



Model subdivisions: The new face of developer lot sales for low-income colonia-type housing in Texas



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ABSTRACT

This paper examines developer practices and self-help housing in serviced subdivisions targeting very low-income Hispanic homesteaders in the Texas border region. Laid out under “Model Subdivision Rules” after federal and state legislative intervention in the early 1990s, this initiative sought to curtail further colonia development and to ensure that any further homesteading followed regulations regarding service and infrastructure provision. Model subdivisions (MSs) proliferated after 1995 and this paper examines developer practices of seller financing, lot sales, and lot repossession for the large number of low-income families who default. Descriptive data are presented about housing costs in a number of different sized model subdivisions, and regression analysis of over 1247 individual lots reveals aggressive rent-seeking developer practices that lead to: (i) high levels of default and repossession; followed by (ii) resale (flips) of lots to other unwary buyers; and (iii) rapid “flipping” (re-sale) of lots by developers soon after repossession. Informal (seller) financing at high interest rates, combined with high private transportation and other consumption costs associated with low-income residence in peri-urban areas leave little cash surplus for self-building and home improvement such that housing conditions are among the worst in the State, and often worse than self-built homes in the colonias that the MSs were designed to replace. The paper concludes with a brief overview of the implications for theory and for a new round of public policy responses.

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1. Theories of informal urbanization and land market behavior: insights from Texas low-income self-help housing

“Irregular settlement” and self-building among the urban poor are widely recognized as an important segment of the urbanization process in developing countries (Mathéy, 1992; Payne, 1989). But its historical and contemporary importance is less well documented and understood in developed nations such as the USA (Harris 1998; Ward, 2012). In Latin America and elsewhere, informal self-help housing development has traditionally provided the primary means through which low-income workers without access to formal financing entered the housing and land market, and then self-built and extended their homes progressively over time—as their incomes and savings allowed—a process widely known as consolidation (Turner 1976). Although social and economic costs are undoubtedly tied to this type housing production (Harms, 1982;

Burgess, 1982), self-help is also viewed as a viable alternative to home ownership under conditions where the state (public sector) is unable or unwilling to provide worker housing, or where economic conditions are associated with urbanization and globalization and continue to depress wages and limit housing access for lower-income populations. This continues to be the case in cities of less developed countries, but many readers may be surprised to find that informal housing production practices are alive and well in Texas and in other southern states of the US where a similar economic logic has led to the self-built and self-managed nature of homeownership for a large number of poor and very poor (largely) Hispanic populations (Texas Attorney General, 2014; Durst, 2015).

This paper examines land developers opening up lot sites for informal homestead development in Texas for low-income households, in particular sales corresponding to the rise of “Model Subdivisions” as an alternative to colonias. Although the thrust of the analysis is empirical, we point out how this work also engages with two realms of contemporary theory: namely “informality” and “critical theory.” First, the “informal sector” in the areas of labor and housing markets have been widely analyzed beginning

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with Hart's (1973) analysis of unaccounted employment in Ghana; research that quickened in the late 1970s (e.g., Bromley, 1978) and which documented the widespread nature of informality in housing production in less developed countries. The latter involved unregulated and uncontrolled capture of vacant un-serviced land, the unaided self-building process by low-income households, and the myriad informal ways in which households tapped into infrastructure (Gilbert and Ward, 1985; Baross and van der Linden 1990; Payne, 1989). In early iterations the informal sector was analyzed dualistically (i.e., the formal versus informal sectors), but by the early 1980s the informal sector was no longer viewed as a negative and separate residual outcome of modernization, but as a more permanent and dynamic part of the market in which informal activity and production was an intrinsic and often positive element in capitalism's development. Increasingly, expanding informal sector practices were incorporated into new policy approaches and advocacy such as aided self-help (Ward, 2012), and deregulation of permits and transaction costs (De Soto, 1989). Moreover, in industrialized economies and labor markets Portes and Haller (2010) offered a similarly functional typology of the goals of informal activities: as survival strategies; as dependent exploitation by the formal sector; and as growth informality among small businesses that mobilize social networks to good effect.

Three contemporary approaches to informality may be identified (Mukhija and Loukatou-Sideris, 2014: 6–7): structuralist approaches which explain informality as an outcome of deepening of capitalism, labor abundance, and the inability of the state to regulate employment and land use activity; neoliberal approaches which argue that the over regulation and bureaucratic red tape force workers and residents to find workarounds (De Soto, 1989); and reformist approaches that recognize the underlying economic structure as the driver of informality, but view informality as both entrepreneurial and positive in so far as they may contribute to the supply of housing, survival strategies of the poor, and the integration of low-income home owners. Today the latter view is widely held, and speaks most closely to the urban context described here—namely the periurban land development of colonias and informal subdivisions that house poor families through what are often highly rational responses to contemporary low-waged labor markets and the structural nature of poverty. Nor is this a phenomenon only to be found in very low-income areas of the southern US: contemporary research reveals that informality is commonplace throughout the nation across several dimensions (housing and labor markets, community gardens, sidewalk sales, loft and garage conversions, food trucks, financing and subsistence, etc.) all of which may be unregulated or only lightly regulated (Wegmann and Chapple, 2014; Mukhija and Loukatou-Sideris, 2014).

The second area to which our analysis of land developer and development practices speaks is that of “critical theory” which understands space as malleable, and as a process of reconstruction as different waves of rent-seeking capital intervention shapes social power relations (Brenner, 2009). Critical theory has also led to new forms of contestation and “Rights to the City” movements that affirm the right to participate in the creation of urban space as well as the right to appropriate space. David Harvey's classic work in the 1970s and 1980s argued that urbanization and state intervention involved switching capital investment between sectors and modes of land development in order to extract profit from urban development. This involved the “creative destruction” of past defunct and devalued urban landscapes now primed for new investment cycles (Lefebvre, 1991). More recently he goes further (Harvey, 2008), and sees the right to the city as an appropriate way to challenge the creative destruction that lies at the core of the capitalists' production of urban space and which lead to new rounds of exploitation of working class populations displaced to the periphery (see also Marcuse, 2009).

Most of these arguments and analyses focus upon the inner-city rather than the peri-urban settings discussed here. However, we see important theoretical parallels between self-help housing activities and land developments in urbanizing contexts of Latin America and elsewhere including the USA. Namely the ways in which our analysis flags how new rent-seeking behaviors by land developers threaten to exacerbate and intensify the articulation of exploitation of low-income Hispanic homesteaders as developers expand their operations into peri-urban rural areas, and as property markets are recycled from agricultural to low density impoverished residential land uses. Although a different face of urbanization and “sprawl” to that of the inner-city and the recently observed “suburbanization of poverty” (Kneebone and Berube, 2013), land developers targeting low-income would-be home owners also place households in conditions of extreme vulnerability and risk of failure as a result of their profit-seeking behaviors.

2. From colonias to model subdivisions

In this paper we explore land sales practices corresponding to the rise of low-income subdivisions in Texas under Model Subdivision Rules (MSRs). MSRs were enacted in 1989 as part of a federal requirement that would tie funding for infrastructure provision in existing impoverished housing developments—called colonias—so long as state authorities moved to prevent any further growth. Thereafter, developers were permitted to continue to promote lot sales only in subdivisions that contained basic infrastructure (water, paved streets, etc.) and wastewater or septic connections for lots one acre or less (Texas Attorney General, 2014). This intervention was in response to the estimated 1100 colonias that were developed without services and infrastructure during the 1970s and 1980s in the rural hinterlands of cities throughout several border counties, especially those in the Lower Rio Grande Valley (Cameron, Hidalgo and Starr counties), in Webb and Maverick counties, and in El Paso county in the west. By 1989 an estimated 350,000 people lived in self-built or self-managed dwellings, the latter usually being trailer homes moved onto the lot site that served as the core dwelling for future self-built additions (Davies and Holz, 1992; Ward, 1999).¹

Colonias and model subdivisions—the latter referencing the post 1990 settlements created under Model Subdivision Rules—as well as other informal housing subdivisions do not function in the same way as most land and housing markets. In particular the lack of access to formal financing for low-income homesteading underpins the informal nature of land and housing development. On the supply side developers are the primary actors and seller financing and control over the contracting and title process are central to their business. This also explains why the market inhibits owners from later selling-on their property, since they, too, must invariably engage in seller financing to a new incoming owner.

On the demand side is the desire for home-ownership and the opportunity to progressively build and extend their home using “sweat equity” and self-help when resources allow. However, for the most part these are low and very-low-income Hispanic households: median household incomes in these border counties are among the lowest in the country. Though a majority of residents live in deep poverty (57% of owner households have incomes of less than \$1600 a month), about three-quarters of residents own or have the goal of owning their homes (Ward et al., 2012, Executive Summary

¹ Current estimates place the numbers at 2300 colonias and 400,000 persons (Texas Secretary of State, 2014) primarily from further growth along the border in the early 1990s and from residential infill of vacant lots (Rojas, 2012). These data do not include the scores of families in subdivisions platted under the MSRs that live under similar housing conditions as colonias, but which are not defined as colonias.

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