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Contact:

Evette Davis (415) 385-4863

**COURT REJECTS CITY COUNCIL'S UNLAWFUL DENIAL OF KEYSTONE RANCH PROJECT,
HANDING CITY OF PATTERSON SECOND RESOUNDING LOSS IN 6 MONTHS**

Court holds that Patterson City Council violated multiple state housing laws and failed to make required findings in blocking 719 new homes. The decision marks Patterson's second major courtroom defeat in recent months and represents a sweeping rebuke of the City's unfounded attempts to deny new housing.

Patterson, CA – In a sweeping rejection of the City of Patterson City Council's arguments, Stanislaus County Superior Court Judge Sonny Sandhu ruled on June 26, 2026, that the City illegally denied Keystone Ranch LLC's Vesting Tentative Map (VTM) application for a new 719-unit housing project, violating the Housing Accountability Act (HAA).

The Court ordered the City to set aside its April 1, 2025, denial and reconsider the VTM application on its own merits, applying only lawful conditions of approval. The ruling also rejects the Council's demand that Keystone construct a \$20 million groundwater recharge basin before any building permits could be issued for the Zacharias and Baldwin Ranch master plan area. The ruling marks a decisive turning point for the development and reinforces the importance of cities adhering to California's housing statutes.

In the ruling, Judge Sandhu determined that Patterson violated several state housing laws, including the HAA, Housing Crisis Act, Subdivision Map Act and state planning laws. The City failed to identify substantial evidence of public health or safety risks and did not make the necessary findings to justify denying a housing project that complies with existing City policies and standards.

SECOND LOSS IN COURT

The ruling on the map application marks the second time in six months that the court found the City of Patterson broke the law in matters related to housing development. In January 2026, Judge Sandhu ruled in a case brought by the Building Industry Association and Keystone that the City's newly enacted (2024) development fees were excessive and had been unlawfully enacted in violation of the Brown Act, the Mitigation Fee Act, and constitutional requirements ([view the case here](#)). Instead of following court orders to rescind the unlawful fees, the City's attorney filed an appeal, requiring taxpayers to bear the cost of defending conduct already judicially found to be unlawful. Two court losses in a matter of months raise serious questions about the City's commitment to following state

law, providing timely public notice and transparency, respecting due process, and facilitating the housing California communities desperately need.

KEYSTONE APPROVED BY EVERY DEPARTMENT

The court emphasized that the Keystone project was previously approved by “the City’s own staff, Planning Commission and Community Development Director,” all of whom concluded that no supplemental environmental review was warranted.

Despite this, the City Council moved forward with an “abrupt reversal” at an unscheduled closed session in April 2025, imposing conditions on Keystone Ranch that were “not supported by the evidentiary record before the council.” Among those conditions was a requirement that in order to secure building permits, Keystone must build a \$20 million groundwater recharge basin with an excessive capacity to serve water demands nearly 22 times greater than Keystone’s own potable water demand.

Keystone's lawsuit accused the City of inflating its water needs and manufacturing a non-existent water emergency it could not document, contradicting public data. The court agreed that the water conditions proposed by the City were unlawful, calling the \$20 million groundwater basin requirement a **“de facto moratorium on housing.”**

No other developer in Patterson has been held to those conditions. The City has subsequently continued to approve several other major development projects without mentioning water challenges, including approval of a 3.2 million-square-foot, five-story distribution facility based only on a 14-year-old Environmental Impact Report.

The court also rejected the City’s reliance on the California Environmental Quality Act (CEQA), finding that environmental review was not required, concluding in the final ruling that the City used an abuse of discretion because “the City’s reversal from its prior determinations is not supported by substantial evidence.”

"This ruling confirms what we've known all along: the City of Patterson has repeatedly violated state law in its efforts to block desperately needed housing," said Pat Gavaghan, President of Keystone Corporation. "After two separate court rulings finding the City's actions unlawful, it is fair to ask: why. Why is Patterson continuing to impose illegal barriers on one family-owned developer while approving other projects without hesitation? Is there something deeper that is happening against Keystone?"

The decade-long delay of this project has worsened the City’s housing shortage. Patterson must build 3,716 new homes by 2031 to meet state requirements, but it is already 2 years late in updating its General Plan Housing Element, is far behind its Regional Housing Needs Allocation (RHNA) goals, and has been called out by Governor Newsom as one of the worst

"housing offenders" in the State of California ([view the press release here](#)). Patterson's arbitrary refusals and denials of new residential development expose the City to the risks of state fines and financial penalties, including loss of funding and local control of land use decisions.

The court ordered the City of Patterson to re-review and approve Keystone's project within 90 days, warning that the "path to denial is narrow," and forbade the City from insisting Keystone pay the entire cost of excessive new water infrastructure as a condition of approval.

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About Keystone Corporation

Founded in 1979, Keystone Corporation is an award winning national real estate development company. The company has positively impacted the Patterson community through the development of the Keystone Pacific Business Park and the Patterson Gardens community as well as through philanthropic efforts, contributing hundreds of thousands of dollars toward renovations of the Patterson High School football stadium and Patterson Aquatic Center. Visit the project website at www.exposingpatterson.com.