

Dysfunctional Residential Land Markets: Colonias in Texas

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Low-income, self-managed homestead subdivisions, called colonias in Texas, are a rapidly expanding form of land and housing production in the United States. In a recently completed Lincoln Institute-supported study, I have analyzed the dysfunctional aspects of these land markets as measured by a high level of absentee lot ownership, modest lot and property transactions and turnover, and a lack of significant valorization (value increment) as settlements are built through and improved.

Homestead Subdivisions

Colonias, the Spanish word for neighborhoods, were first identified in the poorest Texas counties along the border with Mexico. They comprise unserviced or poorly serviced settlements in which homesteaders have bought a lot upon which they place either a trailer-type dwelling, or its up-market and less mobile or portable form, the “manufactured home.” In some cases, families build their homes through self-help efforts, beginning residence in a shack, camper or second-hand trailer and later consolidating the home over time.

Colonias are not a small-scale phenomenon. According to the Texas Water Development Board, there are approximately 1,500 such settlements housing around 400,000 people, mostly in the border region. The Board’s data and my own survey results show that many similar types of homestead subdivisions exist elsewhere in Texas, so these population estimates are likely to increase as we learn more. Indeed, counties throughout Texas, and in other states as well, are beginning to recognize the problems of unregulated substandard subdivisions that offer one of the few affordable homestead options for low-income households.

Low income here refers to households earning between \$12,000 and \$25,000 a year, although many colonia households actually earn much less (see Table 1). These households are in poor labor market areas: either regions experiencing wage and labor polarization among workers, or where low-paid service sector jobs predominate.



Vacant lots, self-built dwellings, campers and a trailer are part of the Sparks Colonia in El Paso.

Housing costs in most cities place home ownership beyond the reach of households that seek accommodation within the lower end of the rental housing market, in apartments or in trailer parks. Yet, many of these households aspire to homeownership, recognizing the advantages of moving out of rental housing where they have no equity. Many of them favor homesteading in poorly serviced rural subdivisions where they can own and valorize property through mutual aid and self-help efforts.

Colonias are not homogeneous, however. They vary markedly in size, layout, mode of development, mix of housing types, lot dimensions, lot occupancy and residential turnover rates, level of servicing, ethnic composition, income levels, and levels of relative poverty. In Texas, there is no typical colonia, but rather a range of types that vary among counties.

These settlements are akin to so-called irregular settlements in less developed countries, and they have a similar rationality to explain their existence: a low-wage economy, a rising demand for housing, a lack of state housing supply systems capable of meeting demand, and a private sector uninterested or unable to produce housing at levels that people can afford. Like their counterparts in Mexico and Latin America, colonias offer low-cost unserviced land on the fringes of urbanized areas that is affordable and accessible to very low-income

groups. Most residents must commute substantial distances into the adjacent cities for work.

While colonias in Texas are rarely illegal, many aspects of the development process are informal or quasi-formal, most notably:

- the relative informality of the land sale and titling process, based on a Contract for Deed;
- the lack of legal title in some cases where lots have been sold several times over to different claimants, or where people occupy someone else’s lot by mistake, derived from ‘metes and bounds’ adjudication. (Both processes require ex-post informal dispute resolution or “regularization” of clouded titles.)
- their peri-urban location in fiscally weak and low-regulation counties;
- the lack of services and low-grade infrastructure that does not comply with prevailing city jurisdiction codes and norms;
- the self-help and/or self-managed nature of dwelling provision.

Just over a decade ago, Texas became aware of the existence and proliferation of colonia-type subdivisions, and in biennial legislative sessions began to take action to stop their growth on the one hand, and to simulate upgrading on the other. Following are some examples of legislative action over the past decade:

- **1991:** Model Subdivisions Rules that require minimum service levels (later applied to grandfathered developments);
- **1991:** the appropriation of funds (only about half what is needed) for water and wastewater servicing provision;
- **1995:** consumer protection applied to Contract for Deed titling;
- **1995:** a moratorium on further lot sales in unapproved (unserviced) colonias, and a servicing “build-it” or “bond-it” mandate to developers;
- **1999:** greater coordination between government agencies, and an increase in the responsibilities of counties.

An underlying weakness in all these initiatives is that they apply only in the border region and in specially designated counties that form part of the state’s Economically Depressed Areas Program (EDAP). Elsewhere, the process continues essentially unabated.

Vacant Lots and Absentee Ownership

A major indicator of land market dysfunction is the failure to occupy and develop a lot after it has been sold. The data show that between 15 and 80 percent of colonia lots may be vacant. Even in the largest and now often fully serviced settlements, as many as one-quarter to one-sixth of lots are held vacant by absentee lot owners. Moreover, relatively large lot sizes of one-eighth to one-half acre or more, together with prohibitions on lot subdivision and sharing, create very low densities of 10 to 12 persons per acre. This exacerbates the unit cost of providing services, reduces cost recovery, and weakens community cohesion and mutual aid. We estimate that there are over 26,000 vacant lots in Texas comprising more than 7,000 acres of unoccupied residential land. If these lots were fully populated, even at the prevailing low densities generally found in colonias, an additional 100,000 people could be housed in existing settlements alone.

A key question, then, is why so many low-income households do not occupy their lots? Conventional wisdom argues that the lack of services discourages potential residents, and that providing basic utilities would be a catalyst to lot occupancy. However, this argument begs the question why many people do occupy their lots from the outset. They can be asked about

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TABLE 1.
A Comparison of Absentee Lot Owners and Colonia Residents

Dimensions of Analysis & Comparison	Absentee Owners	Colonia Residents
Total Cases (N)	173	261
Ethnic Characteristics		
• Anglo	10% (16)	5% (13)
• Mexican born	49% (83)	67% (166)
• Mexican/American	36% (61)	27% (66)
• Years in US (Mexicans)	29.3 yrs.	18.3 yrs.
Average Household Size	3.761	4.531
Total Household Income		
• < \$600 per month	9% (13)	14% (36)
• \$600–1,000	20% (29)	32% (79)
• \$1,001–1,600	29% (43)	29% (73)
• \$1,601–2,500	12% (17)	14% (34)
• >\$2,500	31% (45) ¹	11% (26)
Lot Purchase: Year, Size and Real Prices (at 1999 values)		
• Before 1980	35% (52)	20% (51)
• 1981–1990	39% (58)	33% (857)
• 1991–1999	27% (40)	47% (120)
• average cost of lot in \$ ²	\$9,498	\$13,281
• size of lot in sq. ft. ³	18,622	15,482
• cost per sq. ft. ¢ (US) ²	79¢	\$1.09
Principal Reasons for Original Lot Purchase?⁴		
• a home in the long term	21% (49)	49% (169)
• to own property	3% (7)	4.9% (17)
• an investment	25% (60)	4.9% (17)
• an inheritance for children	24% (57)	9% (31)
• good deal/opportunity	17% (39)	8% (26)
• others	11% (25)	19% (64) ⁵
Reasons for Non-occupancy⁴		
• distance/location	9.7% (23)	Not Applicable
• lack of services	22.5% (53)	NA
• an investment	23.7% (56)	NA
• for children	11% (26)	NA
• moved elsewhere	9.3% (22)	NA
• lack of capital	2.9% (7)	NA
• other reasons	11.4% (27)	NA
Intend to Move to Colonia in the Future?		
• Yes	42%	NA
• No	58%	NA
Housing Conditions		
• current tenure: owner	81% (128)	ALL ⁶
• current tenure: renter	19% (31)	
• previous home tenure: owner	NA	25% (58)
• previous home tenure: renter	NA	60% (138)
• sharer (kin)	NA	13% (29)
• number of bedrooms	3.033	2.816

1 Of this group, 44 percent had a total income of over \$50,000, compared with 18 percent of colonia residents who earned over \$2,500 a month.

2 Trimmed mean value (i.e., mean with the top and bottom 5 percent of readings omitted to provide a more accurate mean)

3 Trimmed mean value. Median is 13,250. Lots in many colonias vary between 1/8, 1/4 and 1/2 acre sizes (5,445; 10,890 and 21,780 square feet)

4 These numbers are greater than the sample size since they are cumulative responses for first and second responses, etc.

5 Other reasons were wide ranging. “To be close to family” was especially important.

6 The survey was targeted only at owners. Renting is prohibited, but there is a modest level of sharing lots/homes with kin. Fourteen percent of lot owners interviewed had kin sharing their lot, 41 percent of whom had some co-ownership rights to the lot.

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their motives and decision-making process, but it is more problematic to question absentee lot owners who are difficult to trace. Who are they? Where are they? What do they want from their land?

In spite of the methodological conundrum caused by the lack of a clear paper trail from property conveyance records and lot titles, we were able to develop a research strategy using property appraisal and tax records to track down some of these absentee lot owners. However, an estimated 8 to 10 percent of these records were discovered to be “bad” addresses, with the probability that the actual number of untraceable lot owners may be twice as high. Having walked away from the land they bought, these lot owners are in effect locking their property out of future land market transactions.

Current Place of Residence of Absentee Owners

By using tax record data for some 2,713 absentee lot owners across 16 survey settlements (in border and non-border counties), it was possible to identify the current location of absentee owners.

Around three-quarters live locally, i.e., in the adjacent city or within 20 miles. The rest are non-local, split equally between those living elsewhere in Texas and those living out-of-state. While there was a broad spread of addresses across the state, most absentee lot owners lived in Houston (26 percent), Dallas (15 percent) and San Antonio (12 percent)—the three principal metropolitan areas of Texas. California, with 35 percent of all out-of-state absentee addresses, was the most frequently identified state, followed by New Mexico (14 percent), and the Chicago region (Illinois and Indiana with 12 percent).

Characteristics of Occupants and Absentee Owners

This research reveals that colonia occupants and absentee lot owners are substantially different populations (see Table 1). Absentee owners are more likely to be Mexican-American, and are more ethnically diverse. While poor, they are considerably better off than colonia residents. Generally, the absentee owners purchased their lots earlier, and therefore paid less in real terms.

The most dramatic differences between the groups emerge in their residential search behavior and their motives for purchase. Absentee lot owner households are not waiting in the wings to move onto their lots once servicing has been provided. Quite the opposite: most of them (81 percent) are homeowners already and appear to be quite comfortable in their current residence. Moreover, some 49 percent indicated they bought their lot not for themselves but as an investment, as security,

Call for Research and Conference Papers

The documented proliferation of *colonias* in Texas suggests that similar types of quasi-formal homestead subdivisions exist across much of the U.S. to provide access to home ownership for urban households earning less than \$20,000 a year. While there are significant private transport costs associated with living in poorly serviced communities several miles beyond the urban fringe, families of all ethnicities are quick to recognize the advantages of self-managed home ownership on relatively large lots compared to renting a trailer or apartment.

To investigate this phenomenon further, the Lincoln Institute is inviting researchers interested in quasi-formal homesteading to form a network to facilitate the collection and sharing of data. In addition, the Institute is sponsoring a conference to be held in Cambridge, Massachusetts, in Fall 2001 to pursue these three goals:

- 1) to develop a comparative research agenda to analyze quasi-formal homestead subdivisions;
- 2) to develop methodologies and data gathering strategies about the development of these subdivisions and land market performance; and
- 3) to develop policy instruments and approaches suitable for application in the U.S. and to learn from best practices in other countries.

The target audience for the conference includes scholars and researchers, county officials or their equivalents, and legislators or their senior aides with an interest in land policy for self-help homesteading among the poor. The conference

planners are seeking participants to prepare papers on the following issues:

- labor market polarization and the changing nature of housing demand for homestead subdivisions nationally;
- an inventory and typology about the extent and nature of homestead subdivisions, their populations, and how different variables (social, economic and juridical) shape their structure, potential for development, and land market performance;
- methodologies for identifying and analyzing these subdivisions;
- the potential for urban productivity and value capture in homestead subdivisions, including opportunities for rent earning by homesteaders and for sustainable public and private sector interventions;
- land policy analysis of how sensitive regulation and intervention may benefit successful homesteading activities, such as land swaps, land readjustment and community land banking; and
- appropriate public policy supports (i.e., organizational, legislative, financial) that might enhance development opportunities in homestead subdivisions.

For further information about participating in the research network, contact Peter M. Ward (peter.ward@mail.utexas.edu). For information about participating in the conference, contact Rosalind Greenstein, senior fellow and director of the Program in Land Markets at the Lincoln Institute (rgreenstein@lincolninst.edu).

or as a future gift or inheritance for their children. Less than one quarter stated that the lack of existing services was an issue. More than half expressed no future intention to move onto the lot, and of those who do intend to move, very few plan to do so in the next 5 to 10 years. In reality I anticipate that few will ever move. Some even said they would sell at any time if the price was right.

Land market performance for both populations during the past two decades is unlike other residential land markets. Land value trends in colonias have remained “flat” in real terms, and the rate of return has been low, especially compared with other sectors of the land and housing market. This suggests that the poor are not benefiting significantly either from their land purchase investment or from their sweat equity (in the case of residents). Although a modest level of market sales continues to take place (more than was anticipated), colonia land markets are not being valorized significantly.

Policies for Fixing the Market

Vacant lots are both a cause and an effect of this poor market performance. It is important to note that the “build-it-and-

they-will-come” notion is badly misconstrued. Policies to develop urban services in order to catalyze lot occupancy and densification may be helpful, but other land market interventions are also required to make land markets in colonias operate more efficiently. These might include revising legislation to facilitate urban productivity, such as allowing for some nonresidential land use for income production, or for subdivision and rental. Indeed, one reason why land is not being valorized is the restriction placed upon approved land uses. The 1995 moratorium on lot sales also limits development. Although the law is widely breached, doing so deflates prices, distorts turnover and drives sales underground. The prohibition upon internal lot subdivision (especially of large lots) inhibits rent-seeking and cost-sharing among kin.

Another need is to free up the landlocked areas that belong to owners who can no longer be traced. Sequestration of lots for nonpayment of taxes could be one approach, especially if tied to the creation of a public holding company or land trust that would subsequently promote the supply and redistribution of lots through mechanisms such as land pooling and land

readjustment. In Texas, at least, tackling the “problem” of large-scale absentee lot ownership would offer a number of positive outcomes and solutions.

Understanding and widening our analysis of homestead subdivisions in Texas and elsewhere offers the potential that policy makers will be better informed, and that we may begin to develop more sensitive and appropriate land policies to address the issue. In so doing, we may substantially increase the supply of homesteading opportunities to the most disadvantaged income groups in U.S. society. **L**

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Participatory Budgeting and Power Politics in Porto Alegre

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Responding to decades of poverty, poor housing, inadequate health care, rampant crime, deficient schools, poorly planned infrastructure, and inequitable access to services, citizens in about half of Brazil’s 60 major cities voted in October 2000 for mayors from left-wing parties noted for advocacy, honesty and transparency. These reform administrations are introducing new hopes and expectations, but they inherit long-standing mistrust of municipal bureaucrats and politicians, who traditionally have been lax and often corrupt. These new governments also confront the dismal fiscal prospects of low tax receipts, weak federal transfers, and

urban land markets that produce segregated neighborhoods and profound inequalities.

The strongest left-wing party, the Workers’ Party (in Portuguese, the Partido dos Trabalhadores or PT), held on to the five large cities it had won in the 1996 election and added 12 more. These PT governments hope to universalize services, thus bypassing traditional top-down methods and giving residents an active role in their local governments. In the process these governments are reinventing local democracy, invigorating politics, and significantly altering the distribution of political and symbolic resources. The most remarkable case may be Porto Alegre, the capital of Brazil’s southernmost state, Rio Grande do Sul, where the PT won its fourth consecutive four-year term with 66 percent of the

vote, an example that may have encouraged Brazilians in other cities to vote for democratic reforms as well.

Porto Alegre, like cities everywhere, reflects its national culture in its land use patterns, economic structure and distribution of political power. Brazil’s larger social system employs sophisticated mechanisms to assure that its cities continue to follow the same rules, norms and logic that organize the dominant society. Because Brazilian society is in many respects unjust and unequal, the city must constantly administer to the effects of these broader economic and political constraints.

At the same time, no city is a pure reflection, localized and reduced, of its

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