

TEXAS COLONIAS

A Thumbnail Sketch of the Conditions, Issues, Challenges and Opportunities



...from the Texas Diabetes Council... scheduled to be phased out next... Priego says. It provides di... and educational work...

...difference in the short term... have to think about the long term... Dr. Gossett said. "It's not easy, but it's ultimately the way."

...Salvador (left) and Filiberto Guerrero spend a hot after... noon last summer cooling off in... Colostia Las Dallas near El Paso. Health officials say the... colonies — which do not have run... of septic tanks — are among the... infectious diseases.

Poverty, crowding threaten health, officials

Continued from Page 1A
to create the U.S.-Mexico Border Health Commission.
But the problems send ripples far beyond the banks of the Rio Grande. "I have referred to this border as a kind of dynamite with a short fuse that's already lit," says the Lawrence McKay, director of the El Paso City-County Health and Environmental District.
Health officials in El Paso, the largest U.S. city directly on the border, are particularly concerned about the spread of infectious diseases such as drug-resistant tuberculosis and hepatitis.



COLONIAS JEOPARDY

Congress should keep it

Of the pressing health and environmental needs in the Southwest, none eclipses water treatment projects along the Texas-Mexico border. Fortunately, the U.S. has included funding for such projects in its annual budget bill. Now the Senate must give its assent, and provide for a multi-year funding.

Without the wastewater improvement health crisis could erupt in the shantytowns.
Over the past three years, Water Development Board has...

Starr colonias multiply, flout health

McAllen paper details subdivisions' problems

Salvador (left) and Filiberto Guerrero spend a hot after-noon last summer cooling off in... Colostia Las Dallas near El Paso. Health officials say the colonies — which do not have run-of septic tanks — are among the infectious diseases.

Colonia controls a border paradox

Exploding growth lacking housing

AUSTIN — New laws working to curb the spread of colonias are being threatened by rising population and higher rates of income. The Texas housing crisis is likely to be exacerbated, according to a preliminary report by the University of Texas, which estimates that 700,000 affordable housing units will be needed by the year 2000.

Colonia's project takes a big step toward treating sewage problem

State agency lends assistance to South Texans' self-help

By Pauline Arrillaga
Associated Press
ARROYO COLORADO ESTATES, Texas — Walking through this colonia just east of Harlingen, the pungent stench of raw sewage assaults your nostrils. It is an odor Richard Ferguson and Noe Gonzalez grew up with.

"Communities are taking control of their futures rather than letting others solve their problems," Texas STEP is a self-help program in Rensselaerville, York, where complex...

State money for colonias running low, official says

Legislature will have to look for new ways to bring water, sewer services...

"We lived in it, we experienced it, and we've grown to hate it," Mr. Ferguson says.
Arroyo Colorado Estates isn't much different from the other 1,450 colonias along the border with Mexico.
Water the color of dirt sits in trenches surrounding run-down homes. Septic tanks don't work, and drainage ditches flood with the slightest of rainfall.
What sets this colonia apart is that after two decades with inadequate...

Panel suggests option for colonias

There are some places in the border region where colonia land is sitting smack dab in the middle of a flood plain.

McAllen paper details subdivisions' problems... rules means filing lawsuits against the county's most private subdivisions... an draw your own conclusions... be political situation and would influence action of... he said... county's subdivisions rules... d by county commissioners... require paved streets... larger lots in rural...

More Texas & Southwest news on Pages 27-28A

COLONIA PROFITEERING

It's time to toughen the laws again

By George Kuempel and Bruce Tomaso
Staff Writers of The Dallas Morning News
BROWNSVILLE — Texas has declared victory in its battle to halt the spread of colonias, the often dirty, disease-ridden subdivisions that are home to more than 300,000 of the state's poor.

AUSTIN — The state should move some families out of rural colonias that lack water and other basic services instead of providing utilities to the impoverished subdivisions, a legislative committee says.
Moving families who live in colonias or moving the entire subdivision, might save millions in costs associated with providing water and wastewater services, said Sen. Carlos Truan, D-Corpus Christi, Mr. Truan is chairman of the Senate Committee on International Relations, Trade and Technology.
But Aurora Pedraza, a colonia resident and member of Valley In-terfaith, a South Texas church coalition that lobbies for colonia residents, questioned where they would be moved.
"Would they have to live in the city limits in neighborhoods...

EDITORIAL: COLONIAS

Creed and pass strong

Relations Trade... Sergio Munoz of M... turn out in force to... rules and enforcement... cessful in gutting... g with the bill...

State improving life in colonias, but toughest work remains

By George Kuempel and Bruce Tomaso
Staff Writers of The Dallas Morning News
BROWNSVILLE — Texas has declared victory in its battle to halt the spread of colonias, the often dirty, disease-ridden subdivisions that are home to more than 300,000 of the state's poor.

COLONIAS: UNSETTLING FRONTIER	
Profile of communities and residents.	22A
State aid unavailable to some.	23A
Impoverished communities in East Texas.	24A

REPORT: HAVE AND HAVE NOT

Allen filled with contrasts in jobs, wealth

Texas'... er is a... owing town... tions... e state's largest... eople, but it's also... as the nation's larg... ca for the aged... as the nation's larg... of Third World... of housing but... ated outlays.



IMAGINE OWNING A HOME THAT LACKS SAFE, SANITARY WATER FOR DRINKING, COOKING AND CLEANING.

Your home is in an unincorporated subdivision where unpaved roads, an inadequate sewage disposal system and untreated water—if water is even available—are the norm.

Settlements with such disadvantages flourish along the Texas-Mexico border. They are the colonias. Because the burgeoning border-area population easily outpaces the availability of safe, decent and affordable housing, many families are left with nowhere to live except in these substandard developments. For an estimated 400,000 Texans, the colonias—with their multitude of problems—are the only housing option.

This report focuses on the conditions, issues, challenges and opportunities that exist in Texas colonias. Although it identifies numerous individuals and agencies involved in improving living conditions in the colonias, this report is not intended to be all-inclusive. Instead, it provides a general overview of Texas colonias and thumbnail sketches of various players and their roles.

TABLE OF CONTENTS

Colonia: A Definition	3
Colonia Issues	7
Income	7
Unemployment	7
Contract for Deed	7
Infrastructure: Access to Water and Sewer Service	8
Housing	12
Health	12
Education	14
Confronting the Problems	17
Improving Conditions in Colonias and Providing Alternative Housing Options	17
Resident Leadership	18
The Nonprofit Sector at Work	18
Financial Institutions	22
Public Resources	26
Endnotes	32
Appendix	34

COLONIA: A Definition

COLONIA IS A SPANISH TERM FOR NEIGHBORHOOD OR COMMUNITY. IN TEXAS, COLONIA REFERS TO AN UNINCORPORATED SETTLEMENT THAT MAY LACK BASIC WATER AND SEWER SYSTEMS, PAVED ROADS, AND SAFE AND SANITARY HOUSING.

Colonias can be found in Texas, New Mexico, Arizona and California, but Texas has both the largest number of colonias and the largest colonia population. The colonia population is predominately Hispanic; 64.4 percent of all colonia residents and 85 percent of those residents under 18 were born in the United States. There are more than 1,400 Texas colonias, located primarily along the state's 1,248 mile border with Mexico.¹ Many have a very limited property tax base and are either isolated in a rural area or outside city limits. Cities are often hesitant to annex colonias because city residents do not want to share the financial burden of providing services to colonia residents.

With names such as Buena Vista, Sunny Skies, Tierra Linda and Goodvalley Ranch, the colonias would seem to be ideal places for pioneering families seeking to establish roots. Unfortunately, the names are often misleading.

The development of Texas colonias dates back to at least the 1950s. Using agriculturally valueless land, land that lay in floodplains or other rural properties, developers created unincorporated subdivisions. They divided the land into small lots, put in little or no infrastructure, then sold them to low-income individuals

seeking affordable housing.

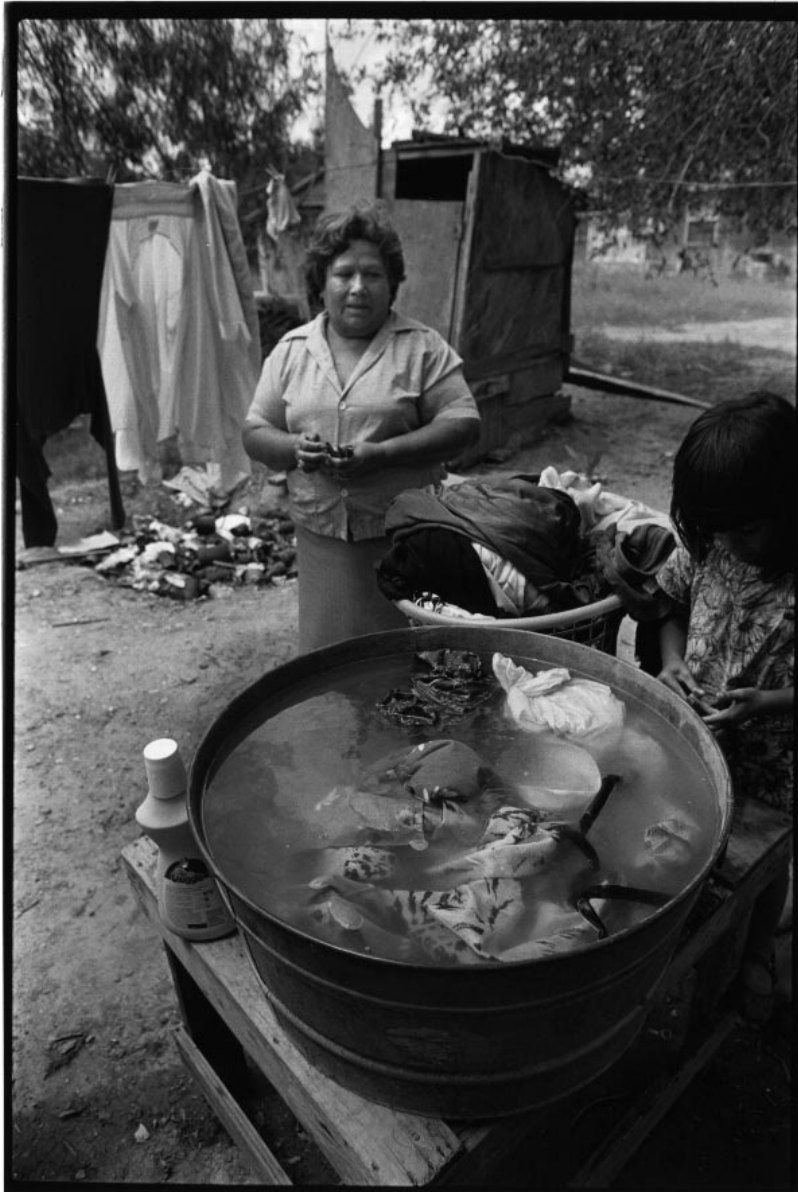
People often buy the lots through a contract for deed, a property financing method whereby developers typically offer a low down payment and low monthly payments but no title to the property until the final payment is made. Houses in colonias are generally constructed piecemeal by their owners and may lack electricity, plumbing and other basic amenities.

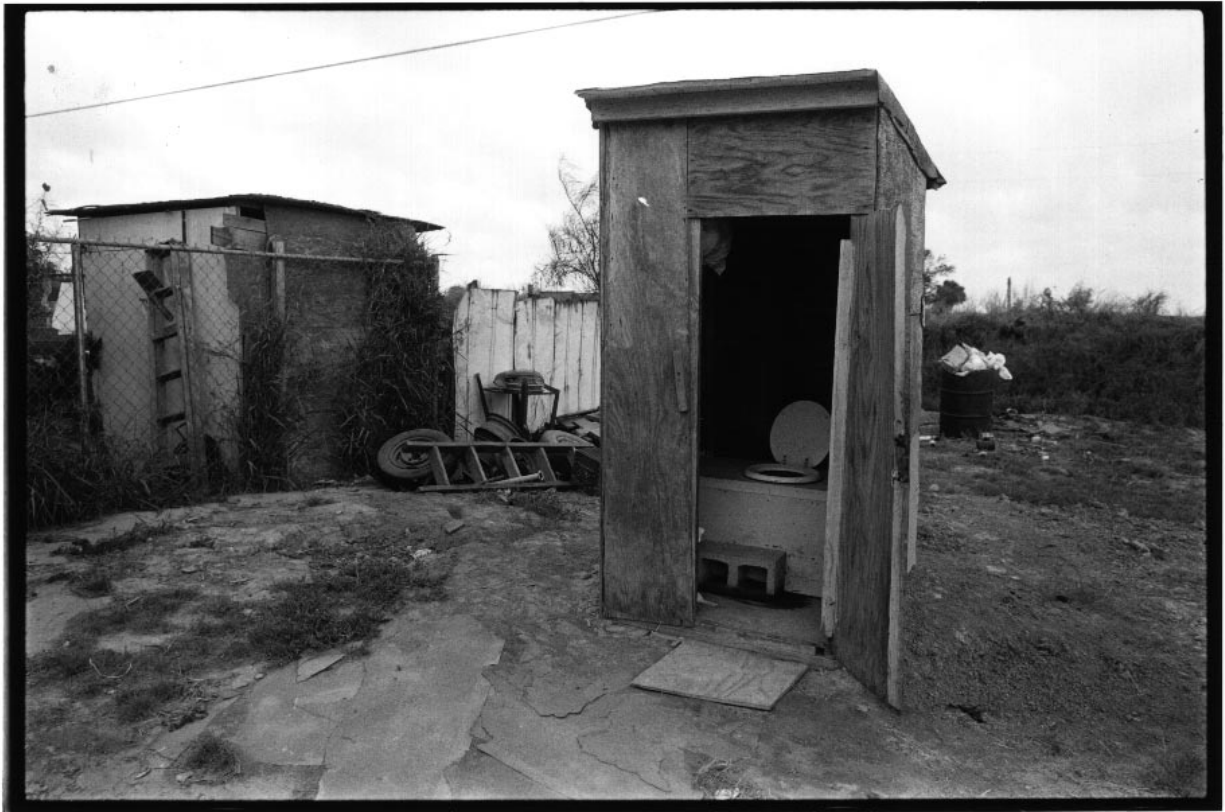
A limited supply of adequate, affordable housing in cities and rural areas along the Texas-Mexico border, coupled with the rising need for such housing, has contributed to the development of new colonias and the expansion of existing ones. Nancy Hanson, executive director of the Lower Valley Housing Corp., says that in El Paso alone, at least 20,000 additional units of affordable housing are needed. A preliminary report by the University of Texas estimates that by the year 2010, more than 700,000 additional people will need affordable housing on the Texas border if current trends continue.²

The colonias' growth has challenged residents, as well as county, state and federal governments and others, to seek ways to provide basic water and sewer services and to improve

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the quality of life in the colonias. Local public funds and other resources are often limited and unable to provide service to the current and growing colonia population. Hidalgo County, which has the most colonias and largest number of colonia residents in Texas, is typical of many border counties. Hidalgo County does not have a large enough local tax base to provide water and sewer services to the 129,880 people living in its 868 colonias.³ For basic health and human services, environmental services and capital improvements, colonia residents must rely on an often confusing combination of local, state and federal programs, many of which come and go, depending on the political and economic climate.





COLONIAS: The Issues

COLONIA RESIDENTS GENERALLY HAVE VERY LOW INCOMES. AN OCTOBER 1994 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS-FINANCED STUDY,

for example, found that of 1,092 families surveyed in the Brownsville-area Cameron Park colonia, 906 had annual household incomes below \$10,000, with 628 households earning less than \$5,000.⁴ Low income is not restricted to Cameron Park. Per capita annual income for all Texas counties bordering Mexico—where most of the colonias are located—tends to be much lower than the state average of \$16,717. In border counties such as Starr, Maverick and Hidalgo, per capita annual incomes are \$5,559, \$7,631 and \$8,899, respectively.⁵

Unemployment The unemployment rate in some colonias is more than eight times the state rate. A 1993 Texas A&M study discovered that unemployment in five Lower Rio Grande Valley colonias ranged from 20 percent to 60 percent, compared with the overall Texas unemployment rate of 7 percent.⁶

In addition, many colonia residents often cannot find year-round work due to the seasonal nature of their primary occupations. Fieldwork represents 29.5 percent of the jobs, construction work, 24.4 percent, and factory work, 14.9 percent.⁷

Contract for Deed Property purchased on a contract for deed, lack of water and sewer systems, unpaved roads and no flood control

make conditions in many colonias comparable to those found in underdeveloped countries. Since the 1950s, the contract for deed has been the most frequently used financing mechanism in the colonias because many individuals have neither a credit history nor the resources to qualify for traditional bank or credit union financing. A contract for deed is a financing arrangement, often at high interest rates, whereby land ownership remains with the seller until the total purchase price is paid.

Traditionally, contracts for deed, unlike deeds of trust, were not recorded with the county clerk, making it easy for the developer to reclaim the property, as well as making it difficult to enforce any commitment on the developers' part to provide infrastructure. If the buyer fell behind in payments, the developer could repossess the property, often within 45 days, without going through the traditional foreclosure process. Developers also could claim any improvements made on the property.

Steps are being taken to remedy some of the inequities inherent in contracts for deed. In 1995, Texas legislators passed the Colonias Fair Land Sales Act to protect those who must rely on contracts for deed to finance property.⁸ Effective September 1, 1995, the legislation requires developers to record the contract and counties to keep a record of contracts for

Securing potable water also presents a challenge to colonia residents. Many must buy water by the bucket or drum to meet their daily needs or use wells that may be contaminated.

deed. It also requires developers to provide a statement of available services, such as water, wastewater and electricity, and whether the property is located in a floodplain. Developers must provide property buyers with an annual statement—including amount paid, amount owed, the number of payments remaining and the amount paid to taxing authorities on the purchaser's behalf.

Although the legislation sets a minimum standard for contract for deed land sales, other problems with this method of financing remain.

Contracts for deed make it difficult for homeowners to secure financing to build a house or make home improvements. Because title to the land does not transfer to the buyer until it is fully paid for, an applicant cannot use the property as collateral when applying for a loan. Therefore, financial institutions are reluctant to lend money to improve the property.

Infrastructure: Access to Water and Sewer Service Because of the potentially serious consequences for public health and its effect on quality of life, one of the greatest concerns regarding the colonias is the lack of wastewater infrastructure and potable water.

Many colonias do not have sewer systems. Instead, residents must rely on alternative, often inadequate wastewater disposal methods. Surveys of colonias in El Paso and the Rio Grande Valley show that 50.7 percent of the households use septic tanks, 36.4 percent use cesspools, 7.4 percent use outhouses and 5.5 percent use other means to dispose of wastewater.⁹ Septic tank systems, which in some circumstances may provide adequate wastewater disposal, often pose problems because they are too small or improperly installed and can overflow. The problem is exacerbated by the poor quality of colonia roads, which are often unpaved and covered with caliche or other materials that prevent thorough drainage. During heavy rains, water collects because of inadequate drainage systems, elevation and topography. These conditions, combined with inadequate septic tanks, often result in sewage pooling on the ground.

Even if the colonias had adequate sewer systems, the border area lacks sufficient facilities to treat wastewater. According to a summary report by the Environmental Protection Agency (EPA), wastewater treatment capacity along the U.S.–Mexico border has been inadequate for the past decade. In many places, there are no treatment facilities at all. Consequently, border communities often discharge untreated or inadequately treated wastewater into rivers, canals and arroyos (a creek or stream), which then flow into the Gulf of Mexico. In the Nuevo Laredo/Laredo area alone, 27 million gallons of untreated wastewater are discharged directly into the Rio Grande each day, contributing to ecological and aesthetic degradation, economic loss and threats to public health.¹⁰

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must buy water by the bucket or drum to meet their daily needs or use wells that may be contaminated. According to *The Colonias Factbook*, a Texas Department of Human Services survey of living conditions in rural areas of South and West Texas border counties, 23.7 percent of the households did not have treated water in the house. Because of this, the survey found, untreated water was used by 12.8 percent of households to wash dishes, 13.1 percent to wash clothes, 12.3 percent to bathe and 4.9 percent to cook.

A 1995 Texas Water Development Board (TWDB) study estimates that 428 colonias with about 81,000 people are in need of potable water facilities, and 1,195 colonias with about 232,000 people need wastewater treatment facilities. The TWDB estimates it would cost more than \$424 million to build the water and wastewater facilities needed in the 23 counties surveyed.¹¹

For many colonia residents, the wait for adequate water and sewer systems continues. Starr County's Las Lomas colonia, for example, has no sewer lines, and water lines are too small to provide adequate pressure to existing connections or new service to homes without water, says resident Blanca Juarez, president of Colonias Unidas. Juarez says that government representatives have come to the colonias with promises of help, but some residents have been waiting for water and sewer systems since 1989.¹²

Allocating money for systems, however, is not the only challenge. Fernando Escárcega, director of TWDB's Economically Distressed Areas Program, says other impediments to residents' access to water include homes that do not meet standard building codes, the cost of extending water lines to homes, homes that do not meet Federal Emergency Management Agency standards because they are in floodplains, lack of a sponsoring entity to apply to for funds—such as a city or county—and in some cases the unavailability of water.

Colonia residents often find themselves in a catch-22 situation. Even when water lines and sewer systems are in place, many cannot access the services because their homes do not meet county building codes. Many homes, built without regard for indoor bathrooms or plumbing, are rated as substandard or dilapidated by housing inspectors. These homes cannot pass inspection to qualify for hook up to water lines, and residents cannot afford the repairs or improvements necessary to bring them up to code.

Father Mike Feisert, a member of Valley Interfaith, a nonprofit organization that works to organize colonia residents, says it is tragic that some of the colonias have water and wastewater lines nearby, yet residents cannot afford the \$700 to \$800 to connect to them. Adding to the dilemma, Father Feisert says, are homeowners' fears that increased requirements for connection to services could drive up their housing costs, leaving them without an affordable housing option.

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Housing Housing in the colonias is primarily constructed by residents little by little, using available materials. Professional builders are rarely used. Residents frequently start with tents or makeshift structures of wood, cardboard or other materials and, as their financial situation allows, continue to improve their homes. Housing in older colonias tends to be better developed because residents have had more time to make improvements.

Although it is difficult to put a price on improving conditions because the magnitude of substandard housing is unknown, the problem is severe if the Cameron Park survey is any indication. In 1994 Cameron County completed an extensive analysis of 1,000 housing units in the Cameron Park colonia. Approximately 80 percent of the units were categorized as substandard or dilapidated, and the county estimated it would cost approximately \$20 million to bring all the houses up to code.¹³ Frank Bejarano, Cameron County program development and management director, says similar housing conditions exist in many colonias throughout the county.

Health Dilapidated homes, a lack of potable water and sewer and drainage systems, and floodplain locations make many colonias an ideal place for the proliferation of disease. Texas Department of Health data show that hepatitis A, salmonellosis, dysentery, cholera and other diseases occur at much higher rates in colonias than in Texas as a whole. Tuberculosis is also a common health threat, occurring almost twice as frequently along the border than in Texas as a whole.

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Reported Cases of Selected Viral Diseases, 1991

Disease	Rate per 100,000 Population	
	Texas	Border Counties
Hepatitis A	15.4	34.9
Hepatitis unspecified	1.5	4.7
Salmonellosis	13.4	21.3
Shigellosis	12.6	18.0
Tuberculosis	14.6	28.1

Note: Border county rates are for 32 counties along the Texas–Mexico Border.
Source: University of Texas System Texas-Mexico Border Health Coordination Office, University of Texas–Pan American, Edinburg.

A lack of medical services compounds health problems in the colonias. Hidalgo Health Director Dr. Omar Garza says Hidalgo County, which has the highest hepatitis and typhoid fever rates in Texas, has 7,682 patients per pri-



mary care provider, compared with a national average of 1,000 to 1. Based on those numbers, the county is categorized as medically underserved.

In addition to a shortage of primary care providers, colonia residents' difficulty in accessing health care is compounded by other factors, including having to travel long distances to health care facilities, fear of losing wages for time spent away from work, inconvenient health care facility hours, lack of awareness of available health care programs and no health insurance. In a 1994 study, 38 percent of Rio Grande Valley (Hidalgo, Cameron and Willacy counties) residents did not have health insurance, and, in El Paso, 30 percent did not have insurance, compared with 17.8 percent in the state as a whole.¹⁴ As a result, many colonia residents' health care problems go unreported and untreated. For children, these barriers can be devastating and may result in slow growth and lower educational development rates.

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affect students'
attendance—health
problems, the need
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Education Providing quality education for children living in the colonias is also a major challenge because of high student dropout rates, irregular student attendance and the border's rapid population growth.

Roberto Zamora is executive director of the Texas Education Agency's Region One, which encompasses seven counties along the Texas-Mexico border. Zamora says it is a challenge to work with children from the colonias because of the many issues that affect students' attendance—health problems, the need to hold jobs, inadequate clothing, language barriers and peer pressure. For the 1993-94 school year, the estimated longitudinal dropout rate for secondary level students (grades 7-12) in Region One averaged 17.3 percent, compared with an estimated state rate of 14.4 percent.

The area's rapid growth also creates problems. Annual enrollment growth rates of border schools range from 5 to 10 percent. Laredo's United Independent School District, which adds approximately 1,500 students a year, is one of several that regularly has to use monies earmarked for instructional support to build additional schools.

Colonia residents want to see these conditions change. In surveys by Texas A&M's Colonias Program at the Center for Housing and Urban Development, colonia residents have consistently ranked education for their children as one of the first areas they want improved.

Some parents are working to improve their children's education themselves. For example, seven mothers and their preschool children from Colonia Acevedo, a colonia with approximately 40 families near Mission, participated in a 1995 summer learning program using a curriculum developed by Southwestern Bell. The curriculum, "Helping Your Child Learn," involved mothers in their children's education by having them help on projects with their chil-

dren, as well as lead learning sessions. The program also helped some of the mothers strengthen their English skills so they could help their children with schoolwork.

Veronica Perez, a program assistant with the Texas Agricultural Extension Service, coordinates summer learning and other programs in 15 colonias in the Lower Rio Grande Valley. Perez believes that programs that emphasize parental support for education are necessary for colonia children to have the same early educational opportunities as other children and may help ensure that children from the colonias stay in school.



CONFRONTING the Problems

PREVENTING THE DEVELOPMENT OF NEW COLONIAS WITHOUT SUFFICIENT INFRASTRUCTURE IS AN IMPORTANT FIRST STEP IN SOLVING THE PROBLEMS COLONIAS FACE.

In 1989, the Texas Legislature passed the Model Subdivision Rules, which allow county commissioners to establish development standards in previously unregulated, unincorporated areas. The rules are intended to establish minimum standards for water and wastewater facilities for residential developments of five acres or less. The Texas Water Development Board, which channels financing for water and wastewater infrastructure projects, will not provide a county certain funding for colonia projects until it adopts the Model Subdivision Rules. According to the TWDB, the rules appear to be preventing the development of new colonias in the counties that have adopted and enforced them.

In 1993, the Texas attorney general established the Colonias Strike Force to improve living conditions in the colonias through litigation and to stem the proliferation of colonias.

Hal Ray, assistant attorney general and chief of the natural resources division, says that more than 100 cases have been filed. Ray, whose division oversees the strike force, says his team is working through litigation to increase the availability of potable water and wastewater services and encourage cleanup efforts in the colonias.

Rudy Villarreal, an attorney general's field investigator in McAllen, reports that the investigations are often prompted by colonia resi-

dents' complaints and are usually cases against colonia developers. The development of new colonias has slowed since the creation of the strike force, he says.

The attorney general's office received additional ammunition to fight substandard colonias in 1995, when the Texas Legislature passed a bill to stem the development of colonias without infrastructure. The Attorney General's Colonia Regulation Bill prohibits developers from selling lots in an existing colonia that lacks water and wastewater services.¹⁵

Improving Conditions in Colonias and Providing Alternative Housing Options

Colonia residents, nonprofit organizations, the private sector—including financial institutions—foundations, and local, state and federal government agencies are all involved in improving colonia living conditions and providing alternative housing options. Bringing foundations, government, colonia residents and others with diverse resources and interests into partnerships where the groups can coordinate efforts represents one approach to addressing colonia problems. Although each group adds resources to the task of improving living conditions, there often has been a lack of understanding about the role each can play.

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Resident Leadership The initiative and leadership to improve living conditions often comes from colonia residents. For example, in Hidalgo County, La Leona residents are working together to improve their living conditions by raising the money needed to pave the community's roads. Gregoria Moreno, a 25-year resident of La Leona, says all 27 homeowners in her colonia are involved in the effort.

In other colonias, such as Arroyo Colorado Estates, partnerships have formed between local residents and the Texas Natural Resource Conservation Commission's Texas Small Towns Environment Program (STEP). Texas STEP is a self-help program that assists communities that want to use local volunteers, materials and financial resources to solve local water and wastewater problems. For example, residents of Arroyo Colorado Estates, a colonia of about 190 homes near Harlingen, are working with Texas STEP to complete a wastewater collection system. The system will cost approximately \$150,000, rather than the standard \$800,000 to \$1 million, because colonia residents have done most of the work themselves—from planning to digging trenches and laying pipe. Residents of Lozano subdivision near Brownsville and Pueblo Nuevo in Maverick County are also considering using Texas STEP to build infrastructure.

In 1995, the Texas Legislature passed a bill establishing Colonia Self-Help Centers to assist colonia residents in improving their homes.¹⁶ The Legislature allocated 2.5 percent of the state's annual share of federal Community Development Block Grant funds to operate and fund programs at self-help centers in El Paso, Webb, Starr, Hidalgo and Cameron counties. The centers will lend homeowners tools and provide them with technical assistance for home repairs and maintenance. They may also provide assistance with health care, education, employment training and counseling.

The Nonprofit Sector at Work Nonprofit organizations play many roles to help colonia residents improve their living conditions.

Nonprofits often serve as advocates for the development of adequate infrastructure in the colonias. They also build homes, provide home ownership and credit counseling, promote business development and provide other services to promote self-sufficiency and improve colonia living conditions. Some nonprofits actively develop housing alternatives for families who might otherwise have no choice but the colonias.

The Border Low Income Housing Coalition is a nonprofit, nonpartisan organization concerned with the quality and availability of housing along the Texas–Mexico border. Its members include government officials, nonprofit and private-sector representatives, low-income citizens from the border region and other interested citizens. The coalition has brought local, state and national attention to issues affecting colonia residents. It played a key role in the





Legislature's passage of the Colonias Fair Land Sales Act and the Colonia Self-Help Center bill and continues to mobilize assistance and direct public attention to the economic and housing issues facing colonia residents and border communities.¹⁷

Many colonia residents invest substantial money to purchase property and for home construction. For them, leaving the colonia is not feasible. Proyecto Azteca, in San Juan, Texas, is a nonprofit self-help housing organization that works with families to build safe, decent and affordable housing in the colonias. Proyecto Azteca helps families who earn \$6,500 to \$10,000 a year and who live in substandard housing or have purchased a colonia lot. The residents and Proyecto Azteca build the homes off-site on a lot provided by the National Farm Workers Union. Once a home is finished, it is moved to the resident's lot in the colonia.

Proyecto Azteca's program requires the homeowner to work 40 hours a week for three months on construction of a new home. To be considered for the program, the homeowner's property must have access to potable water and electricity. Home construction costs are approximately \$14,000, and with land, total costs range between \$18,000 and \$20,000. The homes are financed with zero interest, 20-year loans from the TDHCA's HOME program. The homeowner's monthly payment, including insurance and taxes, is approximately \$100 for an 816-square-foot, three-bedroom, one-bath house. Homeowners not only save labor costs, they learn a new trade and how to maintain a home.

Program Director Jesus Limon says Proyecto Azteca completed 24 homes in 1995 and plans to finish an additional 26 in 1996.

Another organization, McAllen Affordable Homes, is providing affordable housing alternatives outside of the colonias. The nonprofit is developing Los Encinos in partnership with the city of McAllen, Texas Commerce Bank, Laredo National Bank, Frost National Bank, Lone Star Bank, the McAllen Independent School District and Hidalgo County. When completed, Los Encinos will have more than 200 affordable homes with full infrastructure, an elementary school and a community center.

A new three-bedroom, two-bath home in Los Encinos is priced at \$34,500. Monthly payments are approximately \$327, including principal, interest, taxes and insurance. McAllen Affordable Homes has completed its first phase of 28 homes and is starting the second phase of 15 homes.

Randal McLelland Jr., board chairman of McAllen Affordable Homes and president and CEO of Texas Commerce Bank in McAllen, says there have not been any foreclosures on loans made in Los Encinos since the lots were sold in January 1995. McAllen Affordable Homes has been able to accomplish its goal of offering an alternative to the colonias by forming strong partnerships with financial institutions and local governmental entities.

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FINANCIAL Institutions

COLONIA RESIDENTS FREQUENTLY DO NOT HAVE A RELATIONSHIP WITH A FINANCIAL INSTITUTION AND PRIMARILY USE CASH OR MONEY ORDERS FOR THEIR FINANCIAL TRANSACTIONS.

According to Texas A&M University's 1993 Cinco Colonia Areas study, only 15 to 45 percent of adult respondents in five Lower Rio Grande Valley colonias had Texas bank accounts.¹⁸ To inform colonia residents about banking products and services, many financial institutions have implemented outreach programs. El Paso bankers, for example, visit the Montana Vista Community Resource Center and Brownsville bankers the Cameron Park Community Resource Center to educate residents about what they can offer.

In addition, lending institutions offer financial support, technical assistance and expertise to local community and economic development efforts by making loans, investing in multifamily affordable housing tax credits and by forming partnerships with local nonprofit organizations, local governments and secondary market providers such as Fannie Mae. Lending institutions also form multibank community development corporations (CDCs) and coalitions to facilitate affordable housing and economic development lending.

Several financial institutions in Brownsville have formed a multibank CDC, the Greater Brownsville Community Development Corp. One of the CDC's investments is Windwood, an \$11.5 million project that will provide 225

affordable single-family homes for households with annual incomes between \$11,500 and \$18,000.

Windwood is being developed by the nonprofit Community Development Corporation of Brownsville (CDCB) and financed by a partnership of financial institutions, the multibank Greater Brownsville CDC, the Federal Home Loan Bank of Dallas, Fannie Mae and the city of Brownsville. Each partner is playing an important role in the development, with CDCB serving as the project's general partner and Greater Brownsville providing funding to purchase 18 acres on which homes will be constructed. The city of Brownsville, using federal HOME funds, provided funding to acquire 30 acres for the development, and Mercantile Bank N.A. provided infrastructure development and interim construction financing. Texas Commerce Mortgage Co. will originate 225 lease-purchase loans, which Fannie Mae will buy. The Federal Home Loan Bank of Dallas is providing a grant for down payment and closing cost assistance.

Fannie Mae's willingness to purchase the Windwood project's lease-purchase loans is critical to the project's success. Fannie Mae has developed a variety of new products for financial institutions that can help families get into





homes. Fannie Mae also has established a Border Region Partnership Office in San Antonio to address housing needs along the U.S.–Mexico border.

Another example of a lending institution working with a local nonprofit to create affordable housing is El Paso’s Bank of the West, which is partnered with the Lower Valley Housing Corp. in Fabens, Texas. The partnership financed the development of land and the construction of 30 affordable single-family homes in Fabens. Using a mutual self-help program that requires families to contribute 65 percent of the construction labor, LVHC and the families build three-bedroom, one-bath homes for \$37,500 that appraise for \$57,000. Monthly mortgage payments, including taxes and insurance, are \$281 for a 1,100-square-foot house.

Through such self-help programs, families are able to build their homes using durable materials and sound construction methods on land with basic infrastructure.

Financial institutions are also helping colonia residents’ economic development efforts. In McAllen, Texas Commerce Bank and Texas State Bank capitalized a microloan fund developed by Project CREDITO (Colonia Rural Economic Development and Initiative Training Organization) through the Center for Entrepreneurship and Economic Development (CEED) of the University of Texas–Pan American. The program currently operates in three colonias: Cameron Park in the Brownsville area, Progreso near Weslaco and Las Milpas in Hidalgo County. The 10-week program, open to colonia residents who want to start their own businesses, features classes on the basics of operating a business, accounting and marketing. CEED developed Project CREDITO to encourage and support the growth of micro-enterprises and to stimulate both economic development in the colonias and the self-reliance of colonia residents.

These are just a few examples of how financial institutions are working to develop affordable housing alternatives and promote economic development.

Financial institutions
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PUBLIC Resources

STATE AND FEDERAL RESOURCES ALSO ARE BEING USED TO IMPROVE CONDITIONS IN COLONIAS. MANY TIMES, THE PUBLIC RESOURCES ARE USED IN PARTNERSHIP WITH LOCAL NONPROFIT ORGANIZATIONS AND FINANCIAL INSTITUTIONS TO PROVIDE AFFORDABLE HOUSING OPTIONS.

The following state and federal resources are just a few of those available for use in resolving some of the problems in colonias.

In 1992, to help coordinate the many government programs, the EPA established the Texas Colonias Sub-Group, a network of state and federal agencies that seeks to integrate and coordinate financial and technical assistance for drinking water and wastewater infrastructure development in Texas colonias.

The Texas Department of Housing and Community Affairs (TDHCA) has established the Colonia Fund to directly target public funds to colonias. Colonia Fund monies finance the development of public water and sewer service, street paving, drainage improvements, housing rehabilitation, fire hydrants and service connections. TDHCA estimates that more than 55,000 people have benefited from Colonia Fund projects.¹⁹ Counties can apply to the TDHCA on behalf of eligible colonias.

About 3,307 low- to moderate-income residents of the Cameron Park colonia are benefiting from the Colonia Fund. Nearly all of the households now have water service, and 279 of them have public sewer service. Street and drainage improvements are next on the agenda.

The TDHCA also has other programs, like

the Texas Border Initiatives Program, which was used to purchase contracts for deed in the El Cenizo colonia, near Laredo, after the developer filed for bankruptcy. The TDHCA created the Texas State Affordable Housing Non-Profit Corp. to convert the contracts for deed to lower interest mortgage loans. The 600 families of El Cenizo will repay their loans to the nonprofit corporation and have clear title to their property.

The Texas Water Development Board (TWDB) administers funds used to finance water-related or municipal solid waste management projects. One TWDB program is the Economically Distressed Areas Program, which provides loans and grants for construction, acquisition and improvements to water supply systems and for wastewater collection and treatment. To qualify for funding, a project must be located in a low-income, high unemployment county and must have inadequate local financial resources to meet its water and wastewater needs.

The TDHCA and the TWDB are just two of the state agencies providing resources to the colonias. Others with resources that can benefit colonias are listed in the appendix of this publication.

Federal agencies also provide resources for



infrastructure and housing improvements in the colonias, as well as promote local economic development and environmental cleanup.

The U.S. Department of Agriculture/Rural Development—formerly the Farmers Home Administration—has two programs that directly benefit colonias. The Water and Waste Disposal Loans and Grants Program makes money available for water and wastewater disposal systems in low-income rural communities with up to 10,000 residents. Municipalities, counties, special purpose districts, Indian tribes and nonprofit corporations are eligible to receive these funds to construct, enlarge, extend or improve community water and waste disposal systems. Grants are also made to individuals to install service lines and pay service connection fees, construct bathrooms, and install plumbing and bathroom fixtures. Hidalgo County Supervisor Jake Sheeran says the 6-by-8-foot bathrooms built with the grants are often the biggest and best constructed part of a family’s house. The grant lifetime limit is \$5,000 per individual for this type of assistance.

Many times, the public resources are used in partnership with local nonprofit organizations and financial institutions to provide affordable housing options.

The second USDA/Rural Development program is the Home Improvement Loans and Repair Loans and Grants Program, which provides 1-percent interest loans for home improvements. Sheeran says this and the Water and Waste Disposal Program are the most frequently used programs in Hidalgo County colonias.

In 1994, portions of Cameron, Hidalgo, Starr and Willacy counties were designated the Rio Grande Valley Empowerment Zone. The 227-square-mile area, with a population of 29,859, will receive \$40 million from the USDA over a 10-year period to fund projects that expand the job market and improve housing, education and health care. While only 26 colonias in the zone will directly benefit from the program, many others will benefit indirectly from improved health care, education and employment opportunities throughout the Valley.

Two new mechanisms have been created to facilitate border environmental cleanup and provide support for community adjustment and investment related to the North American Free Trade Agreement. The agreement, reached in 1994, states that the United States and Mexico will work together to address environmental problems that plague the border region. To accomplish this, two organizations were created. The Border Environment Cooperative Commission helps border states and local communities coordinate, design and finance environmental infrastructure projects with cross-border impact. The North American Development Bank will provide \$2 to \$3 billion in financing for border environmental projects and, more broadly within the United States, for NAFTA-related community adjustment and investment.

The Department of Housing and Urban Development funds Community Outreach Partnership Centers (COPC) for colonia residents. The UT–Pan Am

center is a collaborative effort between the university's Center for Entrepreneurship and Economic Development and the Center for Local Government. The centers engage in research and outreach activities in the colonias that include community empowerment and organization, entrepreneurship and economic development, crime prevention, preventative health care, housing and infrastructure development, and information exchange and coordination.

The University of Texas at Austin also has received a grant to establish a COPC. The UT COPC will work with community organizations to address housing, infrastructure and community development in the colonias. The program also will include an analysis of colonias housing and infrastructure needs.

Federal agencies such as the EPA, and state agencies such as the Texas Natural Resources Conservation Commission, are also providing resources that affect the colonias. Many of these agencies are listed in the appendix of this publication.

It is clear that significant benefits to the colonias and their residents can be derived by targeting resources and initiatives.



DESPITE SOME IMPROVEMENTS,
**THE COLONIAS AND SURROUNDING
AREAS ALONG THE TEXAS–MEXICO**

border are among the most distressed in the country. If the proliferation of the colonias and their deplorable living conditions persist, their problems can only negatively affect society and continue to be a drag on the Texas economy.

The border population is expected to continue to grow, driving an increased demand for affordable housing and economic development. It is clear that significant benefits to the colonias and their residents can be derived by targeting resources and initiatives. Through partnerships among nonprofit organizations, local, state and federal governments, and the private sector—including financial institutions, foundations and colonia residents—solutions to the colonia crisis may be found.

The Dallas Fed community affairs office promotes community and economic development initiatives throughout the Eleventh Federal Reserve District. Through this report, we seek to illustrate the conditions, issues, challenges and opportunities in the colonias. We encourage any individual, institution, organization or governmental entity that recognizes an opportunity to improve conditions in the colonias to act on it.

Endnotes

- ¹ *It's Texas: Here's Why*, Comptroller of Public Accounts Publication no. 96-269, April 1989.
- ² From press release on preliminary report, entitled *Colonia Housing and Infrastructure: Current Population and Housing Characteristics, Future Growth, and Housing, Water and Wastewater Needs*, by Jorge Chapa, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, January 1996.
- ³ *Water and Wastewater Needs of Texas Colonias: 1995 Update*, Texas Water Development Board.
- ⁴ *Controlling Options: A Study and General Plan of Cameron Park Colonia*, Texas Department of Housing and Community Affairs, October 1994.
- ⁵ Per capita income based on 1990 resident population estimated by the Bureau of Economic Analysis, *County and City Data Book: 1994*, U.S. Bureau of the Census, August 1994.
- ⁶ *Cinco Colonia Areas: Baseline Conditions in the Lower Rio Grande Valley*, Center for Housing and Urban Development, Texas A&M University, College Station, November 1993.
- ⁷ *The Colonias Factbook: A Survey of Living Conditions in Rural Areas of South and West Texas Border Counties*, Texas Department of Human Services, June 1988.
- ⁸ Senate Bill 336, V.T.C.A., Property Code, section 5.061 et seq., section 5.091 et seq.
- ⁹ *The Colonias Factbook*.
- ¹⁰ *Summary: Environmental Plan for the Mexican–U.S. Border Area, First Stage (1992–1994)*, U.S. Environmental Protection Agency, page 12, February 1992.
- ¹¹ *Water and Wastewater Needs of Texas Colonias: 1995 Update*.
- ¹² *Valley Morning Star*, February 2, 1996.
- ¹³ Memorandum on the status of Cameron Park activities from Frank Bejarano, Cameron County, program development & management director, to Gilberto Hinojosa, county judge, January 17, 1995.
- ¹⁴ *Texas–Mexico Border County Demographics and Health Statistics: 1994*, TMBHCO Series Report 93-94, no. 2, University of Texas System, Texas–Mexico Border Health Coordination Office, University of Texas–Pan American, Edinburg, June 1994.
- ¹⁵ House Bill 1001, V.T.C.A., Local Government Code, section 232.001 et seq.
- ¹⁶ Senate Bill 1509, V.T.C.A., Government Code, section 2306.581 et seq.
- ¹⁷ Rafael I. Torres, Border Low Income Housing Coalition, testimony before the Senate Committee on International Relations, Trade and Technology, Texas A&M International University, Laredo, January 30, 1996.
- ¹⁸ *Cinco Colonia Areas: Baseline Conditions in the Lower Rio Grande Valley*.
- ¹⁹ Texas Department of Housing and Community Affairs.



Appendix

The following is a list of some of the public agencies and organizations that have resources to invest in the colonias and along the Texas-Mexico border.

This appendix is not intended to be all-inclusive. There are other public agencies and organizations working to improve living conditions in the colonias.

National

U.S. Department of Agriculture
Rural Development
Reporters Building, 7th Floor
300 7th Street S.W.
Washington, D.C. 20024
(202) 619-7980
(800) 645-4712

U.S. Department of Agriculture
Rural Development
101 South Main
Suite 102, Federal Building
Temple, Texas 76501
(817) 774-1305

U.S. Department of Commerce
Economic Development Administration
Austin Regional Office
903 San Jacinto Blvd., Suite 121
Austin, Texas 78701-2450
(512) 482-5595

Office of NAFTA
International Trade Administration
U.S. Department of Commerce
Room 3022
Washington, D.C. 20230
(202) 482-0305

U.S. Department of Housing and Urban Development
Office of Native American Programs
Colonias and Farmworkers Program
451 7th Street S.W., Suite B-133
Washington, D.C. 20410-5100
(202) 755-0102

Water Quality Protection Division
U.S. Environmental Protection Agency
Region 6
1445 Ross Avenue
Dallas, Texas 75202-2733
(214) 665-7100 or 7101

International

Border Environment Cooperation Commission
P.O. Box 221648
El Paso, Texas 79913

Border Environment Cooperation Commission
Boulevard Tomás Fernández
No. 7940
Torres Campestre, piso 6
Ciudad Juárez, Chihuahua
C.P. 32470
México
011-52-16-29-23-95

North American Development Bank
700 North St. Mary's
Suite 1950
San Antonio, Texas 78205
(210) 231-8000

State

Office of the Texas Attorney General
Natural Resources Division
P.O. Box 12548
Austin, Texas 78711-2548
(512) 463-2012

Texas Department of Commerce
P.O. Box 12728
Austin, Texas 78711-2728
(512) 936-0100

Texas Department of Health
Office of Border Health
1100 West 49th Street
Austin, Texas 78756
(512) 458-7675
(800) 693-6699

Texas Department of Health
Office of Border Health
Laredo Office
2600 Cedar Street
Laredo, Texas 78040
(800) 693-6699

Texas Department of Health
Office of Border Health
Uvalde/Eagle Pass Office
1021 Garner Field Road
Uvalde, Texas 78801
(210) 278-7173

Texas Department of Health
Office of Border Health
Harlingen Office
601 W. Sesame Drive
Harlingen, Texas 78550
(210) 423-0130

Texas Department of Health
Office of Border Health
El Paso Office
P.O. Box 9428
6070 Gateway East
El Paso, Texas 79984-0428
(915) 783-1108

Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3911
(512) 475-3800

Texas Department of Human Services
John H. Winters Human Services Center
701 West 51st Street
P.O. Box 149030
Austin, Texas 78714-9030
(512) 438-3011

Texas Natural Resource Conservation Commission
Consumer and Utility Assistance Section
Water Utilities Division
P.O. Box 13087
Austin, Texas 78711-3087
(512) 239-6100

Texas Water Development Board
P.O. Box 13231
Austin, Texas 78711-3231
(512) 463-7847

Secondary Market

Fannie Mae
Border Region Partnership Office
One Riverwalk Place
700 North St. Mary's
Suite 420
San Antonio, Texas 78205
(210) 299-1081

University Programs

University of Texas–Pan American
Community Outreach Partnership Center
Center for Entrepreneurship and Economic Development
1201 W. University Drive
Edinburg, Texas 78539-2999
(210) 381-3361

University of Texas System
Texas–Mexico Border Health Coordination Office
University of Texas–Pan American
1201 West University Drive
Edinburg, Texas 78539-3687
(210) 381-3687

Texas A&M University
College of Architecture
Center for Housing and Urban Development
Colonias Program
College Station, Texas 77843-3137
(409) 862-2370
(800) 633-2374

Note: The Border Low Income Housing Coalition is a nonpartisan coalition concerned with the quality and availability of housing along the Texas–Mexico border. Its members include government officials, nonprofit and private-sector representatives, low-income citizens from the border region and other interested citizens.

Border Low Income Housing Coalition
20 Iturbide Street
Laredo, Texas 78040
(210) 726-4462



TEXAS COLONIAS: A Thumbnail Sketch of the Conditions, Issues, Challenges and Opportunities
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Lined with about 100 people. The Texas Diabetes Council is scheduled to be phased out next year, Dr. Priego says. It provides dieting and educational work-

colonia where they live, sparks sewer lines. The signs warn in English and Spanish against using the water for drinking.

Salvador (left) and Filiberto Guerrero spend a hot afternoon last summer cooling off in washbasins full of water at Colonia Las Dalias near El Paso. Health officials say the colonias — which do not have running water or septic tanks — are among the most healthful in the state.

Poverty, crowding threaten health, officials

Continued from Page 1A.
 Health Commission.
 But the problems seem to ripple far beyond the banks of the Rio Grande.
 "I have referred to this border as a kingdom of dynamite with a short fuse," says Dr. Lawrence M. Pridmore, director of the El Paso County Health and Environmental District.
 Health officials in El Paso, the largest city directly on the border, are particularly concerned about the spread of infectious diseases such as drug-resistant tuberculosis and hepatitis.



Dr. Gossett said, "It's not easy, but it's ultimately the way."

Poverty, lack of sanitation nurture diseases along the border

Thousands of families are crowded into this border town, creating health problems that some of the country's largest cities can't match. President Clinton, in recognizing the health challenges, last year authorized \$100 million for health care in the border region.

COLONIAS JEOPARDY

Congress should keep funding on schedule
 Of the pressing health and environmental needs in the Southwest, none eclipses the water treatment projects along the U.S.-Mexico border. Fortunately, the U.S. has included funding for such projects in its annual budget bill. Now the Senate must give its assent, and provide for a multi-year funding.

Without the wastewater improvement, health crisis could erupt in the shantytowns.

Over the past three years, Water Development Board has...

Starr colonias multiply, flout housing rules

Mr. Starr said his office has taken no action against the subdivisions that went up during the last summer.

Colonia controls a border paradox

Exploding growth is making housing scarce in the border region. The Texas border colonies are a paradox: they control their own destiny but lack basic services.

Colonia's project takes a big step toward treating sewage problem

State agency lends assistance to South Texans' self-help project.

Communities are taking control of their futures rather than letting others solve their problems.

McAllen paper details subdivisions' problems

Mr. McAllen said his office has taken no action against the subdivisions that went up during the last summer.

State money for colonias running low, official says

Legislature will have to find new ways to bring sewer services to the border.

Panel suggests option for colonias

There are some places in the border region where colonia land is sitting smack dab in the middle of a flood plain.

EDITORIALS COLONIAS

Relations Trade and Development. Sergio Munoz of Mission rules. That is unsuccessful in getting the bill.

COLONIA PROFITEERING

It's time to toughen the laws again. Dan Morales says that as well as expensive.

State improving life in colonias, but toughest work remains

By George Kuempel and Bruce Tomaso. BROWNSVILLE — Texas has declared victory in its battle to halt the spread of colonias, the often dirty, disease-ridden subdivisions that are home to more than 300,000 of the state's poor.

COLONIAS: UNSETTLING FRONTIER

- Profile of communities and residents. 22A
- State aid unavailable to some. 22A
- Las Milpas: A success story. 22A
- Impoverished communities in East Texas. 22A

ALLEN FILLED WITH CONTRASTS IN JOBS, WEALTH

Allen is a swing town with a large population of the aged. It is also the nation's largest city for the aged.

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