Colonias in Arizona: A Changing Definition with Changing Location

Laura Huntoon and Barbara Becker

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Presenting Author: Laura Huntoon
Co-author: Barbara Becker

University of Arizona, School of Planning

e-mail address: Huntoon@u.arizona.edu

Comparisons between Colonias in Arizona and those in Northern Mexico and Texas

In Arizona, colonias settlements are much smaller in both territory and absolute population, and also have lower population density on average than those in Northern Mexico and Texas. Early definitions of colonias emphasize the following defining elements. Colonias are new unincorporated settlements along the US-Mexico border, infrastructure-poor, and largely of Hispanic population. As the term has been molded to fit the US Federal bureaucracy, communities eligible for Housing and Urban Development (HUD) and Agriculture (USDA) programs have broadened to include long-standing rural and urban settlements, both incorporated and unincorporated, many with a full complement of infrastructure, not necessarily Hispanic, within 150 miles of the US-Mexico border. In the case of Arizona, this extension has included five tribal colonias designations, which include some but not all of the largest housing gaps in the state (US Federal Register July 1998).

Colonias in Arizona are not clustered on the border and are a mixed phenomenon of both rural and urban employment and settlement. Many of the colonias we surveyed were first settled prior to 1980 and are not settlements linked to recent immigration. Residents of colonias are likely to live in households with incomes below the local county mean, a higher benchmark than the US Poverty Line in all the colonias-eligible counties and most of rural Arizona. Colonias households often have access to utilities albeit through aging systems in need of upgrading. Colonias residents are somewhat more likely to be Hispanic and to speak Spanish than residents of other settlements and are a little more likely to be foreign-born than the average for the state, but not for the county of residence.

Rural Communities and the Powers of Counties

One of the major reasons that colonias vary between Texas and the more newly designated colonias of Arizona are the differences in powers granted counties by state enabling legislation.[1] The powers or lack of powers granted counties by state enabling legislation make a significant difference in how rural communities and home-sites develop and the forms they take. Until the 1990s counties in Texas lacked most of the controls utilized by other states over the division of land for development (Texas Codes, 1995). The power to regulate the subdivision of land in Texas was first granted counties to use in designated, fast growing areas in the late 1980s but it was not until the mid

[1] The lower density of settlement in Arizona is also a function of the differences in the economic base.

1990s that counties in general were able to control the way in which subdivision of property occurred and to be able to force the provision of infrastructure to meet the minimum state Health and Safety codes for solid waste removal, clean water, and other necessary infrastructure. Our conjecture is that previously developed subdivisions still lack infrastructure, which in turn will influence subsequent land values.

Arizona counties have more powers by statute to require the provision of infrastructure and limit the subdivision of raw land, but these requirements are enforced unevenly, often indirectly by public utilities refusal to service subdivided land which does not meet county requirements. In the terminology of Southern Arizona, much population growth has settled in wildcat subdivisions, which meet state legal requirements and are referred to by the counties as unregulated lot splits. Both regulated and unregulated development is occurring in unincorporated areas. Our review of Arizona's civil code suggests that the powers of counties may be an important part of the process of homestead subdivision. It will be useful to extend this research to other states to test the significance of county subdivision regulations and control.

Colonias in an interjurisdictional environment

In Mexico, municipalities are required by Federal statute to plan service delivery and organization for all territory under their jurisdiction. This has led to a more self-conscious approach to colonias policy (Ward 1999). In both Arizona and Texas, counties are not required to act by federal mandate. In fact, multiple levels of jurisdiction with the discretion to act have created confused and competing policy initiatives. The two federal agencies, which are the current source of colonias funding and set asides, HUD and USDA, have different criteria for the awarding of funds. USDA has financed largely water projects. HUD has identified community organizations in Arizona colonias (HUD 2001) and the success of colonias in receiving Federal grants for infrastructure and housing suggests that some Arizona colonias are politically sophisticated. It is possible that the Federal funding pattern varies by state. The structure of interjurisdictional competence is an important area for future research.

Typology of Colonias

Using the prototype of colonias observed in Texas, one of the defining characteristics of a colonia is inadequate public utilities and infrastructure. A second descriptive characteristic associated with colonias is a low level of household income. We survey a small sample of local colonias to establish what the range of variation is for these two variables. HUD estimates that local governments have named approximately 79 colonias, the state's Department of Commerce has designated 19 of these colonias as privileged in terms of CDBG funds. In addition, USDA has designated 59 colonias including 5 colonias located on Native American reservations within 150 miles of the international border (HUD 1999, 2000). The distribution of colonias in Arizona is most influenced by local governments and the USDA. We focus on one county which includes the Tucson metropolitan area because colonias identified in this county run the gamut from the incorporated City of South Tucson, unincorporated suburbs of Tucson, smaller incorporated places, to unincorporated rural communities.[2]

Based on a windshield survey of seven formally identified colonias in Pima County, most more than fifty miles from the Mexico-US border, we found a mixed level of utility provision and wide variation in housing condition. Three of the communities lack waste water treatment, but all of the communities have some basic infrastructure. This sample of identified colonias has either a public water utility or private water district. As mentioned, four have public sanitary sewers and wastewater treatment while three have only septic. Most have individual electric meters from public utilities for all lots platted. Four have a majority of paved roads. Two have a mix of paved and unpaved, graded roads. One has no paving, but graded roads. In addition, there are a variety of parks and other public amenities. This suggests that colonias as defined by HUD and USDA in Arizona have infrastructure in place. The designated colonias do need substantial infrastructure upgrading and expansion due to the age of systems in place. As settlement intensifies, more capacity is needed. From the survey, the age of structures suggests that accompanying sewer and septic systems are dated. Three of the colonias are census-identified places with founding dates ranging from 1900 to 1940 to 1977. Only two of these areas have lower median incomes than the county median and all have either a public water utility or water cooperative, public sewer and waste treatment, public or cooperative electric utilities, public natural gas, and local telephone service (Arizona Department of Commerce, 2001).

The types of housing we observed provide little evidence of self-built construction. The modal type is manufactured and the second most common type is a mobile home or trailer. There is evidence of self-managed construction as many lots had sheds, accessory structures, and stockpiles of materials. Outdoor living areas are common.

Our observation of non-colonias settlements suggests that colonias are not the most underserved or impoverished areas. Some of the areas in the county without public utilities are unregulated subdivisions without colonias designation. Others are non-colonias sections of Native American Indian reservations. Rural communities generally have lower household incomes and are likely to meet the colonias guidelines without lacking substantial infrastructure. Our view is that US unemployment and poverty are clustered near the Arizona-Sonora border and that as one progresses north, communities in the 150-mile colonias range become more like impoverished rural communities in the rest of the US. A survey of households in a broader area can establish the modal pattern for Arizona and provide more useful categorization of settlements beyond the colonias/non-colonias designation in identifying how unregulated subdivisions develop.

Tribal areas constitute an important exception in the pattern of housing need in Arizona.

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[2] An unincorporated, middle income, largely Anglo retirement community, Green Valley in Pima County, had the approval of the County Commissioners for colonias designation in order to apply for USDA water project funds until one of the supervisors convinced his colleagues to overturn this decision, with the argument that although Green Valley met the statutory requirements and the letter of the law, it was beyond the intent of the law.

The areas of most extreme household poverty in Arizona are clustered in the northeast corner of the state in the Navajo reservation and Hopi land. Statewide, for example, 16 percent of reservation housing lacks indoor plumbing. This share reaches 45 percent on the Navajo and Hopi reservations (Arizona Housing Commission 2000). Native American Indian reservations in the northern counties rank lowest on substandard housing measures

Affordability of Housing in Southern Arizona: Lack of housing finance for small loan amounts

If we compare the housing credit situation in the rural southwestern United States to market-based housing provision in lower-income countries, we find some important similarities. Market-based economies in lower income countries, and here we include Mexico and the majority of the Latin American countries, have a three level housing market. The first level directed at middle and upper income families is legal and private based on private savings and access to mortgage credit. The second level directed at middle income and middle lower income families is usually public sector and subsidized. Typically private land title is included, with private savings as down payments and publicly subsidized mortgage interest. The third level, often referred to as the informal sector, is illegal and unregulated so sites lack public infrastructure and utilities yet are informally organized. Housing finance available is limited to the wealthy individuals (the top tier) and families with regular employment in the formal economy worthy of credit (the middle tier). There is no housing credit or financial intermediation in the informal sector (the bottom tier). In spite of this lack of credit, the informal sector in both Latin America and India has expanded rapidly (Renaud 1984).

As is well known, subsidies for housing purchase in the US are not largely targeted to households based on income. In the US, households that itemize Federal income tax deductions receive a subsidy on mortgage interest via the deductibility of mortgage interest from Federal income taxes. There are no income limits on this and higher income households are more likely to deduct mortgage interest than middle and lower income households. Specific HUD programs, which are similar to lower-income country subsidies, do include an income eligibility requirement.

An important consideration for informal housing and homestead subdivisions is the availability of mortgage credit for these types of structures. What is less obvious are the higher fees and higher interest rates for small loans of less than approximately $50,000 due to the higher per dollar costs associated with servicing small mortgage loans. In addition, mobile homes and trailers are not eligible for 30-year term mortgages regardless of the smaller amounts, and lenders often have more restrictive underwriting criteria for manufactured units. These policies represent a failure of financial intermediation, which leaves an important gap in housing finance.

Wildcat subdivisions in Arizona may represent a middle path to homeownership. In the first instance, they appear to be a response to excess demand for affordable housing. Similar to informal housing developments in lower-income countries, some lot splits are legal, and others are not. Unlike informal housing in lower-income countries, land title is legally transferred, although in the case of illegal lot splits, the land sale may be invalidated or access to utilities granted only after a protracted legal negotiation. The county has the jurisdiction to approve illegal lot splits ex post facto. Because the lot is purchased before utilities and services are provided, it is cheaper than developed land and the purchaser may be unaware that the split violates county ordinance. Taxes assessed on lot splits and wildcat subdivisions are lower than those assessed against property in areas of regulated development (Pima County 2000) This contributes to affordability, while increasing concern at the county level regarding the spread of unregulated development.

Conclusions: What We Know and Do Not Know in Arizona

We start with a consideration of one type of quasi-formal homestead subdivision as defined for Federal policy purposes in Arizona and based on the evidence from one county discover that most of the communities designated as colonias are similar to impoverished settlements more than 150 miles from the border. The colonias, which receive Federal funding, are somewhat more likely to be older settlements. The defining characteristic of colonias appears to be heterogeneity in population demography with varied ethnicities and age-distribution. Based on US Census returns for 2000, several of the colonias appear to be low-income retirement communities, perhaps a type unique to Southern Arizona.

Using Ward's idea of urbanization by stealth, we see that several smaller communities at the urban fringe are consuming land in the desert, which offer cheap lots to buyers but will be resource intensive over the long term. Ward finds that many lots in colonias in South Texas are not currently occupied, but are being held as an investment or speculative location for return migration by Hispanics working and residing elsewhere in the US (Lincoln Land Lines 2001). Based on our windshield survey, we cannot establish this. There are data on owner occupancy by parcel available from a proprietary database that might establish this and the velocity of turnover in Arizona. This type of investment behavior may augur denser settlements in the future and is an important research question.

The incentives provided by Federal subsidies do not address the trade-offs in development from the local community's perspective. The structure of Federal policy rewards communities who qualify based on demographics and organization, but not based on planning criteria or efficiency. The county is most concerned with long-term funding of infrastructure development for unregulated lot splits and wildcat subdivisions, which overlap partially with colonias. At the state level, there is limited support for planning of buildout or for regulations that would encourage self-managed housing to be built. Our next step is to develop a more robust survey, which allows for comparisons among community types and provides evidence on the costs of infrastructure provision in different policy regimes.