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Saving El Pueblo: State of Housing in Colonias

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Executive Summary

Colonias, communities primarily located along the U.S.-Mexico border, face profound housing challenges and lack resources characterized by inadequate infrastructure, aging housing, and systemic underinvestment—issues rooted in historical discrimination. Predominantly Latino, these communities are especially vulnerable to climate risks and face ongoing housing insecurity due to unconventional financing and limited access to funding. While federal programs like HUD’s Community Development Block Grant and USDA Rural Development grants provide some support, gaps in funding, organizational capacity, and data availability hinder progress. Addressing these challenges requires expanding the federal definition of colonias, increasing funding for housing programs, and prioritizing tailored solutions such as infrastructure improvements. In addition, these communities would benefit from increased access to broadband internet, emergency rental assistance, and expanded access to manufactured housing. By investing in colonias, policymakers can improve living conditions and foster economic resilience and equity for underserved Latino communities. Colonias are at the frontier for efforts aimed at closing gaps in housing.

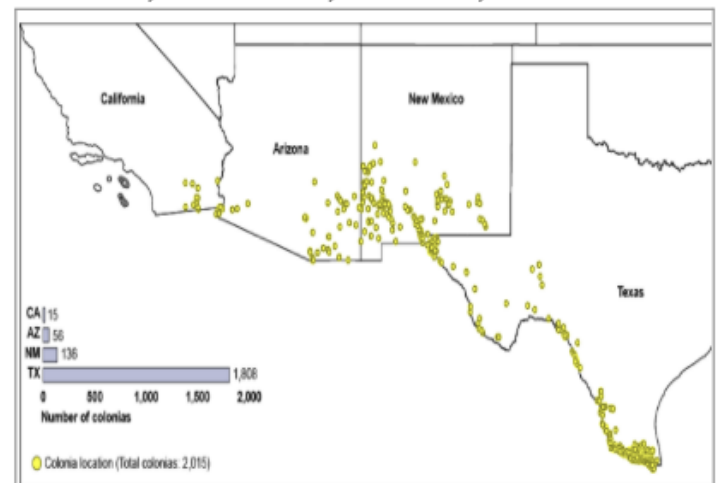
Introduction

Infrastructure, housing, and shelter: their presence — or lack thereof — are intertwined and visible in any space. In the American Southwest, Texas, New Mexico, Arizona, and California are unique states as they border and serve as centers of cultural and social exchanges between two nations. As some of the largest states both geographically and in terms of population, the sheer size and topography of many of these states create unique challenges and opportunities. The Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) define colonias as communities located in Texas, New Mexico, Arizona, and California, with the largest concentration in Texas. These communities are typically within 150 miles of the U.S.-Mexico border. Colonias often lack essential services such as potable water, sewage systems, and safe housing.[1] Importantly, though not acknowledged in these definitions, many homes also lack access to

broadband internet is known as the “digital divide.”[2]

Addressing these challenges through a focus on housing is essential to improving quality of life, advancing equity, and preserving the cultural and economic contributions of Latino communities who are disproportionately affected by inadequate housing conditions in colonias. However, Latino communities are rich in community capital, such as culture, relationships, and social networks, making them resilient and a refuge for many entering an unfamiliar environment. An effective approach must be informed by and support the unique community capital of colonias.

Figure 1. Location of Colonias in Arizona, California, New Mexico, and Texas, as of 2010



Source: GAO report on Colonia infrastructure which used GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), AUST Fores Service US Global Change Research Program, and National Oceanographic and Atmospheric Administration (2023).

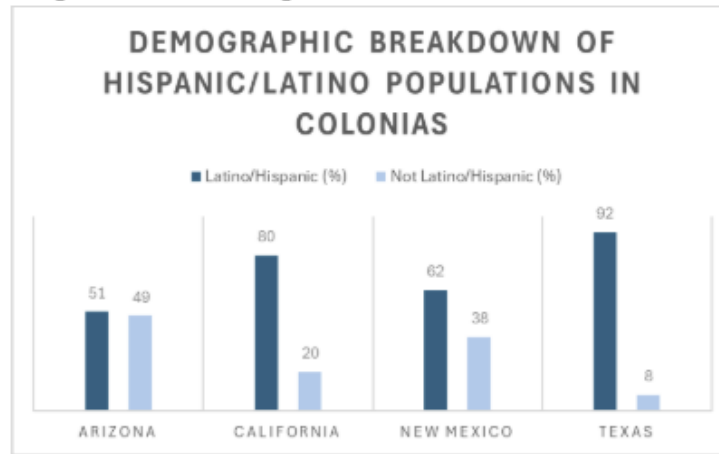
However, this appreciation for each colonia's unique community capital is not always considered. In Texas, addressing colonia infrastructure deficits is framed as "prevention," overlooking the urgent need to support existing communities.[3] Framing the issue as "prevention" is problematic because it suggests a forward-looking approach while failing to address the entrenched struggles of the hundreds of existing colonias and other areas also meeting those infrastructure deficits. It is also important to note that the challenges in colonias today stem from a legacy of racism and housing discrimination that forced marginalized communities to settle in under-resourced, unincorporated areas.

In California's San Joaquin Valley, for example, people excluded from towns like Riverdale due to discriminatory practices were pushed to peripheral colonias lacking water mains, sewer lines, lighting, and paved streets. Despite the 1963 Rumford Fair Housing Act, which aimed to end racial discrimination in housing, public investment in these areas remained limited.[4] This history has left colonias with aging housing, limited affordable options, and severe infrastructure deficits, perpetuating the impacts of past exclusion.

According to the Arizona Department of Housing, documenting housing quality for colonia designation can be challenging due to the limitations of available data. Census information on housing conditions in small communities may only be available as far back as the 2000 census, and census tracts do not always align with colonia boundaries.[5] As a result, most communities must rely on locally generated documentation.

HUD, United States Department of Agriculture - Rural Development

Figure 2. Demographic Breakdown of Hispanic/Latino Population of Colonias



Source: GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), AUST Fores Service US Global Change Research Program, and National Oceanographic and Atmospheric Administration data; GAO (icons). | GAO-24-106732

(USDA-RD), and the Community Development Financial Institutions (CDFI) Fund have identified a lack of capacity among organizations serving colonias and other persistent poverty communities as a major obstacle to addressing housing needs and the effectiveness of federal programs. [6]

Housing Supply Challenges

Beyond colonias, rising home prices, elevated interest rates, and a limited supply of homes for sale have forced many potential homebuyers out of the market. Existing home sales fell to a nearly three-decade low in 2023. Nevertheless, new single-family construction is increasing, helping to offset the acute supply shortage. [7] By contrast, rental vacancy rates are rising and rent growth has stalled as a large volume of new apartments come online.[8]

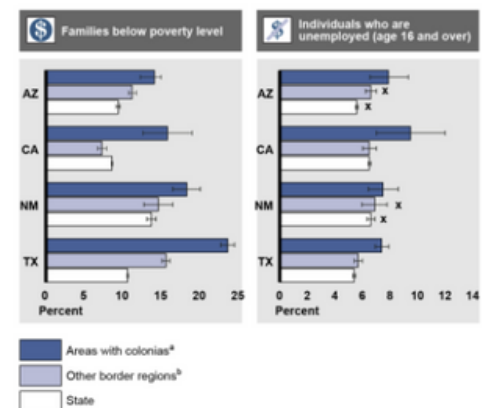
Homebuilders and developers face numerous barriers to providing housing at the cost, quantities, and locations needed most. In colonias, this supply challenge is exacerbated by aging housing.

Accessing Aging Housing

Aging housing refers to residential buildings in use for several decades that often require significant

maintenance or upgrades to meet modern safety, efficiency, and livability standards due to wear and outdated systems.

Figure 3. Economic Breakdown of Colonias 2017-2021



Source: GAO analysis of U.S. Census Bureau, U.S. Department of Agriculture (USDA), Department of Homeland Security, Department of Housing and Urban Development (HUD), AUST Fores Service US Global Change Research Program, and National Oceanographic and Atmospheric Administration data; GAO (icons). | GAO-24-106732

Despite targeted federal assistance starting in the early 1990s, a 2024 Government Accountability Office (GAO) report found many colonia census tracts still contain a significant portion of aging housing. California, New Mexico, and Texas have only slightly more homes built after 1990 compared to other border regions, while Arizona shows no difference.[9]

The aging housing stock in Texas colonias, built primarily in the 1980s,

lacks the infrastructure needed to withstand today's climate challenges, leaving many homes vulnerable to severe weather. Although federal efforts in 1988 provided some infrastructure support, many homes were built with minimal standards, making them ill-equipped for extreme weather events like storms, wildfires, and floods.[10] Rising housing costs and scarce resources have severely limited residents' ability to upgrade their homes, exacerbating safety risks and creating significant challenges with securing or maintaining insurance, if a policy is even in place.[11]

Without investment to modernize aging housing, colonia residents remain vulnerable to climate impacts and displacement. Texas' prevention approach of "limiting utility connections in substandard areas" displaces economically disadvantaged residents and fails to address inadequate housing. This strategy overlooks the need for infrastructure improvement in already existing homes and the creation of affordable housing, worsening the housing crisis and neglecting long-term community based solutions.[13]

Vacancy

GAO reports that in Texas, California, and New Mexico, the percentage of vacant housing units was about 5 to 16 percentage points higher in areas with colonias



Gaige Davila, "Destruction of homes—most of which were not up to code—in colonia Laguna Heights following a tornado," Texas Public Radio, United States¹²

than in the other border regions in each state.[14] In colonias, properties may be vacant for various reasons, a property owner may have moved but not have sold the property due to a lack of available financing in these areas. Targeted federal assistance to colonias started to become available in the early 1990s, which may help explain an increase in development in these areas.

Manufactured Homes

In all four southern border states, the percentage of housing units valued below \$100,000 was about 11 to 20 percentage points higher in areas with colonias than in other border regions.[15] Notably, the percentage of manufactured housing and mobile homes was about 7 to 22 percentage points higher in areas with colonias than in other border regions.[16]

Access to manufactured homes, factory-built housing units constructed to HUD standards and often placed on permanent foundations, is critical in these communities, as they often represent one of the most affordable and accessible housing options for families entering the market.[17] However, it is important to recognize that while a family or individual may own the structure itself, the land on which the home is situated is often owned by a different party. This dynamic creates significant challenges for homeowners, including insecurity of tenure, limited ability to make long-term investments or improvements, and vulnerability to displacement if the landowner chooses to sell, repurpose, or increase rents. This arrangement can complicate access to financing and government assistance, as many housing programs and financial institutions prioritize homeownership models that include both the structure and the land.

Contracts for Deeds

The GAO found that colonia residents often use unconventional financing, such as contracts for deeds, because low-income individuals typically do not qualify for conventional financing.[18] In a contract for deed, the seller finances the property instead of a third-party lender, and the buyer takes immediate possession, often with little or no down payment, while the seller retains legal title until the purchase price is paid off.

Owner-occupied housing in colonias was 5 to 15 percent higher than in other border regions but valued far lower.[19] This financing reliance reflects financial barriers and contributes to higher vacancy rates, as properties may remain abandoned due to limited buyer protections and lack of conventional financing options. Both buyers and sellers often lack the knowledge needed to navigate these transactions effectively. It is essential to support resident sellers as sources of community capital; however, they represent community members helping one another access affordable housing in an otherwise inaccessible market.

Population Considerations

By statute, U.S.-Mexico border states are required to allocate up to 10% of their portion of their HUD Community Development Block Grant (CDBG) funding to colonias located within metropolitan statistical areas (MSAs) with populations under one million.[20] However, as population growth causes many of these areas to approach or exceed this threshold, numerous colonias stand to lose eligibility for these essential funds, despite retaining their rural characteristics and infrastructure needs.

This potential funding gap comes amid persistent infrastructure challenges, as highlighted by higher rates of overcrowding in Arizona and Texas colonias, where overcrowding exceeds rates in other border regions by 2 to 5 percent.[21] Overcrowding, a condition often linked to insufficient affordable housing, exemplifies the structural shortcomings in colonia housing. Additionally, occupancy patterns in colonias differ from other border regions, with owner-occupancy rates between 5 and 15 percent higher in colonias across all four border states, indicating unique housing needs that underscore the importance of persisting targeted support for housing.

Existing Framework

Government policies addressing the needs of colonias focus on improving infrastructure, housing quality, and economic stability. USDA initiatives such as the Section 514 and 516 programs for farm labor housing were established following the United Farm Workers' advocacy for improved conditions in the 1960s and 1970s, including some colonia areas. In 1974, the CDBG program, set-aside by HUD, targeted fundamental services, including water and wastewater systems, housing repairs, and internet access. The Low-Income Housing Tax Credit (LIHTC) was established in 1986 to incentivize private sector investment to increase affordable housing in underserved areas. The Cranston-Gonzalez National Affordable Housing Act of 1990 created grants aimed at improving living conditions in colonias directly. Recent allocations through Congressionally Directed Spending and Community Project Funding highlight federal recognition of the persistent challenges faced by these communities. Despite these efforts, complex issues persist.

Recommendations

Expanding the federal definition of colonias to include more communities,[22][23] acknowledging internet access as infrastructure, and increasing funding for federal programs are critical for broader support. Expanding programs like the Border Community Capital Initiative Archive and Section 8 Housing Choice Vouchers specifically for colonias could provide immediate relief, securing safe and affordable housing for low-income residents through working with the right local partnerships. Emergency rental assistance tailored to these communities can mitigate financial disruptions, especially given their infrastructure deficits. Community partnerships are essential to assessing needs and promoting sustainable solutions, including LIHTC-supported affordable housing construction and expanded USDA homeownership programs, empowering residents to build equity and achieve financial stability.

By addressing housing needs and investing in colonias, it is possible to improve living conditions for underserved communities and unlock their potential to support and foster economic resilience and social equity for the Latino population. Colonias exist not only at the physical border between nations but also at a critical juncture in policy development, where targeted interventions can address systemic neglect and create sustainable progress.

Endnotes

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