

Newsom's "historic" housing reform is a handout to real estate capital

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Governor Gavin Newsom's signing of Senate Bill 79 (SB 79) on October 10 was hailed across the political establishment and corporate media as a "historic reform" that will finally tackle California's housing crisis.

The *Los Angeles Times* praised it as "one of the most ambitious state-imposed housing efforts in recent memory," a supposedly bold strike against exclusionary zoning and local obstruction. In the breathless coverage that followed, Newsom was presented as a pragmatic progressive fulfilling his long-stated promise to "build more homes faster" and to "put housing near jobs and transit."

SB 79 represents not a social reform but a calculated concession to the construction and financial industries that dominate California politics. Behind the technocratic rhetoric of "density," "climate efficiency," and "transit-oriented development" lies a naked transfer of power and profit to corporate developers and hedge fund-backed real estate trusts served by the Democratic Party machine.

The law overrides local zoning in eight of California's largest counties—those with at least fifteen passenger-rail stations—allowing private developers to build up to nine-story residential projects directly adjacent to subway or commuter-rail stops, seven stories within a quarter-mile, and six within a half-mile. It takes effect in July 2026 and is advertised as a measure to promote "smart growth" and reduce automobile dependence.

SB 79 contains a maze of exemptions and carve-outs. Areas designated as high fire-risk zones, historic districts, or environmentally sensitive lands may be excluded. Local governments retain certain powers to delay implementation or re-map boundaries, a provision that can be exploited by affluent municipalities.

The law follows Newsom's June 2025 enactment of Assembly Bill 130 and Senate Bill 131 which prepared the regulatory and legal environment for SB 79 by weakening environmental oversight and streamlining development approvals. The bills gutted the California Environmental Quality Act (CEQA), stripping away decades of environmental protections and public oversight.

A devastating assault on workers was delivered by Newsom a few days later through the 2025-26 California budget, which

imposed deep cuts to essential social services.

The combined effect of these initiatives is to strip cities of much of their traditional zoning authority in favor of a state-level framework that grants "by-right" construction privileges to developers in transit-rich corridors—precisely those areas where land values are highest and profits greatest.

The primary beneficiaries of SB 79 are not the millions of Californians who face crushing rents and homelessness, but real estate capital and its financial backers. The bill offers them legal certainty to pursue high-density, high-yield projects under the pretext of environmental necessity. It doesn't guarantee affordability, but instead gives investors a green light to saturate transit hubs with luxury apartments and high-end condominiums marketed to upper-income professionals.

The legislation includes no enforceable requirement that developers allocate substantial proportions of units to low-income tenants. Nor does it establish rent caps, displacement protections, or public ownership mandates. "Density" becomes a synonym for profitability, not social need. Absent massive public investment and democratic control, the new housing stock will be priced far beyond the reach of most workers.

Already, similar "up-zoning" schemes in San Francisco, Los Angeles, and Oakland have unleashed waves of gentrification and displacement. Once height limits are lifted, land speculation accelerates, property taxes rise, and working-class residents are driven out. Transit hubs such as MacArthur BART in Oakland or Boyle Heights stations in Los Angeles stand as cautionary tales: "transit-oriented development" becomes the spearhead of urban "cleansing" of low-income people.

SB 79's "gradual" implementation schedule, with full effect only in mid-2026, gives financial interests time to acquire parcels and secure permits, positioning themselves ahead of a speculative boom.

Newsom's measure is being promoted as a necessary assertion of state authority over parochial local governments. But the question is not whether power is centralized, it is in whose interests that power is wielded. SB 79 does not empower working people to plan their communities; it consolidates control in a state apparatus entirely subordinated to capital.

California state agencies coordinate the interests of developers, banks, and construction conglomerates. When

Newsom overrides local zoning, he is not expanding democratic participation but disarming local opposition to real estate profiteering.

The few protests from city councils, such as Los Angeles officials invoking “local control,” express not working-class resistance but inter-elite friction between layers of the capitalist class, or fear of workers’ opposition. Wealthy enclaves demand autonomy to defend their property values, while state Democrats seek a uniform legal environment conducive to large-scale investment. In both cases, the needs of tenants and homeless workers are entirely excluded.

Among the self-styled “left” faction on the Los Angeles City Council, the Democratic Socialists of America (DSA) representatives—Nithya Raman, Eunisses Hernandez, and Hugo Soto-Martínez—lined up squarely behind the pro-developer SB 79, voting against the Council’s resolution opposing the measure. Their support for Newsom’s deregulation package exposes the real class character of the DSA: a privileged layer of the middle class that promotes “progressive” branding while advancing the profit interests of real estate capital.

Only Ysabel Jurado voted with the majority to oppose SB 79, a move that amounted to political posturing. Her token dissent was an attempt at preserving credibility in a district certain to be devastated by the bill’s upzoning mandates, which will accelerate gentrification and displacement in working-class neighborhoods like Boyle Heights.

SB 79’s architecture of carve-outs exposes its class character. Exemptions for “historic” neighborhoods or fire-risk zones, and delays for “small jurisdictions,” will protect the very communities least burdened by the housing crisis. The so-called “Beverly Hills carve-out” allows the state’s most affluent city to preserve its low-density zoning. Meanwhile, working-class transit corridors in South Los Angeles, East Oakland and San Jose will bear the brunt of speculative redevelopment.

These differential treatments are deliberate mechanisms of class privilege. The patchwork implementation ensures that upzoning will deepen, not reduce, inequality. Developers are already maneuvering to exploit these loopholes. In wildfire-affected areas such as Pacific Palisades or Altadena—where recent rebuilding efforts have drawn major contractors—the exemptions for “fire risk” and “historic character” will provide legal cover for selective exclusion. The market will determine outcomes, not social need.

The entire discourse around the “housing crisis” has been reframed to exclude the real culprit: capitalist speculation in land and housing. California has millions of vacant units. The crisis is not one of physical shortage but of ownership and profit.

The “Yes In My Back Yard” (YIMBY) movement, heavily cited in media praise for SB 79, personifies this distortion. YIMBY groups posture as progressive advocates for more housing but in practice function as a lobby for real estate interests. Their alliance with Democratic politicians reflects the

convergence of a professional-managerial layer with speculative capital. For them, “up-zoning” is not a tool for social equality but a strategy to boost returns and property values.

SB 79 rests on the false claim that increasing total housing units will automatically make rents affordable. This pseudo-economic argument ignores the dynamics of capitalist property markets. Without social ownership and strict regulation, new supply gravitates to the most profitable sectors—luxury and upper-middle income housing—leaving working-class families priced out.

California’s own record proves this. Despite a decade of “streamlining” and “density incentives,” rents have soared, with homelessness reaching record levels and developers routinely flouting inclusionary zoning rules.

SB 79 also serves an important political function. It allows the Democratic Party to posture as the defender of reform and progress while pursuing policies indistinguishable from those of the Republicans in substance. Newsom, whose presidential ambitions are widely known, seeks to polish his national credentials as a “problem-solver” willing to confront bureaucracy and NIMBYism.

As Trump advances his dictatorial plans, the real alignment of forces must be laid bare: the state, the banks, the developers on one side with Democrats and Republicans; the working class on the other.

The fight for decent, affordable homes cannot be entrusted to Newsom or any section of the capitalist state. It requires expropriating the major landholders and real-estate corporations, bringing housing under public ownership and democratic control. Housing must be recognized as a social right, not an investment vehicle.

This means the independent mobilization of the working class through rank-and-file housing committees, united across workplaces and neighborhoods, to demand public ownership, social planning, and the abolition of profit. Only in this way can the housing crisis be ended and society reorganized to meet human need, not corporate greed.



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