

But that hurdle can be overcome. Although the bylaws generally prevent compensation for boards (other than reimbursement for money spent), there does not appear to be a city, state or federal statute or regulation prohibiting it if the shareholders/unit-owners agree.

So, should you try compensating your board members? What are the pros and cons of paying for their services? What might be the consequences? The issues raised by professionals include:

- **Expectations.** "You would just be raising expectations among shareholders," Sladkus notes. "'We're paying you all this money,' they complain, and you're running the building into the ground."
- **Do They Care?** If you recruited from outside the property to hire board members for their qualifications, you get people, "less interested in the building because they don't live in it," claims one veteran attorney.
- **The Discipline Conundrum.** If you are paying resident-shareholders for their service, it is harder to discipline them. In one Manhattan building, an ex-board member/paid manager would often do what he wanted, regardless of board instruction. He was a neighbor, so it was difficult to come down on him.

Nonetheless, there are boards that pay members for doing work. "These particular boards are not using a management company and are paying far less than they would for a management company," says Menachem. "And they're doing a lot of extra work." He cites a 51-unit condominium in Queens where the board president and the treasurer, two long-time residents and retirees, were compensated by not having to pay common charges, which came to about \$500 a month.

"The president and the treasurer would split the tasks, getting together the revenues, paying all the bills, keeping the books. They had to keep track of common charges. And so on. It was a great deal of work." The treasurer subsequently gave up the job and it is now handled by an outside, salaried bookkeeper. The president still gets paid, though, and, says Menachem, "does a lot for very little salary."

There is also a nine-unit Manhattan co-op in the East 50s that pays a shareholder/board member about \$515 a month to handle the property. That's no surprise, says the cooperative's CPA, Menachem, because the co-op, with five people owning the property's eight units, doesn't have the cash for outside management. In addition, the manager has building maintenance experience in his day job as an outside project manager; for his building, he pays all the bills and handles all the problems. He has been on the job for over 20 years.

So: To pay or not to pay? If you can cope with – or are at least aware of – all the issues raised by professionals, then you can at least make an informed decision. But, perhaps the best answer is to sidestep the debate altogether. If it's a matter of know-nothing boards versus savvy ones, then you might agree with the position of managers and attorneys who say that the answer to the "amateur board" problem is not compensation but education.

A number of managers and law firms say they do this by staging regular educational seminars for their boards, and also encourage the members to attend seminars at the [Council of New York Cooperatives & Condominiums](#) and pertinent real-estate journals and websites. "I think a training program is a great thing," says Sladkus, the attorney. "I'm surprised that more businesses haven't been started to train board members. If someone were to organize that I'm sure boards would pay for that."

"We often have sessions with board members explaining their roles to them," adds attorney Steve Wagner, a partner in Wagner Davis. "We explain what a fiduciary is, why they are fiduciaries, what that entails in terms of their conduct and the like. I think it's very valuable because a lot of times people haven't served on the board and don't know what's involved, and rather than ad-libbing it, that puts a frame on what they should and shouldn't be doing. The training process isn't that you get a two-hour session and then you're qualified to be a fiduciary. Education is an ongoing process."