



# VICTORIA ADVOCATE

February 11, 2018

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FINANCIAL

## PROFITING FROM THE POOR

### 2 nonprofits associated with anonymously owned rental properties avoid oversight

BY MARINA STARLEAF RIKER  
MRIKER@VICAD.COM

Kristi Perez returned to Victoria after evacuating before Hurricane Harvey, only to find all of her family's belongings were missing and another tenant had moved into her apartment.

"It was our home," Perez said during an interview in October. "And then come to find out, they just threw all our stuff out and moved other people in."

The mother of two was among four tenants who sued Crossroads Apartments in Victoria, accusing the landlord of wrongfully evicting families and taking their belongings. But the case was dismissed when the property owner, an anonymously owned company based in Dallas, reached a private settlement with the tenants, according to court records.

This is not the first time there

SEE ALMS, A4

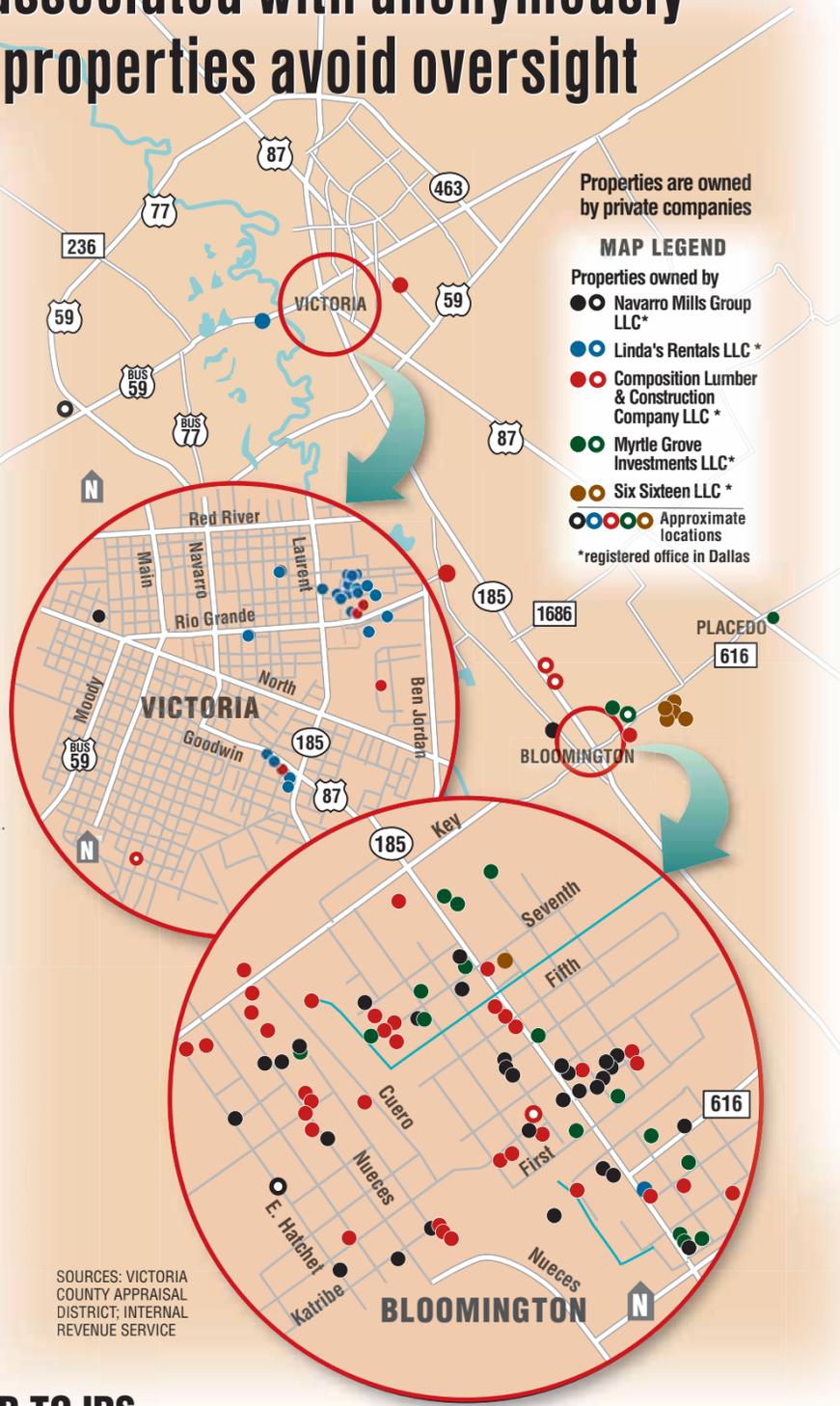
### Legal dispute ties up water board in Bloomington

BY MARINA STARLEAF RIKER  
MRIKER@VICAD.COM

Hurricane Harvey's winds and rains had no mercy for one of Victoria County's poorest communities.

In Bloomington, a rural unincorporated community of about 2,500 residents, corrugated metal

SEE BOARD, A6



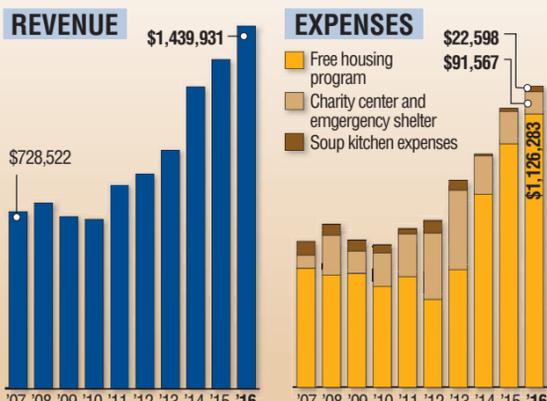
SOURCES: VICTORIA COUNTY APPRAISAL DISTRICT; INTERNAL REVENUE SERVICE

### FINANCES REPORTED TO IRS

The Internal Revenue Service requires that tax-exempt organizations such as ALMS and Volunteers of Victoria file tax documents that provide details on where and how money is spent every year.

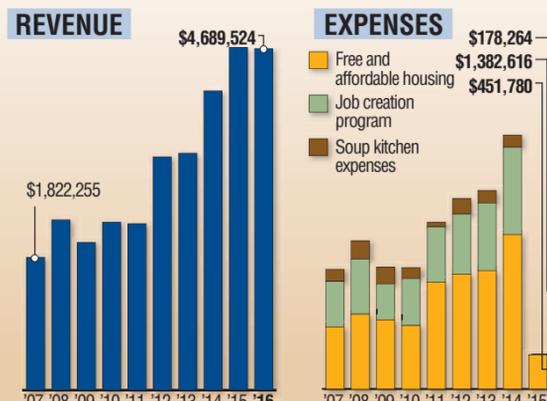
#### ALMS

ALMS is another name for La Raza Unidos, which files tax forms as a 501(c)3 charity, according to 990 forms.



#### VOLUNTEERS OF VICTORIA

Volunteers of Victoria files tax forms as a 501(c)3 charity, according to 990 forms. The charity has the same board of directors and address as ALMS, according to tax documents. It also provided ALMS with \$1.3 million in funding in 2015, according to tax documents.



CELEBRATION

## Black History Parade reflects on past wars

BY ISMAEL PEREZ  
IPEREZ@VICAD.COM

John Thomas Earl Gibson carefully used magnets to attach pictures of African-American soldiers who served in the Civil War and other American wars throughout history.

The faces of the men in the photos would be seen by Victoria residents as Gibson's two black cars slowly drove by them in a parade down North Street.

"It's to remind them of people who served in the military," the U.S. Army veteran said. "You can't just say, 'I'm free.' Somebody paid for your freedom."

The Victoria Black History Committee hosted

SEE HISTORY, A6

QILING WANG/QWANG@VICAD.COM

Jashaun Jackson, 8, gets his hair cut by Preston Williams, 30, during the Black History Celebration.



ELECTIONS

## Immigration, economy top focuses in GOP District 27 race

BY MARINA STARLEAF RIKER  
MRIKER@VICAD.COM

A half-dozen Republicans are vying for their chance to replace U.S. Rep. Blake Farenthold, many of whom say immigration, health care and economic development are the district's most pressing issues.

On the primary ballot for 2018, six of 10 candidates are running as Republicans for their chance to fill the congressional seat in District 27, which stretches across the Texas Gulf Coast around Corpus Christi and snakes north toward Austin.

The Republican challengers will face off during the March 6 primary before the winner challenges the Democrat's primary's winner in the November election.

The Republican candidates include Bech Bruun, former chairman of Texas Water Development Board; Michael Cloud, former chairman of the Victoria County Republican Party; and Christopher Mapp, a small business owner from Port O'Connor. John Grunwald, a retired accountant who lives in Houston; Jerry Hall, a mediator who lives in Corpus Christi; and Eddie Gassman, a contractor from Corpus Christi, also are seeking the seat.

So far, Bruun and Cloud are emerging two of the most competitive candidates, said Victoria County Republican Party chairman Bill Pozzi. The chairman said he's heard that Bruun has been successful in fundraising across the district, while Cloud is increasingly popular among grassroots movements in Victoria.

"I think it's my duty to promote to have as many good candidates as possible," Pozzi said. "And I'm very excited about the congressional race."

Bruun, a Corpus Christi native, has been endorsed by a number of organizations and individuals, including the Texas and Southwestern Cattle Raisers Association, U.S. Rep. Roger Williams and former Texas Gov. Rick Perry, who is the secretary of energy in the Trump administration.

Before resigning from his position as chairman of the Texas Water Development Board last year to focus on his campaign, Bruun led the agency in charge of collecting data, providing financial assistance and developing new water supplies in the state.

If elected, Bruun said he would use his experience to ensure communities such as Victoria have water infrastructure in place to accommodate new businesses. For example, cities, such as Victoria or Corpus Christi, have roads, rails and ports in place, but they need to be able to provide large amounts of water for new businesses – such as Exxon Mobil, he said.

Once the infrastructure is in place, new and existing industries can grow, boosting the number of jobs and

SEE DISTRICT 27, A3

#### IF YOU GO

- **WHAT:** Debates for Republican and Democratic candidates for Congress, District 27
- **WHEN:** 5:30 p.m. Monday
- **WHERE:** University of Houston-Victoria North Multipurpose Room, 3007 N. Ben Wilson St.

#### WEATHER

**TODAY** Occasional rain, fog this morning **HIGH 50**

**TONIGHT** A shower early, cloudy chilly **HIGH 38**

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# ALMS: Missing web presence major red flag for shell companies, fictitious businesses

CONTINUED FROM A1

have been problems at the Crossroads Apartments, a complex known by law enforcement for criminal activity and as a last resort for desperate renters. Neither credit checks nor deposits are required to live there, and rent can be paid by the week, according to tenants.

Although it's unclear exactly who owns or profits from the apartments, a Victoria Advocate investigation revealed the Crossroads Apartments are associated with almost 130 other properties in Victoria County, which altogether were recently appraised at more than \$9.7 million, according to county records. The properties are owned and connected with a tangled web of nonprofits and anonymously owned companies, some of which are not based in Victoria.

The owners of the companies aren't listed on government documents. Meanwhile, the nonprofits don't have websites, nor did telephone numbers listed on tax documents reach their representatives when called multiple times by the Victoria Advocate. The nonprofits' representatives could not be reached in person either.

Despite the lack of transparency, two of the nonprofits — ALMS and Volunteers of Victoria — reported a combined revenue of more than \$40 million between 2007 and 2016, according to tax documents. During that time, they filed tax forms stating they spent a combined total of about \$17.5 million providing free and low-income housing.

But some local nonprofit leaders and housing advocates said they weren't aware of anyone who received free housing.

Local and state housing authorities who oversee affordable housing programs regulated by the federal government said they couldn't recall working with the nonprofits.

"I think if you profit from another person's misfortune, then there's a question about the morality," said Victoria County District Attorney Stephen Tyler. "If you are receiving tax benefits that you are not due, that's a form of fraud."



The Crossroads Apartments complex is quiet on this morning. The complex is owned by Linda's Rentals, an anonymously owned company associated with ALMS through a network of shell companies.

ANGELA PIAZZA/APIAZZA@VICAD.COM

### Lack of oversight

Victoria County's district attorney said his office doesn't have staff trained in investigating white-collar crime. In general, he prosecutes cases after a law enforcement agency has conducted an investigation, he said.

A spokeswoman at the Texas Office of the Attorney General, which investigates nonprofit fraud, said she couldn't comment on specific cases.

A spokesman at the Internal Revenue Service said he could not comment on individual taxpayers.

Across the globe, anonymously owned businesses can be used for legitimate reasons, such as holding money or assets, even if they don't have active business operations. But those businesses — which are commonly called shell companies — also can be used for nefarious activities like money laundering or to hide who the owners are from law enforcement agencies.

### Attorney won't name client

In Victoria, it's unknown who runs the nonprofits or nearly half-dozen companies, some of which are represented by businesses that can be hired to create com-

panies for owners who want to stay anonymous.

Even the attorney of one of the nonprofits, known to residents as ALMS, didn't say who the person in charge was — despite currently representing ALMS in a lawsuit against a local water district.

"I'd have to get you a name, and I'm not trying to be evasive," said ALMS attorney Bernard Klimist, of Victoria. "Honest to God, I haven't been keeping up on it."

During an interview conducted a day later, Klimist said the nonprofit recently stopped providing charitable services and wasn't managing property rentals anymore.

According to tax documents, ALMS' mission is to "provide free clothing, food and shelter to the impoverished."

Klimist didn't say exactly when the services were stopped and said tax documents hadn't been updated to reflect the changes yet.

He would not identify whom he worked with at the nonprofit and said the board president recently resigned. When asked if he would allow the Victoria Advocate to interview his client, he said, "If they ask me, I'd tell them no."

Klimist said the nonprofit and associated companies operate legally and have

been extensively audited, but he didn't say by which governmental agencies. He didn't provide documentation for the audits either.

"These companies, these properties, ALMS have been audited into the ground by everybody — from law enforcement to everybody," Klimist said. "They have been audited, every record has been gone over and nothing — because there's nothing to find."

### No one will answer

The Victoria Advocate made multiple attempts to contact representatives of the nonprofits by phone and in person. When the Victoria Advocate called the phone number listed on ALMS' tax documents, the phone was answered on two occasions as "weekly rentals."

During one phone call, the person who answered the phone, who would not be identified, said the number was not related to a charity.

When the Victoria Advocate visited the address listed on the nonprofits' tax documents — a building with a purple, hand-drawn sign that read "thrift store" on 1411 Port Lavaca Drive — the doors were locked.

The door was answered by Ruben Gonzales, a former member of Bloomington's water board who was indicted

last year for allegedly lying about being a felon on his election application. Gonzales, who pleaded guilty to fatally stabbing a man in the 1980s, is not listed on the nonprofits' tax forms as an employee. When a Victoria Advocate reporter asked to speak with the nonprofits' representatives, Gonzales told her to leave the property.

### Bloomington battleground

ALMS is known by some residents as the property manager of dozens in Bloomington, one of the poorest parts of Victoria County. Many of the apartments are rented for between \$140 and \$190 a week and have just one room, a microwave and a mini-fridge, according to outreach workers.

According to Klimist, ALMS managed rental properties in the rural community that are owned by other private companies.

Some of those companies were sued when property taxes weren't paid on time. Since 2007, the county has filed at least 14 tax lawsuits, in which at least three nonprofits, five companies and more than a dozen individuals were named in one or more of the cases.

At least four of the five companies named in lawsuits were registered to incorporate service companies,

which are businesses that can be hired to create and manage companies for owners who don't want to be identified.

One of those companies, which dissolved in 2015, was based in Nevada — one of three states, along with Wyoming and Delaware known as havens for business owners who wish to remain unidentified, according to experts.

"The reason that Nevada is frequently used for shell companies is that their reporting and disclosure requirements are minimal," said Mason Wilder, of Association of Certified Fraud Examiners. "So it helps with anonymity in ownership of businesses, assets. ... It helps with anonymous financial dealings."

Wilder would not comment on specific cases but said shell companies are used across the globe to conceal business owners and assets or help individuals avoid taxes.

In recent years, the use of shell companies made international headlines after the Panama and Paradise Papers were released. These massive leaks of financial documents revealed how politicians, celebrities and other wealthy people concealed money to avoid paying taxes in companies held offshore.

In the U.S., shell companies are legal and can be used for legitimate business reasons, Wilder said. But they also can be abused for tax evasion and money laundering.

"A major red flag for shell companies or fictitious businesses is if they don't have a web presence at all, no website or a very unprofessional website," Wilder said.

Another sign is if multiple companies are registered to the same address or have fewer than five employees, he said.

"Those are the kinds of things that fraud investigators look for to determine the legitimacy of a business," Wilder said.

Victoria attorney Klimist said last fall that ALMS does not have any employees; it uses only contract workers.

When asked in January why the nonprofit would operate with so many entities, Klimist said it was solely for legitimate management and tax reasons.

"I can give you the name of a dozen developers in

SEE ALMS, A5

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ADVOCATE FILE PHOTO

Bloomington is home to dozens of apartments, some of which are just one room and home to families with multiple children and pets, according to outreach workers.

## ALMS

CONTINUED FROM A4

town who are well-respected businessmen who have 15 different LLCs and businesses," Klimist said. "I mean, that's just normal business practice."

He said that "every one" of the entities had been audited by the "appropriate people." He did not provide documentation for the audits.

"There is no hidden company that is running money through," Klimist said. "It has all been audited."

### 'We got them cornered'

In late summer 2017, the network of nonprofits and companies owed about a half-million dollars in delinquent taxes, according to a tax attorney hired by Victoria County.

The complex web, however, made the legal process complicated for the county's attorneys to collect the tax money. When the county would sue one company, it would transfer the land to a new owner, said Steven Saucedo, who works at the firm hired by the county.

"So they had the ownership at XYZ corporation, and we'd sue them," Saucedo explained. "Well then, they'd switch ownership to somebody else, and we'd have to include that new ABC corporation (in the lawsuit)."

Eventually, the attorneys tracked down dozens of re-

lated accounts, he said.

"We got them cornered, and we got everything paid," Saucedo said.

But the shell companies weren't the only targets in the county's lawsuits. One of the individuals named in two of the tax lawsuits is Laura Klimist, the wife of the nonprofit's attorney. She was listed as lien holder for one of the properties that wasn't current on property taxes.

According to property records, Laura Klimist sold a property that was part of her father's estate to Martha Vasquez, who is listed as the board president of ALMS and another nonprofit. Klimist also provided \$125,000 in financing, which has since been paid back, according to county records.

The property that was sold, located at 1411 Port Lavaca Drive, became the headquarters for ALMS and another charity, according to tax documents.

But Bernard Klimist said he and his wife didn't know that the buyer, whom Klimist said he's known for more than 30 years, planned to turn the property into the charities' center.

Klimist said his wife was involved only as the lien holder. Tax attorneys usually name both property owners and lien holders in lawsuits.

"The only reason her name came up is she was the executor ... of this estate and the lien holder,"

Klimist said. "There was nothing else."

### The rental program

In Victoria, the lack of transparency surrounding rental properties has sometimes caused problems for tenants.

Before filing the lawsuit in October 2017, tenants at the Crossroads Apartments and their attorney made repeated attempts to reach the property owner — including hand-delivering letters and mailing certified ones, according to a news release from Texas RioGrande Legal Aid. But it proved difficult to reach the owner, a company registered to an address in Dallas.

Despite the lack of transparency surrounding the apartments' owner, some of its tenants said they paid rent to ALMS. Before her case was dismissed last fall, Yvonne Brazil, a tenant who sued the apartments, said she paid rent via money order — \$170 per week — made out to ALMS for the apartment she shared with her boyfriend and two children.

Perez, another tenant in the lawsuit, said she also paid her rent by money orders written to ALMS.

"Basically if you don't pay your rent, they bolt your door, and they will throw everything out that day," Perez said during an October interview.

Neither tenant would return requests for comment after the case was dismissed.

Klimist, who represents ALMS, said he also represented the owner of the Crossroads Apartments when the tenants sued. He said the lawsuit was settled quickly because it was a misunderstanding, and the tenants got their belongings back.

"I got a call from the manager over at Crossroads, and I don't know who it was," Klimist said. "A lot of times — and I know it sounds flippant — attorneys, we don't ask."

Klimist also said ALMS and the Crossroads Apartments were unrelated — even though the nonprofit's headquarters and apartments are owned by the same company, according to property records.

In late January, a sign outside the apartments' rental office said it was under new management, and a note inside the office instructed tenants to pay rent to S. R. Inc. — a name that doesn't belong to an active business in Texas, according to the state.

But that same day, county records show ALMS started the legal process to evict a tenant renting a home in Bloomington. On the form filed with the county, the landlord's address was listed as 1610 N. Laurent St. —

### WHAT DOES ALMS STAND FOR?

Bernard Klimist, the attorney for ALMS, said he's called the nonprofit by the acronym for years but thought it stood for "affordable lawn maintenance services." When asked how the organization got into providing housing, he said it wanted to provide housing for people who couldn't afford it.

known as the rental office of the Crossroads Apartments.

Meanwhile, business records show paperwork for the company that owns the apartments was signed by Martha Vasquez, who is listed as president of the nonprofit ALMS. Vasquez did not return multiple requests for comment, including phone calls and hand-delivered notes.

### \$6 million for free housing?

Although Klimist argues Crossroads Apartments and ALMS are unrelated, he said ALMS did manage properties in Bloomington. Many of the units, which are operated like motels, were built in the midst of an oil boom, when dozens of transient workers flocked to the region.

But nowhere in ALMS' tax documents is there any

### MORE ABOUT ALMS' TAX DOCUMENTS

ALMS and Volunteers of Victoria's tax documents were made available for viewing by ProPublica, a nonprofit newsroom, and GuideStar, a nonprofit that posts charity documents online. Go to VictoriaAdvocate.com and click on this story for more information about ALMS' most recent tax documents, to view ALMS' nonprofit tax forms from 2007 to 2015, and to view Volunteers of Victoria's tax forms during that time frame.

mention of a rental property program. Instead, the nonprofit's mission is to "provide free clothing, food and shelter to the impoverished," according to tax documents.

Between 2007 and 2016, the nonprofit filed tax documents stating it spent more than \$6 million providing free housing. Tax documents for 2017 aren't available yet.

In the aftermath of Hurricane Harvey, Klimist said the nonprofit provided emergency housing to more than 100 people who sought shelter after their homes

SEE ALMS, A6

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PAGE DESIGNER/COPY EDITOR: J.R. ORTEGA, JRORTEGA@VICAD.COM

# COVER STORY/CROSSROADS



A group of children take a picture with UHV Jaguar before the Black History Celebration parade starting at Patti Welder Middle School.

QILING WANG/QWANG@VICAD.COM

## HISTORY

CONTINUED FROM A1

their annual Black History Parade and Festival on Saturday at the Victoria Community Center. This year's theme was "African-Americans in Times of War."

The parade started at Patti Welder Middle School and ended at the community center where the festival began.

There were 30 entries in the parade and about 100 people who attended the parade, said JT Murphy, the parade organizer.

Stephanie Loewe, 45, of Hallettsville, was supporting her daughter, who is a cheerleader.

She said she tries to show her support for Black History Month in any way she

can and hoped more people were there to show they support, too.

"It matters that we care about our history and how we got here," the University of Houston-Victoria criminal justice and psychology double major said. "We have come a long way but still have a long way to go, so showing our support definitely shows we are inclusive of everybody."

Kelvin Orlando Scott, 48, of Victoria, was the grand marshal of the parade and a speaker at the celebration. The U.S. Army veteran, who moved to Victoria in 2010 after his last tour in Iraq, invited his family from Ferriday, La., to the festival.

"I called them once I got the notice to be a speaker and grand marshal," he said. "It's an honor for me

to have them come and share this moment with my family."

Scott spoke about his experiences and also informed the festival attendees how the military provides good opportunities.

Sherilyn Shelton, an event organizer in charge of entertainment, said more than 200 people were in attendance at the festival.

She said the festival was not just open for African-Americans; anyone from the public was invited, too.

Celebrating with people from different backgrounds helps people be one and get along, she said.

"Being together, we are only one. And if we can involve different nationalities, we will become together one big family here in Victoria," Shelton said.

## ALMS

CONTINUED FROM A5

were damaged. Klimist would not provide data on how long residents stayed, nor would he disclose where shelters were located.

Housing advocates can't confirm it either.

An email from an ALMS representative shows the nonprofit offered two homes in Bloomington to be used as shelter. But leaders of local charities overseeing recovery efforts after Hurricane Harvey said ALMS wanted contract terms that weren't feasible, according to their officials.

Other than this offer of the two units, local nonprofit leaders said they don't know of anyone who has received free housing in recent years. Meanwhile, officials who work for the Victoria Housing Authority, which oversees low-income housing programs, said they couldn't recall working with the nonprofits.

Kim Pickens, who advocates for the homeless, said she wasn't aware of anyone who took part in a free housing program while she served as president of Victoria's homeless coalition for four years.

"It's not something they publicize," Pickens said.

Instead, ALMS runs apartments more like motels than traditional long-term rentals, Pickens said. Most tenants pay by the week and aren't given the same rights as tenants who have conventional leases, she said.

If people don't pay on time, they can end up homeless, she said. She recalled one instance when she spoke with a man whose employer was late giving him his check, so he was kicked out on Easter weekend because his rent was late, she said.

"I know a lot of people who have become homeless because of the way they do things," Pickens said.

That was all too real for Yvonne Brazil, one of the tenants who sued Crossroads Apartments. During an interview Oct. 19, Brazil said she hated losing all of her belongings — especially family photos.

Even though it was small, the Victoria apartment was her family's home. But her family had nothing left after the landlords removed their things, so Brazil, her boyfriend and her 7- and 15-year-old children were better off starting a new life in a new city, she said.

"We were feeling hopeless. ... We're homeless now."

## BOARD

CONTINUED FROM A1

roofs were ripped from dilapidated homes, and trees crashed onto trailer houses.

County Commissioner Danny Garcia, whose district includes the community, estimated 35 percent of residents were left homeless.

Garcia, however, didn't want them to get left behind. So he pleaded with the local school board to consider selling land — 4 acres that could be developed into affordable housing.

The school board considered it, but Garcia ran into a problem — something that could stop the development from moving forward.

"The problem is now becoming that the water district may be at capacity with their sewer plant because of all the growth," Garcia said. "That may cause us some issues where we can't build homes for families."

Within the past several years, dozens of apartments were built in Bloomington when transient workers flocked to the area in the midst of an oil boom.

In the years that followed, the water district struggled to keep up with new demand while also maintaining aging infrastructure.

In 2015, the district hired a consultant to study whether it was charging customers enough to cover its costs. The study said some customers weren't paying their fair share, so the district placed customers into commercial or residential categories based on their burden to water and sewer lines.

ALMS, a nonprofit that managed dozens of apartment rentals, was dubbed a commercial customer. But ALMS said the rates were unfair and started a legal fight that now has implications for the entire community's future.

"If we didn't have ALMS suing us, we could improve

our water lines and we could improve our sewer lines," said Noemi Troncoso, the water board president.

But the nonprofit's attorney, Bernard Klimist, argues the district is discriminating against ALMS and its tenants.

Last spring, ALMS sued the water district, alleging it was charged significantly higher rates than other water customers. The lawsuit accused the district of overcharging ALMS via illegal meter up-sizing, improper rate classification and excessive billing rates.

The district charged ALMS up to five times more than other similar rental properties, Klimist said.

"The biggest issue with the water district is the discrimination," Klimist said.

But Klimist said there were deeper problems at the district.

He pointed to blog posts, which appear to be written using aliases, that contain unverified accusations against board members ranging from fraud to misusing funds.

The author of the blog posts did not respond to requests for comment.

Klimist also accused one board member of taking advantage of water rates, saying family members of Lucy Morales, who serves on the water board, were charged cheaper rates at their rental properties than ALMS was.

"If you verify that No. 1, they are sitting and elected on the board. No. 2, they have family members who own, develop and benefit from their decisions about the rates, you don't even have to get anywhere else," Klimist said. "The next question is: Why isn't anybody looking at that?"

Morales would not comment. But Mike Gershon, an attorney representing the Bloomington water district, said ALMS fought to have Morales removed from the board in 2014, saying one of her relatives was a property developer.

But after looking into rules surrounding the issues, the attorney found



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Cathy Garcia, of Victoria, addresses Bloomington water board members during a meeting at St. Patrick's Catholic Church.

that Morales' relative, who owns a mobile home park, didn't fit the Texas Water Code's definition of a developer, he said.

According to that code, a developer is someone who owns land and has divided the land to build a subdivision, lots or properties intended for public use.

About three years later, Gershon is now fighting ALMS in a different legal battle that centers on what the nonprofit will pay for water.

Before the new commercial rates took effect, all customers paid the same rates for water, Gershon said. But in 2015, the consultant hired by the district analyzed operation costs and customers' data and said ALMS should be charged commercial

rates.

In general, customers can appeal the rates with the Public Utility Commission of Texas, which is in charge of deciding if rates are fair, said Gershon. But ALMS didn't do that and instead sued the district.

"ALMS never appealed the rates," Gershon said. "We never faced a challenge to how these rates were set up."

Troncoso, the water board president, said the district tried to be as fair as possible when setting the rates, which is why the board hired a consultant. ALMS still owes the district about \$40,000, she said.

"They don't pay," Troncoso said. "But then their tenants, they better pay or they get

thrown out."

After months of negotiation meetings, the district and ALMS haven't reached an agreement. Troncoso said she recognizes how the lawsuit is hurting the district at a time when Bloomington needs housing more than ever. Garcia knows that all too well.

The county commissioner was hoping the land owned by the Bloomington school district could be developed into 16 to 20 homes — homes for families in desperate need.

Now, he's trying to figure out a way to make it work — even if the odds are against him.

"That's going to cause us some issues," Garcia said. "We don't know yet."

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