

# Solving the Toronto Condo Crisis with Smart Lease Structuring & Tax Innovation

## The Problem

Toronto developers are facing a perfect storm:

- **Pre-sale cancellations** due to rising interest rates and tighter mortgage qualification
- **Foreign buyer restrictions** reducing demand
- **Price drops** forcing developers to cut margins below bank-required return-on-cost thresholds
- **Buyers now need 75% more equity** than in 2020 to close

## The Solution: Equipment Lease Structuring + Tax Flow-Through

### Step 1: Shift CapEx to OpEx

- Instead of the developer purchasing HVAC, solar, EV chargers, etc., the **condo corporation signs a 10-year rental agreement** for these systems
- Developer **avoids 20% markup** and **drops unit prices by 12–15%**
- Condo owners pay for the equipment over time—but **green tech savings offset the rental cost**

### Step 2: Bundle More into the Lease

- Add other construction elements (e.g. thermal storage, smart meters, building automation) into the lease
- Create a **10-year breakeven** structure with **3-year payback tech**
- Use **lease bundling** to keep it off the condo corp's balance sheet while maintaining transparency

## The Tax Magic: Flow-Through + Accelerated Depreciation

### Flow-Through Depreciation

- Developer (or investor) contributes **10% equity** to the rental asset pool
- Claims **100% of the depreciation** on the full asset value
- **10x leverage** on tax write-offs—offsetting profits from the entire project

### Accelerated Capital Cost Allowance (CCA)

- Under Canada's **Accelerated Investment Incentive**, cleantech assets (solar, HVAC, EV infrastructure) qualify for **full expensing**
- Write off **100% of eligible assets** in year one

## Who Can Benefit?

- **Developer:** Reduces taxable income, improves IRR
- **HVAC or solar vendor:** Can be the 10% investor and claim full depreciation
- **Condo buyer:** Can use tax benefit to offset equity requirement

## RRSP Integration: Unlocking Down Payments

### RRSP-Backed Depreciation Flow

- A **\$10,000 self-directed RRSP** investment into the lease pool can generate **\$100,000 in depreciation**
- That tax benefit can be used to **withdraw up to \$200,000** from the RRSP **without penalty**
- Solves the equity gap for buyers who now need \$175K+ to close

## Results & Impact

Metric	Traditional Model	Lease-Structured Model
Unit Price	\$800,000	\$680,000–\$700,000
Developer Profit Margin	Compressed	Restored via tax offset
Buyer Equity Requirement	\$175,000	\$75,000–\$100,000
Condo Corp Utility Savings	N/A	20–40% via TOU + solar
Investor Tax Write-Off	Limited	10x contribution

## Why This Works

- **Solves affordability** without subsidies
- **Preserves developer margins** without price hikes
- **Accelerates cleantech adoption** with no upfront cost
- **Unlocks RRSP capital** for buyers
- **Complies with CRA and IFRS** via lease bundling and flow-through

Yours Truly

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