

# TEXAS COLONIAS

## Housing and Infrastructure Issues

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The Texas colonias are unincorporated and impoverished subdivisions that flourish along the state's border with Mexico. More than 1,400 colonias dot the 1,248-mile stretch from Cameron County on the Gulf of Mexico to El Paso County in the west. The 400,000 residents of these subdivisions struggle daily with living conditions that resemble a Third World country's—ramshackle dwellings, open sewage, lack of sanitary water and drainage, dusty unpaved roads, no plumbing.

Although numerous improvements in housing and infrastructure have been made since colonias were first established 50 years ago, bettering the lives of colonia inhabitants is an ongoing—and probably never-ending—process involving people, governments and organizations working together.

This article looks at some of these conditions and what has been done during the past 10 years to improve life in the colonias, with special emphasis on Cameron County colonias, home to nearly 27,000 residents.

### Vexing Problems

In the early 1950s, colonias became a way of life for thousands of people when developers began creating sub-

divisions in unincorporated, isolated rural areas on land that had no agricultural value or that was located in a floodplain. The developers divided the property into small lots with little or no infrastructure, then sold them on contract for deed to low-income people. The residents often built their homes piecemeal with whatever materials they could find or afford.

These areas became known as *colonias*, Spanish for neighborhood or com-

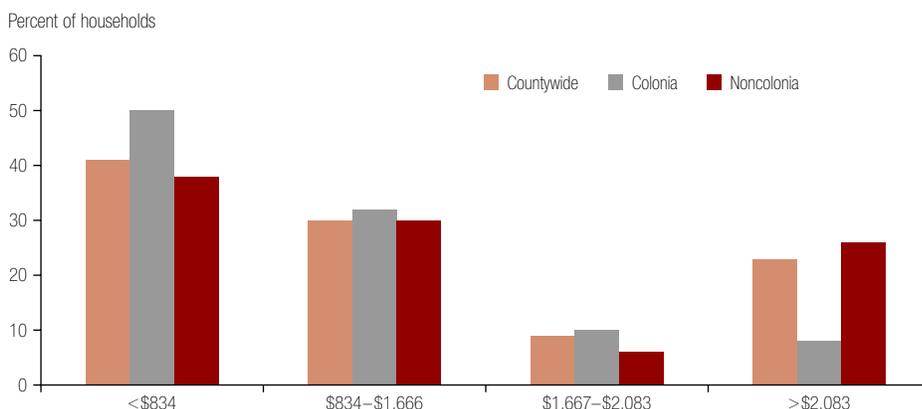
munity. Even today, for many of the Texans who live in them, the colonias are the only housing option. The residents are predominately Hispanic, nearly 65 percent of them born in the United States.

According to a random survey in June 2000 by the Texas Department of Health in 96 colonias in six border counties, almost half of the colonia households make less than \$834 a month (Chart 1). Nearly 70 percent of the residents never graduated from high school. The unemployment rate stands at 18 percent for colonia residents, compared with 11 percent for their border neighbors.

Compounding these problems is a border population that, in some counties, is growing at a rate nearly double the state average, easily outpacing the availability of safe and affordable housing. Cameron County—165 miles south of Corpus Christi—is no exception. During the 1990s, Cameron County's population grew by 25.5 percent, compared with the state average of 16.3 percent.

Inadequate or nonexistent infrastructure has long been a problem for the colonias. Of 99 colonias in Cameron County, 26 are without adequate water service and 70 lack wastewater treatment. County officials estimate they would need \$3.3 million to provide necessary water and sewer service, \$26 million for wastewater service, \$6 mil-

Chart 1  
Monthly Household Income, 2000



NOTE: Households were surveyed in six Texas border counties: Cameron, El Paso, Hidalgo, Maverick, Val Verde and Webb.

SOURCE: *Survey of Health and Environmental Conditions in Texas Border Counties and Colonias*, Texas Department of Health Office of Border Health and Public Policy Research Institute, Texas A&M University, June 2000 (draft).

lion for flood control and drainage, and \$10 million for road improvements. But those figures pale in comparison with what's needed for housing: \$72 million for repairs to 3,000 substandard units, nearly half categorized as unsuitable for repair.

Given these costs, burgeoning populations and inadequate infrastructure, cities adjacent to the colonias are reluctant to annex them and assume the large financial burden of providing services in exchange for such limited tax bases.

Throughout the colonias, housing problems have historically fallen into three groups:

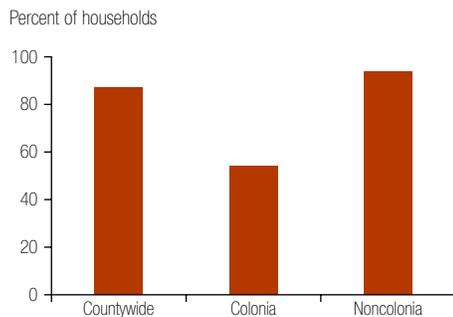
- Contracts for deed
- Inadequate infrastructure
- Substandard housing

### Contract for Deed

Many colonia inhabitants bought land on contract for deed because they had neither the credit history nor the resources to qualify for traditional financing. A contract for deed is a financing arrangement in which land ownership remains with the seller until the total purchase price is paid.

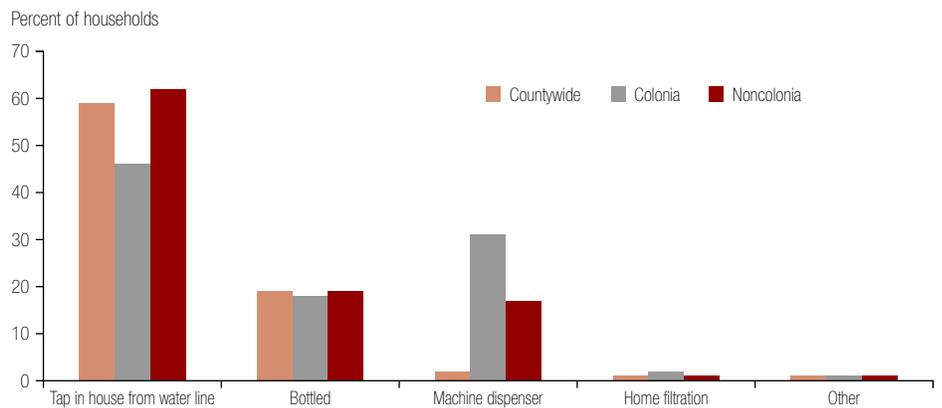
To protect the interest of people who rely on such arrangements, the state's Colonias Fair Land Sales Act of 1995 requires developers to record and counties to keep track of contracts for deed. It also requires developers to provide a

Chart 2  
**Households with a Sewer Connection, 2000**



NOTE: Households were surveyed in six Texas border counties: Cameron, El Paso, Hidalgo, Maverick, Val Verde and Webb.  
SOURCE: *Survey of Health and Environmental Conditions in Texas Border Counties and Colonias*, Texas Department of Health Office of Border Health and Public Policy Research Institute, Texas A&M University, June 2000 (draft).

Chart 3  
**Main Source of Drinking Water, 2000**



NOTE: Households were surveyed in six Texas border counties: Cameron, El Paso, Hidalgo, Maverick, Val Verde and Webb.  
SOURCE: *Survey of Health and Environmental Conditions in Texas Border Counties and Colonias*, Texas Department of Health Office of Border Health and Public Policy Research Institute, Texas A&M University, June 2000 (draft).

statement of available services, such as water, wastewater and electricity, and an annual statement of the buyer's account.

David Arizmendi, executive director of Proyecto Azteca, a nonprofit housing development organization in San Juan, Texas, says contract-for-deed sales continue in the colonias, but the properties now have infrastructure. The contracts generally carry about 14 percent interest. The sales continue because buyers can get a half-acre tract in a colonia versus a smaller lot in a city, and they aren't required to follow city building codes and restrictions. The buyers can also build and get financing as their incomes allow.

To address some of the problematic contracts for deed put in place before 1995, the Texas Department of Housing and Community Affairs' (TDHCA) Office of Colonia Initiatives has converted more than 350 into lower interest mortgages since 1998. The \$4,000 to \$30,000 loans have five- to 30-year terms at 5 percent fixed interest rates. For 2000–01, TDHCA has committed \$4.4 million for contract-for-deed conversion.

### Infrastructure

As they did 50 years ago, many of today's colonia residents still use septic tanks and cesspools. They buy water by the bucket and drum or use potentially contaminated wells. As recently

as June 2000, only 54 percent of Texas colonia residents surveyed had sewer service and more than 50 percent drank water from sources other than taps (*Charts 2 and 3*).

Even with water and sewer systems in place, many colonias residents do not have hookups because their houses can't pass inspections to qualify and the owners can't afford repairs or improvements to meet codes.

Gradually, however, infrastructure improvements are coming to the colonias. In 1989, Texas passed the first of two bond authorizations totaling \$250 million to provide water and wastewater service to colonias. Between August 1991 and March 2000, the Texas Water Development Board committed \$343 million in grants and loans for 57 infrastructure projects affecting more than 179,000 colonia residents.

In the 1,000-home Cameron Park colonia in Cameron County outside Brownsville, nearly all dwellings now have water and sewer hookups. Since June 1997, county officials have paved more than 9.5 miles of the colonia's 11 miles of roads and built a park in partnership with TDHCA, the Texas Wildlife Department and Texas A&M University.

Also during the past 10 years, the state has taken steps to improve colonia living conditions through litigation and to halt proliferation of colonias with

little or no infrastructure. The Colonia Legislation passed in 1995 prohibits developers from selling lots in existing colonias without water and wastewater treatment services, although some cities and counties lack staffing to enforce the complex law.

## Housing

Colonia houses are primarily built by residents little by little, using available materials. The houses often begin as tents or makeshift structures of wood, cardboard or other material. As their sparse finances allow, the owners add improvements; they rarely use professional builders. Houses in older colonias tends to be better developed because residents have had more time to improve them.

Cameron County is an example of where substandard dwellings flourish. A county consultant's study in January 2000 shows that nearly 1,600 substandard houses are suitable for repair—at a cost of \$28.8 million—but another 1,463 dwellings are beyond repair. The county would need \$44 million to upgrade these homes.

The housing situation, however, isn't as bleak as in previous years. For example, the nonprofit Community Development Corp. of Brownsville (CDCB) is tearing down and rebuilding homes in five colonias around Brownsville, including 100 homes in Cameron Park. The CDCB requires the colonias to have full water and sewer service and paved roads.

To offer families an alternative to colonia living, the CDCB also developed Windwood, an \$11.5 million affordable-housing development outside the colonias where the CDCB has built and sold 180 single-family units. Windwood's household income averages \$19,325; its lowest income is \$12,000. The project was financed in part by the Greater Brownsville Community Development Corp., a multibank CDC. Wells Fargo, Chase Bank of Texas, Fannie Mae and the Federal Home Loan Bank of Dallas are participating in the project.

In partnership with local lending institutions, the CDCB is currently developing another 33 acres for 150 single-

family houses. This project will have a self-help equity component in which homeowners participate in the construction. Don Currie, the executive director, says the CDCB will also buy out the homes of 30 families in a nearby colonia and move them to new homes in the new subdivision.

## Initiatives

As with the CDCB's self-help equity, the initiative and leadership to improve living conditions often come from colonia residents and programs like the Texas Natural Resource Conservation Commission's Small Towns Environment Program (STEP). STEP uses local volunteers, materials and financial resources to solve a community's water and wastewater problems. Since 1995, Texas STEP has completed nine colonia projects.

In Hidalgo County, where more than 4,000 colonia families are on a housing waiting list with Proyecto Azteca, Arizmendi plans to develop, as an alternative, \$6,000 houses with limited interior finish-out. Arizmendi says owners will put 30 percent down, get five-year loans at zero interest and make monthly payments of \$75 to \$100. They can finish the interiors as their finances allow.

To further the financing for colonia housing, regional coalitions are being established. For example, the CDCB in Brownsville helped create the Rural and Colonia Loan Program from a \$600,000 Department of Housing and Urban Development grant. The award was tied to a \$1.15 million lending commitment to the CDCB from Chase Bank of Texas, Wells Fargo, International Bank of Commerce and Texas State Bank. The grant will serve as a loan-loss reserve for the banks, allowing them to make loans to customers unable to qualify for traditional financing. The loan product will be a 20-year, 3.5 percent fixed loan with monthly payments averaging \$246, including taxes and insurance. The homes developed by participating nonprofits will sell for approximately \$30,000.

Other organizations and agencies are joining the battle to improve life in the colonias. Fannie Mae recently announced a five-year, \$1.5 billion in-

vestment plan for border communities. In addition, the Department of Agriculture/Rural Development's Water and Waste Disposal Loans and Grants Program provides 1 percent interest loans for home improvements.

In 1995, the Texas Legislature allocated 2.5 percent of the state's annual share of federal community development block grants to operate five self-help centers in five counties. The centers help colonia residents with repairs, maintenance, health care, education, employment training and counseling. The centers lend homeowners tools and offer technical assistance for home repairs and maintenance.

## Conclusion

Low incomes, high unemployment, dilapidated housing and lack of infrastructure are some of the challenges to solving colonia housing problems. Significant resources have been devoted to the colonias, and new laws protect current and future residents. Partnerships among financial institutions, nonprofit organizations, the private sector, foundations and residents have improved housing and infrastructure. Outside the colonias, new affordable-housing developments are being established as an alternative for families who would otherwise live in colonias.

However, even with significant resources, colonia housing continues to be some of the poorest in the country. For a majority of families, the question of choice is moot; housing is a necessity, and the only option they see is the colonia. With no end in sight for population growth and housing demand along the border, continued efforts are necessary to wrestle with the colonias' problems.

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