Condo Insights

#80 – Should condo board members get paid?

Serving on a condo board typically requires a significant time commitment, involving attending regular meetings, participating in discussions, reviewing documents, and making decisions, which can add up to several hours per week or month depending on the community's needs and project complexity. The time commitment is substantial, often comparable to a part-time job. In most associations, board members are volunteers although they may be compensated for out-of-pocket costs related to their service, usually regarding travel costs.

Should condo board members get compensated for their service?

The New Jersey Condominium Act does not explicitly prohibit board members from being paid, but it is rare and generally discouraged. Most association governing documents (bylaws) state that board members cannot be compensated. Condo board members serve as unpaid volunteers with a fiduciary duty, and most governing documents (bylaws) prohibit compensation to avoid conflicts of interest, but owners can vote to amend these documents to allow stipends, often for large or complex communities, with transparent approval being key. Payment to board members can raise issues with insurance, attract self-serving individuals, fiduciary duty breaches, and complicate financial oversight, though expense reimbursement is standard.

Paying condo board members, who oversee budgets and hire contractors, creates an environment with incentive for personal gain. Condo associations are typically non-profit organizations and rely on owners motivated to serve their communities. Directors and Officers insurance is designed for volunteers, and paying board members could alter or affect coverage. Coverage may not be as comprehensive if serving as a board member was a job instead of a volunteer position. And as stated previously, most association bylaws explicitly state that board members serve without pay.

Board members can typically be reimbursed for out-of-pocket expenses (supported by invoices and receipts) and travel although the prevalence of video-conference meetings has significantly reduced the need for travel to in-person meetings.

Board members are not expected to manage the business of their associations in a vacuum. Condo boards can hire managers and other professionals, such as attorneys, engineers and accountants, to help them fulfill their duties, and when extraordinary projects and situations arise.

Many states allow condo owners to serve in volunteer board positions without any formal training. Paying board members may raise questions about the need to require formal training or licensing. Requirements may need to be more stringent if board positions were paid.

Even in the current environment where board members are not compensated, problems exist when a handful of owners want to serve as board members for control purposes. Introduce compensation and the perception is amplified that some individuals want to serve for the wrong reasons. There is also the potential for more conflict and potential legal issues if owners think board member's decision-making is influenced primarily by money.

There are questions that would need to be addressed and could create additional problems for governed communities. If board compensation were standard practice, would board members that serve smaller communities earn less than board members that serve larger communities? Would board members receive a monthly or annual salary, or be paid by the hour? And would all board members earn the same pay? If board members were paid, would other condo owners treat the board members like employees?

There are potential benefits to paying board members. Paying board members may make it easier for associations to attract qualified candidates. Many associations struggle to fill positions. If the association can't find enough volunteers, the association may operate with fewer board members than permitted, and the association may have to consider changing it's bylaws to reduce the required number of board members.

Paying board members who have a vested interest in the association may make more sense than paying a management company. Receiving payment could also motivate board members to be extra diligent when reviewing contracts, or more responsive to emails. If members want to be re-elected, they must demonstrate that they can do a better job than other candidates.

Some condo and HOA communities do support giving board members payment for attending board meetings, and some give board members gift cards or similar tokens of appreciation. These actions must be included in the association by laws.

So, back to the question: should condo board members get compensated for their service? While it may be nice, the potential issues and conflicts are too great. By and large, community bylaws prohibit compensation for board member positions. The reasoning behind this decision is clear. When working as volunteers, board members are cooperating for the betterment of the community.

So why do board members bother to do so much work for free? For the same reasons that other people volunteer. They care, and they want to make a positive difference. Those who volunteer want to protect their investments, their homes, and keep their buildings or neighborhoods safe and happy.

Board members sacrifice a lot of time to manage their communities, but in return, they get to make some key decisions for their communities. Board members benefit from their service and gain new skills like managing major projects, contract negotiation, a better understanding of insurance and financial management. It's not a role that everyone can or should do, but it certainly can be a fulfilling one.

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