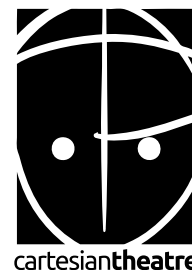


Cartesian Theatre Corp.
108-2115 Cypress Street
Vancouver, B.C. V6J 3M3



The Honourable Evan Solomon, P.C., M.P.
Minister of AI & Digital Innovation
235 Queen St
Ottawa, ON K1A 0H5

VIA E-MAIL

28 September, 2026

Re: Proposal to Improve Affordable Living, Innovation and Capital Markets in B.C.

Dear Minister,

My name is Kip Warner and I am the founder of a small Vancouver-based software company, Cartesian Theatre Corp.,¹ which developed the proprietary² Helios® artificial intelligence music discovery technology.

I am writing to you because I understand that you are responsible for improving national conditions for investment in innovation. You also have direct and personal experience with the hardships faced by many entrepreneurs. With that in mind, I would like to 'plant the seeds' of a policy reform concept with you and, I hope, other provincial and federal stakeholders well placed to evaluate, provide input and, if appropriate, implement change.

In summary, I will propose a tax exemption for those seeking to dispose of investment portfolios of speculative real estate, provided the proceeds are invested in a small business. But before I do so, it might be helpful to canvass why.

¹ Cartesian Theatre, [Studio History](https://heliosmusic.io), heliosmusic.io, 25 August, 2026.

² Kip Warner, [System & Method for Music & Content Recommendation, Identification, Similarity Evaluation, & Matching](https://patentscope.wipo.int), patentscope.wipo.int, 19 February, 2026.

Background:

A common misconception is that wealth is money. Rather, money is a *claim* on wealth.³ In other words, wealth is created through labour, whereas money through an accounting exercise. They are related, but not the same.

I hold the minority view that much confusion in economic thinking arises from a failure to recognize this distinction.

First published in 1776, Adam Smith's seminal *The Wealth of Nations* contemplated a philosophy, purportedly foundational to our modern market system, in which the entrepreneurs' labour, combined with material, would create new wealth. That contribution to the world's treasures was a necessary condition to bring about their own prosperity,⁴ albeit without certainty. Earnest labour, initiative, creativity, intellect, risk taking, and other salutary qualities of the non-casual entrepreneur were incentivized.

He was optimistic – though as we all know, rewards do not always follow from honest work. Where they follow without it, and as a matter of routine practice in industries that cause grave public harm, we should ask whether this is an appropriate result and how it might be improved.

Speculative Real Estate:

As you are aware, Canadians continue to face formidable barriers to the necessities of life, not least affordable housing.

Speculative real estate is the practice of acquiring housing, not for the primary purpose of residence, but to derive a profit. Each time the asset changes hands, the seller expects to realize a margin above his own purchase price. In the interlude between transactions, the seller sometimes converts the house into a hotel as a source of passive income. This now ritualized practice repeats for as long as market and regulatory conditions allow.

A secondary effect is a reduction in the purchasing power of money in the existing money supply, which is the general increase in the cost of living observed by everyone. The 'investor' effectively moves pieces around the board, but without actually contributing anything useful to it.

Capital gains stand in contrast to traditional forms of useful economic output, such as the baker producing a loaf of bread, writing software or a book, designing a better boat,

³ Carroll Quigley, *Tragedy and Hope: A History of the World in Our Time* (New York: The Macmillan Company, 1966), 44.

⁴ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776; repr., New York: Modern Library, 1937), p. 66.

manufacturing a more efficient electric vehicle, or growing tomatoes. When taken to extremes, the pursuit of capital gains becomes a mockery of industry and entrepreneurship. A man seized of a coconut, doing nothing useful with it, gambles that it will be of greater value tomorrow merely as a function of time.

By 2020 more than a fifth of all houses in British Columbia were owned by investors.⁵ In Vancouver, as of 2022, 34 % of all condominium apartments were in their hands.⁶ Most of these investors, contrary to common belief, turned out not to be large corporations, foreign multinationals, or an arm of organized crime attempting to launder money. Rather, small-scale individual investors owned the largest share of investment properties across nearly all provinces.⁷

As long as it remained profitable, the true cost of this activity was externalized to tens of millions of Canadians. It was a process that, in my view, was precipitated by a failure of imagination of a small group of people, at the expense of their entire country. As the cost of living increased, in a chain reaction, others were drawn into the same economic cannibalism to compensate for the erosion of their own money's purchasing power.

The consequences rank arguably among the greatest economic catastrophes this country has ever seen. Historically, catastrophes of this scale elsewhere have been preceded by protracted war on home soil. Millions now find themselves in a perpetual state of despair. We might only see the beginning of better days with the time and resources akin to those of the Marshall Plan to reverse the full scope of the carnage – which is still ongoing.

Not only have many of those who engaged in this practice obtained, for decades, rewards seldom proportional to their labour, but they also set a foul example for younger generations. It normalized a fundamental disconnect in what ought to be a sacred link between work and reward. As Gandhi famously noted in his Seven Social Sins, wealth without work and commerce without morality would be a country's undoing.⁸

Investors view themselves as essential to building a country, and sometimes that is true. But the same capital that can be used to elevate its condition and bring an equitable distribution of prosperity can also be used to destroy it, depending on how it is allocated.⁹

⁵ Akshay Kulkarni, *1 in 5 properties across much of Canada are owned by investors. That makes it harder for 1st-time buyers*, CBC News, 9 February, 2023.

⁶ Statistics Canada, *Investors in the condominium apartment market, 2022*, www150.statcan.gc.ca, 3 October, 2024.

⁷ Joanie Fontaine, *Individual and institutional investors in the Canadian housing market*, www150.statcan.gc.ca, 7 July, 2026.

⁸ Mahatma Gandhi, *Seven Social Sins*, Young India, 22 October, 1925, p. 360.

⁹ Fortune Editors, *Arms and the Men*, *Fortune*, March 1934, pp. 53-57, 113-26.

Capital Markets:

An economy, like a population, has a birth and death rate. When the death rate exceeds the birth rate, the population declines. Analogously, when businesses expire due to market conditions or take on a new form through mergers and acquisitions, wealth concentrates, the country's capabilities decline along with its capacity to innovate, and its people are left with fewer competitive options and higher prices.

Repeated calls have been made by our provincial and federal governments to support Canadian small businesses so that they can continue to play a role in enhancing our economy. There are approximately 1.19 million small businesses, or 97.8 % of all employer businesses operating in Canada.¹⁰ Government certainly plays an important role in calibrating public policy to bring about favourable economic conditions, but it cannot create wealth on its own because it is not itself the means of production. That is why it depends on others to do so.

An equitable distribution of capital, akin to fertilizer, ensures the soils of innovation are adequately nourished. Only then can they be expected to yield diverse crops that are resilient to periodic storms and other uncertainties.

At some point during the process of ideation, prototyping, research, development and commercialization the entrepreneur begins courting capital markets with her widget. If her venture is capital intensive, as it is with software,¹¹ research and development well before commercialization is usually unavoidable.

Capital markets in Canada, at least for early stage ventures, are virtually nonexistent.¹² Those seeking to raise a meaningful sum are sometimes understood to be naïve by their more experienced counterparts, but nevertheless support the livelihood of an extensive industry of consultants that keep founders busy casting lines in dry lakebeds. Those who know seldom guest lecture at ticketed startup events.

Last year was the worst year for a raise in nearly a decade.¹³ The situation is so bad now that the largest remaining institutional investor is a federal Crown corporation acting as central

¹⁰ Innovation, Science and Economic Development Canada, *Key Small Business Statistics 2023*, ised-isde.canada.ca, 19 March, 2026.

¹¹ For clarity, I refer to software that is compiled, as opposed to browser based SaaS products which are substantially less capital intensive.

¹² *Canada must scale what it creates: BDC's VC Landscape report warns VC gaps now a sovereignty issue*, bdc.ca, 26 May, 2026.

¹³ Josh Scott, *'A perfect storm': 2025 was the worst year for Canadian VC fundraising since 2016*, BetaKit, 7 January, 2026.

planner.¹⁴ As of its 2026 fiscal year, 84.7 % of the Business Development Bank of Canada's \$50,008,080,000 portfolio was conventional lending, and only 7.4 % was venture capital.¹⁵

Equally concerning is a report published in 2012 that revealed our *national* business development bank was comfortable allocating 49.2 % of its subordinated (riskiest) financing to Quebec.¹⁶ The author, whose data was sourced entirely from the BDC's own publications, expressed his concern on its role in choosing winners and losers: *"It is difficult not to believe that political agendas drive these figures, and that the BDC and other nominally national programs have been, and continue to be, used as tools of political favouritism to confer benefits on some regions of the country at the expense of others."*

Constraining Innovation:

Without access to early stage private capital, regardless of where innovation is geographically situated within Canada, even the best ideas will never make it to market. Often they cannot get started at all, let alone reach commercialization, because the people needed have already left the country.

Canadian startups aspiring to develop novel digital technologies have had to adapt to the lack of capital and brain drain by tempering their ambitions through a combination of dilution of industry definitions¹⁷ and pursuing less capital intensive commercial offerings. The two standard patterns are thin browser-based web service wrappers around a third party's underlying technology,¹⁸ and mobile applications inside an American multinational's 'walled garden' – or some combination of the two. Those approaches that depend entirely on foreign supply chains to provide all critical capability may well reduce the startup's barriers to commercialization, but low hanging fruit comes at the cost of having no defensible moat to maintain any meaningful competitive advantage.

The effects of capital constraints on innovation are quantifiable downstream. It is not essential to apply for a patent when innovating, nor does having one necessarily mean it has any value. Most do not. But having a valid and granted set of claims does at least require

¹⁴ Madison McLauchlan, *The feds asked investors for candid feedback on BDC. It was never actioned*, BetaKit, 11 February, 2026.

¹⁵ BDC, *2026 Annual Report*, bdc.ca, 18 June, 2026, p. 129.

¹⁶ Jeffrey MacIntosh, *Tantalus Unbound: Government Policy and Innovation in Canada*, The School of Public Policy Publications, 20 March, 2012, p. 26.

¹⁷ For example, the colloquial 'tech company' term originally meant a business that develops software, whereas it now implies any business that uses it. But that makes the term meaningless in the same way a business shipping a document by airmail should not be likened to the aerospace industry, nor would 'aerospace-enabled' meaningfully articulate what it does either.

¹⁸ LLM wrappers may be the latest example, but the generalized browser-based wrapper pattern well predates it.

an original idea – and when *litigated* that is sometimes a useful indicator the innovation may have economic value.

In the 2023–2024 fiscal year Americans filed 17,142 patent applications in Canada, whereas Canadians filed only 4,113 in their own country.¹⁹ Further, most Canadian applications did not involve algorithms. On the other hand, artificial intelligence-related patents in the United States are very common and, not surprisingly, heavily litigated.²⁰ Conversely, in Canada patent litigation over *any* type of subject matter is rare.²¹

Reviewing the last five years, I was able to locate fewer than a dozen reported decisions on the merits in our Federal Court and Federal Court of Appeal concerning algorithm patents, or bearing at least a cosmetic resemblance to algorithm-related subject matter. On closer examination at most two actually were, and both concerned the same patent.²² The rest were over some form of business method, or something else a computer scientist would be reluctant to describe as embodying a software algorithm in the classic sense.

The Theory:

Affordable housing has been a central talking point of public policy makers for many years. However, housing was not the only system that broke as a result of its financialization.

I suspect there is a meaningful causal relation between speculative real estate and the absence of capital markets that would ordinarily support early stage innovation. My theory is that, because housing was reliably profitable for decades, it was an attractive form of investment that redirected what would otherwise have been useful productive capital elsewhere. I draw the inference that had housing not been available to gamify, investors would have been required to pursue legitimate opportunities in a real market economy.

Some investors balk at the prospect of investing in a real business, a practice that was normal for centuries, because it carries greater risk than the condominium. They are correct. But that is the nature of non-rentier capitalism. Rewards ought to be commensurate with risks. Opportunities with high returns that appear to carry little or no risk, such as housing speculation, always carry it. They just externalize that risk to others not party to the transaction.

My theory proposing a causal relation between the two has not been extensively investigated by experts far more capable than I am. It is a link that has had little formal academic or

¹⁹ Canadian Intellectual Property Office, *Patent statistics: 2023 to 2024*, ised-isde.canada.ca, 28 May, 2025.

²⁰ Shukri Sourì et al., *Preparing for Exponential Growth in AI Patent Litigation*, exponent.com, 10 October, 2025.

²¹ Tim Wilbur, *Patent litigation in Canada at record low despite capable courts*, canadianlawyermag.com, 29 July, 2026.

²² See *Google LLC v. Sonos, Inc.*, 2022 FC 1116 (CanLII); and *Google LLC v. Sonos Inc.*, 2024 FCA 44 (CanLII).

regulatory study that I am aware of. I will be the first to admit it carries with it all the frailties of any social theory.

But it is one that is plausible. There appears to be a strong inverse correlation between the two variables. The theory is slowly entering the public discourse.²³ Further, none of the data that I have reviewed appears to contradict it.

On the contrary, there is something to be said when even the Fraser Institute, Canada's resident champions of unbridled free enterprise, appears in a publication directed to British Columbia real estate investors, in an article conceding that the publication's own readership is destroying Canadian innovation.²⁴

Limitations on Public Discourse:

What I have found intriguing through my many private discussions with senior policy makers, sometimes cabinet level, fellow founders, investment bankers, family offices, academics, economists, and others, is that I am yet to meet anyone who did not quietly share my theory of the relation between housing speculation and the absence of capital markets for early stage innovation.

After several years of thinking about it, I realized there are a number of reasons why it is seldom openly discussed. If we consider conventional information distribution channels for issues affecting businesses, like the business reporting press, academia, business consultants and our elected representatives, none are without obstacles.

As of 2024, 40.1 % of all federally elected Members of Parliament appear to be in a conflict, or 133 of 332 that had their public records analyzed. Of those representing British Columbia ridings specifically, 37 % were landlord legislators and speculators.²⁵ This is not a partisan statement. The problem extends across all of the major federal political parties.

Vancouver is no stranger to the housing crisis. Since I count on my riding's Member of Parliament to be my community's advocate, when I came to learn he too was in a conflict, it became clear why he could not be. As came to light during the 2021 election, he disposed of 14 properties in a decade and, when confronted by media, refused to reveal his profits or whether he would commit to ending the practice if elected.²⁶ I encourage you to view his interview and come to your own conclusion.

²³ Manbo He, *Canada is spending billions to fix the wrong productivity problem*, Policy Options, 29 April, 2026.

²⁴ Tanis Read, *Investment Imbalance: Real Estate vs. Business Sectors in Canada's Economy*, Coldwell Banker Horizon Realty, 11 October, 2024.

²⁵ Davide Mastracci, *Find Out If Your MP Is A Landlord Or Invested In Real Estate*, The Maple, 18 June, 2024.

²⁶ David Molko, *Liberal candidate who flipped 14 B.C. properties in a decade declines to reveal profit, won't commit to ending practice if elected*, CTV News, 2 September, 2021.

As for business reporters, they have their own unreported business problem. Since their readership skews affluent, investors being among them, any narrative that departs from treating the two variables as independent – or that discusses them in the same article at all – risks a reduction in subscription revenue.

Academia is not without its own encumbrances. Many trees have been felled researching the impact of speculation on affordable living. But the professors and their grad students, in my experience, are primarily interested in the impact to the general public and, where focused, on the most marginalized – as they should be. The tech-founder sporting a man-bun, on the other hand, does not fit the traditional image of an equity-seeking demographic. He is trying to get rich, whereas everyone else just wants a roof over their head.

Founders periodically observe academics and others hand-wave the Canadian entrepreneur's difficulty in obtaining financing in Canada as rooted in cultural differences between Canadian and American attitudes towards risk tolerance. There may be some truth to that, but even academics with an interest in capital markets seldom explore any causal link with housing speculation. Not surprisingly the economics professor, like so many, begins his day reading the business reporting press.

Then there are the business consultants that advise us on what to do and how to do it. Founders in my industry are continuously inundated with them. They are at our exhibition booths, somehow infiltrate our trade delegations, and creatively find ways of reaching our inboxes. Their staple offerings, notwithstanding nearly always being illegal,²⁷ are advice on courting capital markets and alleged introductions to angel and venture capital.

In exchange for supplying founders with access to a Rolodex of questionable value, they expect to receive handsome fees, equity, or both.²⁸ But had they been candid with their clients about the prospects for a successful raise on a slide deck, then they probably would not have any.

Existing Legislation:

In fairness, both our provincial and federal governments have taken action to curb speculation. The [Residential Property \(Short-Term Holding\) Profit Tax Act](#), SBC 2024, c 14, enacted on 25 April, 2024, disincentivized investors by removing, or at least greatly reducing, their profit margin on the sale of housing per s 9. The idea was that, while there is nothing in the statute to stop them from purchasing additional properties, the transaction cost negates any practical benefit in doing so. As our then provincial Minister of Housing, Ravi Kahlon,

²⁷ See [Securities Act](#), RSBC 1996, c 418, s 34(1); and [National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations](#), BC Reg 226A/2009, s 7.1.

²⁸ Michael Go, [Tyre Kickers in Capital Raising: How Founders Can Spot Them](#), LinkedIn, 17 August, 2025.

remarked in December 2023 when the legislation was proposed, Airbnb property managers should start looking for new jobs.²⁹

The federal government enacted similar legislation on 15 December, 2022, in Bill C-32. The new rules can tax the same sale as our provincial legislation, but how calculations are performed and the program's administration are different. The legislation amended the *Income Tax Act*, RSC 1985, c 1 (5th Supp), so that ss 12(12)-12(14) were introduced to classify a "flipped property" as a kind of taxable business income. Under s 12(14) the investor cannot benefit from a loss in the sale because "*a taxpayer's loss from a business in respect of a flipped property is deemed to be nil*".

The new measures were predictably met with hostility by investors who decried Victoria and Ottawa's "Marxist" policies – policies intended to mitigate the socialization of the true cost of their commercial activities to the Canadian public while compelling their participation in a legitimate market economy.

I believe the new provincial and federal legislation has largely achieved its purpose in curbing *new* speculation. What is lacking is any remedy for the damage *already* done.

Investors are stuck with portfolios they are unable to dispose of, or at least without a means of obtaining a meaningful profit. Nor are they able to benefit from claiming a loss in reducing other taxable income. As long as those assets remain frozen, I suspect a substantial amount of capital will remain inhibited from circulating to any productive end in our economy.

Proposal:

I would like to tender for your consideration a proposal that reconciles the interests of all affected stakeholders. These are investors, business owners, and those with an interest in affordable housing and living. In other words, *everyone*.

British Columbia has a Small Business Venture Capital Program (SBVC).³⁰ The purpose of the program is to encourage investment in eligible small businesses located in British Columbia (an "EBC" in the program's terminology). It was first introduced in 1985 and remains popular.

The SBVC works by rewarding the investor with a 30 % tax credit on the amount of their investment in British Columbia, up to \$1,000,000. For example, if an investor invests \$1,000,000 into an early-stage venture, they receive \$300,000 credited back for that year's annual return. It does not need to be repaid, provided they maintain their investment for at

²⁹ Nono Shen, *Time's up for some short-term rentals in B.C. as new housing rules look set to transform scene*, The Canadian Press, 9 December, 2023.

³⁰ Government of British Columbia, *Venture Capital Program*, gov.bc.ca, 13 January, 2026.

least five years in British Columbia. The credit is available regardless of whether the business ever produces a dividend.

A business qualifies for EBC certification under s 28.2 of the program's enabling statute, the *Small Business Venture Capital Act*, RSBC 1996, c 429, which requires no more than 100 employees, at least 75 % of wages paid in British Columbia, and substantial engagement in one of the activities prescribed by s 11(1) of the *Small Business Venture Capital Regulation*, BC Reg 390/98. Those activities include the manufacture and processing of goods, research and development of proprietary technologies, and the development of interactive digital media. There is no administrative fee to apply for certification.

Similar programs exist in other Canadian jurisdictions. My proposal could be adapted to each of them.

Prior to the introduction of anti-speculation legislation, a house flip in British Columbia could be counted on for a substantial gross margin. But since the legislative changes, investors report margins near zero, and sometimes a net loss once commissions, legal fees, taxes, and other transaction costs are accounted for. They cannot dispose of the property, nor can they resort to an Airbnb-grift in the interim to mitigate. They are stuck with a portfolio that hemorrhages money.

What I am proposing is an exit strategy for investors – or an amnesty law of sorts, depending on your perspective. Give them the means to liquidate their portfolios and pay zero federal and provincial tax, provided they cycle all of the proceeds into an EBC. The investor receives the credit for the year in which the shares are subscribed, while the capital itself remains committed for five years. Against a 20 % provincial tax and full-rate federal business income on the whole profit, that is a substantially better outcome. Small businesses would have an influx of capital they can put to work for research, development, commercialization, new hires, and expansion into foreign markets. In response to the volume of new listings the public benefits from a meaningful reduction in the cost of living.

Investors seeking to game the system by creating shell companies or benefiting from other creative accounting would be prevented from doing so by the existing regulatory framework for the SBVC, which already addresses many such scenarios in ss 28.5, 28.6(3), 28.92 and 28.93.

This proposal does not call for a single new house to be built, nor for any investor to be incarcerated under an amended Criminal Code. Rather, the benefits could begin to flow to *all* Canadians in months, not years.

Everyone wins.

Implementation Details:

To implement this policy, several pieces of provincial and federal legislation would need to be amended.

At first impression, the exclusion list in s 12(13)(b) of the federal *Income Tax Act*, RSC 1985, c 1 (5th Supp), is the logical place for a reinvestment exemption. Alternatively, a deferral of some kind could be inserted in s 12(12).

The provincial *Residential Property (Short-Term Holding) Profit Tax Act*, SBC 2024, c 14, would need a new exemption section inserted somewhere between ss 21-30.

The SBVC Act's s 29.1 and its regulation's s 21, when read together, provide a program cap on the province's existing allocation of \$53,500,000 for the 2025, 2026 and 2027 calendar years, and \$38,500,000 for 2028 and each subsequent year. Depending on the success of this proposal, it may be helpful if the program cap were raised. Any increase in the program's cost would need to be weighed against the housing released to the market and the capital directed into British Columbia innovation.

Closing:

As I noted earlier, I am yet to meet anyone in those discussions who did not quietly share my theory. I should add that I am yet to meet anyone who did not endorse the above proposal either.

Having said that, because the proposal involves legislative changes at both the provincial and federal level, evaluating and implementing it necessarily invites constructive collaboration with others. I have identified the following potential stakeholders who may benefit from your consultation, and who may wish to provide their own input:

- AIML Network of B.C. Association (AInBC)
- B.C. Financial Services Authority
- B.C. Minister of Finance
- B.C. Minister of Housing & Municipal Affairs
- B.C. Minister of Jobs & Economic Growth
- B.C. Minister of State for AI & New Technologies
- BC Tech Association
- Build Canada's Prosperity
- Canadian Federation of Independent Business
- Council of Canadian Innovators (CCI)
- Creative BC
- DigiBC

- Innovate BC
- Department of Finance Canada
- Minister of Housing & Infrastructure
- Minister of Industry
- New Ventures BC
- Office of the Premier of British Columbia
- Office of the Prime Minister
- Scale AI
- Secretary of State (Small Business and Tourism)
- Standing Committee on Industry & Technology
- Startup Canada
- Vancity Credit Union
- World Trade Centre Vancouver

I hope that my proposal will invite further discussion among public policy makers, regulators, industry and the general public at large.

If I can be of further assistance, please do not hesitate to reach the undersigned. I look forward in due course to receiving your comments.

Yours truly,

A handwritten signature in black ink, appearing to read 'Kip Warner', with a stylized flourish at the end.

Kip Warner, Founder
kip@heliosmusic.io

KCSW/kcsw