



Healthcare

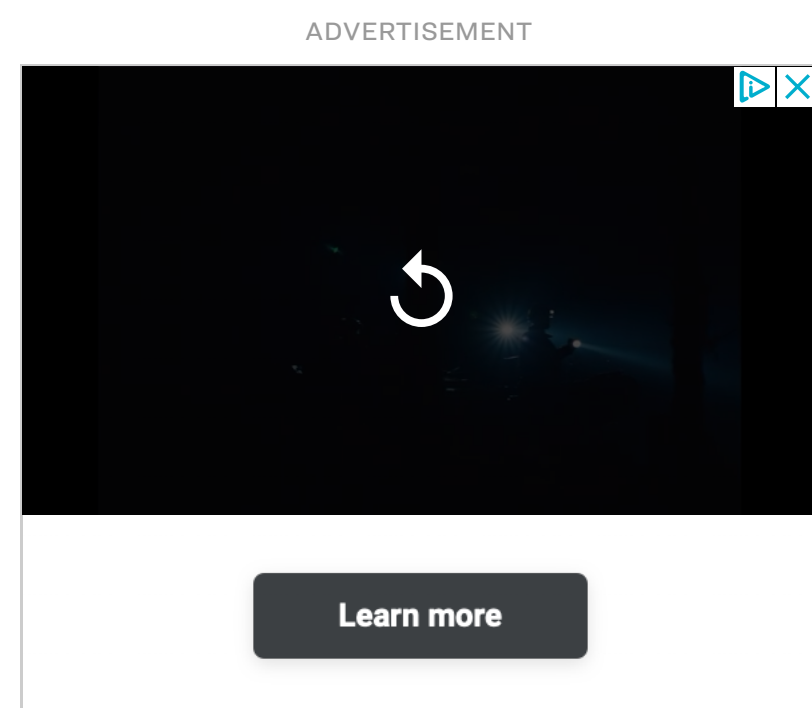


St. Christopher's Hospital real estate to be bought by Philadelphia developer Iron Stone

A joint venture of Tower Health and Drexel University purchased the hospital's business last month for \$50 million.



Iron Stone Real Estate Partners has agreed to purchase the real estate used by St. Christopher's Hospital for Children, according to sources. The hospital's real estate was not part of last year's bankruptcy. Avi Steinhardt



by Harold Brubaker
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Iron Stone Real Estate Partners, a Philadelphia developer known for acquiring financially distressed health-care properties, has agreed to pay \$65 million for the buildings and other property occupied by St. Christopher's Hospital for Children, according to people with direct knowledge of the pending deal.

The sale of St. Christopher's real estate, expected to close next month, will remove the North Philadelphia safety-net hospital from the legal chaos surrounding the bankruptcies last summer of St. Christopher's and the now-closed Hahnemann University Hospital in Center City.

Tower Health, which in a joint venture with Drexel University purchased the St. Christopher's operations for \$50 million, disclosed the agreement of sale in a bond document Friday. Iron Stone officials had no comment. The company that owned St. Christopher's real estate was not part of the bankruptcies that led to the sale of St. Christopher's business operations.

Although the property is being sold, it is to continue being used by St. Christopher's. Information about the property sale came from people who were not authorized to speak publicly before the sale closes.

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St. Christopher's has 188 beds and in 2018 its revenue was \$362 million, Tower said in its bond offering statement, based in information provided to in the sales process. Because St. Christopher's plays such a vital role in the care of North Philadelphia children, many of them from impoverished households, some of the city's health-care giants worked behind the scenes to make sure it stayed open.

The Inquirer previously reported that Independence Health Group and the University of Pennsylvania Health System were [supporting Iron Stone's effort to acquire the real estate](#), which includes the main hospital, an outpatient building, and a parking garage. That backing, effectively a credit-enhancement, is expected to be short-term.

Separately, Children's Hospital of Philadelphia has offered unspecified help as Tower and Drexel adjust to running a children's hospital. The partners completed their purchase on Dec. 15.

Independence has gone a step further, providing financial help.

"We, along with others, have been proud to support the Drexel/Tower coalition to acquire St. Christopher's," said Daniel J. Hilferty, president and chief executive of Independence. "Working with the Philadelphia Foundation, Independence has provided some limited financial support to be used by St. Christopher's for its working capital needs during its transition out of bankruptcy."

The St. Christopher's real estate was part of a complicated web of ownership and lending entered into by Joel Freedman, the California businessman who borrowed heavily to buy St. Christopher's and Hahnemann University Hospital for \$170 million two years ago from Tenet Healthcare Corp.

At St. Christopher's, Freedman owns the main hospital building and the outpatient center, known as the Center for the Urban Child.

Harrison Street Real Estate owns the parking garage at St. Christopher's. In addition to buying some of the real estate at St. Christopher's and at Hahnemann, the Chicago real estate firm also lent Freedman \$51 million toward the purchase.

Neither Freedman nor Harrison Street could be reached for comment.

Tenet lent Freedman an additional \$17.5 million, which is secured by Freedman's real estate. Tenet also claims it is owed many millions more for information technology and other services it provided since Freedman bought the hospitals.

The sales agreement calls for the Tower-Drexel joint venture to lease the properties from the buyer for 29 years and 11 months, according to the bond documents. Under the lease, Tower and Drexel are responsible for the costs of maintaining the property.

In the health-care arena, Iron Stone is well-known for redeveloping the former Medical College of Pennsylvania in the East Falls section of Philadelphia into a hub of business activity after it closed in 2004. The company paid \$11 million for that property. St. Christopher's does not offer the same redevelopment opportunity.

In 2017, [Iron Stone bought Girard Medical Center's real estate](#) out of the North Philadelphia Health System bankruptcy for \$8.45 million. NPHS still operates behavioral health and addiction-treatment services at the 801 W. Girard Ave. location.

Iron Stone agreed in 2018 to pay \$10 million for the historic Provident Mutual Life Insurance Co. property in West Philadelphia, which had been slated to become the city's new Police Department headquarters. When that agreement was announced the plan was for Iron Stone in partnership with Public Health Management Corp. to [develop the 13-acre property into a public health and community service center](#).

In public records, the city is still listed as the owner of the Provident building at 46th and Market Streets, but the sale is expected to close soon.

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