

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

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

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

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

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

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

30 (3) An interested party may meet with the representative

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

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

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

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

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

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

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

1 cultural development district. The municipalities may jointly
2 apply to the department for review.

3 Section 5. Review by department.

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

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

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

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

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

23 Section 6. Eligibility.

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

28 (1) Is a contiguous geographic area.

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

1 under this program.

2 (3) Has not adequately capitalized on the municipality's
3 cultural attractions and resources.

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

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

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

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

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

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

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

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

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

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

1 (6) Proposals to establish and link job creation and job
2 training.

3 Section 7. Cultural development districts.

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

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

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

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

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

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

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

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

4 Section 8. Expiration.

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

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

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

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

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

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

30 (5) In the fifth year and each year thereafter after

1 receipt of five full years of tax abatement, the residents
2 and business owners shall be liable for the full amount of
3 the taxes due.

4 Section 9. Reports.

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

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

14 Section 10. Rules and regulations.

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

17 Section 11. Repeals.

18 All acts and parts of acts are repealed insofar as they are
19 inconsistent with this act.

20 Section 12. Effective date.

21 This act shall take effect immediately.