
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1497 Session of
2013

INTRODUCED BY DEASY, COHEN, BISHOP, V. BROWN, THOMAS, KOTIK,
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DAVIS, DeLUCA, READSHAW, MOLCHANY AND KORTZ, JUNE 10, 2013

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JUNE 10, 2013

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 4.

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 established 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 established 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, including a possible theme for the
15 area.

16 (ii) The potentially affected organization or
17 residential building 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 following shall apply:

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

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

13 (3) An interested party may meet with the representative
14 to discuss the establishment of the district, its boundaries,
15 the exclusion of a particular parcel of property from the
16 district and other relevant matters. Notice of the hearing
17 shall be published in accordance with 65 Pa.C.S. Ch. 7
18 (relating to open meetings) and shall be mailed to the
19 governing body of a municipality that levies property taxes
20 within the boundaries of the proposed district. The notice
21 shall be provided at least 30 days prior to the hearing.

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

23 (1) In order to establish a cultural development
24 district, the governing body of the municipality shall adopt,
25 no more than three weeks after the public hearing under
26 subsection (b), a resolution or ordinance which describes the
27 boundaries of the district.

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

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

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

9 (5) If the resolution or ordinance is passed by the
10 municipality in which the cultural development district is
11 located, the municipality shall apply to the department for
12 the authority to receive tax exemptions of all kinds from the
13 Commonwealth.

14 (6) Two or more municipalities may join together to
15 create a cooperative cultural development district. If
16 multiple municipalities join together, each municipality
17 shall pass a resolution or ordinance establishing the
18 cultural development district. The municipalities may jointly
19 apply to the department for review.

20 Section 5. Review by department.

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

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

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

29 (3) If the application is from a first or second class
30 city, that no more than ten cultural development districts

1 have been proposed or implemented. If more than ten districts
2 are proposed, the department shall determine which districts
3 meet the greatest needs.

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

8 Section 6. Eligibility.

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

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

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

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

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

21 (b) Criteria for cultural development district
22 designation.--An area is eligible to be designated as a cultural
23 development district if the area may be described as one of the
24 following:

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

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

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

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

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

(3) Existing resources available to the proposed district.

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

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

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

Section 7. Benefits of cultural development district.

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

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

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

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

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

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

6 (6) If a business owner or resident sells property
7 within a cultural development district, the new resident or
8 owner shall receive the benefits of dwelling or conducting
9 business within the zone for the time for which the zone has
10 been established. The benefits of the zone shall remain with
11 the real property, not the individual or organization.

12 (b) Limitation on relocation.--A business owner may not
13 benefit from the program by relocating their business from one
14 cultural district to another. A business may receive the
15 benefits of the program within a district once, except that
16 several branches of the same business may receive benefits
17 within numerous districts.

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

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

26 Section 8. Termination of cultural development district.

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

30 (b) Phased withdrawal of tax credits.--If a district has

1 been established and developed and the five years of tax credit
2 have expired, the residences and businesses within the zone that
3 received the tax credit shall not receive full tax credit but
4 shall be entitled to a phaseout of the tax credits as follows:

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

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

13 (3) In the third year after the expiration of the
14 cultural development district, the residents and business
15 owners shall be liable for 50% of the taxes for which they
16 received credit in the past.

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

21 (5) In the fifth year and each year thereafter after the
22 expiration of the cultural development district, the
23 residents and business owners shall be liable for the full
24 amount of the taxes due.

25 Section 9. Reports.

26 (a) Effects.--The department, in cooperation with any other
27 State agencies and local governments involved in the Cultural
28 Development District Program, shall make a comprehensive report
29 to the Governor and the General Assembly every two years as to
30 the social, economic and financial effects and the impact of the

1 Cultural Development District Program.

2 (b) Evaluation.--At the conclusion of the Cultural
3 Development District Program or if this act is repealed before
4 the time period runs out, the department shall present a
5 complete evaluation of the effects of the Cultural Development
6 District Program.

7 Section 10. Rules and regulations.

8 The department may promulgate rules and regulations necessary
9 to carry out this act.

10 Section 40. Severability.

11 The provisions of this act are severable. If any provision of
12 this act or its application to any person or circumstance is
13 held invalid, the invalidity shall not affect other provisions
14 or applications of this act which can be given effect without
15 the invalid provision or application.

16 Section 41. Repeals.

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

19 Section 42. Expiration.

20 This act shall expire on the first day of January occurring
21 20 full calendar years after the effective date of this section.

22 Section 43. Effective date.

23 This act shall take effect immediately.