AN ACT

AMENDING SECTIONS 15-1625 AND 15-1636, ARIZONA REVISED STATUTES; RELATING TO THE ARIZONA BOARD OF REGENTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-1625, Arizona Revised Statutes, is amended to read:

15-1625. **General powers of board as body corporate; limit on lease-back financing**

A. The Arizona board of regents is a body corporate with perpetual succession. The board has jurisdiction and control over the universities.

B. The board may:

1. Adopt a corporate seal.
2. Contract.
3. Sue and be sued.

4. **EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION,** purchase, receive, hold, AND make and take leases and long-term leases of and sell real and personal property for the benefit of this state and for the use of the institutions under its jurisdiction.

C. **NOTWITHSTANDING ANY OTHER LAW,** BEGINNING ON JULY 1, 2018, THE BOARD OR A CORPORATION FORMED BY A UNIVERSITY UNDER THE JURISDICTION OF THE BOARD MAY NOT ENTER INTO A DEVELOPMENT AGREEMENT OR EXECUTE A TRANSACTION FOR WHICH THE DEED TO A PROPERTY IMPROVEMENT IS TRANSFERRED TO THE BOARD OR THAT UNIVERSITY AND SUBSEQUENTLY LEASED BACK TO A PRIVATE LESSOR FOR COMMERCIAL USE UNLESS THE PROPERTY IMPROVEMENT IS USED PRIMARILY FOR AN ACADEMIC PURPOSE, FOR STUDENT HOUSING OR AS AUTHORIZED IN SECTION 15-1636. THIS SUBSECTION DOES NOT PROHIBIT THE BOARD FROM ACTING AS A GROUND LESSOR OR AS A COMMERCIAL LANDLORD WITHOUT A DEVELOPMENT AGREEMENT IN A LEASE FOR A USE ANCILLARY TO A GOVERNMENT PROPERTY IMPROVEMENT USED FOR A UNIVERSITY PURPOSE.

Sec. 2. Section 15-1636, Arizona Revised Statutes, is amended to read:

15-1636. **Lease of real property and improvements in research parks; prohibited and allowable uses; duties of board**

A. The board shall not lease real property located in an area defined as a research park pursuant to section 35-701 unless the lease contains a covenant that prohibits unlimited manufacturing on the site and allows the board to enforce the covenant by appropriate means, which may include termination of the lease.

B. The board may take title to and lease improvements constructed on land located in an area defined as a research park pursuant to section 35-701 if the lease contains a covenant that restricts the use of the subject property to the uses permitted under this section. The lease shall allow the board to enforce the covenant by appropriate means, including termination of the lease. The board may lease unimproved lots or parcels located in an area defined as a research park pursuant to section 35-701 for any use by a lessee.
C. The requirements of subsection B of this section do not apply to improvements constructed before July 20, 1996 or to a lease entered into between the board and a lessee, subsidiary, successor, sublessee or assignee of a lessee, who originally entered into any lease with the board before July 31, 1996.

D. The subject property may be used only for the following purposes:

1. Laboratories, offices and other facilities for testing, consulting and information processing, related to research and development.
2. Production, assembly or sale of products pursuant to research and development activities.
3. Pilot plants in which processes planned for use in production elsewhere can be tested and assembled.
4. For a lease entered into between the board and a lessee, subsidiary, successor, sublessee or assignee of a lessee who originally entered into any lease with the board before July 31, 2018, regional or national headquarters of the lessee or its subsidiaries that are engaged in research and development or education activities.
5. Education and training facilities.
6. Operations required to maintain or support any permitted use, including maintenance shops, power plants, wastewater treatment facilities, the keeping of animals, machine shops, common area improvements and facilities and professional and commercial services supporting permitted uses, such as child development centers, food services and post office and mailing centers.

E. The board may not designate, without approval of the legislature, a new research park or increase the size of an existing research park as defined in section 35-701 beyond the contiguous borders of existing research parks as those borders existed on January 1, 2018.

F. Beginning with leases originally entered into after July 31, 2018, the board shall individually review and approve all leases entered into pursuant to this section for compliance and may not designate this authority to review and approve these leases. The board may not approve a lease unless the review demonstrates the link between the lease and an academic mission of the university.

Sec. 3. Retroactivity

A. Section 15-1625, Arizona Revised Statutes, as amended by this act, applies retroactively to from and after June 30, 2018.

B. Section 15-1636, subsection E, Arizona Revised Statutes, as added by this act, applies retroactively to from and after December 31, 2017.

C. Section 15-1636, subsection F, Arizona Revised Statutes, as added by this act, applies retroactively to from and after July 30, 2018.