

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**

March 26, 2026

SUBJECT: Transfer of Assets Agreement between FSU and the City of Tallahassee regarding Tallahassee Memorial Hospital

PROPOSED BOARD ACTION

Authorize Florida State University to enter into a \$109 million long-term contract, as part of a Transfer of Assets Agreement with the City of Tallahassee, providing for the transfer of the real property and personal property of Tallahassee Memorial Healthcare, as described.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; State University System Debt Management Guidelines.

BACKGROUND INFORMATION

Pursuant to a Memorandum of Understanding finalized in December 2025 between the City of Tallahassee (the "City") and FSU, the parties have negotiated a Transfer of Assets Agreement (the "Agreement") for the conveyance of all of the real property and personal property owned by the City and leased to Tallahassee Memorial HealthCare (the "Property").

On March 11, 2026, the City Commission voted in favor of transferring the Property to FSU, with Tallahassee Memorial Healthcare, Inc. ("TMH") continuing to operate it under an amended and restated 40-year lease. The lease and operating agreement, along with other associated contracts, are currently being finalized.

As part of the Agreement, regarding conveyance of the Property, FSU will pay the City \$109 million over 30 years, in annual payments of \$3,633,333, with zero interest accrual. Florida Statutes (F.S.) require the Board's approval, as follows:

Section 1010.62, F.S. defines "Debt" as follows:

(1)(c) "Debt" means bonds, except revenue bonds as defined in paragraph (e), loans, promissory notes, lease-purchase agreements, certificates of participation, installment sales, leases, or any other financing mechanism or financial arrangement, whether or not a debt for legal purposes, for financing or refinancing for or on behalf of a state university or a direct-support organization or for the acquisition, construction, improvement, or purchase of capital outlay projects.

It further stipulates:

(3)(a) A state university or direct-support organization may not issue debt without the approval of the Board of Governors. The Board of Governors may approve the issuance of debt by a state university or a direct-support organization only when such debt is used to finance or refinance capital outlay projects.

Additionally, through December 31, 2034, FSU agrees to contribute \$100 million in upgrades to the Property, as well as another \$150 million toward clinical faculty, clinical laboratory resources, and research/academic operations. These funding aspects are not part of the current request; Board approval is currently sought solely for the \$109 million payable in installments to the City, pursuant to the Agreement, over the next 30 years. Unlike traditional revenue bonds, the proposed \$109 million payable to the City is not secured by a pledged revenue source. However, FSU intends to use indirect cost recovery (“ICR”, a reimbursement mechanism in research grants providing for recovery of overhead expenses) to make the annual payment to the City, noting that this source for annual payments could change over the life of the Agreement. In such case, any change in repayment source will be compliant with s. 1010.62, F.S., the General Appropriations Act, or other applicable law.

The formation of an Academic Health Center has been considered for more than a decade. And, in 2021, the TMH board and FSU jointly approved a plan to further this goal through a strategic partnership, culminating in the current Agreement, which is anticipated to enhance health care in North Florida and expand FSU’s mission in education and research.

Supporting Documentation Included:

For supporting documents, see Facilities Committee material.