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NEWS RELEASE

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Owners of roofing company charged with wage theft, tax evasion, and insurance fraud in connection to 2024 McDonough Homes construction project

Saint Paul, MN – The Ramsey County Attorney's Office charged the three owners of Bayvista Incorporated with multiple counts of wage theft, insurance fraud, and tax evasion in connection with a 2024 project for roofing and gutter replacement work at the McDonough Homes, which offers public housing through the Saint Paul Public Housing Agency. Jose Herrera, Carrie Gutbrod-Herrera, and Joseph Herrera, all face felony charges related to the allegations set forth in the criminal complaints.

"The criminal charges today are possible because of the long-term investments we have made in building up our investigative and prosecution capacity, fostering strategic partnerships between multiple investigative agencies, and developing trust with victims and advocates to properly and comprehensively investigate wage theft in Ramsey County," said Ramsey County Attorney John Choi. "The first step was the biggest, which was to intentionally treat theft of wages as a crime rather than as a civil matter. Because of this multi-agency approach, we were also able to uncover alleged crimes involving unemployment and workers' compensation insurance fraud and serious underreporting and non-payment of taxes owed to the State of Minnesota."

"Preying on the hard work and trust of others is a reprehensible act. Wage theft is a serious act that can't be tolerated in Saint Paul or anywhere in this state," said Saint Paul Police Chief Axel Henry. "I commend the work of our investigators and the multi-agency collaboration in this case to expose the alleged crimes of the Herrera family and ensure they face justice – and most importantly, that their former employees will now be paid what they are rightfully entitled to and deserve."

About a year ago, the St. Paul Police Department (SPPD) initiated a wage theft investigation after receiving reports that construction workers at the McDonough Homes were not being paid the wages required both by law and by the contract for the project. The criminal complaint alleges that Jose Herrera, through his fraudulent operation of Bayvista, Inc. failed to pay at least $250,000 in wages owed to his employees. Herrera accomplished this by paying the workers in cash at rates far below the amounts he was required to pay and covering up his wage theft by falsifying payroll records for the project. Bayvista subcontracted for the Marge Magnuson Construction Company, Inc. to supply labor for the roofing and gutter replacement project at McDonough Homes.

To further investigate and corroborate the allegations of wage theft at the project, SPPD collaborated with the Minnesota Bureau of Criminal Apprehension (BCA) and the Minnesota Department of Revenue (Revenue). The BCA's investigation concluded that Jose Herrera committed insurance fraud by failing to properly report the payroll for his employees, along with the nature of the construction work they performed, to Bayvista's workers' compensation insurance provider. In doing so, Herrera avoided the payment of substantial premiums for that insurance coverage.

"Insurance fraud hurts all of us. It cheats workers of the protections they need and shortchanges programs in place to help all Minnesotans when they need it most," said Bureau of Criminal Apprehension Superintendent Drew Evans. "We are committed to protecting Minnesotans by rooting out these crimes and bringing those who commit them to justice."

Additionally, Revenue further determined that Jose Herrera, along with his wife, Carrie Jane Gutbrod-Herrera and his son, Joseph Earl Herrera allegedly committed felony tax evasion by failing to report the income they received from Bayvista for tax purposes. During the tax year at issue, Jose Herrera shared ownership of the business with his wife and son. Jose Herrera's business received over $500,000.00 from the McDonough Homes project alone in 2024. Every family member failed to report the significant income they received from this government-funded construction project for tax purposes, as well as substantial income they otherwise received from the family's business – estimated at $4.8 million in gross revenue in 2024.

"These charges are a product of the positive working relationship between investigative units in multiple agencies," said Revenue's Criminal Investigation Division Director Melanie Leslie. "Investigators with Ramsey County and the BCA not only discovered the alleged wage theft scheme that was happening but recognized the Herrera's also willfully attempted to defraud the state of Minnesota by filing false tax returns and not paying income tax they owed and rightly brought us in to help investigate. The Minnesota Department of Revenue is ready to partner with any investigative agency to ensure that the state's tax laws are being applied equitably."

"This case is important because it shows how fraudulent misclassification of employees in the construction industry harms the workers whose wages were stolen, the honest contractors who lost out on this project to a dishonest contractor, and taxpaying public who were cheated out of revenue," said Carpenters Union General Counsel Burt Johnson. "We applaud County Attorney Choi, his team, and the collaborative law enforcement agencies on investigating and charging this critical and impactful case."

"Wage theft, tax evasion and insurance fraud are all too common in the construction industry, and it's made worse when these crimes are committed on taxpayer funded public projects," said Mike Wilde, Executive Director, Fair Contracting Foundation. "Minnesota is leading the Country in stamping out corrupt practices in our industry. We greatly appreciate the collaboration between Ramsey County Attorney's Office, the BCA and the Department of Revenue, as well all other participants in the Labor Advisory Council, which was created to address this problem with great coordination. Our public infrastructure must be built first on integrity. It's expected by taxpayers, the lawful contractors who bid on this work and the construction workers who actually build it for us all."

Note: Contact Dennis Gerhardstein for additional information.