



**Agenda Item Details**

Meeting	Jan 14, 2026 - City Commission Meeting
Category	12. POLICY FORMATION AND DIRECTION
Subject	12.03 Adopt Resolution 26-R-03 To Make Certain Findings and Authorize the Execution of the Memorandum of Understanding between Florida State University and the City of Tallahassee and Set the Third and Final Public Hearing for March 11, 2026 at 9:00 A.M. -- Reese Goad, City Manager & Amy Toman, City Attorney
Access	Public
Type	Action, Discussion
Fiscal Impact	Yes
Dollar Amount	1,700,000,000.00
Budgeted	No
Recommended Action	Option 1 - Adopt Resolution 26-R-03 to make certain findings and authorize the City Manager to execute the MOU between the City and Florida State University and set the third and final public hearing for March 11, 2026 at 9:00 A.M.

**Public Content**

*Statement of Issue*

Tallahassee Memorial Hospital, established in 1949 by the City of Tallahassee (City), began as a municipally operated hospital. For the first three decades, the City directly managed the hospital, ensuring local access to essential inpatient and emergency services. In 1979, the City transferred operations to Tallahassee Memorial HealthCare (“TMH”), a private, nonprofit corporation, to increase long-term financial sustainability while retaining ownership of the hospital land and facilities. Under this structure, TMH has operated the hospital under a \$1 per year lease (“TMH Lease”), while the City has supported its growth through conduit bond financing.

On September 15, 2025, the TMH Board of Directors voted unanimously to move forward with a new agreement with Florida State University (“FSU”) to execute a Memorandum of Understanding (“TMH-FSU MOU”) (Attachment 6) with FSU that would transform the hospital into a full academic health center, operating under the name and brand of FSU Health, a healthcare ecosystem that combines research, clinical care, and teaching to bring healthcare innovation and cutting edge medical advances directly to patients across North Florida.

This new relationship is poised to bring world-class medical training, cutting-edge clinical research, and expanded healthcare services to Tallahassee, positioning our community as a leader in health sciences and innovation. Under the TMH-FSU MOU, TMH will continue operating the hospital, while FSU enhances

academic programs, physician training, and research initiatives that directly benefit local residents.

To advance this initiative, TMH and FSU have requested that the City transfer ownership of all hospital assets owned by the City, including all real property and personal property assets, that are leased to Tallahassee Memorial HealthCare, Inc. for the operation of the hospital system contemplated in the TMH-FSU MOU (the "City Assets"). In conjunction with the transfer, TMH will lease the property under a new long-term Lease and Operating Agreement with FSU. The TMH-FSU MOU is contingent on the transfer of ownership. This step would mark the next chapter in a successful public-private affiliation aligning our community health care with one of the state's premier universities.

The City Commission held a public hearing to discuss the proposed agreement between TMH and FSU on October 1, 2025. At that meeting, representatives from TMH and FSU, including TMH CEO Mark O'Bryant and FSU President Richard McCullough, presented the details of the TMH-FSU MOU to the Commission. The Commission took input from the public and voted to schedule another public hearing for October 22, 2025. Additionally, the Commission directed the City Manager to begin negotiations with FSU on a payment structure for the proposed transfer of the City Assets.

The City engaged Ankura Consulting Group, LLC, a private international consulting firm with an extensive background in healthcare valuations and transactions, to assess the value of the City Assets under multiple methodologies. The analyses, using sales comparison, cost, historical appreciation, net book value, and multiple market approaches, provide a transparent, defensible foundation for negotiations.

On October 22, 2025, the City Commission held a second public hearing to discuss the proposed agreement between TMH and FSU and Ankura Consulting Group's detailed valuation findings using the various methods. At this meeting, the City Commission voted to authorize a future final public hearing.

As directed by the City Commission, negotiation for the transfer of the City Assets between the City and FSU have culminated in a jointly developed Memorandum of Understanding ("COT-FSU MOU") (Attachment 1). The COT-FSU MOU outlines the proposed transfer to FSU of all City Assets for the operation of Tallahassee Memorial HealthCare. This item requests that the City Commission Adopt Resolution 26-R-03 to make certain findings and authorize the City Manager to execute the MOU between the City and Florida State University and set the third and final public hearing for March 11, 2026 at 9:00 A.M.

### ***Recommended Action***

Option 1 - Adopt Resolution 26-R-03 to make certain findings and authorize the City Manager to execute the MOU between the City and Florida State University and set the third and final public hearing for March 11, 2026 at 9:00 A.M.

### ***Fiscal Impact***

Combined fiscal impact, reflecting the initial contribution to citizens (\$109 million), short-term investments in the hospital (\$250 million), and long-term investment in Tallahassee's healthcare system through the FSU Health model, totaling \$1.7 billion.

## **Supplemental Material/Issue Analysis**

### ***History/Facts & Issues***

The City Commission initiated its formal review of the proposed TMH-FSU effort to establish an academic health center during the public hearing held on October 1, 2025. During that meeting, senior leadership from both Tallahassee Memorial HealthCare and Florida State University, including TMH CEO Mark O'Bryant and FSU President Richard McCullough, outlined the conceptual framework of the proposed TMH-FSU

Memorandum of Understanding (“TMH-FSU MOU”) that would jointly create an academic health center in Tallahassee. Following a detailed presentation and public comment, the Commission advanced the process by scheduling a subsequent hearing for October 22, 2025, to enable deeper discussion and additional community input.

As part of its direction at the October 1 meeting, the Commission also instructed the City Manager to enter into negotiations with FSU regarding a payment structure for the potential transfer of the City Assets. This action marked a significant step toward defining the fiscal and operational terms that would define the transfer of City Assets to FSU and allow the FSU-TMH health care initiative to proceed.

The City engaged Ankura Consulting Group, LLC (“Ankura”), an international consulting firm recognized for its expertise in healthcare valuation, transactions, and academic health center development. Ankura was tasked with producing an independent evaluation of the City-owned hospital assets. Their analysis applied multiple industry-standard methodologies, including sales comparison, cost modeling, historical investment appreciation, net book value, and various market-based approaches, to provide a clear and comprehensive assessment of the City Assets.

Together, the Ankura valuation and direction from the Commission have shaped the ongoing development of the COT-FSU MOU. Negotiations addressed a range of critical issues, from asset transfer conditions and deed restrictions to investment frameworks and safeguards for community health. If accepted, these elements will be fully developed in the definitive Transfer of Assets Agreement presented to the Commission at the March 11, 2026, public hearing at 9:00 A.M.

### **City of Tallahassee and Florida State University Memorandum of Understanding**

The COT-FSU MOU outlines a proposed structure for transferring the City Assets and is intended to guide further discussions toward execution of a Transfer of Assets Agreement that will set forth the Parties’ final agreement regarding the terms and conditions of the transfer.

#### ***Deed Restrictions***

The COT-FSU MOU states that both Parties anticipate that the transfer will be subject to certain deed restrictions including:

- a. FSU, or an entity designated by FSU, will ensure that a full-service hospital, or an equivalent healthcare facility, continues to operate in accordance with the standards outlined in the TMH Lease. FSU will also ensure that a charity care policy remains in effect that is at least as generous as the indigent care requirements in the current TMH Lease, even if TMH is no longer the Operator. These obligations will be fulfilled without any financial contribution from the City.
- b. FSU may not, without written consent of the City Commission:
  - (i) transfer the City Assets to any third party that is not wholly owned or controlled by FSU; or
  - (ii) for a period to be defined in the Transfer of Assets Agreement and absent a tenant default, lease substantially all of the City Assets to any entity other than TMH.

In either circumstance, consent of the City Commission shall not be unreasonably withheld, per terms which will be further delineated in the Transfer of Assets Agreement.

- c. FSU agrees that, if the TMH Lease, or any future lease between FSU and TMH, is terminated, it will make payments, solely from revenues generated by the City Assets, which revenues are pledged as security for City debt, to pay outstanding indebtedness of the City secured by such revenues.

d. If FSU (i) fails to make the required Annual Payment Sum (defined in the *Contributions* section below), or (ii) materially violates any of the obligations described in a, b, or c above, or the contributions commitments described below, then, after proper notice, an opportunity to cure, and completion of the dispute-resolution process to be detailed in the Transfer of Assets Agreement, the City Assets will be returned to the City through a formal reconveyance process.

### ***Contributions***

The COT-FSU MOU lays out a three-pronged approach that would commit FSU to investing \$1.7 billion locally over the span of 30 years. The three commitments consist of a 30-year contribution to citizens as payment for the City Assets; a short-term investment to enhance the local facilities and provide research grants; and lastly, a 30-year long-term investment plan aligned with academic health center practices.

#### **1. Contributions to Citizens**

The first leg of the three-pronged compensation model consists of a contribution to the citizens of Tallahassee for their investment in the City Assets. During negotiations, FSU agreed to use the Historical Appreciation Analysis as the basis for compensating citizens for the City Assets. This method, prepared by Ankura Consulting Group, determined a target valuation of approximately \$109 million. The analysis represents the inflation-adjusted value of the City's original capital investment in the hospital's real property, as documented in the City's 1974 financial statements.

This valuation approach excludes equipment and personal property, which have long since been fully depreciated and hold no meaningful residual value. Ankura evaluated multiple valuation methodologies, and staff concluded that the Historical Appreciation Analysis is the appropriate methodology as it most clearly reflects the citizens' tangible investment in the hospital. FSU accepted this valuation during negotiations and agreed to compensate the City over a 30-year term.

As the COT-FSU MOU describes, FSU would pay \$109 million in 30 equal installments over a 30-year period known as the Annual Payment Sum. This Annual Payment Sum amounts to \$3,633,333 annually to represent the purchase of the City Assets and compensate citizens for their initial investment in the hospital assets over time. This framework provides predictable, stable revenue to the City while allowing FSU to phase its investment commitments over time. The Historical Appreciation Analysis provides the clearest determination of the value of the citizens' investment in the hospital and therefore serves as the foundation for this element of the compensation structure.

These payments will support City services and infrastructure that directly benefit the hospital and surrounding neighborhoods, ensuring the facility continues to generate tangible value for Tallahassee residents while aligning with the long-term vision established through the COT-FSU MOU.

#### **2. Short-Term Investments**

The second leg of the three-pronged compensation model consists of a short-term investment commitment totaling \$250 million by December 31, 2034.

(1) FSU agrees to contribute a minimum amount of \$100 million to upgrade existing facilities on or adjacent to the City Assets or other assets currently owned by TMH. This \$100 million does not include annual facilities improvements paid for by TMH at its usual (historical) amount before the December 31, 2034, deadline. In other words, FSU must contribute a minimum of \$100 million in excess of TMH's historical facilities improvement expenses over this approximately eight-year period. If FSU encounters unusual and unexpected difficulty in completing such contribution by said date, FSU may petition the City for an extension of such date, the consent to which shall not be unreasonably withheld.

(2) FSU agrees to contribute an additional \$150 million toward clinical faculty, clinical laboratory resources, research/academic operations and other costs specifically related to the City Assets and FSU's planned academic health center. This investment is intended to provide increased medical care specialization within the Tallahassee area, lessening the need for Tallahassee citizens to travel for health care and providing opportunities for others outside the region to travel to Tallahassee for health care. This \$150 million investment is to be completed in full by the December 31, 2034, deadline.

If FSU provides resources under the agreement that result in quantifiable, verifiable benefits or assets that TMH would not have been able to obtain on its own, those benefits may be credited toward FSU's payment obligations. However, such credits may not exceed 33% of the total financial commitments outlined in (1) and (2) above. Additionally, FSU cannot count any investments in the new FSU Health Center that is already under construction toward the financial commitments outlined in (1) and (2) above.

### 3. Long-Term Investments

The third leg of the three-pronged compensation model consists of a long-term investment plan commitment. FSU agrees to use its best efforts to secure funding, through grants, donations, appropriations and other available funding sources to either FSU or TMH, to support improvements to the City Assets and related healthcare services.

This long-term investment, which includes the contributions to citizens and the short-term investments described above, is expected to exceed \$1.7 billion over the 30 years following the transfer of the City Assets. These funds are intended to support the development of new clinical spaces, laboratory and research facilities, expanded clinical research programs, additional academic faculty, and upgrades to the facilities and physical plant, all foundational elements of building a leading academic health center anchored by the City Assets.

Such efforts and funding resources will create new jobs, fund the purchase of new equipment, and most importantly, improve healthcare and facilitate innovative medical treatments that will benefit the citizens of Tallahassee and hospital patients.

#### ***Process***

Pursuant to its home rule powers under Florida law, the City is permitted to act for municipal purposes unless specifically prohibited in doing so by general law. The City intends to follow the process set forth below, which it has determined to be fair and reasonable.

This process incorporates, where appropriate, elements of Florida law that would otherwise apply if the City were transferring the hospital assets to a private entity, if the City itself operated the healthcare facilities located on the City Assets, if the existing TMH Lease did not exist, or if the City Assets were not being transferred to an entity or someone other than FSU under that lease structure.

Upon execution of the COT-FSU MOU and adoption of Resolution 26-R-03, the City will publish notice of both actions in the Tallahassee Democrat, in other standard City public notice outlets, and in the Florida Administrative Register. The notice will provide means for members of the public to submit written comments to the City Commission regarding the proposed transaction and how they may access the materials the Commission reviewed in evaluating the COT-FSU MOU.

The City will publish notice of the final public hearing referenced above, at which time final approval of the transfer of the City Assets to FSU will be considered. This notice shall also provide a means to access the substantially final Transfer of Assets Agreement, as defined in the COT-FSU MOU, which will serve as the initial purchase and sale agreement for the transaction.

### ***OEV Economic Analysis***

The Office of Economic Vitality (OEV) has completed an initial economic impact assessment utilizing source data from the U.S. Department of Commerce, Bureau of Economic Analysis and its Regional Input-Output Modeling System (RIMS II). When paired with the investment commitments outlined in the COT-FSU MOU, the analysis projects a conservative economic impact exceeding \$3.64 billion and the creation of more than 900 jobs over the next 30 years. This represents a long-term economic engine that will reverberate through the local economy.

The impact of \$3.64 billion is roughly equivalent to introducing an additional \$120 million per year of economic activity into the local economy for three decades, activity that recirculates through household spending, business investment, and local supply chains. The creation of more than 900 jobs provides stability and depth to the labor market, generating ripple effects in housing demand, commercial activity, and supporting services.

The COT-FSU MOU sets forth a long-term investment framework that advances the evolution of the hospital into a premier academic health center and aligns seamlessly with OEV's targeted industry strategy. Specifically, the commitments propel growth in Health Care and Applied Sciences & Innovation, two of the four priority sectors identified as drivers for private-sector job creation, wealth generation, and sustained economic diversification. Together, these investments position the community for a new era of research, clinical excellence, and high-value employment opportunities.

### ***Conclusion***

The COT-FSU MOU establishes the long-term framework for the transfer of the City Assets to Florida State University as part of the broader FSU Health initiative. The agreement includes essential protections that preserve the community-oriented mission of the hospital and safeguard the community's interests. These protections include mandatory deed restrictions requiring the continuation of TMH's longstanding charity care and indigent care policies, limitations on any future transfer or disposition of the hospital, and reconveyance provisions that ensure all assets revert to the City should FSU fail to fulfill its obligations.

The COT-FSU MOU also outlines a comprehensive, three-pronged compensation commitment plan designed to strengthen healthcare delivery, expand clinical capacity, and enhance long-term community value. The first component provides a direct payment to the City, representing the community's historic investment in the hospital, totaling \$109 million, paid in 30 equal installments over 30 years. The second component establishes a short-term investment commitment of \$250 million to be invested before December 31, 2034, including a minimum of \$100 million dedicated to facilities upgrades guided by a facilities assessment, and \$150 million to increase medical care specialization within the Tallahassee area, lessening the need for Tallahassee citizens to travel for health care and providing opportunities for others outside the region to travel to Tallahassee for health care. The third component commits the remainder of the \$1.7 billion over 30 years to the development of new clinical spaces, laboratory and research facilities, expanded

clinical research programs, additional academic faculty, and upgrades to the facilities and physical plant. These investments will elevate hospital services across FSU Health's Tallahassee footprint, expanding specialty care, equipment, research infrastructure, and other functions aligned with a modern academic health center model.

Collectively, these commitments, paired with strong safeguards and the preservation of vital community healthcare policies, position the City for long-term success by securing a framework in which the transfer of assets delivers enduring value to Tallahassee residents, expressed by an expected economic impact of more than \$3.64 billion. The structure of the COT-FSU MOU protects vulnerable populations, upholds TMH's charitable mission, and positions the hospital to grow, innovate, and improve healthcare outcomes for decades to come.

This item requests that the City Commission Adopt Resolution 26-R-03 to make certain findings and authorize the City Manager to execute the MOU between the City and Florida State University and set the third and final public hearing for March 11, 2026 at 9:00 A.M.

### ***Options***

1. Adopt Resolution 26-R-03 to make certain findings and authorize the City Manager to execute the MOU between the City and Florida State University and set the third and final public hearing for March 11, 2026 at 9:00 A.M.
2. Do not Adopt Resolution 26-R-03 to make certain findings and authorize the City Manager to execute the MOU between the City and Florida State University and do not set the third and final public hearing for March 11, 2026 at 9:00 A.M.
3. Commission Direction

### ***Attachments/References***

Attachment 1 – COT-FSU Memorandum of Understanding

Attachment 2 – Resolution 26-R-03

Attachment 3 - October 1, 2025 FSU and TMH Memorandum of Understanding Agenda Item

Attachment 4 - October 22, 2025 FSU and TMH Memorandum of Understanding Agenda Item

Attachment 5 – FSU-TMH Letter to City

Attachment 6 – FSU-TMH Memorandum of Understanding

Attachment 7 – Ankura Valuation Report

Attachment 8 – Ankura Valuations Calculations Databook

Attachment 9 – TMH 2025 Unaudited Financial Statements

Attachment 10 – Nabors, Giblin, & Nickerson P.A. Legal Opinion

Attachment 11 – Third Amended and Restated Lease Agreement

Attachment 12 – First Modification to Third Amended and Restated Lease Agreement

Attachment 13– Second Modification to Third Amended and Restated Lease Agreement

Attachment 14 – Third Modification to Third Amended and Restated Lease Agreement

[Attachment 1 - FSU-COT Memorandum of Understanding.pdf \(121 KB\)](#)

[Attachment 2 - Resolution 26-R-03.pdf \(162 KB\)](#)

[Attachment 3 - October 1, 2025 FSU and TMH Memorandum of Understanding Agenda Item.pdf \(168 KB\)](#)

[Attachment 4 - October 22, 2025 FSU and TMH Memorandum of Understanding Agenda Item.pdf \(17,011 KB\)](#)

[Attachment 5 - FSU-TMH Letter to City.pdf \(200 KB\)](#)

[Attachment 6 - FSU-TMH Memorandum of Understanding.pdf \(332 KB\)](#)

[Attachment 7 - Ankura Valuation Report.pdf \(2,156 KB\)](#)

[Attachment 8 - Ankura Valuations Calculations Databook.pdf \(578 KB\)](#)

[Attachment 9 - TMH 2025 Unaudited Financial Statements .pdf \(198 KB\)](#)

[Attachment 10 - Nabors, Giblin, & Nickerson P.A. Legal Opinion.pdf \(3,201 KB\)](#)

[Attachment 11 - Third Amended and Restated Lease Agreement.pdf \(1,855 KB\)](#)

[Attachment 12 - First Modification to Third Amended & Restated Lease Agreement.pdf \(4,921 KB\)](#)

[Attachment 13 - Second Modification to Third Amended and Restated Lease Agreement.pdf \(1,140 KB\)](#)

[Attachment 14 - Third Modification to Third Amended and Restated Lease Agreement.pdf \(311 KB\)](#)