



Agenda Item Details

Meeting	Oct 22, 2025 - City Commission Meeting
Category	16. 6:00 P.M. PUBLIC HEARINGS
Subject	16.01 Second Public Hearing on the FSU and TMH Memorandum of Understanding -- Reese Goad, City Manager
Type	Action, Public Hearing
Fiscal Impact	No
Recommended Action	Option 1. Hold the second public hearing on the FSU and TMH Memorandum of Understanding and authorize a public hearing contingent upon the finalization of the Definitive Agreements.

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 for more than 40 years, while the City has supported its growth through long-term leases and conduit bond financing. This public-private partnership enabled TMH to expand into a nationally recognized, 772-bed regional medical center serving a 21-county area. The City's partnership has ensured that our residents have access to high-quality, locally led healthcare while supporting economic growth and regional development.

On September 15, 2025, the TMH Board of Directors voted unanimously to move forward with a new partnership with Florida State University (FSU) to execute a Memorandum of Understanding (MOU) (Attachment 1) with FSU that would transform TMH 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 partnership 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 MOU, TMH will continue operating the hospital, while FSU's partnership will enhance academic programs, physician training, and research initiatives that directly benefit local residents.

To advance this partnership, TMH and FSU request the City to transfer ownership of the City's interest in hospital campus assets (land, buildings, and improvements) to FSU, with TMH leasing the property under a new long-term Lease and Operating Agreement from FSU. This partnership is contingent on the transfer of ownership. This step would mark the next chapter in a successful public-private partnership, safeguarding TMH's future, keeping healthcare locally led, and aligning our community with one of the State's premier universities.

The City Commission held a public hearing to discuss the proposed partnership 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 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's ownership interest in the hospital assets.

To guide the proposed transfer, 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 City's interest hospital 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.

This item provides information on the proposed TMH-FSU affiliation to create an academic medical center (AMC), details on the draft MOU currently under negotiation between the City and FSU for the proposed transfer of the City's ownership interest in the hospital assets, and valuations received by the City from Ankura Consulting Group, LLC.

This item requests the Commission to conduct the second public hearing on the proposed TMH-FSU partnership and seeks Commission authorization for a public hearing at a later date once the Definitive Agreements have been finalized for Commission consideration. The MOU between FSU and the City is still under development, and it will establish a framework for the transfer of the City's interest in hospital

assets, currently leased by TMH, to FSU for the establishment of an academic medical center that expands medical education, research, and healthcare delivery in Tallahassee.

Recommended Action

Approve Option 1.

Fiscal Impact

The fiscal impact is pending asset transfer details.

Supplemental Material/Issue Analysis

History/Facts & Issues

TMH's conversion to a private nonprofit corporation in 1979 and its recent proposed affiliation with FSU in 2025 represent two distinct moments in the organization's history guided by the same underlying purpose. While these two milestones are different in scope and execution, both embody TMH's commitment to adapt its structure to meet changing healthcare conditions, promote financial sustainability, and maintain a community-centered healthcare approach. These initiatives emerged from deliberate and intentional efforts.

By the late 1970s, Tallahassee Memorial Hospital faced growing pressure to modernize its operational and financial structure amid a national shift toward the privatization of hospitals, as well as significant changes in Medicare and Medicaid reimbursement practices that constrained revenues for municipally operated facilities. TMH's plan to convert to a nonprofit corporation was first proposed in 1976, from there a special long-range planning committee met for two years to devise a Lease, Bylaws, Articles of Incorporation, and other contractual agreements associated with the establishment of the non-profit corporation. On June 30, 1979, the City executed the first lease agreement with Tallahassee Memorial Regional Healthcare, Inc. (TMRH), a private, not-for-profit corporation formed to operate the hospital.

Similarly, the FSU-TMH partnership was an identified goal outlined in TMH's Strategic Plan in 2008 and has been developed through intentional collaboration over several years. Both transformations were introduced to unlock new financial and investment opportunities unavailable under their respective existing structures, while preserving the hospital's day-to-day operations, maintaining its commitment to indigent care, and improving regional access to services.

Today, TMH faces a similar, yet more complex and competitive healthcare environment reflected in a modern trend towards the establishment of academic-health partnerships across the state of Florida like UF Health and Tampa General. The emergence of academic medical centers (AMCs) puts Tallahassee at risk of losing funding, patients, and providers to those cities where AMCs are expanding. The FSU-TMH collaboration permits the region to compete directly with these growing academic networks, tackle workforce shortages, research demands, and evolving community needs. The partnership would allow FSU to access state and federal funding streams available only to university-owned or affiliated facilities. By transferring ownership to FSU, the AMC can leverage the partnership to attract funding tied to university-affiliated medical centers, including research grants, academic investments, and tax-exempt bond financing to promote sustainable growth and financial stability. The 1979 nonprofit conversion secured TMH's financial independence and viability, and the 2025 partnership with FSU positions the organization for continued advancements in a new era of academic medicine that elevates the quality of care, fosters innovation, and generates economic benefits.

History of Tallahassee Memorial Hospital and City Partnership (1940s–Present)

Creation of Tallahassee Memorial Hospital (1940s–1965)

In the 1940s, the City amended its Charter to acquire land and construct a municipal hospital to meet the region's growing medical needs. Tallahassee Memorial Hospital opened in 1949 on City-owned land at the intersection of Magnolia Drive and Miccosukee Road, serving as a municipally operated hospital providing essential inpatient and emergency care to residents of Tallahassee and surrounding counties.

To formalize hospital governance, the Florida Legislature enacted Chapter 65-2299, Laws of Florida, a special act creating the Municipal Hospital Board of the City of Tallahassee. This act authorized the City Commission to appoint members, oversee financial management, and maintain ownership of hospital property. The act confirmed that the hospital was a municipal enterprise operated by the City for the benefit of the community.

Conversion to a Nonprofit Operating Model (1979)

By the late 1970s, Tallahassee Memorial Hospital faced growing pressure to modernize its operational and financial structure amid a national shift toward the privatization of hospitals, as well as significant changes in Medicare and Medicaid reimbursement practices that constrained revenues for municipally operated facilities. During this time, TMH faced significant financial and operational pressures as a municipally owned facility, such as the ineligibility to qualify for federal reimbursements under Medicaid and Medicare patients, an increase in levels of providing uncompensated care, and the inability to collect debts from patients who were residents of neighboring counties, which at that time, made up approximately 40% of TMH's patients served.

Compounding these pressures was the construction of a new private hospital on the east side of Tallahassee, now HCA Florida Capital Hospital, located on Capital Circle, which heightened competition for privately insured patients. Then-TMH President M.T. Mustian viewed this emerging competition as a catalyst for reform, recognizing that TMH needed a more flexible governance and financing structure to remain competitive and continue fulfilling its community mission.

In response, the Florida Legislature enacted Chapter 79-569, Laws of Florida, amending the City's 1965 special act (Chapter 65-2299) to authorize the City Commission to lease the hospital's capital facilities to a nonprofit corporation. The change allowed TMH to operate independently while preserving the hospital's public purpose and ensuring it could continue serving all residents regardless of ability to pay.

On June 30, 1979, the City executed the first lease agreement with Tallahassee Memorial Regional Healthcare, Inc. (TMRH), a private, not-for-profit corporation formed to operate the hospital. The City retained ownership of the hospital's land and improvements, while TMH assumed full responsibility for operations, maintenance, and staffing. The lease required TMH to maintain emergency and indigent care regardless of ability to pay, preserving its public service mission. Additionally, this change allowed TMH to lease its facilities from the City, qualify for federal reimbursements, apply for grants, solicit public contributions, secure agreements with adjacent counties to share the cost of treating their indigent patients, and remain competitive in an evolving healthcare landscape. The conversion to a privately owned nonprofit improved the corporation's financial posture by allowing access to more funding that was unavailable under the municipally owned structure.

The 1979 conversion prompted legal clarification of TMH's structure and relationship to the City. In 1979, the Florida Attorney General issued Opinion 79-101, which determined that Tallahassee Memorial Regional Medical Center, Inc. is a private, not-for-profit corporation, not a political subdivision or instrumentality of the City or State. The opinion acknowledged that the City retained ownership of the hospital property while the nonprofit corporation assumed operational control under Florida corporate law.

The image below displays the original parcels leased under the original 1979 agreement.



The highlighted buildings in the image below represent the main campus buildings leased under the 1979 agreement.



Bond Structuring, Legal Clarification, and Early Expansion (1980–1984)

In the early 1980s, Tallahassee Memorial Regional Medical Center (TMRMC) began expanding its hospital campus to accommodate new medical offices, physician practices, and support facilities. One of the most significant developments of this period was the Professional Services Building, completed in 1983. The project was financed through Health Facilities Revenue Bonds totaling approximately \$9.79 million, issued by the City on TMRMC's behalf.

The bonds were structured under IRS Revenue Ruling 63-20, which permits a government entity to issue tax-exempt debt for facilities operated by a nonprofit corporation, provided that the government retains ownership of the financed assets. Bond counsel Bryant, Miller & Olive, serving as counsel to the City, was instrumental in applying this framework, one that would define TMH's operating and financial structure for decades. Their legal conclusion was consistent and enduring: City ownership of title ensured eligibility for tax-exempt financing, while TMRMC retained operational and financial responsibility for the hospital's ongoing management.

From 1983 through 1984, the City issued additional Health Facilities Revenue Bonds, totaling approximately \$40 million, to fund campus modernization, new parking areas, and infrastructure improvements. These bond proceeds supported a wave of expansion that included construction of the Rehabilitation Center and Behavioral Health Center. Corresponding lease amendments expanded the definition of the "leased premises" to incorporate these new facilities and improvements.

Refinancing, Land Assembly, and Continued Development (1985–1997)

As TMRMC evolved into a regional healthcare provider, the City continued to acquire adjoining properties to support expansion. In 1987, the City approved new bond issuances for TMH totaling approximately \$30 million to refinance earlier debt and fund facility additions and infrastructure upgrades, including the realignment of Hodges Road and improvements along Miccosukee Road.

Throughout the late 1980s and 1990s, the City was deeded additional parcels, strategically assembling the land that now forms the expanded TMH campus. These acquisitions included right-of-way parcels such as Hodges Road and adjoining lots along Goodwood Drive. By 1992, the City had issued an additional approximately \$35 million in Health Facilities Revenue Bonds to support construction of the Women's Pavilion and other facility improvements.

By the late 1990s, the cumulative amendments, bond covenants, and land acquisitions necessitated a single, comprehensive document. The Second Amended and Restated Lease Agreement, approved on March 25, 1998, consolidated all previous leases and bond-related provisions. The new lease reaffirmed the City's ownership of the land and facilities while codifying TMH's exclusive operational authority.

Modernization and Realignment (1998–2007)

By the late 1990s, the cumulative amendments, bond covenants, and land acquisitions necessitated a single, comprehensive document. The Second Amended and Restated Lease Agreement, approved on March 25, 1998, consolidated all previous leases and bond-related provisions. The new lease reaffirmed the City's ownership of the land and facilities while codifying TMH's exclusive operational authority.

Shortly thereafter, on April 23, 1998, Tallahassee Memorial Regional HealthCare officially changed its corporate name to Tallahassee Memorial HealthCare, Inc. (TMH), and its principal facility to Tallahassee Memorial Hospital. This rebranding reflected the organization's evolution from a single-site hospital into a system that encompassed a growing network of care and specialty programs.

TMH continued expanding facilities and programs, prompting further lease modernization. On September 10, 2003, the City Commission unanimously approved the Third Amended and Restated Lease Agreement (Attachment 7). This amendment formally incorporated additional City-owned properties into the leased premises, including the Behavioral Health Center, Rehabilitation Center, and parcels along Goodwood Drive and the abandoned Hodges Road lot. The 2003 lease also clarified financial, insurance, and maintenance responsibilities, reaffirming the City's title ownership and TMH's role as the licensed operator.

Educational Partnerships and Campus Expansion (2008–2019)

During this period, TMH deepened its partnership with FSU to expand healthcare training, workforce development, and research. The City acquired several key parcels that would become instrumental in this effort.

In 2008–2009, the City was deeded 40.04 acres, but subsequently subdivided the land through development agreements with FSU and TMH. These agreements created two distinct but coordinated facilities: the FSU Academic Health Center and the Ghazvini Center for Health Care Education.

The projects were financed through approximately \$40 million in conduit bonds, issued under the City's name to maintain tax-exempt status while TMH oversaw construction and operations. The development agreements between the City, FSU, and TMH established joint responsibilities for infrastructure, access, and shared parking across the two connected sites.

In 2015, TMH borrowed an additional \$250 million in bonds to construct the M.T. Mustian Center, a state-of-the-art surgical and critical care tower that modernized the hospital's core campus. That same year, the 2.37-acre Holy Comforter site was deeded to the City, aligning operational control with the existing lease structure. The image below displays the leased parcels under the current lease agreement.

As TMH continued to grow into a regional medical hub, the City expanded its infrastructure to match the hospital's critical reliability needs. One of the most important investments was the Substation 12 Reliability Project, located off Centerville Road near Betton Road, designed to provide backup power for essential community facilities including Tallahassee Memorial HealthCare and the Tallahassee Police Department.

In late 2018, the City delivered the first of two natural gas-fired Wartsila generators to Substation 12, each weighing approximately 310,000 pounds. The generator's arrival, transported by rail and an eight-hour, 250-foot push-and-pull truck convoy, marked a major milestone in the City's \$30 million infrastructure effort. The facility included two two-story generator buildings and an exhaust stack, designed with strict acoustic and visual controls to minimize neighborhood impacts, maintaining sound levels near 55 decibels, roughly equivalent to a low conversation.



For decades, FSU and TMH have advanced a shared vision for locally led, high-quality care anchored in education and research. What began as a collaboration around clinical training and faculty appointments steadily grew into a broader academic–clinical alignment: FSU’s medical education and research strengths complement TMH’s role as the region’s leading community hospital, expanding access to specialists, modernizing care pathways, and strengthening the physician pipeline for North Florida.

TMH has deliberately woven this partnership into its long-range strategy since 2008, identifying an academic affiliation with FSU as a catalyst for recruiting and retaining talent, expanding graduate medical education, and accelerating innovation at the bedside. Over time, joint initiatives, from clinical rotations and residencies to shared research, data, and workforce development, have positioned both institutions to evolve toward a fully integrated academic medical model. The result is a maturing partnership that aligns mission, governance, and investment to deliver better outcomes for patients while fueling the region’s health care workforce and economic vitality.

FSU and TMH MOU

On September 16, 2025, FSU President Richard McCullough and TMH CEO Mark O’Bryant sent a joint letter to the Mayor and City Commission (Attachment 2) announcing that both parties had ratified a Memorandum of Understanding (MOU) (Attachment 1). The TMH Board’s unanimous decision reflects the importance of this affiliation for the future of healthcare delivery, education, and research in Tallahassee and across North Florida. The MOU establishes the framework for an academic medical center that integrates FSU’s strengths in medical education and research with TMH’s long-standing mission to provide high-quality, community-based care.

The MOU serves as the foundation for the development of binding Definitive Agreements that will formalize the relationship between FSU and TMH. These forthcoming agreements will define how the partners will expand access to advanced care, develop graduate medical education programs, and advance collaborative research, while preserving TMH’s nonprofit model and community-centered mission. Under the structure described in the MOU, TMH will remain the hospital’s licensed operator and be responsible for all aspects of day-to-day operations, including patient care, staffing, payroll, maintenance, and compliance. At the same time, FSU assumes ownership of the property and leads academic, research, and branding initiatives under the FSU Health identity. The arrangement is structured as a 40-year lease agreement.

The MOU maintains TMH's current indigent care policy, and the governance structure outlined in the MOU ensures balanced oversight between the two institutions. The TMH Board will initially consist of 17 voting members: 10 appointed by TMH and seven by FSU, with FSU's representation increasing to eight members in the second year. Major actions, such as the appointment or removal of the Chief Executive Officer, amendments to governing documents, or mergers, will require a supermajority vote to promote shared accountability and prevent unilateral control.

The MOU also establishes a 40-year Academic and Clinical Collaboration Agreement (ACCA) to serve as the framework for medical education, clinical training, and research within FSU Health. Through this agreement, FSU will sponsor new residency and fellowship programs, oversee academic standards, and serve as the prime applicant for federal and state research funding. TMH will provide dedicated space for students and residents, ensuring the hospital becomes the region's anchor training hub for future physicians and allied health professionals. This framework also ensures that TMH's existing partnerships with Florida Agricultural and Mechanical University and Tallahassee State College remain intact, preserving local collaboration and workforce development.

Branding will be unified under a co-branded identity for at least the first ten years of the agreement. FSU will license and oversee the use of the FSU Health brand to ensure consistency, quality, and adherence to the partnership's academic and community standards. The MOU keeps day-to-day financial responsibility within TMH's purview. Capital budgeting authority stays with the TMH Board, with a supermajority vote required for unbudgeted hospital projects over five million dollars; costs for approved improvements are TMH's unless otherwise set in the definitive agreements. To ensure accountability, the definitive agreements will include operating metrics along with measurement, reporting and corrective action terms.

Finally, the MOU anticipates several Definitive Agreements, including a Lease and Operating Agreement, Branding Agreement, and the ACCA, that will formalize the operational, financial, and governance terms of the affiliation. Each agreement will require approval from by each party's governing boards, the Florida Board of Governors, relevant government agencies (including the City), and third parties such as bond issuers and lenders, along with satisfaction of closing conditions. Together, these agreements will ensure that the affiliation strengthens local healthcare access, enhances workforce training, and fosters innovation while maintaining the hospital's community-first focus.

On October 1, 2025, the City held its first public hearing on the FSU-TMH MOU. FSU and TMH staff delivered a joint presentation outlining the affiliation's vision, governance structure, and community benefits. Members of the public attended to offer feedback and express their views on the proposed partnership. The meeting concluded with the City Commission directing staff to hold a second public hearing on October 22, 2025, and instructing the City Manager to begin negotiations with FSU. A copy of the October 1, 2025, agenda item is attached (Attachment 3).

Valuation Overview

Following the Commission's October 1, 2025 public hearing, direction was provided to staff to obtain an independent valuation of the City's interest in hospital assets to inform negotiation of a fair and transparent payment structure with Florida State University. The valuation is intended to assess the land, buildings, and related fixed improvements that the City owns and maintains title to. This independent analysis was critical to ensure that any proposed transfer reflects the value of the community's long-held public investment and that compensation to the City is based on those tangible assets.

To fulfill this directive, staff engaged a nationally recognized firm with extensive experience in healthcare and institutional asset valuation to perform a comprehensive, third-party assessment of the City's holdings.

Valuation Consultant: Ankura Consulting Group

Pursuant to Commission direction, staff retained Ankura Consulting Group, LLC, an independent global advisory firm specializing in healthcare valuations, real estate advisory, and transaction analysis. Ankura was selected for its independence, technical rigor, and extensive experience in hospital and healthcare asset valuation, having advised governments, universities, and health systems nationwide on complex ownership transfers and academic medical center partnerships.

Ankura's healthcare valuation team brings more than 75 years of combined experience in healthcare finance, mergers, and regulatory advisory services. Its professionals include certified appraisers, CPAs, economists, and transaction specialists who have completed over 500 mergers and acquisitions, including more than 20 hospital transactions across acute care hospitals, ambulatory surgery centers, and physician networks. The firm's healthcare practice has valued over \$15 billion in institutional real estate and hospital assets, supporting clients such as Quorum Health, RWJ Barnabas Health, ProMedica, Pipeline Health, and multiple state and municipal governments. Ankura's selection reflects the City's commitment to an independent, transparent, and defensible valuation process.

Valuation Scope

The City's engagement with Ankura was narrowly defined to determine the value of City-owned hospital assets, including the land, buildings, and fixed improvements, to inform the proposed transfer of ownership to Florida State University. This valuation focuses on the tangible assets that the City owns and would be conveying.

While this report includes a high-level valuation analysis of TMH as an operating enterprise, it is provided solely as a comparative benchmark. The City does not own, and therefore cannot convey, the TMH business. Accordingly, the subject of this transaction is limited to the City's interest in real property and related fixed assets to be transferred to FSU. TMH will continue to operate the hospital, employ staff, and manage clinical and administrative functions under its existing nonprofit mission.

This distinction ensures that the valuation reflects only the City's physical and financial investment, without attributing any value to TMH's operations, brand, or goodwill.

Overview of Valuation Methodologies

Based on the defined scope, Ankura applied multiple industry-standard valuation methodologies to provide a well-supported and balanced estimate of value. Each method isolates the worth of the City's tangible assets, land, buildings, site improvements, and certain equipment, independent of TMH's ongoing operations.

1. **Sales Comparison Approach:** Analyzed recent sales of comparable hospital campuses and medical facilities to infer a value for the City's assets, with adjustments made for property size, condition, and location.
2. **Cost Approach:** Estimated what it would cost today to replace the City's hospital facilities and infrastructure with comparable improvements, adjusted for depreciation and land value.
3. **Historical Investment Appreciation:** Traced the City's capital investment in hospital assets from 1979 forward, escalating those values to current dollars to reflect the inflation-adjusted value of what the City built and owns.
4. **Book Value Approach:** Examined the recorded asset value of the hospital property net of long-term debt, providing an accounting-based perspective of the City's equity position.
5. **Market Approach - Revenue:** Analyzes the hospital's historical and projected revenues to estimate asset value based on TMH's revenues and how comparable hospitals have been valued in recent transactions. Total operating revenue is multiplied by an industry-derived multiple that reflects market perceptions of scale, service mix, and payer composition. This approach forecasts the value a market participant might attribute to the hospital's ability to generate sustained revenue, providing context for how the broader healthcare market prices operational performance rather than underlying physical assets.
6. **Market Approach - Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA):** Evaluates the hospital's earnings before interest, taxes, depreciation, and amortization to determine asset value based on TMH's EBITDA and market multiples derived from comparable hospital transactions. By analyzing normalized EBITDA, adjusted for non-recurring or extraordinary items, the method forecasts the hospital's ongoing capacity to generate operating cash flow. This approach emphasizes profitability, efficiency, and financial sustainability from an operational perspective, offering insight into how market participants value the hospital as a going concern rather than the City-owned land and facilities.

Each approach provided an independent indication of value. Together, they offered a comprehensive view of the City's tangible holdings, ensuring the resulting valuation was credible, supportable, and reflective of the property's value.

Sales Comparison Methodology

The sales comparison approach estimates the value of the City's interest in hospital assets by asking a market-based question: what price have knowledgeable buyers recently paid for broadly comparable hospital properties, and how should those prices be adjusted to reflect the subject's specific characteristics? Value is inferred from observable transactions by identifying relevant comparables, normalizing their sale prices for differences in property rights and conditions of sale, and then making systematic adjustments for physical, functional, and external attributes. The result is an indication of the asset's as-is market value as of the valuation date, grounded in demonstrated buyer behavior.

Per Ankura's report, this approach is most informative, "for valuing property types that are frequently exchanged in the market but can be appropriate if adequate market data is available." While hospitals are often considered special-purpose properties, the sales comparison method can still provide meaningful evidence where transactions involve inpatient facilities, specialty hospitals, or hospital campuses with similar scale, service lines, regulatory context, and market dynamics. It helps decision makers anchor valuation in observable market pricing, complementing cost-based and income-based perspectives.

The standard methodology begins by defining the subject's key attributes (campus size, bed count, acuity mix, service lines, age/condition, code compliance, utility plant, parking, and site improvements). Analyses then identify sales of reasonably comparable hospital assets and normalize each sale price for differences in property rights conveyed, financing terms, and motivations of the parties. After this normalization, the analyst applies quantitative and qualitative adjustments for elements such as location and market demand, size and configuration, age and condition, functional utility, capital needs, service-line comparability, and external factors. Adjusted indicators from the most comparable sales are reconciled, placing greatest weight on transactions most similar in date, property characteristics, and verification quality, to produce a supported opinion of value.

The sales comparison approach carries key assumptions and limitations. It assumes an adequate supply of recent, verifiable, arm's-length transactions and reliable information about each sale's terms and physical/operational context. It also assumes the identified differences between the comparables and the subject can be captured through defensible adjustments; where data are thin, adjustments necessarily rely more on professional judgment. Results may be sensitive to shifts in capital markets, reimbursement outlook, and regional demand, which can affect prices independent of physical characteristics.

Interpreted in this context, the sales comparison approach reflects the price a willing buyer and willing seller would likely agree upon for the subject asset, given current market evidence and appropriate adjustments for differences. It is most persuasive when the comparable set is well-documented, and the reconciled conclusion aligns with broader market trends. As with other valuation methods, it should be weighed alongside additional approaches to form a balanced, defensible conclusion of value.

Cost Approach Methodology

The cost approach methodology estimates the value of the City's interest in hospital assets by answering a practical question: what would it cost today to create a functionally equivalent facility that can provide the same health-care services, capacity, and utility? The approach builds value from the ground up by determining the current cost to construct a modern replacement, adding appropriate indirect costs, valuing the land separately, and deducting all forms of depreciation. The result is an indication of the asset's value as-is as of the valuation date.

The cost approach is especially informative for special-purpose properties, such as hospitals, where comparable sales are scarce and income metrics can be distorted by payer mix, service alignment to public needs, episodic capital cycles, or system-level allocations. Per Ankura's report, this method is, "Relevant due to the specialty nature of hospitals and their less-frequent exchange in the marketplace." It helps decision makers understand the embedded capital in the physical plant and major systems, independent of any operator's financial performance.

The standard cost approach methodology begins with identifying all real property (land and buildings) on the hospital campus. Construction cost references, comparable builds, and cost manuals, such as Marshall and Swift Valuation Services, are then considered to determine a basis for replacement cost. Direct and indirect building costs are evaluated as part of the rebuild calculation using a basis for replacement costs. Next steps include measuring depreciation for the asset in question, considering physical deterioration, and determining land value using a sales comparison or other assessed-value method. Once all factors are compiled, the indication by the cost approach is derived by adding the land value, replacement cost, and indirect costs, and subtracting the depreciation expense.

The cost approach rests on key assumptions and limitations. It assumes a willing buyer would choose new construction if it could be delivered at or below the indicated cost, adjusted for time and risk. It also assumes the replacement facility reflects contemporary standards and equal purpose and useability, not a replica. Depreciation estimates, particularly for functional and external elements, are subject to professional judgement and may be sensitive to evolving codes and reimbursement trends.

Interpreted in this context, the cost approach represents the capital required today to obtain an equivalent hospital, less the penalty for the subject's condition and design. This method is persuasive when depreciation is well documented. Like many valuation methods, it should be weighed alongside additional valuation approaches as a strong comparison metric.

Historical Appreciation Methodology

This approach estimates value by starting with the City's recorded historical asset base and rolling that amount forward to the valuation date using an appreciation schedule informed by industry indices. As Ankura notes, it "adjusts historical asset value for appreciation based on indices for the broader industry." The objective is to present, in today's dollars, the value of what the City built, owns, and is conveying, grounded in historical book entries rather than the operator's expenditures.

The standard workflow begins by establishing a documented baseline of assets associated with the hospital campus using the City's best available records. Although the hospital lease commenced in 1979, in this instance, using the best available records, the valuation was calculated using the 1974 land and buildings value indicated on the City's September 30, 1974 general asset ledger. Once this baseline is set, the recorded amount is escalated from its in-service year to the present using the selected appreciation schedule, producing a current-dollar indication of the original asset base being transferred.

This method rests on several clear assumptions and limits. It assumes the ledger provides a reliable inventory of the historical asset base and that the chosen appreciation schedule is consistently applied. Because the result is a historical cost appreciation, it does not, by itself, address condition, functional changes, or external influences; rather, it provides a transparent measure of the inflation-adjusted value of the original asset base.

Interpreted in this context, the historical appreciation method represents a current-dollar view of the City's contributed capital, anchored to the documented 1974 ledger balance and escalated to today, offering a clear statement of what the City built, owns, and is transferring. As with other methods, this indication should be considered alongside complementary valuation approaches to inform a balanced, defensible conclusion of value.

Book Value Methodology

The book value approach estimates value by asking a straightforward question: what is the hospital's equity worth today based on its recorded assets minus its long-term obligations, given that the buyer in an equity transaction is likely to assume the existing debt through the transfer? Value is inferred directly from the hospital's stated financial position by identifying total assets on the balance sheet, subtracting long-term debt, and treating the remainder as the equity the buyer would effectively purchase.

This approach is most informative when the objective is to understand the ownership interest being transferred in an equity transaction and the extent to which that interest is encumbered by existing debt. It provides decision makers a simple, transparent measure of what is being purchased net of obligations, aligning the valuation frame with how the buyer would step into the capital structure.

The standard methodology begins with the hospital's most recent balance sheet. The analysis identifies the total assets recorded (book value) and the long-term debt that would remain in place and be assumed by the buyer. The equity indication is then derived mechanically as book assets less long-term debt, reflecting the net position a buyer would obtain through the transaction.

This method rests on clear assumptions and limitations. It assumes that the buyer will assume the long-term debt through the transfer and that the balance sheet correctly reflects the hospital's recorded assets and obligations as of the valuation date. Because it is accounting-based, the result may diverge from market-based indications that incorporate replacement economics or observed pricing.

Interpreted in this context, the balance sheet approach represents the net asset value of the equity being transferred, that is, the hospital's recorded assets less the long-term debt a buyer is expected to assume. It is most persuasive when the balance sheet is current and well documented. This method should be weighed alongside complementary approaches to provide a balanced, defensible conclusion of value.

Market Approach - Revenue Methodology

The Revenue Approach estimates the value of an operating hospital enterprise by applying a market-derived multiple to its normalized operating revenues. Conceptually, it answers the question: What would a market participant pay for a hospital's ability to generate consistent revenue, given its scale, service mix, and market position?

To develop this indication, comparable market transactions involving similar hospitals and health systems are analyzed to determine relevant revenue multiples. These multiples capture how investors and acquirers value each dollar of revenue in the healthcare market, based on historical transaction data, growth trends, and regional factors. Once the multiple is established, it is applied to the subject organization's normalized annual revenue to calculate an implied enterprise value.

This approach is particularly useful for understanding relative performance and scale across operators where income statements, rather than physical assets, drive value. It accounts for key qualitative factors such as payer mix, service-line growth, and competitive market share, which affect a hospital's ability to sustain revenues over time. The analysis may include adjustments for one-time revenue fluctuations, extraordinary funding (e.g., pandemic-related relief), or system allocations to produce a steady-state baseline.

While informative for market context, the Revenue Approach is an enterprise valuation technique that converts going-concern metrics into an estimated value. It inherently captures intangibles and operator-specific performance and thus does not provide a discrete indication of the City's interest in the land, buildings, and fixed assets subject to transfer.

Market Approach - EBITDA Methodology

The EBITDA Approach (Earnings Before Interest, Taxes, Depreciation, and Amortization) estimates the value of a hospital's operations based on its capacity to generate recurring earnings before accounting for non-cash and financing-related expenses. Conceptually, it answers the question: What would a buyer pay for the hospital's ongoing operating performance and cash flow potential, independent of its ownership or financing structure?

This method begins by reviewing historical financial statements to calculate normalized EBITDA, adjusting for non-recurring items, extraordinary events, or temporary relief measures. Comparable market data from similar hospital system transactions are then analyzed to derive a market multiple, reflecting how investors price operating cash flow across institutions of similar size, service mix, and profitability. Applying this multiple to the subject hospital's EBITDA results in an indicated enterprise value representing the market's view of the organization's total operating worth.

The EBITDA Approach is widely used in healthcare mergers and acquisitions because it focuses on the hospital's ability to generate sustainable cash flow. It inherently incorporates qualitative factors such as management performance, clinical efficiency, payer negotiations, and operational risk, all of which influence enterprise value.

Because EBITDA multiples capitalize operating performance and embedded intangibles, applying this method here would commingle business value with real-asset value.

Valuation Results

Based on the application of these methodologies, Ankura Consulting Group provided a comprehensive range of values reflecting the City's tangible ownership interest in the hospital property. Each method isolates the value of the land, buildings, site improvements, and associated fixed assets, excluding any operational or goodwill components attributable to TMH.

The resulting valuation range captures the City’s position as the titleholder of the physical assets that support TMH’s ongoing operations. These figures represent the market-supported value of those tangible assets, as of the valuation date.

Ankura’s approach to the various valuation methodologies and the valuations for each are listed in the attached report (Attachment 4). **Table 1** below displays the values determined by Ankura under each method. Together, these results form the analytical foundation for establishing a fair and transparent compensation structure between the City and Florida State University for the proposed transfer of ownership.

Table 1: Ankura Valuations by Methodology

Methodology	Assets Included	Estimated Asset Value	Less: Long-Term Debt	Calculated Equity Value
Cost Approach	Real + Personal Property	\$438,250,000	-\$364,114,875	\$74,135,125
Sales Comparison Approach	Real + Personal Property	\$418,600,000	-\$364,114,875	\$54,485,125
Net Book Value	Real + Personal Property	\$390,298,355	-\$364,114,875	\$26,183,480
Historical Appreciation Analysis	Real Property	\$109,304,777	N/A	\$109,304,777
Market Approach - Revenue	All (Including Intangible)	\$513,596,993	-\$364,114,875	\$149,482,118
Market Approach - EBITDA	All (Including Intangible)	\$584,508,815	-\$364,114,875	\$220,393,940



The valuation results provided by Ankura establish a clear, objective foundation for determining compensation to the City for its tangible hospital assets. The indicated range of values reflect different perspectives.

City of Tallahassee and Florida State University Memorandum of Understanding

The MOU, still under development, will outline a proposed structure between the City and FSU for the requested transfer of the City’s interest in hospital assets (“City assets”) and guide further discussions toward execution of definitive agreements that will set forth the Parties’ final agreement regarding the terms and conditions of the transfer.

The parties are working to address matters related to indigent/charity care, what to do in the event of any future sale of City assets, and compensation to the City for its interests in Hospital assets. For this effort, as outlined above, valuations of City assets were ordered per Commission direction. Six different valuation methods were developed by Ankura Consulting Group, LLC with valuations that range from \$26 million to \$584 million. Within these ranges, when accounting for debt assigned to TMH the valuations range from \$26 million to \$220 million; when not accounting for debt assigned to TMH the valuations range from \$109 million to \$584 million. While it is typical to include debt in the equity calculations, staff has confirmed that in the proposed agreement between TMH and FSU, the current outstanding debt of \$364 million will remain TMH’s obligation and will not transfer to FSU.

The MOU between the City and FSU is an integral element of the larger partnership/MOU between FSU and TMH. At the Commission’s direction, staff is negotiating an MOU with FSU for the transfer of the City assets. Once agreement is reached, a future public hearing will be scheduled.

Conclusion

For more than seven decades, the City has maintained a unique public–nonprofit partnership model that balances municipal stewardship with community healthcare delivery. Since the 1979 lease established TMH as the nonprofit operator of a City-owned hospital, this structure has enabled continued expansion of healthcare services while leveraging public ownership for bond financing and modernization. The proposed transfer of the City’s interest in hospital assets to FSU represents the next evolution of this model, transferring the City’s ownership interest into an academic framework while preserving TMH’s nonprofit operations, which have long defined its community mission.

To ensure fair compensation for the transfer of the City's interest in hospital assets, the City engaged Ankura Consulting Group, a firm with more than 75 years of combined experience in healthcare valuation, transaction structuring, and financial modeling. Ankura conducted an independent, multi-method valuation using Cost, Sales Comparison, Net Book Value, Historical Appreciation, and Market (Revenue and EBITDA) approaches to establish a transparent and defensible measure of the City’s ownership interest.

This item has presented information regarding the FSU-TMH MOU and the proposed City-FSU MOU, which is still under development.

This item requests that the Commission hold the second public hearing on the FSU-TMH MOU and authorize a future public hearing contingent upon the finalization of the Definitive Agreements. The proposed MOU between the City and FSU for the transfer of the City’s interest in hospital assets will be brought back at a future public hearing.

Options

1. Hold the second public hearing on the FSU and TMH Memorandum of Understanding and authorize a public hearing contingent upon the finalization of the Definitive Agreements.

2. Commission direction.

Attachments/References

Attachment 1 - FSU-TMH Memorandum of Understanding

Attachment 2 - FSU-TMH Letter to City

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

Attachment 4 - Ankura Valuation Report

Attachment 5 - Ankura Valuation Calculations Databook

Attachment 6 - Nabors, Giblin & Nickerson P.A. Legal Opinion

Attachment 7 - Third Amended and Restated Lease Agreement

Attachment 8 - First Modification To Third Amended and Restated Lease Agreement

Attachment 9 - Second Modification To Third Amended and Restated Lease Agreement

Attachment 10 - Third Modification To Third Amended and Restated Lease Agreement

[Attachment 1 - FSU-TMH Memorandum of Understanding.pdf \(246 KB\)](#)

[Attachment 2 - FSU-TMH Letter to City.pdf \(222 KB\)](#)

[Attachment 3 - October 1, 2025 FSU and TMH Memorandum of Understanding Agenda Item.pdf \(217 KB\)](#)

[Attachment 4 - Ankura Valuation Report.pdf \(2,156 KB\)](#)

[Attachment 5 - Ankura Valuation Calculations Databook.pdf \(578 KB\)](#)

[Attachment 6 - Nabors, Giblin & Nickerson P.A. Legal Opinion.pdf \(2,992 KB\)](#)

[Attachment 7 - Third Amended and Restated Lease Agreement.pdf \(1,098 KB\)](#)

[Attachment 8 - First Modification To Third Amended and Restated Lease Agreement.pdf \(995 KB\)](#)

[Attachment 9 - Second Modification To Third Amended and Restated Lease Agreement.pdf \(598 KB\)](#)

[Attachment 10 - Third Modification To Third Amended and Restated Lease Agreement.pdf \(147 KB\)](#)