

THE COOPERATOR

News and updates for leaders of resident-owned communities

Overworked board? Members not stepping up? NCF digs into why board compensation is not the answer

The boards of directors that NCF works with sometimes ask whether they can offer some kind of compensation to board members that makes an extraordinary contribution to the community. Boards have been very creative in designing rewards, usually in the form of outright compensation (money) or discounted lot rent.

NCF's standard recommendation is that resident-owned communities not compensate board members. The easy explanation is, "Because board compensation is prohibited by your Bylaws and Loan Agreement." But, after researching the issue more closely, we want to share the reasons behind that prohibition.

1. Cooperatives and nonprofits are organized as volunteer organizations. As a matter of principle, board members serve voluntarily—and members perform volunteer services—because they believe in the mission of the organization, not because they expect monetary or personal gain.

2. Compensation of a director creates a conflict of interest. If a person were to run for the board under the expectation they might someday be paid, the job of serving the community could become their second priority, or, at best, a shared priority with expected compensation. The decision to stay on the board could become more about money instead of the welfare of the community.

3. Once a person receives any form of compensation—whether in the form of money or a discount—they are considered an employee under federal law. As an employee, they must be insured, covered by workman's compensation, and the co-op becomes liable for payroll taxes. In



GRUMPY CAT MEME, REDDIT.COM, 2012. GRUMPYCATS.COM

Board compensation sounds great in theory, but, in practice, it often has the effect of thwarting volunteerism, creating conflict between board members and the rest of the cooperative's membership, and creating a massive legal and financial liability for the cooperative. If your board is looking for ways to ease the burden on board members or recognize them for their efforts, consult your Technical Assistance Provider about ways you can do it without taking on all the liabilities that come with outright compensation.

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addition, all other labor laws—wages, discrimination, hours worked, et cetera—apply, creating an additional burden for the organization.

4. Compensation of directors is usually an attempt to solve one or both of two problems: a) No one wants to run for the board, or b) one or more directors is spending a disproportionate amount of time in service to the organization and not getting paid for their time. In the case of a), the solution lies in better member education. In the case of b), the director(s) in question needs to set boundaries, and the board needs to decide if a paid employee is needed.

5. One of the biggest issues reported by directors is that, once they serve on the board, they become the “other” in the eyes of their neighbors. They feel isolated from members, and everyone assumes the director is somehow receiving special treatment or is being compensated for their board service. Board compensation would only make this perception worse.

6. In ROC USA communities that have experimented with some form of board compensation, they’ve reported that when members see the board being compensated, members adopt the attitude of, “Why should I volunteer when they’re being paid?”

If you still feel that board members deserve some sort of compensation, please talk with your NCF technical assistance provider to brainstorm alternatives to board compensation.

The Top Four Negative Effects of Board Compensation as Explained by Internet-Sensation "Grumpy Cat"

#1. Conflict among board members.



Seriously? I worked way harder than the Secretary this month. He shouldn't get the same pay I do.

Compensating the board creates faulty expectations among board members about their performance. Instead of board service being about doing the best you can for the community, it becomes about "doing what you get paid for."

#2. Conflict between the Board and Members.



What are we paying the Board for anyway? They never get a thing done around here. This place is a joke!

Compensating the board creates an "employer-employee" dynamic between the Board and the Membership, which undermines the "we're in this together" mentality that a co-op is built on.

#3. The snowball effect: everyone expects compensation.



Why should I volunteer without pay? If the Board gets paid, everyone else should too.

Paying board members undermines the spirit of volunteerism in a cooperative. After all, if board members get paid, why shouldn't everyone else who volunteers their time and energy?

#4. A huge mess of legal and financial liability.



Oh, geez. You mean to tell me that we're legally liable for all these compensated people?

Workers compensation insurance, payroll taxes, state and federal labor laws? Your Co-op takes on a whole host of legal and financial liability the minute you start compensating someone.

Education, training, and experience: the keys to building the bench of leadership in your co-op

This article is second in a three-part series devoted to board succession planning. In the last article, succession planning was described as a recurring set of activities, called "The Succession Planning Cycle" and consisting of three main activities: 1) Identifying Needs and Defining Roles, 2) Education and Training, and 3) Engagement and Connection.

Providing the education and training the cooperative's membership needs is a critical component to The Succession Planning Cycle as it ensures the co-op has people with the skills and expertise to handle whatever comes around the corner. As veteran leaders move out of the co-op or retire from board service,

it is important there are intermediate leaders who have the skills and experience needed to fill their shoes. When intermediate leaders move up, the co-op needs emerging leaders who are ready to step up.

One of the challenges to educating and training the co-op's membership is understanding what kind of education and training is needed in the first place. To understand who needs what, it's helpful to think of the membership in terms of a range of leadership development with "veteran" leaders on one end, "intermediate" in the middle, and "emerging" leaders on the other end.

Grouping the co-op's membership according to their place in the range can help boards customize the

education and training made available to the membership according to the needs of each group, thus ensuring every co-op member has the opportunity to achieve their full leadership potential.

The range of leaders in a co-op is similar to the range of growth in a forest of evergreens. Healthy forests have a good mix of old growth trees (veteran leaders), new-growth trees (intermediate leaders), and plenty of pinecones, ready to release seeds and germinate into saplings (emerging leaders). Using the evergreen forest as a metaphor, let's explore what each group needs to reach their full leadership capacity.

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Veteran Leaders

The Cooperative's "Old-Growth Trees"

Old growth trees make up the foundation of the forest. Their deep roots prepare the soil for younger trees. As old growth trees enter into their final life cycle, they provide the nutrients younger trees need to grow.

Generally speaking, the veteran leaders of a cooperative are those who have served in a leadership capacity for several years, either as a board member, a committee chair, etcetera. Veteran leaders have a good understanding of the nuts and bolts of the cooperative's core operations.

Veterans understand the co-op's governance structure, financial situation, and infrastructure systems (water, sewer, electric, etcetera) and most likely have a more advanced, technical expertise in at least one of these areas because they've served on the board for many years and probably in a specific role which allowed them to specialize their skills.

Veterans often have strong relationships with the co-op's membership and a healthy network of connections from outside the co-op that they can call upon when needed.

Because of their many years of experience, veteran leaders need less training in co-op "101" type of material. Your co-op can support veteran leaders by providing:

Opportunities to Deepen Specific Skills. Veteran leaders are well-positioned to take on more advanced technical training, like taking an online class on how to use Excel spreadsheets for the board treasurer,

or attending a graphic design workshop for the board secretary.

Opportunities to Advocate and "Carry the Co-op Banner." Often, the best ambassador or advocate for the co-op's mission are veteran leaders, because of their experience and the stories they have to share. Veterans can benefit from training on communication and community outreach so they can be an effective ambassador for the co-op.

Intermediate & New Leaders

The Cooperative's "Mid-Growth Trees and Saplings"

Young trees only reach their full growth potential when there is a break in the canopy of the old-growth trees above them. Without a break in the canopy, young trees never get the sunlight they need to reach maturity.

Intermediate and new leaders are those who have served in a leadership capacity for somewhere between a few weeks to a couple of years. New and mid-level leaders need ongoing training on the nuts and bolts of the cooperative's core operations, including the governance structure, financials, administrative operations, and infrastructure. Co-ops can support intermediate and new leaders by providing:

Frequent "101" Trainings. At least once a year, have intermediate leaders attend a "101" style training on a specific topic. Talk to your Technical Assistance Provider about trainings that might be useful.

Mentoring and Coaching. The best mentors for new leaders are veteran leaders. Boards should make an effort to partner new board members with veterans to help new leaders build skills and confidence.

Opportunities to Build Networks. Intermediate leaders should be encouraged to grow their networks by attending regional and national conferences like [ROC Summit \(held in early spring\)](#) and the [ROC Leadership Institute \(held in June\)](#).

Opportunities to Lead.

Veteran leaders take notice: newer leaders will only reach their full potential when they get a chance to actually lead! Newer leaders need opportunities to try and fail without judgement. Veterans need to know when it's time to step back or retire from the board to allow newer leaders to reach their full potential.

Emerging Leaders

The Cooperative's "Pinecones"

Though they appear dormant, the pinecones on the forest floor are literally bursting with potential. Each pinecone holds hundreds of seeds, each seed has the potential to become a tree.

Everyone in your co-op should be treated like an emerging leader. Even if they never leave their house or attend a board meeting!

One of the most common mistaken beliefs of co-op leaders is that some members have leadership potential while others do not. We assume that one person is "too busy" to lead, or another is "too young," "too old," "too stubborn," ... The list goes on!

The bottom line is this: the way we treat people impacts their behavior. So, treat everyone like a potential

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Hosting Better Board Meetings - Part 3

The board meeting is over - now what?

In the last issue of *The Cooperator*, we shared twelve tips for running a successful board meeting. In this article, we explore what happens after the board meeting is over.

Once a board meeting is adjourned, it may be tempting to feel that board business is done. In reality, as soon as a meeting adjourns, there is a whole host of things to do to prepare for next month's meeting. The following explains a few ways your board can make the most out of the time between board meetings and, hopefully, make the next board meeting less stressful and more productive.

Distribute Meeting Minutes. As soon as possible, encourage the board secretary to distribute board meeting minutes to board members. The minutes should clearly identify which issues need follow-up, by whom, and by when. By including follow-up details in the minutes, you're being clear about who has the authority to act on behalf of the board, and it's more likely that the action will be completed.

Hey all, this is the Board Secretary! I just finished the minutes from last Thursday's meeting. Just sent to everyone's email. Please review before this month's meeting. Thanks!

Follow Up on Action Items. Board members are expected to follow up on those action items for which they made a commitment during the board meeting. If a board member needs further guidance in order to complete their task, they

should contact the board president, who can provide advice or decide if a special board meeting is needed.

Hi Jerry, this is Teresa, the Operations Manager. I just wanted to follow-up with you on the painting project you said you'd help with at the last board meeting. Does this Saturday work to get started? Thanks!

Handle Business That Occurs Outside of Board Meetings Appropriately. In some cases, an issue arises that requires a decision by the full board before the next regularly scheduled board meeting. There is a legal way and a not-so-legal way to handle this situation.

Legal Way. You have two options: 1) The board president sends all board members advance notice of a special board meeting as required in the Bylaws. 2) The board president authorizes a "Board Action Without a Meeting," in which case a board member circulates a written resolution among board members for their vote and signature, in approval or denial. The results of the vote are recorded in the minutes of the next board meeting.

Not-So-Legal Way. We've seen several methods used by boards: 1) A board member rounds up as many board members as possible for an impromptu face-to-face meeting. 2) Instead of a face-to-face meeting, a board member contacts other board members by phone, email or text message.

These 'not-so-legal' methods are not sanctioned by the Bylaws, and

any decision reached via these methods could be legally challenged by a resident. Take the time and make the effort to use one of the legal methods.

Hey everyone! This is the Board President. I'm writing up a Board Action Without a Meeting to address the approval of the new attorney contract. Please stop up to the Onsite Office today or tomorrow to review the Board Action and sign if you approve. Give me a call with questions!

Prepare for the Next Board Meeting. Are you receiving all the information you need to make good decisions in advance of the next board meeting? If so, are you taking time to look at the information?

Scheduled board meetings always arrive sooner than expected, and being adequately prepared takes discipline. The board president can help by sending a meeting reminder notice, with tips on how to best prepare for the meeting. The board secretary can help by sending the meeting agenda and supporting materials to board members several days in advance of the meeting. Board members can take time to read the information and prepare for the meeting.

Hi everyone! This is the Board President. Just a friendly reminder that we have a board meeting this Thursday at 5 p.m. in the Community Building. Please let me know in advance if you cannot attend. See you soon!

Friendly Reminder: New Members Must Complete Income Surveys

Board members involved in the initial purchase of the community may recall the effort put into collecting income surveys from residents. Income surveys are the confidential one-page questionnaires with three simple questions: 1) how many people are in the household, 2) what was the household income for the previous year, and 3) what are the demographics of the household (race/senior/disabled, etcetera). What board members may forget, is that your lender requires the ongoing collection of income surveys even after purchasing your community.

Your lender requires the ongoing collection of income surveys due to the type of money used for your loan. The money that makes up your community's loan was compiled under the expectation that the loans would specifically benefit low and moderate income households. Before closing on the purchase, therefore, your lender had to show that the income of the residents in your community was below a certain limit (based on the area median income or "AMI").

To ensure your community is still serving primarily low and moderate income households, your lender require that all applicants who move in to your community after resident purchase have incomes under this limit. While it is uncommon that new applicants exceed the AMI limits, the information still needs to be collected.

Income survey collection should be part of your community's qualification process for new residents. The survey is easily incorporated into the paperwork each new resident fills out since new applicants are required to supply their income information to your community at that time anyway. Whomever handles new member applicants in your community should reinforce to applicants that the surveys are strictly confidential, no individual identifying information is shared, and the information in the surveys are not verified.

NCF periodically asks boards for copies of the income surveys from new residents, so please be sure you are collecting the surveys from each new resident. Submittal of income survey data is required annually by your lender. If you have questions about income survey collection please talk with your Technical Assistance Provider.

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leader, and they will be more likely to show leadership! Your co-op can support emerging leaders by:

Providing Informal Opportunities to Explore Leadership. Informal gatherings, like community celebrations and get-togethers, are excellent opportunities to build interest in serving on the board of directors or volunteering on special projects. Emerging leaders are more likely to step up in low-pressure situations and at times when they see positive change happening around them. So, make sure your Co-op takes time to celebrate your accomplishments!

Recruit Directly and Specifically. People are far more willing to step up and help when they are asked directly and when what they are being asked to do matches up with something they are already good at or interested in. Bottom Line: You can't recruit new leaders with flyers and newsletters! Take the time to get to know the emerging leaders in your community and make specific asks of their time and talents. Most importantly, take the time to ask them in-person.

Ask Questions and Listen Closely. When your Board of Directors is grappling with a tricky question, consider reaching out to the Membership for feedback. You can do this by hosting an informal "Coffee and Conversation" event or schedule an afternoon to go door knocking. When existing leaders ask questions and take the time to really listen to Members, they create space for Emerging Leaders to find their voice, which is the first step to becoming a Co-op leader.

Did you miss the last issue of *The Cooperator*? Check out the archive on the NCF website for all past issues.

northcountryfoundation.org/the-cooperator

Discounts, training, and networking on myROCUSA.org

**Article by: Melissa Proulx,
ROC USA**

Several years ago, ROC USA® helped launch a discount purchasing cooperative to bring savings to both ROCs and homeowners. Through the program, ROC USA can provide significant discounts on everything from office supplies to insurance and give members access to other resources, all housed on myROCUSA.org in what is called "ROC Mall."

ROC Mall features a variety of discounts, including: savings on waste and junk removal, flooring, banking, fuel, paint, office supplies, job postings, and background and tenant screening. ROC Mall also fea-

tures discounts on computers and deals on high-speed internet.

ROC Mall also has guides for home and community improvement resources, including tips on making the case for capital improvement projects and an overview of the funding and grants available for capital improvement projects.

More information about discounts and other programs can be found under the "Community Resources" tab on the ROC USA website.

Resident-owned communities should also check out the new myROCUSA.org website, which launched summer of 2018. The new site holds all the same content as the previous site and serves as a place for

ROC Members to come for online learning and other resources.

You can find online trainings on topics like improving energy efficiency in your home, building relationships with community members, and communicating effectively.

Best of all, you can collaborate with other ROC Leaders and Members all across the country and share your experiences on the discussion forums. Chat with others about topics like recruiting volunteer or celebrating successes in your neighborhood.

If you have any questions, please call (603) 513-2791 or email contact_us@rocusa.org.

2018 Legislative Session Recap

NCF had strong support for its resident-owned manufactured housing agenda at the legislature for 2018. Unfortunately, Governor Dayton's veto of the Legislature's omnibus Budget and Tax Bills resulted in most of NCF's legislative agenda not being enacted into law.

At the end of the session, NCF's proposal to revise Minnesota law to make occupants of resident-owned manufactured housing cooperatives eligible for the same renters' credit that occupants of other types of manufactured housing communities receive was included in the Legislature's Omnibus Tax Bill and sent to the Governor for his signature. Our proposals to make resident-owned manufactured home communities eligible for a couple of existing state

housing finance programs and to expand another program to make acquisition of resident-owned manufacture housing communities eligible for funding were included in the Legislature's Omnibus Budget Bill and sent to the Governor for his signature.

Unfortunately, as the Governor had warned the Legislature, the Governor vetoed both the Omnibus Tax Bill and the Omnibus Budget Bill, resulting in none of the changes passed by the Legislature being enacted into law.

The one law that we were successful in changing is the law governing Housing Infrastructure Bonds, which was changed to make infrastructure for manufactured home communities eligible for that fund-



ing source.

While we are disappointed that so many good changes did not make it into law, we are pleased with how many legislators now recognize manufacture housing as a critical workforce housing resource and are working to protect and preserve that housing.

ROC Spotlight: Pammel Creek Estates Completes \$85,000 Rental Home Renovation

When Pammel Creek Estates became a Resident Owned community in December 2016, they inherited an over 100-year-old home that was rented out by a family. In March of 2017, the family moved out and the Board soon discovered the extent of the repairs needed in the home, starting with significant mold.

Before closing on the purchase of the community, the interim Board considered the option of demolishing the home. After a home inspection and much discussion, they ultimately decided they wanted to keep the rental income that it generated and had a vision for what it could be. Fast forward one year and about \$85,000 later, and the home was ready for occupancy! The renovations included new flooring, insulation, drywall, electrical, plumbing, heating, a new kitchen, and new appliances.

"It's a bigger job than you think, will take longer than planned, there is always, ALWAYS something that is unexpected. If you go over budget don't beat yourself up...in the end, it is definitely worth it!"

—Peggy Clafin, Onsite Manager, on the key lessons learned from the renovation project



JULIE MARTINEZ, NCF

Rental home exterior after the completed renovation.



JULIE MARTINEZ, NCF

The rental home's full bath, before the renovation.



JULIE MARTINEZ, NCF

The rental home's full bath, after the renovation.