

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a blue square background.

**OFFICE OF
THE CITY AUDITOR**

REPORT
BLATCHFORD
DEVELOPMENT
PERFORMANCE
MANAGEMENT AUDIT

MARCH 28, 2024

Report Summary

BACKGROUND

In 2010, Council set the vision, and approved the *Blatchford Master Plan Principles*, to develop the City Centre Airport land into the Blatchford development. The Blatchford Redevelopment Office within the Integrated Infrastructure Services Department is responsible for developing the land and selling it to builders.

The *Blatchford Master Plan Principles* speak to the need for the Blatchford Redevelopment Office to develop an effective performance management process to assess the progress of the redevelopment.

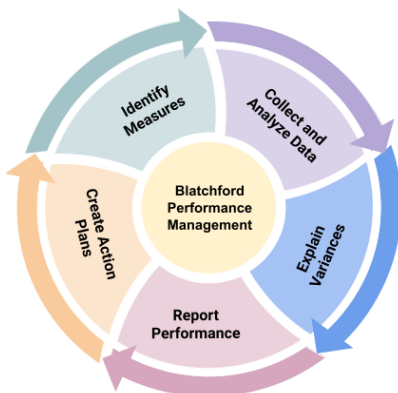
In 2014, Council approved the Blatchford business case, which included 10 goals Council would like the Blatchford Redevelopment Office to achieve.¹ The overall goals of the development include a completion timeline, budget, and expected profitability.

AUDIT OBJECTIVE & CRITERIA²

The objective of this audit was to determine if the Blatchford Redevelopment Office has an effective performance management process for the development of Blatchford, that supports achieving City Council's goals.

The criteria for this audit were the five elements of an effective performance management process. These include the Blatchford Redevelopment Office:

1. Having measures and targets to track progress toward achieving goals.
2. Collecting and analyzing data to identify areas where performance does not meet targets.



¹ See page 9 for a full description of the goals

² We conducted this engagement in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

3. Having verifiable and evidence-based explanations for not meeting goals or targets to demonstrate accountability and transparency.
4. Reporting performance results to relevant stakeholders to inform them of progress and help them make informed decisions.
5. Developing and carrying out action plans to address areas where performance does not meet targets to continuously improve and incorporate lessons learned.

AUDIT SCOPE

The scope of this audit was limited to the Blatchford Redevelopment Office's performance management process. We did not assess the Blatchford Redevelopment Office's performance.

WHAT WE FOUND

Overall we found that the Blatchford Redevelopment Office (BRO) does not have an effective system to track whether it is achieving all of its goals. However, we found that they have begun to implement some of the elements of a performance management process.

For the overall performance goal, we found that the BRO has performance measures to track whether the development is on budget, on time, and will be profitable. For the budget measure, they clearly defined and documented the measure. They regularly collect, analyze, and report budget data. The BRO has identified and explained budget variances from expected and has evidence to support these explanations. They have also performed action planning to address these budget variances. For timeline and profitability, the BRO's model is well-designed and includes the most relevant assumptions required to make predictions.

For the 10 additional goals, the BRO is at different levels of maturity in terms of how many of the performance management steps it regularly performs.

The BRO's performance management process for the energy and GHG reduction goals are the most developed. For these goals, they:

- Have measures and targets in place
- Regularly collect and analyze performance data
- Regularly report forecasted performance
- Have done action planning

The BRO has a measure and target in place for the affordable housing goal. However, since no affordable housing sites have yet been developed, it is not collecting, analyzing, reporting data, explaining variances, or engaging in action planning for this measure. For density, the BRO has measures and targets and is collecting data, but is not performing the remaining steps in the performance management process.

For the six remaining goals, they have implementation steps to perform work towards achieving the goals. However, the BRO does not have formal measures in place to determine how far along they are with the steps, and whether completing them has led to the intended outcomes of each goal.

Based on these findings we have made the following recommendations.

RECOMMENDATIONS

- Recommendation 1 For goals where no formal measures exist, we recommend that the Blatchford Redevelopment Office develop sufficient measures and targets to assess progress in achieving each goal.
- Recommendation 2 For all goals, we recommend that the Blatchford Redevelopment Office define and document its measures to guide efforts in measuring progress. This includes:
- Clearly defining the measures.
 - Clearly and consistently defining the target.

- Documenting how and when the measure will be calculated, including the source of the information.

Recommendation 3

We recommend that the Blatchford Redevelopment Office regularly collect and analyze data related to performance measures to determine whether progress aligns with expectations.

Recommendation 4

We recommend that the Blatchford Redevelopment Office regularly report on its progress in achieving all goals, including explaining variances from expected results to demonstrate accountability and transparency.

Recommendation 5

We recommend that the Blatchford Redevelopment Office develop action plans to align efforts to address areas where performance does not meet expectations.

WHY THIS IS IMPORTANT

In order to continually measure success, inform decision making, and make adjustments to reach the goals, the Blatchford Redevelopment Office should have an effective performance management process.

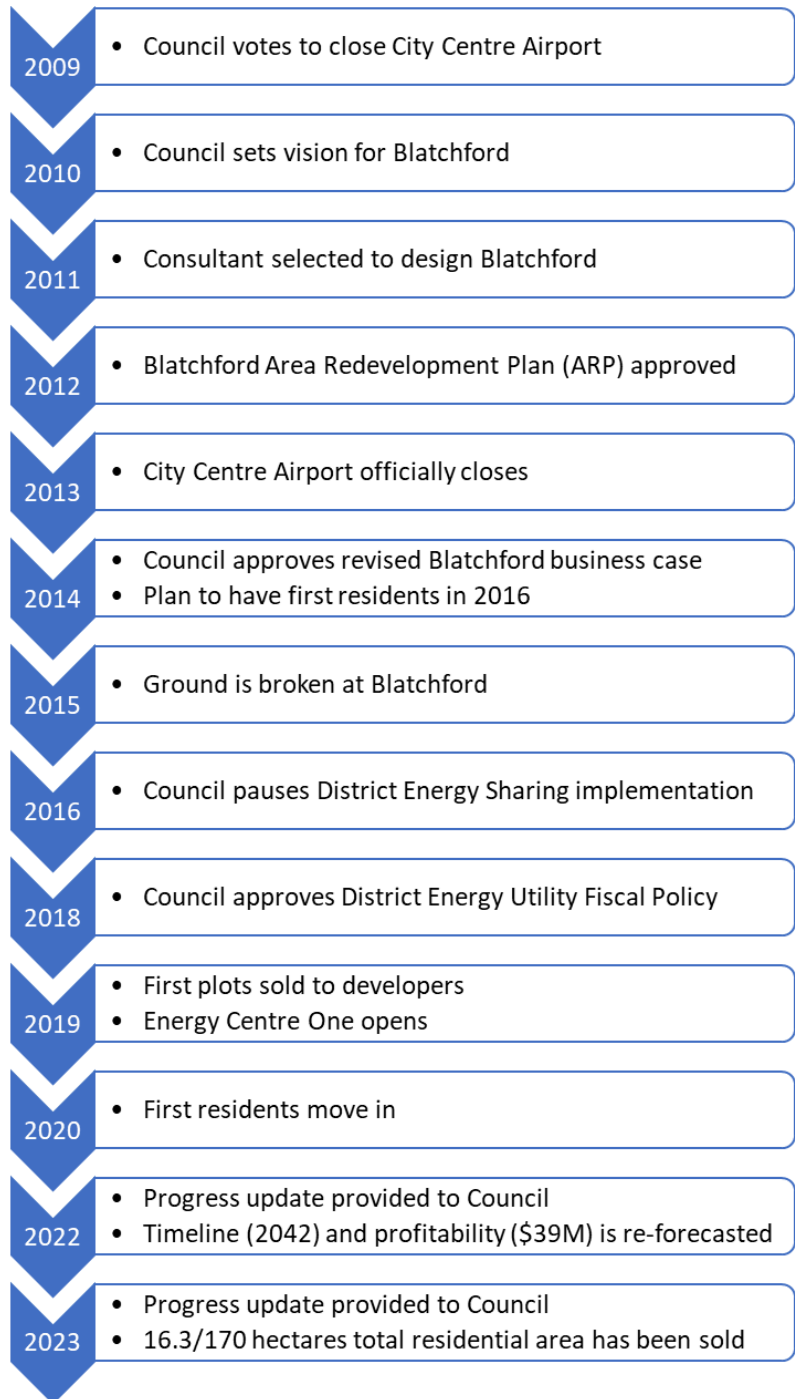
Blatchford Development Program Details

BLATCHFORD'S VISION

In 2009, Council voted to close the City Centre Airport. In 2010, they set the vision to develop the land into the Blatchford development. The vision was for:

Blatchford to be home to up to 30,000 Edmontonians living, working and learning in a sustainable community that uses 100 percent renewable energy, is carbon neutral, significantly reduces its ecological footprint, and empowers residents to pursue a range of sustainable lifestyle choices.

Blatchford timeline of events

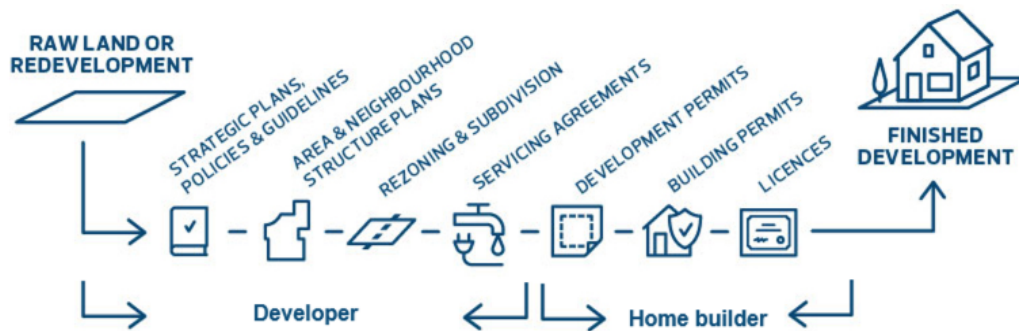


Roles within the development

Blatchford Redevelopment Office (BRO)

Within the Blatchford development there are two key roles: the developer and the home builders. The City is the developer for

Blatchford. The Blatchford Redevelopment Office within the Integrated Infrastructure Services Department performs this role. The picture below shows the development process and who is responsible for which steps:



Once the City sells the land to a home builder, that builder needs to follow mandatory requirements, such as abiding by building codes.

Blatchford Renewable Energy

Blatchford Renewable Energy, within the BRO, manages the District Energy Sharing System (DESS). The District Energy Sharing System uses a geoexchange system to provide heating, cooling, and hot water services to homes and businesses in the Blatchford community.

Blatchford Renewable Energy leads the achievement of the Energy goal listed below, as well as some components of reducing greenhouse gas emissions.

Goals of the Blatchford development

The overall performance goal of the Blatchford development includes measures for the completion timeline, budget, and expected profitability of the development.

- Timeline: In Blatchford's 2012 Area Redevelopment Plan, the City anticipated completing the redevelopment in 25 to 30 years. This timeline is for when the final parcel of land will be sold by the City, not when the final unit will be built.

- Budget: In 2014, Council approved a budget of \$632 million in capital expenditures for the redevelopment. The original budget was reviewed most recently in 2023 but has not changed.
- Expected Profitability: In 2014, the City estimated the net present value of the profits from the Blatchford development to be just under \$45 million³. In 2022, they re-forecast this to \$39 million.

Council also approved the Blatchford business case in 2014. It includes the following 10 goals that Council would like the Blatchford Redevelopment Office to achieve. These are summarized in Table 1:

Table 1: Summary of BRO's Goals, Measures, and Targets

| Goal | Description | Measures | Targets |
|--------------------------|--|--|---|
| Overall performance | The development is on budget, on time, and profitable. | Budget | \$632 million in capital expenses |
| | | Expected profitability | \$39 million |
| | | Timeline | 2042 |
| Energy | Blatchford is carbon neutral, 100% of energy sources are renewable, a District Energy Sharing System (DESS) is developed and operated. | Carbon neutrality | 100% carbon neutral |
| | | Renewable energy | 100% of energy from renewables |
| | | Operate DESS | 100% utility uptime |
| Reduce GHG emissions | Reduce the average Blatchford resident's emissions relative to the average Edmontonian. | GHG reduction | Tonnes of GHG emissions reduction |
| Affordable housing | 16 percent of housing within the area is designated as affordable housing. | Affordable housing | 16% of all units are affordable housing |
| Density | Have up to 30,000 residents living in the area. | Population | 30,000 residents |
| | | Unit density | Units per hectare |
| Green construction | Use recycled materials and reduce construction waste. | These goals have defined implementation steps, but do not currently have defined measures and targets. | |
| Green building standards | Design environmentally friendly standards for power, heat, and water | | |

³ To determine the net present value of the profits from Blatchford, the City estimated all the future expenses and revenues for Blatchford and discounted the total profit to 2014 dollars.

| | | |
|--|--|--|
| | usage for buildings. | |
| Drainage and water | Slow and capture water runoff. | |
| Water conservation and reuse | Design parks and open spaces with native and drought resistant species. Collect and use rainwater to water agricultural and ornamental plantings. Build using low-flow fixtures and appliances to limit water use. | |
| Transportation and transit | Include features that encourage walking, cycling, and the use of public transit. | |
| Livability - sustainable lifestyle choices | Residents have walking path access to nearby amenities and businesses. Vast majority of residents are within a two-minute walk of green space. | |

Assessing progress

City Council approved the *Blatchford Master Plan Principles* in 2010, when they set the vision for Blatchford. The principles include the following statements supporting the need for an effective performance management process to assess the progress of the redevelopment:

- Targets, timescales, and milestones must be set and monitoring implemented to ensure an analysis-led approach to substantiating that the vision is being realized.
- A clear framework and appropriate metrics must be implemented to inform the ongoing process of design, construction, and occupation.
- Continuous analysis and evaluation is the basis for continuous improvement and refinement of the vision.

Developing and Documenting Measures and Targets

KEY FINDINGS

The Blatchford Redevelopment Office (BRO) has measures in place for 5 of its 11 stated goals - overall performance, and 4 of the 10 business case goals.

However, the BRO's existing measures are not sufficient to measure its progress in achieving all of its stated goals. For the six remaining goals, they have implementation steps to perform work toward achieving the goals. The BRO should have formal measures in place to determine how far along they are with the steps, and whether completing them has led to the intended outcomes of each goal.

For the 5 goals that have measures in place, targets exist for each of the 10 measures. However, the BRO can improve the documentation for 3 of the 10. For 3 measures, though targets exist, they are not evidence-based (Table 2).

Table 2: Documentation of BRO Measures and Evidence-Based Targets

| Goal | Measure | Documented | Evidence-Based Target |
|----------------------|------------------------|------------|-----------------------|
| Overall performance | Budget | Yes | Yes |
| | Expected profitability | Yes | No |
| | Timeline | No | No |
| Energy | Carbon neutrality | Yes | Yes |
| | Renewable energy | Yes | Yes |
| | Operate DESS | Yes | Yes |
| Reduce GHG emissions | GHG reduction | Yes | Yes |

| | | | |
|--------------------|--------------------|-----|-----|
| Affordable housing | Affordable housing | Yes | Yes |
| Density | Population | No | Yes |
| | Unit density | No | No |

SUFFICIENCY OF MEASURES

The BRO does not have sufficient measures in place to assess its progress towards achieving each of its stated goals.

The BRO has measures in place for the five goals relating to: overall performance, energy, GHG reduction, affordable housing, and density.

For the six remaining goals, the BRO has implementation steps that were included in the original business plan and that they updated and presented to Council in 2022. As well, the City has built some of the implementation steps into the Blatchford Area Redevelopment Plan, and the City has controls in place to make sure the plan is followed. Implementation steps are activities the BRO planned to do in order to achieve each goal. Examples of implementation steps for the Water Conservation and Re-Use goal include building using low-flow fixtures, and landscaping parks and open spaces with drought-resistant species. Another example for the Livability goal is developing a historic recognition program.

However, these implementation steps are not formal performance measures. They do not have targets or identified ways of measuring progress towards achieving the goals.

Without formal measures, the BRO cannot demonstrate how far along they are with the implementation steps, or whether the steps have led to the intended outcomes of each goal.

DOCUMENTATION OF MEASURES

We found the BRO's documentation for the following measures could be improved:

- Unit density: The BRO updates the number of units built and under construction, and has data on the size of

each parcel of land it sells. However, they were not able to provide documentation of how and when actual unit density will be calculated, or what the source of this information will be.

- Population: The BRO was not able to provide documentation of how and when the number of Blatchford residents will be counted, or what the source of this information will be. They have not documented whether they will count residents, rely on estimates based on unit counts, or use a different method.
- Timeline: The BRO was not able to provide documentation to show how the timeline was determined. They did not have source data for timeline estimates.

Clearly documenting measures is important to support any changes in staffing throughout the project. It also helps to guide efforts by clarifying what will be measured, when, and how.

EVIDENCE-BASED TARGETS

Though all of the measures that are in place have targets, the BRO does not have evidence-based targets for three measures:

- The targets for the timeline and expected profitability are unsupported.
- The target for unit density between internal working documents and public reports should be aligned.

Timeline and expected profitability targets are not evidence-based

The Blatchford development's original target for completion was 2038. In 2022, the Blatchford Redevelopment Office re-forecasted the targeted completion date to 2042. This re-forecast also showed Blatchford's expected profitability target. However, some of the re-forecasting assumptions were not supported by evidence.

For the timeline, the assumption for the amount of land sold per year is not supported. The specific parcels of land sold per

year were based on an estimate by the BRO. We were unable to find support for these assumptions.

For expected profitability, these additional assumptions were unsupported:

- Land appreciation per year: the assumption was that Blatchford's land would appreciate at three percent per year. We were unable to find support for this assumption.
- Appraised total value of all Blatchford land: the 2022 re-forecasting relied on an appraisal that was last performed in 2017, and may no longer be accurate.

Unit density target is inconsistent

For unit density, the BRO's internal density target is inconsistent with the publicly stated density target. This inconsistency has an impact on the affordable housing target of 16 percent of all units in Blatchford (Table 3).

Table 3: Impact of Unit Density Target on Affordable Housing Target

| Target Source | Total Units Target (units) | Impact on 16% Affordable Housing Target (total affordable housing units) |
|---------------|----------------------------|--|
| Internal | 16,702 | 2,672 |
| Public | 11,000 to 12,000 | 1,760 to 1,920 |

The affordable housing target varies by over 900 units depending on which unit density target is used.

WHY THIS IS IMPORTANT

Developing sufficient measures with evidence-based targets helps the BRO, Edmontonians, and Council to understand and evaluate progress to date, and assists the BRO to continuously improve its performance.

RECOMMENDATION 1

For the goals where no formal measures exist, develop sufficient measures and targets to assess progress in achieving each goal.

**Responsible Party**

Development Manager, Blatchford Redevelopment Office



Accepted by Management

Management Response

Administration accepts this recommendation to develop measures and targets for each goal.

**Implementation Date**

December 31, 2024

RECOMMENDATION 2

For all goals, define and document measures to guide efforts in measuring progress. This includes:

- Clearly defining the measures
- Clearly and consistently defining the target
- Documenting how and when the measure will be calculated, including the source of the information

**Responsible Party**

Development Manager, Blatchford Redevelopment Office



Accepted by Management

Management Response

Administration accepts this recommendation to define and document measures for all goals



Implementation Date

December 31, 2024

Collecting and Analyzing Performance Data

KEY FINDINGS

The BRO regularly collects and analyzes performance data for the budget, carbon neutrality, renewable energy, operate DESS, and GHG reduction measures. The BRO collects and analyzes data on a monthly basis for the budget, and annually for the other measures.

However, it is not collecting data for the population measure and is not analyzing the data it collects for the expected profitability, timeline, and unit density measures (Table 4).

Table 4: Data Collection and Analysis for BRO Measures

| Goal | Measure | Collecting Data | Analyzing Data |
|----------------------|------------------------|-----------------|----------------|
| Overall performance | Budget | Yes | Yes |
| | Expected profitability | Yes | No |
| | Timeline | Yes | No |
| Energy | Carbon neutrality | Yes | Yes |
| | Renewable energy | Yes | Yes |
| | Operate DESS | Yes | Yes |
| Reduce GHG emissions | GHG reduction | Yes | Yes |
| Affordable housing | Affordable housing | N/A* | N/A* |
| Density | Population | No | No |
| | Unit density | Yes | No |

*No units built to date, so there is no data to collect or analyze.

COLLECTING PERFORMANCE DATA

The BRO is not collecting performance data for the population measure. While up to 30,000 residents is a stated target as part

**ANALYZING
PERFORMANCE DATA**

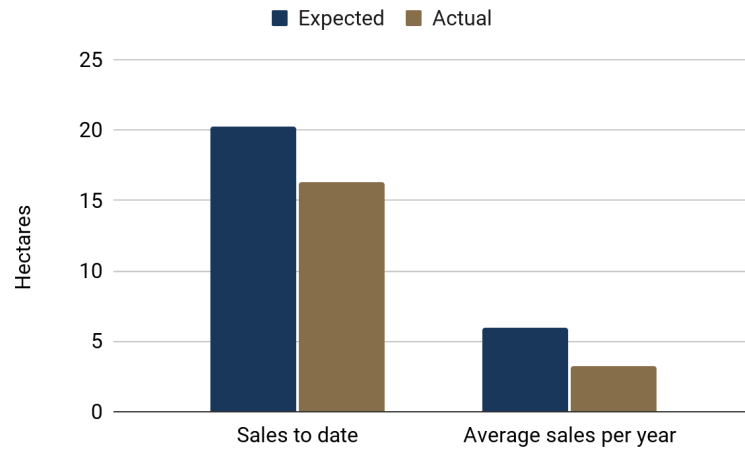
of Blatchford's vision, the BRO does not yet formally track Blatchford's population.

The BRO does not regularly analyze the performance information it collects for the profitability, timeline, and unit density measures.

For timeline and profitability measures, the BRO used sales data to the end of 2021 in its 2022 re-forecast. To date, the BRO has collected 2 more years of sales and development data. However, it is not regularly analyzing this data to inform its timeline and profitability measures. Analyzing this data would impact the following re-forecasting assumptions:

- Sales price: The re-forecast used an estimated 3 percent increase in sales prices per year. An analysis of sales data shows the actual average sales price has declined by 0.6 percent per year. The average sales price per hectare has not reached the amount estimated in the re-forecast in any of the years of sales data.
- Land area sold to date: The re-forecast expected 20.1 hectares of land to be sold by the end of 2023. An analysis of sales data shows the actual land sales as at the end of 2023 is 16.3 hectares. Instead of the estimated 6 hectares average yearly sales in the re-forecast, actual sales have been 3.3 hectares per year from 2019 to 2023. The sale of land to NAIT accounts for 12.5 ha of the 16.3 hectares sold to date. Average land sold excluding this one-time sale is 1.1 hectares per year (for 2022 and 2023).

Figure 1: Blatchford Land Sales (2019 to 2023)



For unit density, the BRO collects information on the number of units built, and the area of land sold. However, they do not regularly analyze this information to calculate their actual unit density to determine whether it aligns with their target.

WHY THIS IS IMPORTANT

Collecting actual performance data helps the BRO assess and demonstrate its progress in achieving its goals. Regularly updating measures based on actual performance data helps the BRO make the right decisions for the development going forward.

RECOMMENDATION 3

Regularly collect and analyze data related to performance measures to determine whether progress aligns with expectations.



Responsible Party

Development Manager, Blatchford Redevelopment Office



Accepted by Management

Management Response

Administration accepts establishing a regular frequency for collecting and analyzing data related to performance measures and monitor progress against expectations.



Implementation Date

March 31, 2025

Reporting Performance and Explaining Variances

KEY FINDINGS

The BRO has provided reports on four of its measures to Council. For budget, the BRO reports quarterly, and includes actual to budget variance explanations. For the three measures managed by the Blatchford Renewable Energy area, they re-forecast the targets annually, and report them to Council. However, they do not include prior year, actual, or target results in these reports, although they do have that data.

The BRO does not regularly report on 6 of the 10 measures, nor do they provide variance explanations for 7 of the 10 measures (Table 5).

Table 5: Regular Reporting and Variance Explanations for BRO Measures

| Goal | Measure | Regularly Reporting | Explaining Variances |
|----------------------|------------------------|---------------------|----------------------|
| Overall performance | Budget | Yes | Yes |
| | Expected profitability | No | Yes |
| | Timeline | No | Yes |
| Energy | Carbon neutrality | No | No |
| | Renewable energy | Yes, with issues | No |
| | Operate DESS | Yes, with issues | No |
| Reduce GHG emissions | GHG reduction | Yes, with issues | No |
| Affordable Housing | Affordable housing | N/A* | N/A* |
| Density | Population | No | No |
| | Unit density | No | No |

*No units have been built to date, so there are no figures to report or variances to explain.

INCOMPLETE OR IRREGULAR REPORTING

For the goals with measures, the BRO does not regularly report on its progress for the following measures:

- **Timeline:** The BRO reported the projected timeline for completion initially, and revised it in 2022. But it has not regularly re-forecasted and reported on whether the BRO will meet its completion date.
- **Expected profitability:** The BRO uses a net present value calculation to forecast their profitability. It also allows the BRO to break down the overall \$632 million budget into expected revenues and expenses per year. The BRO has calculated and reported the net present value twice for the project - initially in 2014 and again in 2022. Although the BRO's underlying assumptions have changed since then, it has not determined whether and how often to update and report revised results.
- **Carbon neutrality:** The Blatchford Renewable Energy area collects this information, monitors and updates this measure internally, but does not publicly report it.
- **Renewable energy, operate DESS, and GHG reduction:** The Blatchford Renewable Energy area is not reporting prior year results, actual results, or targets for these measures in their latest annual report. They do collect this information and use it to update their forecasts annually, but do not include it in their public reporting.
- **Population and unit density:** The BRO does not report on these measures.

INCOMPLETE VARIANCE EXPLANATIONS

For the goals with measures, the BRO does not explain variances between actual and expected performance for the following measures:

- **Carbon neutrality:** The Blatchford Renewable Energy area does not publicly report this measure's results or variance from its target.

- Renewable energy, operate DESS and GHG measures: As mentioned, the Blatchford Renewable Energy area does not report its actual results relative to expected results, for renewable energy, operate DESS and GHG measures. For financial measures, Council had to request an explanation of why the Blatchford Renewable Energy's revenues were below expected. The Blatchford Renewable Energy area subsequently provided these revenue variance explanations, and they were supported by evidence.
- Population and unit density: The BRO does not publicly report these measures' results or variances from targets.

WHY THIS IS IMPORTANT

Regular and complete reporting, including variance explanations, would help the BRO, Council, and Edmontonians understand and evaluate Blatchford's progress.

RECOMMENDATION 4

Regularly report on its progress in achieving all goals, including explaining variances from expected results to demonstrate accountability and transparency.



Responsible Party


Development Manager, Blatchford Redevelopment Office



Accepted by Management

Management Response

Administration accepts establishing a regular frequency for reporting on its progress in achieving all goals.

 **Implementation Date**
June 30, 2025

Creating Action Plans

KEY FINDINGS

The BRO has action plans for the budget, renewable energy, operate DESS, and GHG reduction measures. For example, the Blatchford Renewable Energy area used performance data from the operate DESS measure, which showed excess generation capacity, to guide investment decisions. Rather than further expanding generation capacity by investing in the Sewer Heat Exchange, they chose to delay this project in favour of other capital priorities, which improves the utility's financial health. Their action plan considered the impact this decision would have on renewable energy and GHG reduction measures.

However, for other measures, the BRO has no formal action plans in place (Table 6).

Table 6: Action Plans In Place for BRO Measures

| Goal | Measure | Action Plan |
|----------------------|------------------------|-------------|
| Overall performance | Budget | Yes |
| | Expected profitability | No |
| | Timeline | No |
| Energy | Carbon neutrality | No |
| | Renewable energy | Yes |
| | Operate DESS | Yes |
| Reduce GHG emissions | GHG reduction | Yes |
| Affordable housing | Affordable housing | N/A* |
| Density | Population | No |
| | Unit density | No |

*No units have been built to date.

LIMITED FORMAL ACTION PLANNING

The BRO does not have formal action plans in place for 6 of its measures.

The BRO should have these plans for applicable measures where actual performance differs significantly from expected. These plans should specify, document, and consolidate what the BRO will do to improve its performance. A formal action plan includes:

- Which actions will be taken
- For what reason
- By whom
- By when
- For what cost and associated benefit
- How a successful outcome will be measured

The pace of development, which relates to timeline and expected profitability measures, has been slower than expected. Upon Council's request, the BRO has presented a list of potential actions to improve it. However, the BRO's listing did not specify who would perform each action or provide a target date of completion. The BRO identified risks, but it did not quantify the cost versus the benefit of the actions to determine if they should move forward. The BRO also did not specify how they would measure successful outcomes from the actions.

WHY THIS IS IMPORTANT

Formal action planning increases the likelihood that the right actions are taken, that actions are completed in a timely manner, their benefits outweigh their costs, and their impact on outcomes can be measured.

RECOMMENDATION 5

Develop action plans to align efforts to address areas where performance does not meet expectations.



Responsible Party

Development Manager, Blatchford Redevelopment Office



Accepted by Management

Management Response

Administration accepts developing action plans where appropriate when performance varies from expectation targets.



Implementation Date

June 30, 2025

ACKNOWLEDGEMENT

We would like to thank the staff in the Blatchford Redevelopment Office, the Blatchford Renewable Energy area, and Financial and Corporate Services, for their cooperation during the audit.