



Should Boards Get Paid?

It's an old question that boards may want to reconsider.

By Tom Soter

MARK HANKIN WAS APPALLED. As the attorney for a Queens co-op, he was invited by board members to their annual “getaway weekend” – alternatively called the “Thank You Retreat” – where the directors rewarded themselves for a year of hard work by spending a week in the Catskills, at a price tag of \$5,000. “We earned it,” the president said to the attorney, a partner at Hankin & Mazel.

“This is not acceptable,” he recalls saying to the president. “Serving on a board is a volunteer position, as in ‘no pay’ and ‘no thank-yous.’ Once you look to make a profit from this position, then you are looking for trouble. I think it’s a terrible idea, and it would only be acceptable if the shareholders voted to give a weekend retreat.”

Alan Bentz-Letts, the former board president at Parkway Village, would probably agree. After the board made one of its members the manager, Bentz-Letts wrote a letter to the directors protesting. The member intended to keep his board position and serve as a salaried agent for the property as well. Bentz-Letts labeled the employment a clear conflict of interest

at the 109 low-rise brick buildings located on 37 acres in Kew Gardens Hills. His remarks, however, fell on deaf ears.

But was it as clear a conflict as all that or simply a recognition of realities? Many people don’t want to do something for nothing anymore.

And that brings us to the question of the hour. Why are professionals and most board members so dead set against the notion of paying for board service? To hear them talk, you’d think the discussion was about bribery and corruption not compensation for time spent. “I don’t think it’s appropriate. Most bylaws prohibit it,” says Arthur Weinstein, a veteran co-op and condo attorney. “It might create the wrong incentive for a person to serve on the board. They’d be serving for the money rather than for the good of the building. And I don’t think you could ever compensate people fairly for the amount of time they put in. It would be inadequate.”

“It doesn’t seem ethical from the outside,” notes CPA Jay Menachem. “The board isn’t supposed to make money off the building operation – to take compensation for what is supposed to be a voluntary job.”