



What Kinds of Hotels May Be Affected by Subcontracting Limitations in the Safe Hotels Act?

Executive Summary

The “Safe Hotels Act” was introduced to City Council in July 2024 and passed in October 2024. This bill requires hotels operating in the City to be licensed and adds several new regulations to hotel operations related to consumer and worker safety, including requiring hotel operators to equip employees with panic buttons and to provide human trafficking recognition training. The bill also includes direct employment requirements that limit the ability of hotels to subcontract for “core employees,” defined as front-of-house and housekeeping staff. Based on public testimony to City Council by industry leaders, unionized hotels generally already employ this class of workers directly. As a result, this provision is expected to have a larger impact on nonunion hotels, potentially increasing their operating costs. The final version of the Safe Hotels Act exempted hotels with under 100 rooms from the restriction on subcontracting. In this report, IBO examines the characteristics of the hotels that would likely be more affected by the employment regulations in the bill, both before and after the final version was introduced. IBO concludes that, compared to the bill’s original version, the final version removed many low-cost, independent, and limited-amenity hotels from the group of hotels that will be affected by the direct employment requirement.

Introduction

In July 2024, City Council Introduced Int. No. 991, known as the “Safe Hotels Act.” This act requires hotels operating in the City to be licensed through the City’s Department of Consumer and Worker Protection (DCWP). After three revisions, the City Council approved the bill in October 2024, enacted as [Local Law 104](#).¹ The adopted bill introduces several regulations related to consumer and worker safety and hotel operations, including:

- A prohibition on bookings for durations less than four hours, except for hotels located within one mile of airports.
- A requirement that each hotel must maintain 24-hour-a-day coverage of a front desk, with overnight coverage permitted by a security guard under certain circumstances.
- A requirement that hotels with 100 rooms or more directly employ all “core” hotel employees, defined to include staff in housekeeping, front desk, or front-of-house positions such as door and bell attendants.
- Requirements that hotel operators equip core employees with panic buttons for use in unsafe situations and that hotels provide human trafficking recognition training.

Changes in the Safe Hotel Act Regulations as Bill Proceeded Through City Council

Many of the Safe Hotel Act regulations set by Local Law 104 were lessened when compared to those in the original version, Int. No. 991.

- The initial bill prohibited bookings for less than eight hours, while the final version reduced the minimum booking time to four hours.
- The original proposal also included certain minimum staffing requirements, which were removed.
- The original version required direct employment for food preparation, food service, and security employees working in a hotel, unless the majority of workers in any classification at the hotel were covered by an active and unexpired collective bargaining agreement with a labor organization. The provision also included workers in restaurants and bars leasing space within hotels. Revisions to the bill removed these employees from the direct employment requirement and excluded leased restaurants and bars within hotel premises from the bill's labor provisions. The final version limited the direct employment provision to only front-of-house and housekeeping staff, allowing hotels to use subcontractors for other positions.
- Finally, Local Law 104 exempted hotels with fewer than 100 rooms from the direct employment requirement.

In general, hotels will have different experiences complying with the employment requirements in this bill. According to public testimony to City Council by industry leaders, requiring direct employment of staff is not expected to impose new costs on unionized hotels, because negotiated labor contracts at unionized hotels generally include a requirement that staff be employed directly by the hotel. Some nonunion hotels, however, do use subcontracted labor in various ways—for example, to increase or decrease staffing in response to seasonal changes in hotel occupancy and demand. As a result, the subcontracting limitation in the original version of the bill was expected to have a more immediate impact on nonunion hotels than union hotels.

The final version of the bill, now known as Local Law 104, added an exemption for “small hotels”—those with fewer than 100 rooms—from the direct employment requirement. This exemption reduces the number of hotels that are likely to face increased costs because of the employment provisions of the bill. Local Law 104 is likely to affect only those nonunion hotels with 100 rooms or more, rather than all nonunion hotels in the City.

IBO analyzed hotel data to provide insights into how the direct employment requirement of the Safe Hotels Act might affect the hotel industry, both before and after the small hotels exemption was introduced in the final version of the bill. In this report, IBO first compares the characteristics of unionized and nonunionized hotels, because the original version of the bill would have introduced different costs to hotels based on union status, without exempting small hotels. IBO then considers the direct employment language in the final bill, comparing the characteristics of hotels that would not be affected—union hotels and those with under 100 rooms—with hotels that may face higher costs. IBO concludes that, by exempting small hotels from the direct employment provision, the final version of the bill reduces the differences between the affected and not-affected hotels on several metrics, including average daily room rate and the number of direct employees per room. Exempting small hotels also means that fewer hotels outside Manhattan will be affected by the direct employment requirement, because many hotels in the other boroughs are both small and nonunion.

This analysis specifically focuses on the direct employment provision in the Safe Hotels Act and does not evaluate any measures focused on worker and consumer safety. Due to limited available data, IBO's analysis does not consider several questions, including how the Safe Hotels Act might affect: 1) hotel industry

employment, wages, and working conditions, 2) costs and financials for New York City hotels and their continued viability, 3) Hotel Occupancy Tax revenue collections, and 4) tourism to the City.

IBO provided [testimony](#) on the Safe Hotels Act to the Committee on Consumer & Worker Protection in October 2024. IBO’s City Council testimony was based on analysis of an earlier version of the Safe Hotels Act, which did not exempt small hotels from the direct employment requirement.

Data

IBO merged information on individual hotels to compile a dataset of New York City hotels using data from CoStar, a commercial real estate data company, the New York City Department of Finance (DOF), and the New York State Department of Labor (DOL). In this dataset, IBO identified hotels that were in operation during City fiscal year 2023 (July 2022 through June 2023). To determine employee union status, IBO used information published by the Hotel and Gaming Trades Council (HTC) and the Hotel Association of New York City (HANYC). IBO’s dataset included information on 563 hotels, detailing each establishment’s location, ownership and management structure, number of rooms, average daily room rate, number of employees on payroll, and unionized status.

IBO specifically identified hotels located in Midtown Manhattan and created an “independent-limited service” indicator for hotels that satisfy two criteria: 1) they are either independently owned or a franchise, and 2) CoStar classifies them as economy, midscale, or upper midscale in terms of the levels of service amenities offered. Independent-limited service hotels are likely to be small businesses. (See Appendix for more details on IBO’s data and methodology.)

Draft vs. Adopted Version of Bill: Locations of Affected Hotels

A draft version of the Safe Hotels Act (Int. No. 991-B) included a direct employment clause that was expected to have different impacts, on average, for union vs. non-union hotels in New York City.² Union hotels are concentrated in Manhattan, particularly in Midtown, while nearly all the hotels outside Manhattan are nonunion. As a result, the earlier bill’s subcontracting restriction was expected to increase costs for a greater percentage of hotels outside Manhattan than within Manhattan.

Figures 1 and 2 show the geographic distribution of union vs. nonunion hotels in New York City. Most hotels in the City are nonunion, comprising 581 (74%) of the City’s 785 hotels. Despite accounting for only about a quarter of total hotel properties, union hotels represent almost half (48%) of the City’s hotel room stock.³ In Midtown Manhattan, the number of hotel establishments is almost equally split between union and nonunion, but union hotels lead in terms of number of rooms. By contrast, outside Manhattan, the vast majority of hotel establishments are nonunion, making up 95% of hotels and 87% of hotel rooms. The data also highlight Midtown Manhattan’s dominance in this market, with 38% of the City’s hotels and 58% of its hotel rooms located in this area.

Figure 1
Number of New York City Hotels and Hotel Rooms by Location and Union Status

	Total	Midtown Manhattan	Manhattan Other than Midtown	Other than Manhattan
Hotel Establishments	785	302	189	294
Union	204	144	46	14
Nonunion	581	158	143	280
Hotel Rooms	133,294	76,935	28,352	28,007
Union	61,667	47,856	10,203	3,608
Nonunion	71,627	29,079	18,149	24,399

SOURCES: IBO’s analysis of data from CoStar, Hotel Trade Council, and Hotel Trade Association of New York City
New York City Independent Budget Office

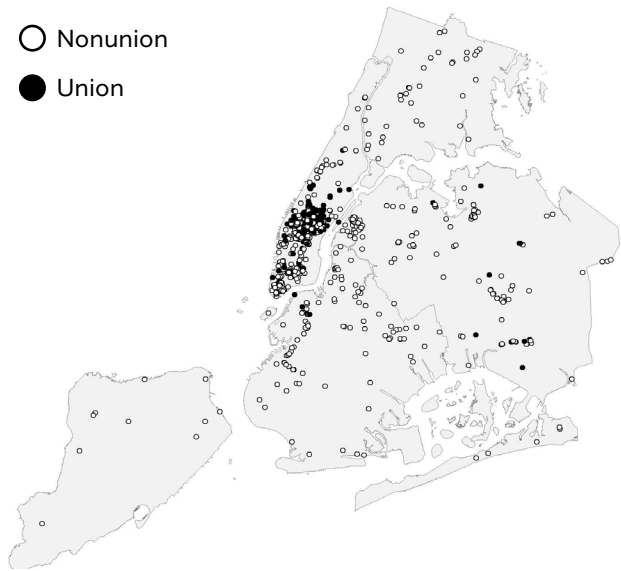
Hotels outside Manhattan tend to be smaller than those in Manhattan. Many hotels outside Manhattan are under 100 rooms and thus were exempted from the direct employment requirement in the final Safe Hotels Act. Therefore, the cost impacts of the final Safe Hotels Act will likely be less concentrated in the other boroughs than those of the earlier bill before the small hotels exemption. For example, under the earlier version of the bill, only 14 non-Manhattan hotels (5%) would likely have been unaffected, and 280 (95%) would be expected to adjust operations to comply with the direct employment provision. In contrast, under the final version of the bill, 214 non-Manhattan hotels (73%) will likely remain unaffected by the restrictions on subcontracting and only 80 (27%) are expected to feel an impact.

Among Midtown Manhattan hotels, the change was less pronounced between the number of hotels expected to be affected by the earlier and the final version: from 158 (52%) impacted hotels to 105 (35%) impacted hotels, respectively. Figure 3 provides information on how many hotel establishments and rooms would likely be affected by the original and final versions of the direct employment provision, sorted by location.

Figure 2
Hotel Locations in New York City

Union Status

- Nonunion
- Union



SOURCES: IBO's analysis of data from CoStar, Hotel Trade Council, and Hotel Trade Association of New York City
New York City Independent Budget Office

Draft vs. Adopted Version of Bill: Statistics of Affected Hotels

In addition to changing the geographic distribution of hotels affected by the direct employment provision in the Safe Hotels Act, the exemption for small hotels also changed the makeup of affected hotels in terms of average room rates, number of direct employees per room, and rate of independent ownership and/or limited-service scale. Exempting small hotels from the direct employment requirement reduced the differences between the affected and unaffected groups of hotels.

Figure 4 compares selected citywide statistics for affected vs. unaffected hotels, first for the earlier version of the bill and then for the final version. For each citywide group of hotels, the table reports the median of hotel-specific room rates, the median of full-time equivalent employment per room among the

Figure 3
Affected Hotels by Location, Draft vs. Adopted Versions of Safe Hotels Act

	Total	Midtown Manhattan	Manhattan Other Than Midtown	Other Boroughs
Hotel Establishments				
Affected by Int. No. 991-B	581	158	143	280
Affected by Local Law 104	255	105	70	80
Percent Change	(56%)	(34%)	(51%)	(71%)
Hotel Rooms				
Affected by Int. No. 991-B	71,627	29,079	18,149	24,399
Affected by Local Law 104	53,685	26,009	14,448	13,228
Percent Change	(25%)	(11%)	(20%)	(46%)

SOURCES: IBO's analysis of data from CoStar, Hotel Trade Council, and Hotel Trade Association of New York City
New York City Independent Budget Office

hotels, and the percent share of hotels classified as independently owned and offering limited-service amenities (“independent-limited”).

In the earlier version of the bill, the median average daily room rate for affected hotels (\$194) was more than \$100 lower than for unaffected hotels (\$298). Affected hotels (60%) were also more than three times as likely as unaffected hotels (18%) to be classified as independent-limited. After the exemption of small hotels, the affected group had a higher median average daily room rate (\$229), and a lower percentage of independent-limited hotels (40%), than the unaffected hotels. These figures suggest that the original version of the direct employment provision would have directly impacted more low-cost, small business hotels than the final version of the bill. The difference in median direct employees per room between the affected and unaffected group did not change dramatically between the original and final versions of the Safe Hotels Act.

Conclusion

New York City hotels vary widely in terms of size, ownership, management structure, unionization status, and level of service. The provision in the Safe Hotels Act that limits subcontracting for certain hospitality jobs is expected to affect some hotels more than others. By exempting small hotels in the bill’s final version, the regulations shifted from impacting nonunion hotels to impacting nonunion hotels with 100 rooms or more.

IBO analyzed the set of hotels most likely to be affected by the Safe Hotels Act’s direct employment provision, comparing the draft version, Int. No. 991-B, with the final version that exempts small hotels. IBO’s analysis found that by exempting small hotels, the group of affected hotels became less concentrated outside of Manhattan, were less likely to be a low-cost budget hotel, and were less likely to be an independently owned small business. Broader impacts of the regulations relating to subcontracting, such as the potential effects on hotel room supply, average room rates, or hospitality industry wages, remain topics for future study.

Figure 4
Selected Hotel Statistics for Affected and Unaffected Hotels, Draft vs. Adopted Versions of Safe Hotels Act

	Median Average Daily Rent per Room	Median Direct Employees per Room	Percent Independent-Limited
Int. No. 991-B			
Affected	\$194	0.17	60%
Not Affected	\$298	0.32	18%
Local Law 104			
Affected	\$229	0.11	40%
Not Affected	\$210	0.27	54%

SOURCES: IBO’s analysis of data from CoStar, New York State Department of Labor, New York City Department of Finance, Hotel Trade Council, and Hotel Trade Association of New York City
 NOTES: Citywide median average daily rent per room is based on the subset of 592 hotels that IBO identified in the DOF dataset. Citywide median full-time equivalent employees per room based on subset of 563 hotels that IBO identified in the QCEW dataset.
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Appendix

IBO began with a list of 785 New York City hotels that were open or temporarily closed in August 2024, as reported by CoStar. CoStar’s list of hotels contains information on hotel location, room count, and ownership type, indicating whether a hotel is independent or associated with a franchise or chain. IBO identified hotels located in Midtown Manhattan as those in one of the three CoStar submarkets: Midtown East, Midtown West/Time Square, and Midtown South.

CoStar also categorizes hotels throughout the City into one of six service-related classes: luxury, two upscale-service categories, two midscale-service categories, and economy. To identify smaller-scale hotels operating with relatively limited resources, IBO created an “independent-limited service” indicator for hotels that satisfy two criteria: 1) they are either independently owned or a franchise, and 2) CoStar classifies them as economy, midscale, or upper midscale in terms of service levels offered. Independent-limited service hotels are likely to be small businesses.

IBO then merged CoStar hotel data with corresponding data from New York City’s Department of Finance (DOF) and the New York State Department of Labor (DOL). DOF maintains data on hotel occupancy tax collections, including the number of rooms rented and gross revenue from room rents in each fiscal quarter, for each hotel occupancy taxpayer in the City. Establishment-level data from the DOL’s Quarterly Census of Employment and Wages (QCEW) provides counts of the number of full-time equivalent employees at each business in the City covered by unemployment insurance law.

To merge these datasets, IBO used techniques such as matching on establishment name and/or street address. IBO identified 592 CoStar hotels (75.4%) in the DOF dataset and 563 hotels (71.7%) in the QCEW dataset.⁴ These subsets of matched hotels provided the data for IBO’s analyses. Using the DOF data, IBO estimated quarterly average room rents for each hotel by dividing gross revenue by the number of rooms rented in each filing period. IBO used the QCEW data to calculate the number of directly employed workers per room during the study period.

The Hotel and Gaming Trades Council (HTC) is the union that represents hotel workers in the New York City area. The HTC website contains a list of hotels whose employees belong to the union. IBO consulted this list to differentiate between union and nonunion hotels in New York City. Hotels not included on the HTC list were identified as nonunion.⁵ IBO also consulted the Hotel Association of New York City (HANYC) website, a trade organization, to confirm the union status of some hotels.

IBO’s final merged data set had enough information to calculate average room rates and number of direct employees per room for 75% and 72%, respectively, of the City’s total hotels; see Figure 5. Larger hotels were more likely to have data on average room rates and employment per room.⁶

Figure 5
Data Availability by Variable

Variable	Number of Hotels	Share of Hotels with Matched Data
CoStar Hotel Establishments	785	
DOF Average Room Rate	592	75%
DOL Employees Per Room	563	72%

SOURCES: IBO’s analysis of CoStar, New York State Department of Labor, and New York City Department of Finance data
New York City Independent Budget Office

Endnotes

¹In preparing this report, IBO consulted the text of the [original and revised bills](#), as well as news coverage of the proposal from [CBS News](#), [New York Times](#), and the [New York Post](#).

²Int. No. 991-B was the penultimate version of the Safe Hotels Act, prior to the final Int. No. 991-C version, now known as Local Law 104. Version 991-B of the bill scaled back the prohibition on subcontracting to apply to a more limited group of core employees—front desk, front-of-house service, and housekeeping staff—but did not make any distinctions in the proposed regulations based on hotel size.

³This count of the City's hotels and rooms includes 95 hotels with 11,258 rooms that are “temporarily closed,” some of which are being used to house asylum seekers, homeless individuals, or both. IBO includes these rooms and hotels in the count to show the geographical location of all the City's hotels, including those that are not currently operating for tourism and business travel purposes.

⁴IBO found 677 hotels, 86.2% of the City's total, in at least one of the data sets.

⁵The list of hotels from CoStar and the lists of union or nonunion hotels from the Hotel Trade Council and Hotel Trade Association of New York City websites were downloaded in August 2024, and thus measured as of that month. All other variables were measured as of fiscal year 2023 (July 2022 through June 2023).

⁶IBO's data on hotel-level average room rates covers 81% of hotel rooms, and data on employees per room covers 75% of hotel rooms.