

# CALLAHAN, INC.

You may want to think twice about using them

This packet is designed to document Callahan, Inc.'s record of performance in construction, with particular focus on the undeniably illegal practices of subcontractors that work on its projects. Because Callahan is a general contractor and construction manager with few job-site employees of its own, the record of subcontractors at various tiers regularly found on Callahan jobsites tells a lot about what to expect if you hire Callahan for your project. The record reveals a long history of subcontractors that extensively engage in wage theft, payroll tax fraud, insurance fraud, and substandard and/or unsafe building practices. The illegal sub-contractor practices primarily consist of either illegally misclassifying employees as independent contractors or, more commonly, simply paying employees by check or cash "under the table" and off the books. By doing so, these subcontractors usually engage in:

- Wage theft, by failing to comply with wage and hour laws, such as paying the overtime rate for overtime work and more often than one might think, simply not paying workers at all for their work.
- Payroll tax fraud, but failing to pay the employer's legally required FICA, Social Security, and unemployment taxes.
- Insurance fraud, by failing to pay for and thereby provide legally mandated workers compensation insurance for their employees.

The illegal savings achieved by these subcontractor practices are substantial enough to permit the General Contractor on whose projects they work to underbid GC's that keep this underground economy off their projects. The Office of the Attorney General has condemned the corrosive effects of these practices:

*Businesses that properly classify employees and follow all of the relevant statutes regarding employment are likely to be at a distinct competitive disadvantage when vying for the same work, customers or contracts as those businesses that do not play by the rules. Further, by paying the proper taxes and insurance premiums, businesses following the Law are, in effect, subsidizing those businesses that do not. Misclassification undermines fair market competition and negatively impacts the business environment in the Commonwealth. The AGO expects businesses to contract only with businesses that properly classify their workers.*

A recent (June 2021) study published by UMass Amherst and the Center for Construction Economic Research found:

*Major developers and general contractors who allow wage theft and tax fraud on their construction projects are fully aware of these illegal, unethical, and predatory practices in the construction process, yet they choose to utilize them anyway and profit greatly. They sign contracts with contractors and sub-contractors knowing full well that they can only be completed at the contract price if workers are illegally misclassified, hyper-exploited to work in unsafe conditions, or have their wages regularly stolen from them.*

Use of contractors engaging in or permitting these practices on their projects comes not just with an ethical cost, but potentially a liability cost to the developer and end user as well. Workplace injuries where there is no worker's compensation coverage can result in costly lawsuits. Contractors that engage in these practices often make no provisions for workplace safety training and practices, resulting in OSHA violations and other risks some of which are the type detailed below. Dishonest subcontractors that mistreat workers like this also can result in excessive change orders and projects finishing behind schedule.

As noted above, Callahan has a long history of hiring subcontractors and having lower tier sub-subcontractors that extensively engage in wage theft, payroll tax fraud, insurance fraud, and substandard and/or unsafe building practices working on its projects. Numerous workers for multiple subcontractors across multiple Callahan jobs have signed statements alleging wage theft directly on Callahan job sites. Almost every worker who signed a statement alleging wage theft and tax fraud on Callahan or Callahan subcontractors' job sites stated they were members of larger work crews who were paid similarly. Over 70 carpenters have signed statements alleging wage theft while working directly for Metro Walls, a subcontractor Callahan frequently uses, or working for a subcontractor of Metro Walls.

As the Massachusetts Attorney General, Maura Healey cited one Callahan subcontractor that subsequently pled guilty to more than 100 charges in connection with extensive wage theft and larceny scheme:

*Joseph B. Kerrissey, III, age 41, and his companies J. Kerrissey LLC and Sunrise Equipment & Excavation Inc. pleaded guilty... in Suffolk Superior Court to 107 charges including willful wage and hour violations, larceny and failure to pay prevailing wage. After the plea was entered, Judge Heidi Brieger sentenced Kerrissey to three years of probation and ordered him to pay \$91,743 in restitution to 37 former employees.*

*"For years, this employer refused to pay his workers and took intentional steps to make it impossible for them to obtain their wages," AG Healey said. "With this sentence, he is held accountable for this criminal scheme and will pay full restitution to the former employees he exploited."*

**Notably, Callahan has been advised repeatedly over many years of the illegal and fraudulent practices of its subcontractors and the lower tier subcontractors that work on its projects, yet they continue to this day to show up on Callahan projects.**

Finally, as if this were not enough, a major developer declared, in writing, that it was so "profoundly dissatisfied with Callahan's performance and administration" of Phase I of its project that it refused to use Callahan for Phase II. On another project, the Massachusetts Supreme Court found that Callahan had lied under oath *with the intent to deceive a project owner* about its qualifications to perform the owner's project.

**Given this track record, is this the kind of Construction Manager you should consider trusting with your project?**

# CALLAHAN'S RECORD

## **Revolution Labs, Lexington**

2022, Greatland Realty Partners

- Allegations of wage theft, tax fraud & insurance fraud from multiple workers of a Callahan sub-contractor on a job Callahan managed.
- Workers allege they were paid cash wages with no indication of income taxes withheld or employer payroll taxes paid.
- A worker was not tied off on the job and fell off a ledge to a concrete pad below. He was transported to the hospital for a leg injury.

## **5 Washington Street, Brighton**

2022, KIG Real Estate Advisors

- Several safety issues including:
  - Workers holding up wires to let trucks pass through the jobsite.
  - A worker waterproofing the roof in sneakers.
  - A sidewalk blocked by an extension cord
- Numerous neighbor complaints over traffic problems, sidewalk obstructions, and noise.
- Numerous performance issues on the part of Callahan subcontractors including:
  - When a subcontractor was waterproofing the exterior walls with a skydeck, the skydeck hit a balcony on the way down and was stuck for several days.
  - When the roof was initially pitched it was pitched the opposite way of the drains resulting in water pooling on the roof. Holes had to be drilled into the roof beams to correct the problem and release the pooled water.
  - When the concrete was poured, one of the concrete forms blew out.
  - One of Callahan's subcontractors used substandard materials. A load of wood was delivered with mold and workers just scraped the mold off the wood and used it on the job.

## **120 Commerce Way, Woburn**

2022, Toll Brothers

- OSHA investigation of Callahan concerning complaint for hazardous fall.

## **21 Revere Beach Blvd, Revere**

2020-2021, Redgate

- Allegations of wage theft, tax fraud & insurance fraud from a worker of a Callahan sub-contractor on a job Callahan managed.
- Worker alleges he was paid cash wages with no indication of income taxes withheld or employer payroll taxes paid.
- Worker alleges 15 other workers were similarly paid cash wages with no deductions for taxes or social security.

## **500 Ocean Ave Housing, Revere**

2020, Redgate

- Allegations of wage theft, tax fraud & insurance fraud from workers of a Callahan sub-contractor on a job Callahan managed.
- Workers allege they were paid by personal cheque with no indication of income taxes withheld or employer payroll taxes paid.

- OSHA fined a Callahan subcontractor for serious safety violations. The initial fine was for over \$150,000 and resulted in 3 formal settlements.

#### **Old Post Road, Sharon**

2019

- Allegations of wage theft, tax fraud & insurance fraud from a worker of a Callahan sub-subcontractors on a job Callahan managed.
- Worker alleges he was paid cash wages with no indication of income taxes withheld or employer payroll taxes paid.
- Worker alleges he was paid by the piece not hourly.
- Worker alleges he worked 10 hour days, 6 days a week with no overtime pay.
- Worker alleges 3 other workers were similarly paid cash wages with no indication of income taxes withheld or employer payroll taxes paid.

#### **Village at Barnstable Retirement Community, Hyannis**

2019, Greystar

- Allegations of wage theft, tax fraud & insurance fraud from workers of two different Callahan sub-subcontractors on a job Callahan managed.
- Workers with each sub-subcontractor allege they were paid cash wages with no indication of income taxes withheld or employer payroll taxes paid.
- Workers with each sub-subcontractor allege they worked overtime but were not paid for overtime.
- Worker at one sub-subcontractor alleges 13 other workers were similarly paid.
- Worker at one sub-subcontractor alleges 5 other workers were similarly paid.

#### **Lincoln Cooper Apartments, Waltham**

2018, Lincoln Properties

- Allegations of wage theft, tax fraud & insurance fraud from workers of a Callahan sub-subcontractor on a job Callahan managed.
- Workers allege they were paid in cash with no indication of income taxes withheld or employer payroll taxes paid.
- Workers allege they were not covered by worker's compensation insurance.
- Workers allege they were told what work to do by the Callahan project Superintendent.
- Workers allege they worked overtime and never were paid overtime for the extra hours worked.

#### **Randolph Affordable Housing**

2018, Dolben Group

- Worker fall resulting in hospitalization, OSHA fined a Callahan subcontractor thousands of dollars.

#### **South Shore YMCA Quincy**

2017, Quincy YMCA

- Serious project delays. Local newspaper, the Patriot Ledger quotes cites:

*Laurel Blanchard isn't exaggerating when she says the South Shore YMCA's parking-lot project outside her front door has lasted more than twice as long as the construction of the Empire State Building in New York City. Building the 102-story landmark skyscraper took 14 months. Knocking down the old Y building off Coddington Street in Quincy and replacing it with a parking lot is now in its 30th month – and the project still isn't finished. "It has been a complete nuisance for three years," Blanchard said.*

*A group of residents on Newcomb Street and Francis Avenue say the project's timeline has prolonged the stay of noisy trucks, flying dust and other construction-related disruptions. And that isn't the only problem they have with*

*the Y. Neighbors say the lack of separation between YMCA parking and their homes on Newcomb Street has disrupted their quality of life.*

- The Massachusetts Department of Environmental Protection ordered a work stoppage for asbestos violations.
- The Attorney General issued a lawsuit against Callahan and other parties involved citing “the demolition work generated visible clouds of dust and piles of dusty asbestos-containing waste material, which workers then dropped out of a second-floor window into an unlined dumpster adjacent to the sidewalk. The site is located in the middle of downtown Quincy, a high-traffic environmental justice neighborhood, adjacent to the Quincy High School”.
- The AG fined both Callahan and its subcontractor J. Kerrissey \$180,000 for violating the state’s clean air law for improper asbestos abatement.

#### **New Harbor Mall, Fall River**

2017, CEA Group

- Ruptured gas line by a Callahan sub-contractor forced 700 children to be evacuated from a nearby elementary school.

#### **Assembly Row Block 6**

2017, Federal Realty

- Allegations of wage theft, tax fraud & insurance fraud from a worker of a Callahan sub-contractor on a job Callahan managed.
- Worker alleges she was paid by personal check with no indication of income taxes withheld or employer payroll taxes paid.
- Worker alleges she worked 13-14 hours a day, 6 days a week, but was not paid for overtime.
- Worker alleges she was verbally abused and threatened with physical abuse.
- Worker alleges approximately 15 other workers were on her crew and paid similarly.

#### **LCB Senior Living, Melrose**

2017, LCB Senior Living LLC

- A Callahan subcontractor was fined thousands of dollars by OSHA for improper scaffolding.

#### **Residence at Valley Farm Assisted Living Facility, Ashland**

2015, LCB Senior Living LLC

- A Callahan subcontractor was fined thousands of dollars by OSHA for improper safety training.

#### **Thomas Burgin Pkwy Apartment Complex, Quincy**

2015, Cabot, Cabot & Forbes

- A Callahan subcontractor was fined thousands of dollars by OSHA for improper safety training.

#### **Chelmsford Housing Authority, Chelmsford**

2014-2016, Chelmsford Housing Authority, Stratford Capital

- Stratford Capital, the developer and owner of controlling interest wrote a letter to the Housing Authority stating: “Stratford has been profoundly dissatisfied with Callahan’s performance and administration of the job...***Callahan is not suitable as a contractor for phase II.***”
- Resident complaints about construction workers, including criminal sexual assault charges.
- A subcontractor for Callahan claimed he was never paid for work performed.
- Violent disturbance on the site, requiring police intervention.
- Allegations of wage theft, tax fraud & insurance fraud from workers of a Callahan sub-contractor on a job Callahan managed.
- A worker on the jobsite was threatened with deportation for requesting wages that were owed to him.

### **36 River Street, Waltham**

2014

- A Callahan subcontractor was fined thousands of dollars by OSHA for improper safety training and storage of equipment.

### **Crescent Court Apartments, Chelsea**

2014, Transdel Corporation

- A Callahan subcontractor was fined thousands of dollars in fines from OSHA for improper wiring.

### **Assisted Living Facility, Shelton CT**

2013-2014, Benchmark Assisted Living

- CT Department of Labor issues five stop work orders on five different sub or sub-subcontractors for failure to have worker's compensation insurance. The stop work orders were issued at different times during the course of the project.

### **Clyde Street Housing, Somerville**

2013, KSS Realty Partners

- A Callahan subcontractor was fined thousands of dollars in fines from OSHA for improper wiring.

### **Maplewood at Strawberry Hill, Norwalk CT**

2012, Maplewood Senior Living

- A Callahan sub-contractor faced felony charges for violating child labor laws on the site of this Callahan run project.

### **Hanover High School, Hanover**

2010/2011, Town of Hanover/Hanover Public Schools

- **The Massachusetts Supreme Court found that Callahan lied under oath with the intent to deceive a project owner about its qualifications to perform the project, resulting in Callahan being suspended from bidding public work for a year.**
- Two subcontractors were cited by the Attorney General for failure to submit true and accurate payroll records. One of the subcontractors was also cited by the Attorney General for failure to pay prevailing wages.
- Callahan along with four sub and subcontractors on the job were also cited with OSHA safety violations and fined thousands of dollars.

### **Frequent Callahan subcontractor "Pleads Guilty to More Than 100 Charges in Connection with Extensive Wage Theft and Larceny Scheme"**

2018, J. Kerrissey LLC and Sunrise Equipment & Excavation Inc.

- AG Healey ordered more than \$91,000 to be paid in restitution to workers

### **Frequent Callahan subcontractor fined over \$800,000 for making illegal deductions from workers' paychecks. Paid \$2.4 million in back wages and damages.**

2018, Force Corporation

- "Force Corporation and its managers cheated their construction workers out of hundreds of thousands of dollars," said AG Healey. "To build this case, our team documented the use of dozens of illegal tricks used by employers to steal from workers. This is a textbook example of wage theft in the construction industry and we will keep working until every worker is made whole."