

MEMORANDUM

DATE: March 1, 1998

TO: Homero Cabello, Director of Office of *Colonia* Initiatives

FROM: Raymon Cancino, Texas Department of Housing and Community Affairs
Director

RE: Self-Help Housing: Reconsidering the *Colonia* Development Projects funded
through the CDBG grants

Background:

In November 1996, the state of Texas Department of Housing and Community Affairs (TDHCA) granted five NGOs large federal community development block grants (CDBGs) to foster redevelopment in several counties along the Texas-Mexico border. The grants were given to help address the dilapidated, inhumane conditions in housing communities called *colonias*. The grant cycle ran from November 1996 through November 1998, and the grants ranged in size from \$557,000 to \$1.2 million. Fifteen months into the grant cycle, little actual work had been done. This was attributed mainly to administrative hang ups, legal challenges, lack of relevant skills and experience on the part of the NGOs, and inability to entice *colonia* residents to accept traditional mortgages.

Further complications arose when a three-month delay occurred over the contractual agreement. Although there was a general contract stipulating a collective expectation of building 67 new homes, rehabilitating 378 homes, converting 845 contract

to deed to mortgages, and providing technical assistance to 1,022 families, a strategic plan was never developed with all the vested stakeholders. At the time of this report, the NGOs were not collectively fulfilling their contractual obligations stipulated by the CDBG.

The major issues that hindered the NGOs from fulfilling their contract were:

1. Many of the selected NGOs were not the most appropriate programs to establish community redevelopment in the areas of the *colonias*.
2. The current CDBG funds were being dispersed via a complicated bureaucratic reimbursement basis (see Appendix 1).
3. Many of the NGOs did not organize themselves to best fit their strengths--a result of lack of commonality of goals and leadership.
4. Many *colonia* residents did not want to apply for loans or were simply denied loans because of predominantly exclusive criteria.
5. There seemed to be an utter disconnect between NGOs and the overseeing governmental agency, the Office of *Colonia* initiatives, a program of the Texas Department of Housing and Community Affairs Office.

Introduction:

Texas Department of Housing and Community Affairs (TDHCA) has chosen to reexamine the implementation of the Community Development Block Grants (CDBGs) with the five non-governmental organizations (NGOs) which were designed to fund self-help housing centers in the *colonias* near the Texas-Mexico border. We have looked into the results that the NGOs have produced and examined why they failed. The NGOs that were contracted under the first grant cycle were: Brownsville CDC (Brownsville

County), *Proyecto Azteca* (Hidalgo County), OPSE (El Paso County), Community Action Council of South Texas (Starr County), and APSS (Webb County).

The organizations failed to complete the work because of structural and procedural problems dealing with many aspects of your offices' administration of the program, as well as some barriers that need to be addressed. In particular, the NGOs that were selected had: (1) limited experience with housing redevelopment; (2) were asked to use time-consuming, bureaucratic payment schemes; (3) did not implement organized program objectives to best fit their strengths, which was a result of lack of collaboration to obtain the common goals of the established grants; (4) had difficulty garnering community support to convert their contract to deeds to traditional mortgages, which could be attributed to a lack of cultural sensitivity when dealing with the residents in the *colonias*, preventing success with the community, and; (5) lacked the leadership and organizational capacity to maintain institutional knowledge and help garner an effective infrastructure to manage and implement an effective organization.

I hope that this strategic assessment memo helps to serve as the guiding impetus of change in the following grant cycle. TDHCA has acknowledged that your department is not equipped to adequately make complete decisions based upon best practice methods for housing and redevelopment projects. Therefore, the first recommendation of change will be to have the TDHCA take a larger role than just funding the community development block grant by acting as a consultant to the *colonia* project program. Research has indicated that large productivity gains occur when there is high commitment from top management, in this case TDHCA, to help manage through established objectives, in this instance increasing the dilapidated housing conditions in

the *colonias* (Rodgers & Hunter 1992). We have, therefore, decided to include these recommendations for the upcoming grant cycle so that your office can gain another perspective to help improve your services and contract compliance.

Analysis:

1. *Many of the selected NGOs were not the most appropriate programs to establish community redevelopment in the areas of the colonias.*

In particular, in the El Paso Counties, *Organizacion Progresiva de San Elizardo* (OPSE) was selected to help contribute to the ultimate goals of the CDBG. OPSE had limited knowledge of housing issues and procedures, concentrating most of their expertise on advocacy work and political lobbying within this community. Their expertise on housing issues was not the only thing in question, but also their length of existence was at question as well. Being one of the youngest nonprofit organizations, this project seemed to be a big step forward, well beyond their knowledge, capability, and ability level. Although they did partner up with *Centro San Vicente*, this added little to their expertise outside of increased support to their finances.

Organizaton Progresiva de San Elizario also focused on and completed work beyond the scope of the CDBG. For example, it established a food bank, rehabilitated a church, created a *colonia* citizens' congress, and completed work in *colonias* outside that specified in the contracts. Although commendable in their efforts, it prevented them from fulfilling their contractual obligations and meeting our goals.

OPSE is one of the smaller NGO's that I believed was limited in their work performance by the lack of access to resources that these smaller nonprofits have.

Therefore, we need to support them in various ways to complete their work plan, increase their access to other funding, and increase support and communication from surrounding, experienced nonprofit organizations.

I believe that accountability for the failure to accomplish our goals should be shared among many people, including THDCA. I believe that from the very beginning, THDCA and OCI didn't address what would be expected of the NGO's in our selection process to be completely compliant in our contract expectations. Another example is the fully capable *Proyecto Azteca*, who was also not meeting their contractual obligations. Even though they were the only nonprofit organization to apply for the CDBG in Hidalgo county, it still should have been our responsibility to make sure this NGO had the capability and capacity to perform the expected work. A red flag in the bidding process should have been when the Brownsville CDC bid proposal. Brownsville CDC, a well established organization with specific housing and redevelopment knowledge, submitted a less aggressive bid than *Proyecto Azteca*.

The saying that comes to mind now is "Everything that glitters isn't gold." With this in mind, it is up to both the THDCA and OCI to help the NGO's find adequate resources to help them work toward completing their current work plans. Although, I am hesitant to accept an updated work plan from anyone, I feel that they do need added technical support to help them access other TCHDC housing funds. I would argue that we should proceed with the current work plans which includes difficult goals that can now be seen as our Management By Objectives (MBO) directives and guidelines to help manage the NGOs on our end. Rogers and Hunter (1991) found a positive influence on work performance when MBOs were introduced in the organization. Although these goals were

established through the contract process, the objectives that came out of negotiations with *Proyecto Azteca* should be their MBOs, regardless of the difficulty; keeping this standard will help to garner better performance from the organization. We should acknowledge that these standards are difficult. However, because they are difficult, they can increase task performance across different tasks and settings (Mento et. Al 1987). Therefore, they should continue to be used until the end of the grant cycle, as a motivation tool for *Proyecto Azteca*. It seems that in comparison to the other contracts, *Proyecto Azteca* isn't any different except for setting their goals far beyond their capabilities. I think the baseline has been set by the other nonprofit organizations as to the amount of work that could actually be accomplished in the allotted time of the grant cycle. Therefore, in the upcoming year, we should establish benchmarks for all nonprofit organizations based upon the average production of this cycle with the goal of increasing the expectations by at least ten percent.

Recommendations:

- A. Continue to work with all established NGOs; These are the NGOs whom we have identified as being closest to the target population of the *colonias*. We need to garner these relationships to establish rapport, credibility, and community trust. It would be far harder to reestablish this relationship than to reeducate these organizations to make them more effective in housing and redevelopment issues
- B. Revise all bids: In the following grant cycle, revise all bids by having your office, OCI, prepare a Request for Proposals (RFP) for all the existing NGOs, establishing the expectations that we have set using these grant cycle results and our added higher performance goals, as well as introducing the limitations on the

funding and the implications it will have on the smaller NGOs for finding other alternative funding sources to cover the initial costs. Although I feel it is our obligation to help with this process, we should have the NGOs prepared to work with us and/or actively pursuing other funding in order to hit the ground running and make the most of the grant cycle.

C. Further garner the relationships with the NGOs through the OCI and TDHCA.

Conduct monthly reviews with each organization, primarily concentrating on current issues and positive progress toward the reestablished work plan. Conduct this under the new proposed structure, which will be discussed further in this memorandum (see appendix 3). This meeting would be used to help increase communication, increase goal congruence, and improve networking among all the NGOs. This is a way to address the limitations of using a network model, which will be discussed further.

2. *The current community development block grants funds were being dispersed via a complicated bureaucratic reimbursement basis (see Appendix 1).*

The major problem arose from the way CDBG grants were only available under a reimbursement basis, thereby creating a complicated process with too many ventured interests and various hurdles, such as long delays estimated to be between several weeks and two months, creating a highly ineffective process. As the current process stands, self-help centers were required to send their requests to the county officials prior to sending it out to the state. Then the state would pass it on to the federal government HUD. This process required a significant financial commitment from the NGO, thereby restricting a large amount of current cash flow in their budget, which was usually an unforeseen

situation. This budget investment was, for the most part, a large impediment for the NGOs which many couldn't afford because of their size. These CDBG funds were only dispersed to the NGOs following completion of projects, which was unrealistic for most of the smaller NGOs, especially those without a significant amount of initial resources to invest in the work. Therefore, it is up to our agency to find adequate alternatives to help find funding to initiate the process. Although some county officials are open to the idea of providing interest free loans and investments to help these NGOs, it is something that needs further research as well as making sure that counties have the resources for the programs that might be approved in the next grant cycle.

Recommendations:

- A. Implement new payment scheme (see Appendix 2): Although we are removing one stakeholder from the expenditure approval process, it seems necessary in this instance to remove inefficiencies; since county officials are not directly implementing or distributing funds directly to any of these agencies, they shouldn't be involved in the approval process. However, I still feel that county officials are going to be a cornerstone of the new network model to help identify worthy NGOs for future expansion as well as being a great source of knowledge for the community they serve.
- B. Search for other unrestricted funding sources: Unrestricted funding is ideal because it can be used for any purpose as long as it is approved by the appropriate responsible party. It is important, though, to make sure that there are appropriate expenditure controls to help manage the budget, as well as having a

hybrid budget that can contain subcategories in order to be prepared for auditing purposes usually associated with CDBG compliance (Lee, Johnson, & Joyce, 2007).

- C. Obtain an accrual accounting system: Once funding has been obtained through either the construction of a revolving loan fund or other funding resources, there should be a push to also move into an accrual accounting system, since it is essential for assessing the efficiency of government services, and thus, a key element of any public sector performance management framework. More specifically, information about the full costs of government services can be crucial when considering alternative service delivery options including outsourcing and cost recovery, as well as for the purposes of benchmarking comparable performance (Lee, Johnson, & Joyce, 2007).
- D. Provide “open-book management”: Scholars such as Bolman and Deal (2003) refer to the importance of having open book management for each NGO. This will help to increase awareness of potential budgetary problems within organizations. This process could also be helpful in future decision making about funding.

3. *Many of the NGOs did not organize themselves to best fit their strengths--a responsibility or result of lack of commonality of goals and leadership.*

Proyecto Azteca and OPSE 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, while most of the other NGOs seemed distracted and disoriented because of

their current involvement within the communities. We seem to have chosen these agencies because of their greatest strengths of rapport, credibility, and geographical location within the community we are trying to address. Yet, we failed to address the importance of goal congruency and direction. In order for networks to succeed, there must be goal congruency among the outcomes, not the processes (Goldsmith and Eggers, 2004). Most organizations were specifically working with this population in various areas that were in many cases related to the CDBG's primary purpose. Yet, there was a clear distraction in many cases that caused a rift in the NGOs' missions and goals and the CDBG's priorities.

It seems that a new approach in creating a system to join both the organizations' primary purposes and our own CDBG priorities was not taken into consideration. Instead, it seems like we simply added a complex network without proper management on a dilapidated, pre-existing hierarchical organization in a debilitating trend in today's government (Kettl, 2002).

Ultimately, they lacked a comprehensive level of understanding about the *colonia* housing problem, how to address it systemically, the importance of defining boundaries, and goal setting regarding what the OCI program could realistically accomplish (Kettl, 2002) (Goldsmith and Eggers, 2004). . The problems surrounding *colonias* are similar to those in the national housing and homelessness issues of our nation stemming from different systemic societal inefficiencies that this agency is not in a position to address in its entirety. However, we are trying to alleviate these communities from some of the external problems and provide them with a supportive framework that can address their

needs as well as help ensure that they can become sustainable communities within this context of societal inefficiencies.

Recommendations:

- A. Redefine Goals to include the primary mission of the CDBG grants. Plan to participate in the *colonias* with the basic levels of infrastructure already in place. Concentrate on those *colonias* with water and other infrastructural needs. The objective must include a profound purpose or meaningfulness beyond personal benefit and immediate outcomes (Cameron & Lavine 2006).
- B. Remove goals that will depend on outside stakeholders. Such things as water and gas are simply larger issues that may take years to resolve who exactly is responsible for their development. Unfortunately, federal money is restricted to providing assistance to housing complexes with these basic functions already in place.
- C. Promote Goal Congruence: Establishing a governmental board that works towards developing the primary goals of the CDBG within the framework of using such grant funding will be instrumental (Morgan, 2006) (Goldsmith & Eggers 2004).
- D. Establish agency job functions: As stated above, some agencies were unable to perform all expectations regarding housing redevelopment. An example of this would be OPSE, who, because of their expertise in advocating and political lobbying for the *colonia* residents, should be the organization in charge of promotion of transferring deeds to traditional mortgages. Promoting strengths of organizations can increase efficiency (Bolman & Deal 2003).

- E. Exercise adequate oversight: The contract, or the expectations, vision, goals, and standards, not the contractor, the workers, and managers should be carefully managed (Cameron & Lavine 2006).
- F. Leadership: Leaders must strive to promote positive deviance so that aspirations represent revolutionary, not merely successful, performance (Cameron & Lavine 2006). Leadership should strive to be a transformational leadership that tries to inspire those around him to higher levels of motivation among work performance.

4. *Many colonia residents did not want to apply for loans or were simply denied loans because of predominantly exclusive criteria.*

Colonia residents were weary of applying for traditional loans and mortgages.

Residents simply didn't qualify for traditional loan criteria, or they simply didn't have the necessary information and know how to apply for these loans. It is essential that we create a culturally sensitive and knowledgeable approach to the issues that focus on a specific group of people. Currently, the systems we are trying to use are ineffective and beyond the scope of this population.

Recommendations:

- A. *Create an Alliance*: Create a strong alliance with developers and banking institutions who would be interested in meeting the needs as well as having the recognition for helping this population. Creating a hybrid group of stakeholders to address the needs of the *colonias* will help create a regionalized plan and

thereby help remove the fuzzy boundaries and duplication of services that many organizations experience.

- B. *Building Community*: There was no community or local action group to take responsibility or leadership for any of these projects. It is important to try to build community and resources in this area, trying to recreate community and instill ownership of the problems facing *colonia* residents. Provide information concerning how citizens in the neighboring cities are affected every year to these residents. This will help bridge the total utter disconnect between the neighborhoods surrounding the *colonias* and the residents of the *colonias*. Creating and establishing an infrastructure project that everyone has a vested interest in will be key for the success.
- C. *Identify the issue*: Framing the needs of this community as not just a housing issue, but also a basic human rights issue will also help garner support. Understanding the gravity of poverty in these makeshift towns will allow further discussion on possible campaigns that could help the cause.
- D. *Reeducate Residents*: Reeducate providers who were unaware of the cultural stigma and hesitation in using traditional loans as well as reeducating residents who are uninformed of the potential advantages of traditional mortgages.
5. *There seemed to be an utter disconnect between NGOs and the overseeing governmental agencies, OCI and TDHCA.*

Governments as a whole have been struggling to regain the trust and sympathy of the citizens that fund them and the agencies that work with them (Warren, M. 1999).

Agencies such as NGOs are hesitant to fully cooperate with organizations such as THDCA for fear of losing their autonomy to make decisions when entering contractual obligations. It seems as if the very faith in government to perform with equity, efficiency, and effectiveness no longer exists. This is further exacerbated through the modernization of our belief system and the misleading popular belief that private ventures can outperform all government functions; we have fostered a community geared on strictly free market enterprise principles.

These principles, advocated by businesses, have garnered acceptance among citizens and have become a constant road block for any new government framework, especially NGOs or public-nonprofit partnership programs that do not hold free market principles, usually associated with efficiency. It will be essential that we are aware of the relative importance given to these values in different settings. Public-nonprofit agencies will need to combine technical mastery of various productivity improvement tools and strategies to provide the best possible government service that takes into account equity, a measure usually held outside of business operations (Bowman, West, Berman and Wart 2004).

However, it is becoming more and more of a reality that the government is headed toward the governance of networks and moving toward what people have referred to as the “Hollow State” (Clarke & Gaile 1998). It is the use of nonprofit or private organizations instead of government employees to provide services and satisfy policy objectives that has become the reality in providing direct services. Therefore, using the network model to help govern government services and partners requires many changes

in what we do today, but can ultimately provide many benefits such as specialization, innovation, speed, flexibility, and increased reach. However, this system is not without its challenges. Issues of accountability, varied vision, and fragmented coordination will be some of the challenges facing the use of NGO-partnerships. However, when used appropriately and planning for those issues, NGO-partnerships can provide highly effective and efficient ways of addressing the *colonia* housing issues (Goldsmith and Eggers, 2004). The reality is that government can not work alone, but having government involved will allow the government to have the primary role of ensuring that the greatest good is provided for the greatest number of people (Zihala,2003). In the creation of this organization, there will be an opportunity to become a policy entrepreneur, to establish a contingency that is in congruence with the core values and organizational needs. In the creation of this contingent, many aspects of the bureaucratic cycle might turn a bit faster, especially when there is a definable contingent of people in collaboration (Theodoulou & Kofinis 2004).

Recommendations:

- A. Create a network board with vested individuals under the direct supervision of the OCI director. The network should be used as a place to create dialogue, to promote efficiencies, and to provide a platform for a regionalized plan. It should not stall ideas, create hurdles, or simply be ineffective.
- B. Promote the support of networks: Provide incentives to organizations that take leadership roles. Provide those organizations that provide best practices and negotiate into having them train the network. Include TDCHA open positions to

agencies that are working within the network to attract and retain trained and educated individuals in similar programs within the TDCHA.

- C. Harvest trust: As Kettl states (2002), transparency is the foundation for trust and confidence in government operations. Creating trust among all the stakeholders not only improves the general discourse, but also helps increase effectiveness as well as helping to increase inter-governmental exchanges through financial incentives of saving time and money according to Goldsmith, Stephen and Eggers, William D (2004). The first suggestion is to avoid one-on-one conversations and stick with a method whereby all members receive the same information. A simple example could be to cc: everyone at the end of each email pertaining to all vested stakeholders.
- D. Increase communication: One of the best ways to create trust is through open communication. Therefore, it is important to provide clear, open communication through the creation of a quarterly report that is accessible via internet that will include discussion of all the issues and results discussed in the monthly network meetings. The fact that you make the effort to produce the monthly communication should demonstrate your trustworthiness to the board and its members. It has been noted by many scholars that creating networks are sometimes detrimental to an individual organization's goals because it requires them to collaborate with their competitor, another NGO (Morgan, 2006).

Conclusion:

Governments have been begun to look to use partnerships to expand their dollar and increase their effectiveness. In using these networks and establishing these relationships, costs are incurred but hardly ever addressed. I feel that if we begin to move toward managing these networks through clearly identified goals, motivational tools and techniques, and removing unintended bureaucracy, then we can better serve the people we set out to help. The people in the *colonias* will ultimately live with our decisions, so let's work together to create a consistent capacity-based agenda whereby we garner each others' strengths and work through our barriers to success through cooperation, communication, and innovation.



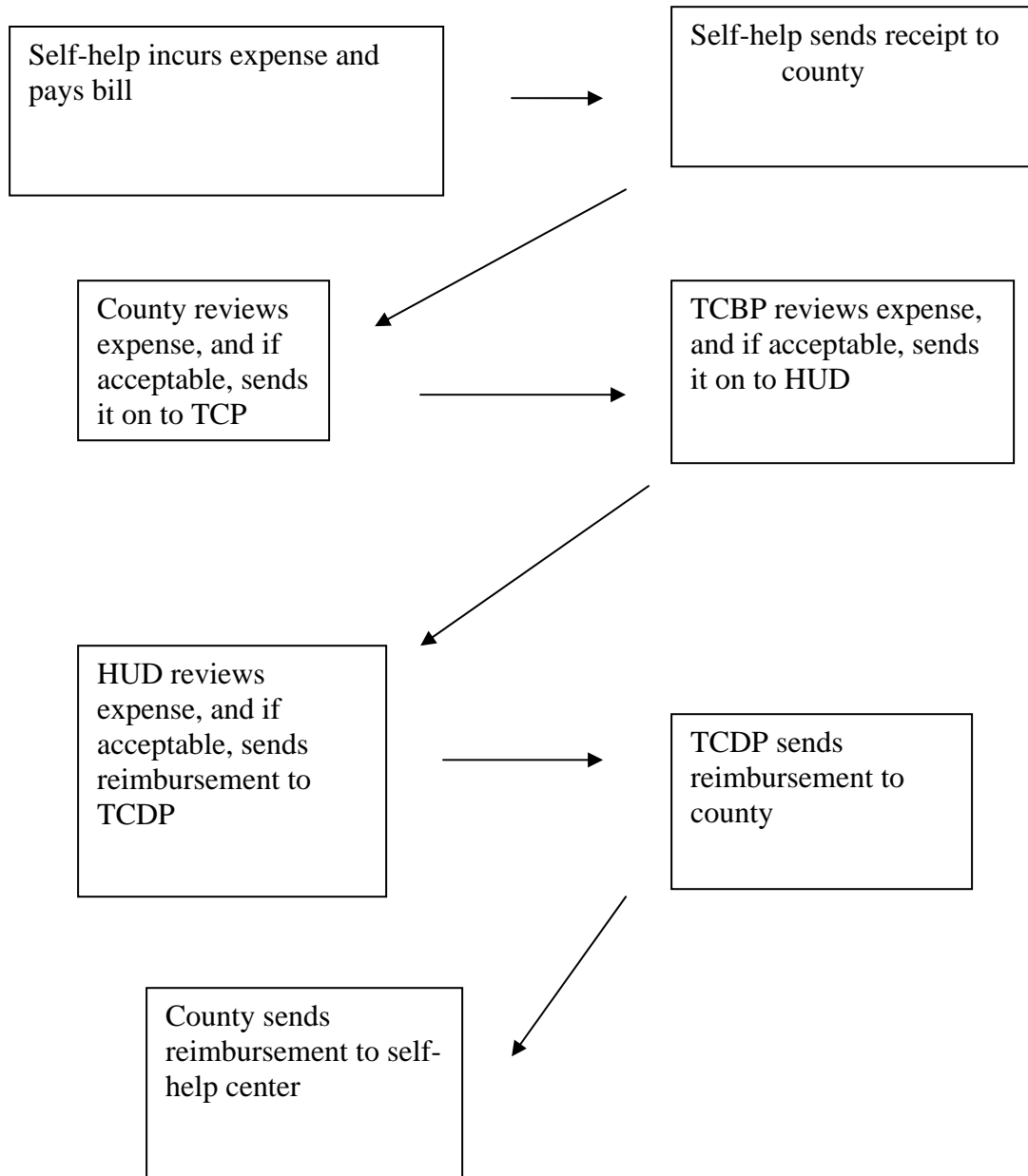
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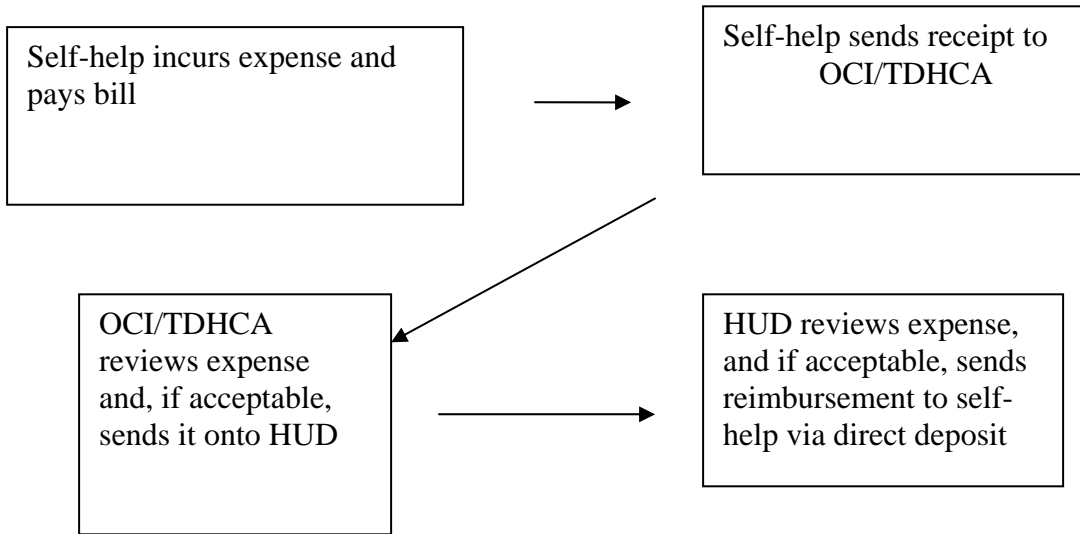
Appendix 1

Exhibit C: Process for funding Each Self-Help Center Expenditure

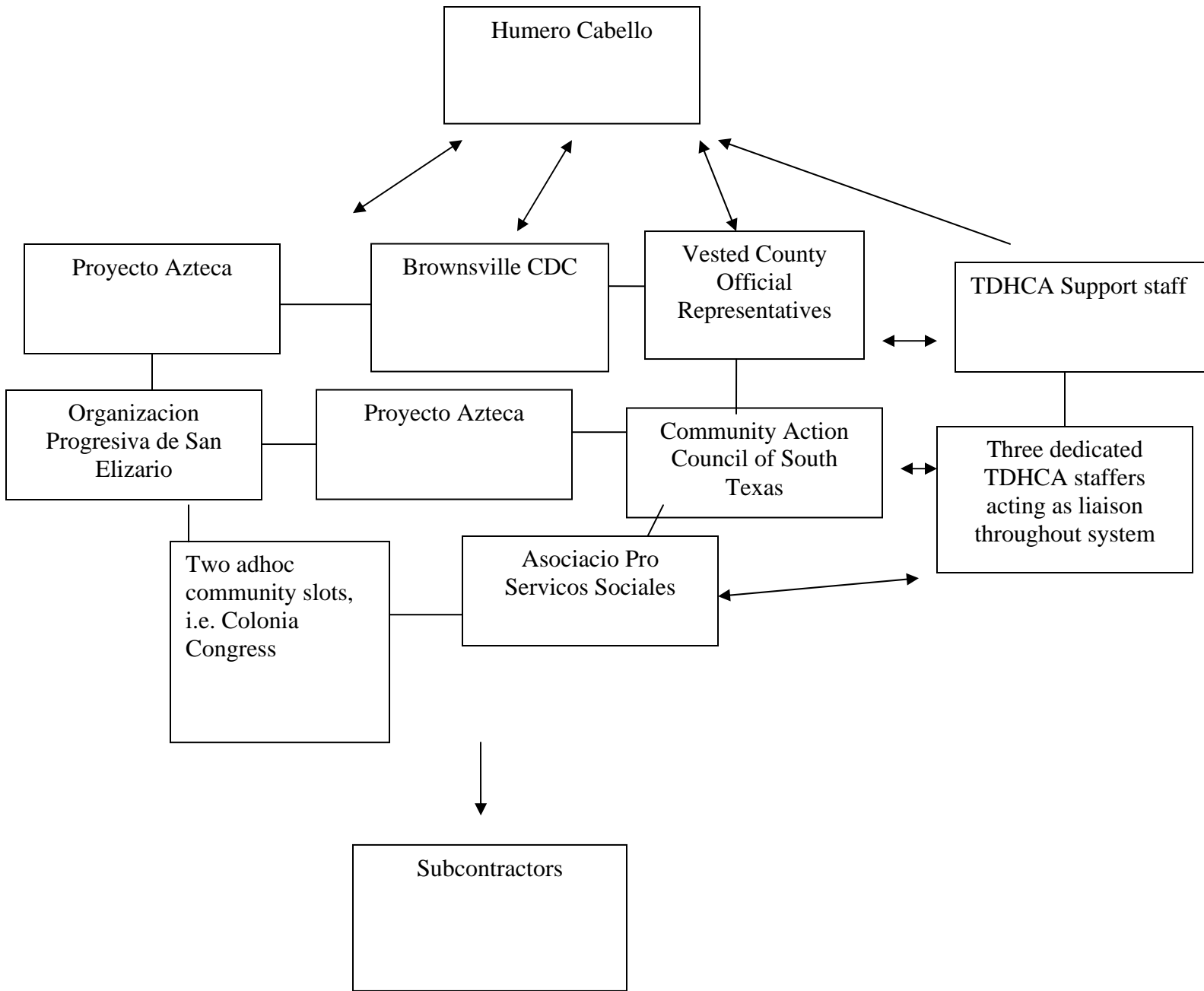


Appendix 2

New process for reimbursement



Appendix 3



Board President: Humero Cabello
Vice President: Brownsville CDC
Other offices open to vote: