

Why U.S. Cities Are Reducing Licensed Cannabis Businesses

U.S. Cities Pull Back on Permitted Cannabis Businesses as Local Restrictions Grow

Rapid City Moves to Cut Medical Cannabis Dispensaries in Half

South Dakota's second-largest city is considering a major reduction in licensed medical cannabis dispensaries, potentially cutting the number allowed from 10 to just five. The proposal—now under review by the Rapid City Council—marks another example of a growing national trend: cities tightening or reversing earlier cannabis business approvals.

According to local outlet KOTA, the proposal would significantly reshape the city's regulated market and limit competition among operators.

Local Governments Increasingly Restrict or Ban Cannabis Activity

Across the United States, state laws often give cities and counties broad control over whether cannabis businesses can operate within their borders. Recent voting patterns show that local residents—and their elected officials—are frequently choosing restrictive pathways.

On Election Day this year, voters in at least five jurisdictions opted to maintain or impose bans and limitations on cannabis retailers. This pattern signals that—despite expanding legalization at the state level—many communities remain cautious or resistant.

For some existing cannabis retailers, such restrictions help reduce competition in oversaturated markets. But in Rapid City, operators say the cutback is unnecessary and harmful.

Operators Push Back as Rapid City Plans Vote

Kittrick Jeffries, founder and CEO of Puffy's Dispensary, publicly announced plans to sue the city if the council moves forward with the license reduction. Jeffries argued that the decision is politically driven—not something medical cannabis patients want or need.

“Patients aren't asking for this,” Jeffries told KOTA. “This is politicians that are asking for the number of licenses in Rapid City to be reduced. I haven't heard of any patient come up and say, ‘we want less options.’”

The City Council is expected to vote on the measure Wednesday, and the outcome could set the stage for legal battles over local authority and patient access.

Cities Nationwide Reevaluate Cannabis Market Saturation

Rapid City isn't alone. Across the country, municipal leaders are reassessing how many cannabis businesses they want within their borders.

In Port Hueneme, California, the City Council voted in late October to reduce the number of permitted cannabis businesses by a full one-third. The decision came after two local cannabis shops fell behind on payments, owing more than \$50,000 each to the city, according to *The Ventura County Star*.

These financial issues have led some cities to conclude that fewer operators may reduce enforcement burdens and revenue instability.

Major Cannabis Markets Also Tighten Access

Even larger and more established cannabis markets are pulling back. San Francisco, long seen as a cannabis-friendly city, instituted a moratorium on new cannabis retail permits in the summer of 2023—a ban that remains in effect today.

The freeze followed the collapse of several high-profile cannabis ventures, including a “cannabis convenience” store concept launched in 2022 by former MedMen executives. The downturn underscored broader industry challenges, from high taxes to persistent illicit market competition.

A National Shift: From Expansion to Contraction

What's happening in Rapid City reflects a growing change in sentiment among U.S. municipalities. After years of rapid expansion, many cities are deciding the cannabis market has reached—or exceeded—its optimal size.

Whether driven by concerns about market saturation, unpaid taxes, enforcement gaps, or shifting political winds, cities appear more willing than ever to restrict rather than expand cannabis business opportunities.

For operators, patients, and consumers, the impact will differ from city to city but the message is clear: nationwide, the era of easy municipal cannabis approvals is over. For more information contact at info@cannabisriskmanager.com

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