

Subsidizing Abuse: How Public Financing Fuels Exploitation in Affordable Housing Construction

Minnesota faces a significant shortage of affordable housing, and too often, new housing projects are being built on the backs of vulnerable workers who earn too little to live in the homes they build. Our “Subsidizing Abuse” report details the extent of taxpayer support for construction practices that exploit immigrants and other at-risk workers, and reveals how public financing flows to a handful of private for-profit housing developers who employ contractors that have been charged with or face allegations of exploitation. Examples of worker exploitation include **wage theft, payroll fraud, lack of safety equipment and standards, threats of deportation, and fear of retaliation.**



MINNESOTA HOUSING CRISIS

- Minnesota faces a severe housing crisis caused by a shortage of affordable homes, and the problem is getting worse.
- The supply of **low-cost rental housing in Minnesota has decreased by a quarter** over the last decade.
- In 2022, **evictions rose 33%** from historic pre-pandemic numbers, and over half of those evictions were in Hennepin and Ramsey counties.
- State and local governments are making unprecedented investments in new housing development, with a record **\$1 billion earmarked for housing affordability** in 2023.



PUBLIC MONEY FUELING WORKER EXPLOITATION

- Two leading sources of affordable housing development funding (LIHTC and TIF) often lack robust labor standards.
- Since 2016, workers on 25 projects that received approximately **\$31 million in LIHTC funding** were at risk of exploitation by problem contractors.
- Since 2018, workers on 14 projects that received approximately **\$53 million in TIF subsidies** were at risk of exploitation by problem contractors.
- In total, **over \$84 million in taxpayer subsidies** have gone to contractors with **proven or alleged labor violations.**



A ROADMAP TO HIGH-ROAD AFFORDABLE HOUSING

- We can prevent exploitation by increasing transparency, adopting responsible contractor standards, holding project owners accountable for abuses that occur on their watch, and investing in enforcement and worker education.
- Legislation is being proposed in the 2024 legislative session that would:
 - Expand **prevailing wage policies** to LIHTC and TIF projects.
 - **Increase transparency** by requiring developers to report who is actually working on their projects and disclose incidents of wage theft, human trafficking, misclassification fraud, child labor and workplace safety violations on past projects.
 - **Increase developer accountability** for abuses committed by contractors on their projects, including disqualifying them from further public assistance for up to three years after multiple egregious cases of wage theft.



To view the full report, scan the QR code, or visit northstarpolicy.org.

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