Zell's Equity LifeStyle faces protest at annual meeting

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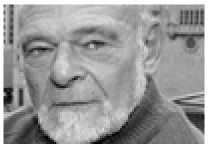

Sam Zell

(Crain's) — Best known as the Grave Dancer, Sam Zell was accused Tuesday of being something else: a grandma gouger.

A gaggle of about 20 protestors gathered outside the West Loop building housing the headquarters of Equity LifeStyle Properties, the nation's largest mobile-home park owner, led by the billionaire financier.

With the company's annual meeting going on inside, the group urged ELS executives and directors —including Mr. Zell, the chairman — to stop "unreasonable rent increases" that they say have left residents of ELS-owned housing communities — many of whom are retirees — with nothing.

"(The demonstration) is the first step we see in a campaign to help the directors of ELS understand that there are other ways to do business than gouging grandma," said Ishbel Dickens, executive director of Seattle-based Manufactured Home Owners Association of America, which organized the demonstration with Washington, D.C.-based Campaign for Community Change. "We hope to start a dialogue."

As of Dec. 31, ELS owned or had an ownership interest in 381 properties in 32 states — including four in Illinois — the majority of which are in retirement-friendly locations like Florida, California and Arizona, according to the company's annual report. The portfolio includes more than 140,000 lots that are leased to tenants who live there in factory-built homes, cabins and RVs.

The protesters argue that Equity LifeStyle has fought rent-control ordinances in some communities it owns, driving up their housing costs and depressing the value of their homes.

Bob Lamonica, a 61-year-old resident of an Equity LifeStyle park in Santa Cruz, Calif., said that shortly after he and his wife moved into the community in 2002, the company sued the city, challenging its rent-control ordinance. Ultimately the city decided to avoid a lengthy court battle, a move that "threw 230 families under the bus," according to Mr. Lamonica. As a result, he said he and his wife were forced into a non-transferable 34-year lease that, despite keeping rent for the lot at an affordable level, essentially trapped them in their home and made it all but impossible to sell.

"They win by overburdening the communities with endless litigation," he said, adding that he and his wife have put about $200,000 into their home. "People walk away — people who have invested $200,000 to $300,000 walk away for $1 because their rents get jacked up three, four, five times what they were under rent control" and they can no longer afford to live there.

When that happens, the company often converts the homes to vacation rentals, which further devalues surrounding homes in the communities, Ms. Dickens said.

Yet Equity LifeStyle's performance hasn't disappointed investors, who have seen the value of their shares rise nearly 20 percent over the past year, vs. a 1.8 percent gain for the Standard & Poor's 500 Index.

Security guards at 2 North Riverside Plaza, where the real estate investment trust is based and held its annual shareholders meeting Tuesday, did not allow a reporter past the front desk.

An Equity LifeStyle spokeswoman did not return messages seeking comment. A spokeswoman for Mr. Zell, who founded Equity LifeStyle but wasn't at the annual meeting, declines to comment.

Most people pick up and move if they think they are being overcharged by their landlord. But Mr. Lamonica said moving the resident-owned homes off Equity LifeStyle lots is so difficult that many residents feel stuck.

"There's a misnomer about calling these things mobile homes," he said. "They're not going anywhere."