



# URBAN AGRI-BUSINESS – ECONOMIC VIABILITY

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May 2016

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The concept of an agriculturally-oriented community, in which association-owned land within a residential subdivision is developed as a working farm, is becoming an interesting reality. The primary benefits of this business model include lower water usage in the orchard relative to typical ornamental landscaping, particularly in the early years, and revenue generation for the association which off-sets a percentage of the monthly dues in the later years, depending upon type of commodities produced. The secondary benefits could include local food production for use by association members and for the larger community through local farmers markets and commercial distribution channels. The economic viability of agricultural commodities on association-owned land can be successful as a function of several important factors. These include management fee structure, investment in land preparation, site design and layout, type of permanent crops, planting densities and horticultural operations. Consider these this example:

### **Southern California**

In Southern California, the best example of this concept to date was developed by developer [Brookfield Homes](#) in 2003. This association consists of 113 luxury single family homes in a gated community, terraced in the hills of north Tustin, CA. The property includes extensive ornamental landscaping (approximately 14 acres) at the entries, along streetscapes (including cultivated bio-swales), on interior open slopes, and approximately 13 acres of Hass Avocados, primarily secured within a fenced area located inside the gated community. Homeowner access to the orchard is thus limited which helps preserve the economic viability of the enterprise on behalf of the HOA. The orchard originally consisted of 1000 trees, (77 trees/acre), which is a relatively low planting density. By increasing the tree planting density, the production economics is

being improved over time. Commercial avocado tree farms range from 145 trees/acre to 484 trees/acre.

The Installation or “Establishment Costs” (in year 1) for revenue generating orchards from comparative cost studies can be substantially less than ornamental landscaping installation cost. Orchard maintenance costs are substantially less than for ornamentals. There may be additional costs due to specific equipment requirements (tractors, trucks, ATVs, sprayers and miscellaneous tools), and business costs. These additional costs may be eliminated if the association chooses to have the farm actively managed by an outside party. Other feasibility considerations for HOA agribusiness development include adequacy of the water supply, retrofit of the existing irrigation system, and security for the commodity produced.

On the revenue side, the HOA dues at this association are estimated to have been reduced by an average of 5.5% due to revenue production from avocado sales. At tree maturity, the estimated HOA dues off-set/month is estimated to be roughly 10%. The current average production is 50% of potential revenue based on 51lbs/tree versus an expected 100 lbs/tree at maturity. An important note is that some commodities, such as avocados, are alternate bearers—meaning large and small crops alternate every other year. As additional trees are planted, increasing the planting density, revenues are expected to increase and could create a larger HOA monthly dues offset.

This is an important new opportunity for community associations to consider. The cost benefits, and lifestyle benefits, of living in an agriculturally-oriented community can be very attractive.