

MEMORANDUM

DATE: March 1, 1998

TO: Homero Cabello, Director of Office of Colonia Initiatives

FROM: Delilah Raybee, Deputy Director

RE: Self-Help Housing: What to do about Colonia development, CDBG grants

Introduction

In response to your request, I have analyzed the results of the Community Development Block Grants (CDBGs) to five non-governmental organizations (NGOs), which were designed to fund self-help housing centers in *colonias*. The NGOs are: the Brownsville CDC (Brownsville County), *Proyecto Azteca* (Hidalgo County), OPSE (El Paso County), Community Action Council of South Texas (Starr County), and APSS (Webb County). Two-year contracts began in November 1996 and run through November, 1998. With nine months left on the contracts, little work has been completed.

Our office (Office of Colonia Initiatives (OCI)) is faced with the following questions in preparation for the next grant cycle:

1. Why have the NGOs failed to achieve the goals of the CDBGs program?
2. Should the OCI engage the organizations receiving grants in organizational capacity building training?
3. What should be the expected outcomes of the grant recipients?
4. Should the OCI continue to work with the same organizations, or search out new organizations to receive the grants?

The organizations failed to complete the work because of structural and procedural problems of public administration. In particular, the NGOs did not implement agreed-upon work plans; had difficulty recruiting loan applicants among *colonia* residents; lacked leadership and organizational capacity; received poor services from county officials; and faced very difficult conditions of poverty in the *colonias* related to globalization.

In order to accomplish the goals of the CDBG program, I recommend that OCI and the funded NGOs take the following actions:

1. OCI should engage the funded organizations in capacity building, with an emphasis on leadership training and collaboration. Additionally, OCI should mandate technical assistance and technology upgrades for all counties receiving grants.
2. OCI should insist that funded NGOs develop realistic outcomes, which focus on basic needs of *colonia* residents for infrastructure and social services. Outcomes should primarily consist of housing repair, housing construction, and assistance with housing loans.
3. In order to achieve a successful public-private partnership, the funded NGOs must be required to adhere to best practices for networked government. These practices include regular communication and equality of decision-making in a network.
4. In addition to realistic outcomes, funded NGOs must implement and maintain detailed communication plans, with regular check-ins on progress towards outcomes and with mechanisms to modify work plans as conditions change. By implementing a system in which modifications are permitted if approved by the state, the OCI will ensure accountability while preserving flexibility for the NGOs.
5. Due to the extreme poverty of *colonia* residents, the NGOs should pursue funding sources in addition to or instead of CDBGs.
6. OCI should continue its grants to the Brownsville CDC, Proyecto Azteca, APSS and Community Action Council (if legal issues can be resolved). OPSE should not be re-funded. Rather, a competitive process for grant seekers should be implemented in El Paso County to find an organization to replace OPSE.

Background

In November, 1996, five small NGOs were given large government grants to work with neighborhoods in several counties along the Texas-Mexico border. The grants are funded by federal community development block grants (CDBGs) through the state of Texas Department of Housing and Community Affairs. The grant period runs from November 1996 through November 1998, and the grants range in size from \$557,000 to \$1.2 million. Fifteen months into the grant period, little actual work has been done due to administrative hang ups, legal challenges, lack of relevant skills and experience on the part of the NGOs, and lack of desire or inability to accept loans on the part of individual *colonia* residents.

The grant disbursement got off to a bad start with a 3-month delay in signing contracts due to disputes over language. The five NGOs had collectively set out to build 67 new homes, rehabilitate 378 homes, convert 845 mortgages and provide technical assistance to 1,022 families. Actual progress on work falls well short of goals. For example, in Starr County, work was delayed due to legal issues, and the organizations were placed in receivership. In Brownsville County, one of the contracting organizations to the Brownsville CDC lost its executive director and essentially became defunct, and the Brownsville CDC completed only 27 rehabilitation or construction projects. Despite this unsatisfactory record, the Brownsville CDC actually accomplished more than any of the other four organizations.

Both the NGOs and our office have identified many reasons as to why little work has been done on self-help center grants, as well as other problems with the system. These problems include:

1. The NGOs are provided with funds on a reimbursement basis, and the money travels from the federal level through the state and county before it reaches the recipient organization. Furthermore, funds are disbursed only when the projects are completed. Yet four out of the five NGOs are unable to initiate work without receiving payment upfront.
2. Many of the target *colonias* are either too developed or not developed enough to benefit from a self-help housing program.
3. Some NGOs have focused on (and completed) work outside what was defined by the contracts. For example, NGOs have established a food bank, rehabilitated a church, and completed work in *colonias* outside those specified in the contracts.
4. Azteca (Hidalgo County) began with an over-ambitious plan that did not take into account the actual amount of work that could be realistically accomplished in the 2-year time frame.
5. Azteca has not properly tracked staff time devoted to the self-help center project.
6. There is a perceived lack of flexibility to change work plans based on new information or circumstances.
7. Many colonia residents do not want to apply for loans, or are not awarded loans when they apply.
8. OCI is reluctant to engage in capacity building training with self-help centers.

Analysis

The challenges facing the five NGOs highlight many issues in government and nonprofit management,

including the need to employ appropriate technology, build capacity and leadership, establish realistic outcomes, and networking NGOs with government through coalitions. Examining these issues will shed light on why the CDBG program has failed thus far, and how it can be improved in the future.

The NGOs' failures also can be blamed in part on global poverty. Although the OCI and the self-help centers cannot address global poverty, it is important to keep in mind the realities caused by an unequal distribution of wealth and resources and take necessary action to allow for or mitigate this phenomenon.

Technology, Capacity-building & Leadership

Many problems identified by OCI and the self-help centers deal with issues of technology, capacity-building and leadership. Government grant making to nonprofit organizations requires an understanding across sectors for successful collaboration. To ensure successful implementation of the CDBG self-help centers, OCI must increase the capacity of counties and nonprofits to work together and with the state. In particular, OCI must focus on increasing technological capacity of the counties and increasing leadership capacity of the nonprofit organizations.

Rapid technological advances have changed work environments and the way we do our work over the past two decades (Denhardt & Denhardt, 2006). Technological changes are likely to continue in the future, and public organizations must keep pace in order to remain relevant to society. Leadership skills are increasingly necessary across all sectors and levels of public service (Bowman, West, Berman & Van Wart, 2004).

Due to outdated technology, the counties delayed disbursing funds to NGOs, which prevented the organizations from carrying out work. An issue that must be addressed is the poor technology capacity of local government. If local governments want to receive federal funds, they must build capacity (Collins and Gerber, 2006). All five counties receiving CDBG funds for disbursement to self-help centers should be encouraged to upgrade technology and invest in training. Funds for technology upgrades can come from county budgets or through grant seeking. The OCI may need to provide assistance in the grant seeking process.

Although the OCI leadership may hold a dim view of capacity training from past experience, this task must be undertaken to ensure success of the self-help projects. Training has historically been overlooked by organizations, mostly due to time and budget constraints. However, in an increasingly knowledge-based

work environment, training is increasingly important as an investment in workforce. Capacity-building is a specific type of training designed to increase an organization's ability to fulfill its mission. Successful capacity-building programs target both people and systems (Wing, 2004). Such training may be provided by external organizations (i.e., outsourced), to reduce training costs and increase choice and professionalism (Shafritz, Rosenbloom, Riccucci, Naff, & Hyde, 2001 pp 304-310).

Craft & Benson (2006, p.26) identify six key questions in planning a capacity-building project.

1. How will you measure success?
2. What services will you provide?
3. What trends in the external environment affect service provision?
4. What are the costs?
5. If there is a gap between costs and revenues, how will this gap be filled?
6. What are the key milestones in achieving set goals?

The capacity-building and training should be evaluated for effectiveness. Wing (2004) suggests establishing a realistic time-frame for improvements. Progress may need to be measured in years, even longer than the lifespan of the project. Outcomes of capacity-building measures may not be observable during the grant period.

In addition to general capacity-building, specific training in the form of leadership development must be implemented during the next round of grants. One integral part of capacity-building is leadership (Light, 2002 p. 50). Common sense indicates that leadership is important to the success of an organization. In fact, one of the five originally funded organizations failed due to lack of leadership and others may have also suffered, if not as dramatically. It is important to remember that leadership is a learned skill and that leaders can be found at all levels of an organization, not just at the top (Paarlberg, 2005).

Recommendation:

In the next round of funding, a crucial addition will be building local leaders to run the organizations, network with other organizations, communicate with government partners, reach out to the local community and other functions. Leadership can be built in many ways, including:

- Establish leadership training for organizations. For example, the executive directors of each agency could come together for periodic training on a leadership topic. In addition, each ED could have a

budget to attend training on a self-selected topic at least once per year.

- An alternative, more ambitious, option is to import leaders for a start-up phase, the second round of funding. These individuals would train local leaders to take over after specified period. For example, recent graduates of public administration programs could be recruited to lead the NGOs for a specified term. This program could be modeled on the successful Teach for America program.
- In addition to training for executive leaders, front-line staff also needs support. Realistic expectations for success must be set, especially in the realm of families applying for and receiving loans. Staff also needs training in working with the community, generating interest, motivation, and other needs as identified.
- The self-help centers must set up systems to ensure that training is an on-going process, such as through allocating a certain percentage or dollar amount to training each year.

Establish Realistic Outcomes Based On Actual Environmental Conditions

Many problems with the self-help center grants stem from factors in the external environment. An organization's environment is anything outside the organization which affects it. The environment in which the self-help centers operate is one of extreme poverty and deprivation. Organizations make attempts at controlling environmental affects by establishing boundaries and building alliances. However, a successful organization must have the ability to adapt to changes in the external environment (Bowditch & Buono, 2004). The self-help centers, through the CDBGs, are attempting to provide a service which may be beyond the capacity of the *colonia* residents to accept. Governments must deal with the consequences of problems the solutions of which are beyond their capacity to address (Kettl, 2002).

In order to be successful, the self-help centers must respond to the conditions of poverty which are the reality for *colonia* residents. Many challenges exist to basic service provision (Betts & Slottje, 1994; Ward, 1999). Social services are needed almost as much as basic services (Ward, 1999). The state could use federal grants to set up social service centers where residents can go for services. A community center established by a nearby university was found to be successful in terms of service provision, but needed more support with outreach (ibid). The State could provide funding to build schools or provide bussing to nearby schools or help set up services such as police and fire to the *colonias*.

Two of the main challenges to the success of the self-help centers in achieving set goals were external

environmental factors, including the tremendous amount of work needed outside the agreed upon scope of work, and the reluctance of *colonia* residents to apply for loans. One way to respond to these challenges is to change the type of assistance being offered. Many *colonias* lack basic infrastructure such as water, sanitation and electricity (Ward, 1999; state of Texas n.d.). *Colonia* residents also need access to social services, healthcare, pavement, public transit and police and fire services (Ward, 1999). The state could choose to work with local organizations and counties on basic service provision.

Recommendation:

In order for the self-help centers to be successful, funded organizations must begin with establishing realistic outcomes. These outcomes should be established with input from both the OCI and funded organizations. *Proyecto Azteca*, for example, began with an ambitious plan which, upon conducting a door-to-door needs assessment in the county, proved to be unattainable given the conditions in the *colonia*. Although the underlying poverty in the colonias cannot be addressed by the self-help centers, the conditions must be taken into account when establishing work plans. For example, a program which requires residents to take out loans may not work.

Realistic outcomes could include but are not limited to:

- home rehabilitation
- home construction
- improvements such as septic tank construction
- education campaign on loan process; loan options
- aid with contract for deed conversions
- resources to support basic service provision, such as paying for upfront costs or aiding with billing (for example, by providing a central payment location for residents who do not have mail service)

Networked Government & Coalition Building

In this case, there is a conflict between the state, which is held accountable for expenditure of CDBG funds, and the nonprofit organizations, which are responsible for carrying out the work. This type of conflict is increasingly common, as governments are forming networks with nonprofit and for-profit organizations to fulfill public service missions (Goldsmith & Eggers, 2004). Although this type of conflict has little hope of resolution, various tools are available to overcome administrative challenges (Kettl, 2002, pp. 50-1). Most

importantly, the government and the NGOs must work to strengthen the network so that each organization concentrates on tasks that fall within that organization's expertise.

Governments often contract or partner with nonprofit organizations to deliver services. Advantages of networked government can include specialization, innovation, increased speed and flexibility and increased reach. However, potential challenges include lack of goal congruence, fragmented coordination and lack of communication. Therefore, in order to build a successful partnership, leaders must establish communication channels and guidelines, establish systems to coordinate activities and resolve differences in organizational culture (Goldsmith & Eggers, 2004). Osborne & Gaebler (2002) contend that in order to succeed in the future, government and nonprofits need to become partners in reform.

Networks can take different forms. Brinkerhoff (2002) identified four models. One is a partnership where organizations work toward a common goal while maintaining individual identity. A second model is contracting, where one organization identifies other organizations to carry out specific tasks or implement programs. The third model, extension, is where one organization controls the action and identity of another. The fourth model identified by Brinkerhoff is absorption, where two or more organizations merge.

Gatley and Brudney (2007) define collaboration as two or more organizations that engage in mutual planning and management of a project, shared responsibility for outcome, and with a bond that goes beyond the term of a specific grant or contract. In a study, they found that public and nonprofit managers agree on the potential benefits of collaboration, which include increasing service provision, building community, and addressing shared goals. One challenge identified is finding sufficient staff time to devote to the collaboration.

Kearns (2004) illustrates a successful multi-organization strategy employed by the city of Pittsburgh. In Pittsburgh, organizations share expenses, issues and history, and systems (example, coordinating technology), but each organization develops a niche or expertise. For example, there are a network of "self-help" organizations, some of which have contacts with community members, others of which have technical experience, and others of which focus on granting for loans. These organizations provide services through a "community center" setting, which can be an ideal location for service delivery (Ward, 1999).

In order for the network strategy to succeed, there must be trust built up between managers of various organizations. For example, those with contacts in community will want to be assured that they will not get

burned by granting access to population to other organizations in the network.

Recommendation:

In order to set up a collaborative environment between the self-help centers and the state of Texas, the relationship has to go beyond the terms of the grant. Funded organizations will work better as part of a regional network. The OCI must facilitate the development of a network by mobilizing local organizations. Incentives could be offered, such as state-level recognition, start-up funding or other incentives as appropriate.

- Form a task force, coalition or network with public and nonprofit representation.
- Leaders from both sectors should meet on equal footing to discuss challenges and establish goals for development of the region.
- Coalition meetings will not be associated with the grant cycle.
- Let the group decide on frequency of meetings and location in order to alleviate concerns about staff time and resources. Attendance at network meetings should be encouraged but not mandated.
- OCI should provide incentives such as recognition, support staff or training opportunities for coalition members.

Communication

One major problem with the prior grants was that the funded organizations made changes to their work plans without consulting the OCI. While flexibility is important, there needs to be effective oversight and accountability.

Often, administrators experience limits on their discretion with regard to responsiveness and efficiency (Denhardt & Denhardt, 2006).

Recommendation: Set up a communication plan to ensure regular communication between the OCI and recipient organizations. The plan could include periodic check-ins with OCI on progress and any changes needed such as through regularly scheduled phone or web-based conferences with all funded organizations.

Addressing Poverty

The NGOs' failures highlight poverty caused by globalization, and the impact of increased poverty on governments around the world. Governments have shifted away from providers of welfare and towards a contracting relationship with citizens (Farazmand, 1999). In addition, poverty stresses public sector capacity

to provide services (Fredericksen & London, 2000). Poverty is one of those so-called “wicked” problems in public administration, which defy easy solution (Bowman, West, Berman & Van Wart, 2004).

The situation facing the *colonias*, inadequate housing, is a result of increased global inequality. The spread of capitalism around the globe in the 1980’s and 90’s led to an increase in global inequality and unequal distribution of wealth (Barlow, 2003 pp 58-60). The area of Texas where many *colonias* are located is a region marked by poverty, illegal immigration, over population and unemployment (Betts & Slottje, 1994). In fact, the five metropolitan areas of the United States with the highest poverty levels are all on the United States-Mexico border (Fredericksen & London, 2000). *Colonias* sprung up as a response to lack of affordable housing. Individuals living in *colonias* are poor, unlikely to have completed high school and suffer from chronic underemployment, or unemployment. Recommendations here will address administration of grants program. True solutions to problem of inadequate housing will only come through global changes in structure of economy.

Poverty is a societal reality which can complicate policy solutions (Stone, 2002 p. 75). Given the poverty conditions under which the *colonia* residents live, the work plans dictated by the terms of the CDBG program may not be relevant to these communities. Therefore, the OCI may need to seek other funding sources in order to successfully implement the *colonia* self-help centers. Community Development Block Grants (CDBG’s) were created in 1974 as a consolidation of several other federal government programs. The aim was to decrease fragmentation of assistance (Hawkins, 1999). Over thirty years after the program’s establishment, analysis showed that neighborhoods are better off and the program has achieved the goal of reaching and benefiting low-income individuals. However, interventions are still ad-hoc and not coordinated. The program does not need major reform; however projects could benefit from technical assistance and incentives. Specifically, offering supplemental funding for neighborhood planning efforts, and capacity building (ibid). However, other funding sources may be more flexible than CDBG grants.

Recommendation:

In order to align their goals with the external environment, some research is needed. The OCI will have to verify what kinds of services can be provided with CDBG grants. Research may have to be done into other sources of funding for some needed projects. In order to implement the recommendations, the OCI will need to engage in various research tasks, including a literature review, interviews, pre and post tests and a

case study analysis.

A literature review and interviews are recommended to gather information on:

1. Possible structures of CDBG grants and grants from other federal, state and local government sources.
2. Models for leadership/professional training, such as Teach for America and Job Corps.

In order to track progress on goals and gather information for future decisions, data on success and progress must be tracked. All funded projects should use the same methods so that comparisons can be made. Information should be collected from program participants via pre and post test surveys.

Case Study

The most successful organization, as determined by OCI staff with input from funded organizations, should produce a case study of what it did and why its actions were successful. The case study should then be distributed to other funded organizations, OCI, the media, and at professional conferences. In order to produce a case study, the organization will need to collect multiple sources of evidence, formulate a research question and develop two rival theories (Yin, 1997). In addition to the pre-and post tests, evidence can be collected from staff and recipient interviews, field observations and secondary sources. The case study can be used to examine and explain factors that led to success, therefore increasing the possibility of duplication by other organizations in other situations.

Who to fund next time?

Recommendation

OPSE, in El Paso County, has no previous experience with housing development and has partnered with a health clinic, which although it is a more established organization also does not possess relevant experience. In order for the CDBG self-help housing program to be successful in El Paso County, the OCI must engage in a competitive process to seek practiced candidates and disburse the grant to a qualified recipient.

Four organizations, the Brownsville CDC, *Proyecto Azteca*, APSS, and Community Action Council made some progress on grants or have reasonable capacity to do so and should be refunded in the second round (if legal issues can be resolved in Starr County). These organizations have experience in housing development. Two of the organizations were able to leverage CDBG funding to raise money from other

sources. *Proyecto Azteca*, although too ambitious with the work plan at the beginning, implemented an innovative loan program to reach families able to make payments. Finally, these organizations are collaborating with other organizations in their county, establishing the beginning of what can be a successful network model.

Conclusion

As the OCI responds to challenges presented by the self-help center CDBGs, our office will deal with a variety of issues including technology, capacity building and leadership, establishing realistic outcomes, networked government and coalitions. Our office will be confronted with the outcomes of global poverty, which we cannot alter but must address. Based on experience and research, we can make decision which will improve the next round of funding. By offering leadership training and technology improvements, setting up a functioning network in the region which meets outside the structure of the grants, and adjusting outcomes the second round of grants will be more successful than the first, failed, round.

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