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New York City Independent Budget Office



Safe Hotels Act: Final Version Likely Reduces Impact on Small, Nonunion Hotels

January 13, 2025 –The Independent Budget Office (IBO) has released a comparative analysis of the [“Safe Hotels Act.”](#) The bill passed in October 2024 after several revisions to the original proposal. IBO’s report examines the impact of the bill’s direct employment provisions and changes made in these provisions between an earlier version and the adopted law.

The Safe Hotels Act requires hotels operating in the City to be licensed and introduces new consumer and worker safety regulations for the industry. One provision in the bill focused on a hotel’s ability to subcontract workers employed in core hotel operations, such as housekeeping. It was expected that this provision would primarily impact nonunionized hotels, mainly because unionized hotels tend to be already in compliance with this policy.

As a result, the Safe Hotels Act, in both its earlier and final versions, was not expected to increase costs for unionized hotels. Nonunionized hotels that use subcontracted labor, however, would likely have to switch to direct employment, impacting operational costs. A major change between the earlier proposal and the final version is a carveout for small hotels. The final bill exempted hotels with less than 100 rooms from the direct employment requirement. IBO found that this change reduced the percentage of nonunion hotels likely to be impacted by the direct employment provisions from 95% to 27%.

Key findings from the analysis include:

- Union hotels tend to have more rooms per property. About a quarter of hotels in the City are unionized, but they account for almost half of the City’s available hotel rooms.
- The final law will likely impact hotels outside of Manhattan less than the earlier version, because many non-Manhattan hotels are small and nonunion.
- By exempting smaller hotels, the final version of the bill shifted regulations from impacting nonunion hotels in general to impacting nonunion hotels with 100 rooms or more.
- The enacted law will impact fewer independently owned hotels offering limited-service amenities, which are often small businesses.

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