

REAL ESTATE



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Q | I'm a commercial landlord considering leasing space to an I-502 cannabis business. What issues should I be aware of?

A | Although it has been several years since Washington voters passed Initiative 502 to legalize the production, processing, and sale of cannabis, people are often surprised how many challenges remain when doing business with I-502 companies. For example, landlords should consider whether leasing to an I-502 tenant would be a breach of their loan documents with any lenders. A lease with an I-502 tenant should contain terms to address any changes in the legality of I-502 businesses or federal enforcement policies. Landlords should also be aware that leasing to an I-502 business might restrict the landlord's ability to restructure its debt under federal bankruptcy law. Although leasing to a cannabis producer, processor, or seller can be a lucrative opportunity, landlords should carefully consider these and other risks.