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Chicago firm owns valley mobile home parks

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Sam Zell has become the nation's landlord.

The 65-year-old Chicago native has built a personal fortune in excess of \$4 billion as the founder and chairman of Equity International — a global conglomerate that includes four publicly traded real estate companies: including Equity Lifestyle Properties.

ELS is one of the country's largest operators of manufactured home parks, including a few in the Northern San Joaquin Valley.

In 1997, it held 40 parks and 12,000 homesites. It finished 2005 with 285 parks, 106,337 sites, and on its Web site claimed a 24.8 percent shareholder return on investment, with revenues of more than \$414 million.

Its properties include Colony Park in Ceres, Coralwood in Modesto and Quail Meadows in Riverbank — three parks where steep rent increases have forced tenants — particularly seniors — to move or make difficult budget decisions.

According to Tim Sheahan, president of the Golden State Manufactured Home Owners' League, Zell's company is leading the nationwide trend of higher rental rates in manufactured home parks.

"It's not all Sam Zell, but he's the axis of it," said Sheahan, who resides in a manufactured home in San Diego County. "After seeing what Zell has done, some of the other larger owners have followed. But Equity is the one leading the cause."

Repeated calls to Equity International headquarters in Chicago and to the ELS regional office in Phoenix were not returned.

A typical Equity method after a park purchase, according to Sheahan, has been to raise rents high enough to force tenants to leave. ELS then takes over the property, razes the existing building, then constructs and sells its own housing.

A look at the company Web site seems to underscore this strategy. On the site mhchomes.com, ELS markets its manufactured home parks as resort cottages or resort homes. The premise of placing your own manufactured home in one of their parks is not mentioned.

2-bedroom, home for \$75,900

But it does list a home for sale at Quail Meadows — a two-bedroom, two-bath 1,248 square-foot "Suncrest" model for \$75,900.

"It's hard to know what Equity's strategy is," Sheahan said. "They've bought some really nice communities, and I don't know if they're trying to make them exclusive.

"In some markets, that might be possible, but I see it forcing seniors out. There has to be some kind of safety net to stop these people from being economically evicted from their homes."

Terry Nelson, president of the Illinois Manufactured Home Owners' Association, has lived in the same park near Chicago's O'Hare Airport for 34 years.

Several years ago, 25 members of her association purchased one share apiece of ELS stock as a way to gain access and have their voices heard at the company's annual shareholders' meeting.

Through that experience and through numerous contacts with members of her organization, Nelson believes she's pinpointed ELS' growth strategy.

"Sam Zell targets seniors in many states," Nelson said. "You have to be 55 or older to move into many of these communities. They run credit checks, so they know exactly what their income is. Then, by raising the rental rates, they force these fixed-income seniors out."

The Gravedancer

Biographies of Zell portray him as anything but the typical Wall Street shark.

According to a February profile in the magazine *Private Equity Real Estate*, Zell speaks in casual tones. Instead of the suit and power tie, he prefers sweaters and jeans. On most days, there is no limousine at his front door, because his chosen method of transportation is a Ducati motorcycle.

But he does revel in his nickname, which some suggest he chose himself. He's the "Gravedancer," a reference only to his ability to identify, purchase and resuscitate distressed companies.

Zell was born in Chicago to Polish-Jewish immigrants. His father developed a business as a jewelry wholesaler and real estate investor, and Zell caught the entrepreneurial spirit early, buying *Playboy* magazines off the newsstand for 50 cents and selling them to high school buddies for \$2.

His real estate career began while an undergraduate at the University of Michigan in the early 1960s. Finding it was more cost-effective to manage apartments than to pay rent, he began buying run-down units for little or nothing down, fixing them and renting them to students.

Zell finished law school at Michigan, practiced as a lawyer for about a year, then formed Equity Group Investments with fraternity brother Robert Lurie (no relation to the Bay Area

real estate mogul and former San Francisco Giants' owner of the same name).

The Equity empire expanded exponentially in the '70s through a series of buyouts of struggling real estate companies. In the '80s, the company focus turned to reviving foundering businesses, with Zell possessing the ability to spot struggling companies and Lurie having the financial wizardry to create the leverage.

Manages nearly 600 buildings

With Lurie's help, two other Zell holdings rose to the top echelon of their categories. Equity Office manages nearly 600 buildings and more than 100 million square feet of office space in the United States, mostly in major cities.

The trust is about to be sold to Blackstone, a private equity group, for \$36 billion. According to the Sunday Business Post, Zell could make more than \$300 million on the deal, which would be the largest leveraged buyout in history.

Equity Residential is the nation's largest publicly traded holder of multifamily housing, managing more than 160,000 apartments in 26 states, including complexes in Stockton and Lodi.

ELS, according to its Web site, has been in the manufactured home business for 30 years, and went public in 1993.

States the site: "We have done much in that time to consolidate a highly fragmented industry, improve service levels to residents and elevate the reputation of manufactured housing overall."

That is not necessarily the image of ELS among residents of Colony Park in Ceres, where some homeowners are having to choose between buying groceries or paying what they believe is unfairly inflated rent.

"We tried to work with ELS, specifically to get them to look at a lot of these hardship cases, and there just wasn't a lot of bend," said Ceres City Councilman Ken Lane, a member of the county's mobile home ad hoc committee formed to look into potential rent hikes for mobile home owners.

"Sam Zell is the reason all of this came up. His actions are driven by stockholders and I understand that, and I also have no problem with someone charging what they want. But when you have a group of people who have lived there for a lot of years, work with them."

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