

# Opportunities for the development of the coliving market (student dormitories) through the introduction of flexible forms of public administration as a public-private partnerships

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ORIGINAL ARTICLE

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**Abstract.** The article concerns with the legal and economic aspects of public administration with the use of public-private partnership for coliving development in Russia. The coliving market is actively developing in recent years in the context of increasing urbanisation and changes in the socio-economic environment. This service primarily targets at students accommodation. It also provides a range of social and cultural services attractive to students, postgraduates, young professionals. This makes it economically interesting for investors. The article analyses the prerequisites for coliving in the Russian Federation, as the shortage of affordable housing in large cities increases the demand for new models of accommodation. Therefore, coliving becomes an alternative to traditional hostels and rental housing. The purpose of this work is to assess the possibilities of using coliving in Russia within the framework of public-private partnership models. It emphasises on economic and legal aspects affecting the attractiveness of such projects for private investors and public infrastructure. According to research results, the successful implementation of coliving requires adaptive approaches to design and financing in terms of regional characteristics and the urbanisation. It makes the project economically sustainable and attractive to both private capital and the public sector. Indeed, coliving might be relevant for the governments and investors in implementing affordable housing projects for students and young professionals.

**Keywords:** public-private partnership; concessions; coliving; dormitories; student; investment

**JEL codes:** I23, I38

**DOI:** 10.52957/2782-1927-2024-5-4-39-45

**For citation:** Maria V. Olshanskaya & Anna N. Lukina. (2024). Opportunities for the development of the coliving market (student dormitories) through the introduction of flexible forms of public administration as a public-private partnerships. *Journal of regional and international competitiveness*, 5(4), 39.

## Introduction

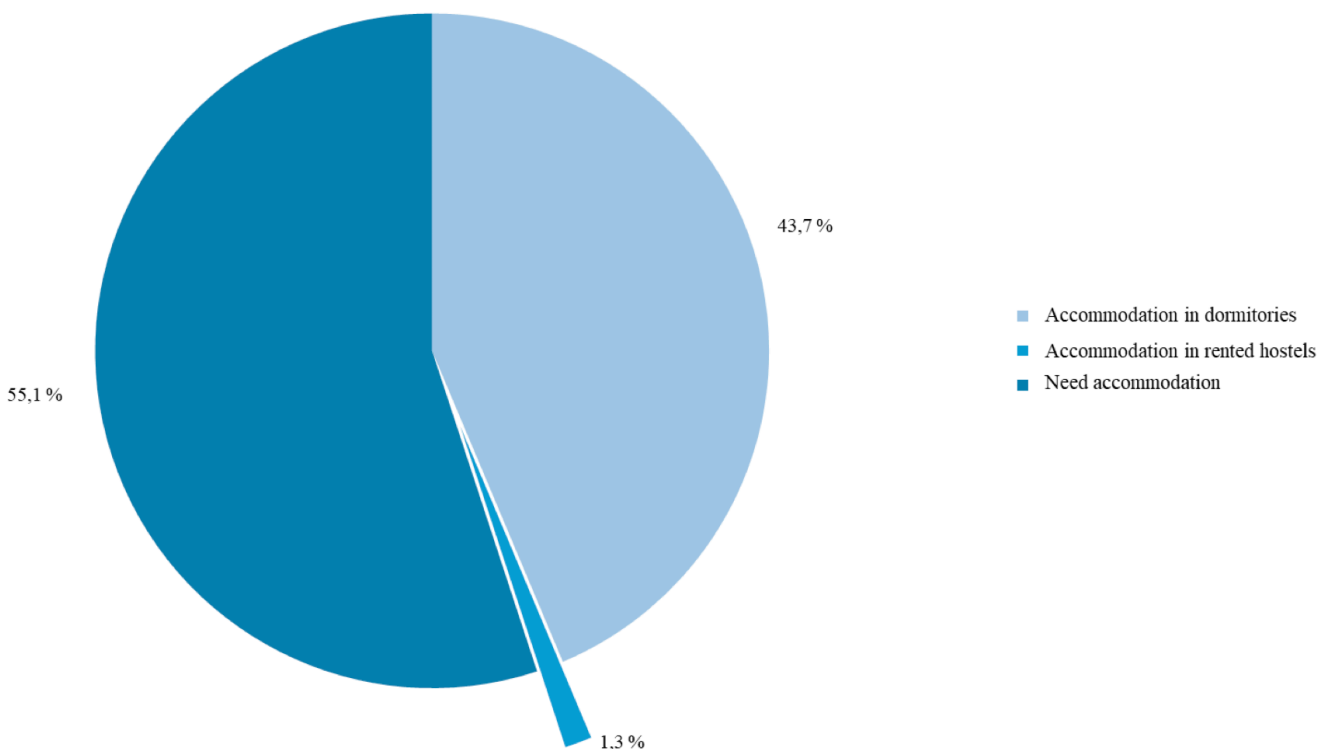
Trends in the development of colivings in recent years demonstrate the increasing importance of this form of housing. It is caused by cardinal changes in socio-economic processes and steady growth of urbanisation. The issue of housing demand is particularly acute in large cities. Therefore, coliving is not just a temporary residence option, but also a full-fledged platform for social interaction. This provides a particular research interest in terms of asset management and real estate economics. Although the network of student residences has expanded as part of the Science and Universities Programme, current housing options remain inconsistent with the dynamically changing needs of students at different levels and areas of study. It shows the importance of reconsideration of existing solutions and introduction of innovative accommodation models. According to data for 2023, the provision of students with places in dormitories remains at a low level. It shows the necessity of introducing alternative approaches to housing. Recently, coliving market has developed significantly. Moreover, it is positioned as one of the possible models to address this problem. Coliving format combines living space with a wide range of social and cultural services, attracts students, young professionals,

etc. In conditions of constant growth in rental rates and a shortage of affordable housing, coliving is a living model flexible and adapted to modern requirements. The purpose of this research is considering of coliving potential application in terms of public-private partnership in the Russian Federation. The main attention is paid to the consideration of the economic and legal features of such cooperation, the analysis of cooperation effectiveness, and the attractiveness for private investors and strengthening public infrastructure.

Within the framework of the conducted research, a multidisciplinary method was used. It combines the study of scientific sources, regulatory legal acts, and accounting documentation on the practical application of concession agreements in the segment of student housing and coliving. The analysis was based on data obtained from the specialised scientific databases CyberLeninka, Scopus, and Web of Science, the legal systems ConsultantPlus and Garant. The research was conducted on the following key queries: "coliving", "public-private partnership", "concession agreements", "student housing". The 216 sources were received; 14 of the most significant, relevant, actual, and accurate were selected. An important part of the work was the analysis of regulations and projects for establishing the campuses in Chelyabinsk and Nizhny Novgorod, Russia.

### Main part

According to the Ministry of Education and Science of the Russian Federation, the share of students living in dormitories (both their own and rented) for 2023 still does not exceed the number of those students who are currently in need of accommodation (Figure 1). The proportion of those living in rented dormitories is only 1.3%.



**Figure 1.** Distribution of the number of students living in dormitories and those who need it, 2023

Source: Ministry of Education and Science of the Russian Federation<sup>1</sup>

Although the network of student residences has expanded as part of the Science and Universities Programme, current housing options remain inconsistent with the dynamically changing needs of students at different levels and areas of study. Moreover, 7,683 new beds introduced in 2023 and the campuses planned for opening do not cover the full range of student needs in terms of the diversity of educational programmes and creative teams. Traditional dormitories do not always meet modern standards necessary for the harmonious

<sup>1</sup> Ministry of Education and Science of the Russian Federation. URL: <https://www.minobrnauki.gov.ru/press-center/news/novosti-ministerstva/77119/> (Accessed: 20.09.2024)

development of students at all levels – from bachelors to graduate students. Apartment rentals are complicated by legislative changes. It makes the old housing formats less accessible and attractive to young people and shows the urgency of establishing innovative and adapted to modern realities housing.

The main feature of coliving market is flexibility and adaptability to the needs of young people. Nowadays, youth searching for more comfortable living conditions combined with opportunities to get other types of services.

However, growing of coliving popularity is associated with a number of external factors. For instance, during the COVID-19 pandemic many business have chosen remote work. It changes the labour market and increased mobility of young people. Colivings are usually equipped with modern conveniences providing a high level of comfort for residents, including kitchens and recreation areas. Coliving is often an alternative to rented apartments and traditional dormitories. They provide convenient infrastructure and common spaces for communication [8]. The shortage of affordable housing in large cities is one of the key factors influencing the development of housing. It stimulates demand for new accommodation formats aimed at students and young professionals. With the increasing cost of renting, students and young professionals consider coliving as an affordable alternative accommodation with a range of social and cultural opportunities. Coliving models can range from relatively simple forms of living with shared kitchens and recreation areas to comprehensive ones – with educational, cultural, and sports areas [13].

Indeed, the Government of the Russian Federation realises the urgency of establishing an innovative educational environment (campuses) and the absence of finance in regional infrastructure. Therefore, it adopted the Decree of the Government of the Russian Federation on 28.07.2021 N 1268 (ed. dated 26.07.2021) "On the Implementation of the Project to Establishing an Innovative Educational Environment (Campuses)" using the mechanism of concession agreements within the framework of the federal project Creation of Modern Campuses Network of the national project Science and Universities (together with the Regulations on the Implementation of the Project of Establishing an Innovative Educational Environment (Campuses), Rules of Provision and Distribution Other Inter-Budgetary Transfers from the Federal Budget to the Regional Budgets of the Russian Federation in Order to Co-finance the Expenditure Obligations of the Russian Federation Regions Arising from the Implementation of Regional Investment Projects on Campuses Establishing)<sup>2</sup>. These normatives ensure partial financial support to regional investment projects for campuses establishing. Moreover, regulations on the Implementation of the Project to Establishing an Innovative Educational Environment (Campuses) establishes the following requirements for an investment projects:

- the population of the municipality for concession agreement implementation should be at least 300 thousand people;
- there should be at least 4 higher educational institutions in this municipality;
- the Ministry of Science and Higher Education of the Russian Federation should confirm the requirement in accommodation for students, teachers, scientists, and other employees of educational institutions of higher education and scientific organisations planned to be established as part of the investment project;
- the investment project should involve establishing of at least 2.5 thousand jobs.

Therefore, there is a number of significant limitations in terms of interaction between business and government.

Nowadays, there are projects concern with the establishing of campuses in the framework of concession agreements.

On October 5, 2022, the Ministry of Education of the Chelyabinsk Region and the Chelyabinsk Concession Company concluded a concession agreement on the implementation of a project for the

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<sup>2</sup> The Decree of the Government of the Russian Federation on 28.07.2021 N 1268 (ed. dated 26.07.2021) "On the Implementation of the Project to Establishing an Innovative Educational Environment (Campuses)" using the mechanism of concession agreements within the framework of the federal project Creation of Modern Campuses Network of the national project Science and Universities (together with the Regulations on the Implementation of the Project of Establishing an Innovative Educational Environment (Campuses), Rules of Provision and Distribution Other Inter-Budgetary Transfers from the Federal Budget to the Regional Budgets of the Russian Federation in Order to Co-finance the Expenditure Obligations of the Russian Federation Regions Arising from the Implementation of Regional Investment Projects on Campuses Establishing) via Consultant Plus (Accessed 12.10.2024)

construction of an interuniversity campus in Chelyabinsk, Russia.

The cost of campus construction is 16.75 bn RUB; 9.13 bn RUB – from budget funding in the form of a capital grant; 7.9 bn RUB – from the federal budget; 1.23 bn RUB – from the regional budget. It is assumed that modern scientific laboratories and sites will be created on the campus for the implementation of industrial, including experimental projects in the field of new energy, robotics, IT technologies, artificial intelligence. The total area of the scientific, educational, research, and social infrastructure facilities of the campus will amount to more than 114 thousand square meters, including 68 thousand square meters of hotel space for 3.4 thousand places for accommodation of students and staff.<sup>3</sup>

On October 5, 2022, the Governor of the Nizhny Novgorod region and the Development of Innovative Projects LLC signed a concession agreement on the establishment of a world-class interuniversity IT campus in Nizhny Novgorod, Russia.

The total area of the facilities is 204 thousand square meters, including almost 60 thousand square meters of new state-of-the-art educational spaces. The IT campus will work in cooperation with the innovative scientific and technological center "Kvantovaya Dolina". It allows ones to apply more than 10 thousand new jobs<sup>4</sup>.

The construction of the largest world-class Eurasian Interuniversity student campus began in Ufa, Republic of Bashkortostan, Russia. This project is a part of the implementation of the national project "Science and Universities" of the Ministry of Education and Science of Russia.

On December 15, 2022, the Government of Republic of Bashkortostan concluded a concession agreement for the construction and operation of the Eurasian Interstudent Campus for a period of 25 years with OOO Campus, Russia. The management company of the concessionaire was OOO Etalonniiye kontsessii, Russia. At signing the agreement, the volume of investments was estimated at 26.9 bn RUB; 11.7 bn RUB – from the federal budget; 3.6 bn RUB – from the regional budget. The construction of the second stage facilities is scheduled to be completed in 2025<sup>5</sup>. Hence, coliving in Russia is confirmed by practical examples. However, there is a shortage of campuses and concession agreements do not address the problem.

Indeed, coliving has a high investment attractiveness in the framework of public-private partnership implementing the flexible model of public administration and budget co-financing. Moreover, there are also great opportunities for payback in the medium term in the possibility of providing additional services, such as renting workspaces and organising events. Therefore, this form of business is attractive for students and investors. It contributes to the further development of this market segment [2]. The economic efficiency of concession agreements in co-financing projects is assessed on the basis of financial indicators. They allow ones to balance the interests of both private investors and public institutions. The long-term profitability for private companies is one of the key aspects of such agreement. They cover the initial costs and ensure the payback period of the project. The public-private partnerships make it possible to attract significant private investments to establish appropriate infrastructure, reducing the burden on the budget [7].

However, advantages of coliving are not used by both business and authorities. Moreover, there is no clear mechanism of the interaction in this partnership.

According to paragraph 1 of Article 5 of the Federal Law No. 115-FZ on 21.07.2005 "On Concession Agreements", a public authority (a federal or a regional and local executive authority) can be a concessor, only.

A higher education institution cannot be a party to a public-private partnership.

However, it is very difficult for a private investor (concessionaire), even if he has financial capabilities and managerial competencies in the field of real estate to correlate with a large number of partners. Therefore, public-private partnership projects continue to be a particular activity than a tool for establishing an

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<sup>3</sup> VTB and the Chelyabinsk Region signed a concession for the construction of an inter-university campus. URL: <https://www.interfax-russia.ru/ural/news/vtb-i-chelyabinskaya-oblast-zaklyuchili-koncessiyu-na-stroitelstvo-mezhuniversitetskogo-kampusa> (Accessed 12.10.2024)

<sup>4</sup> Gleb Nikitin signed a concession agreement to create a world-class interuniversity IT campus in Nizhny Novgorod. URL: <https://minobr.nobl.ru/presscenter/news/16528/> (Accessed 12.10.2024)

<sup>5</sup> Etalon Concessions LLC is building an interuniversity campus in Ufa. URL: <https://www.kommersant.ru/doc/6761960?erid=F7NfYUJCUneLs2MkxXE5&ysclid=m1zyvrc5194060557> (Accessed 12.10.2024)

innovative infrastructure and attracting business.

Indeed, coliving in the framework of the public-private partnerships is an effective tool allows ones to establish affordable and high-quality housing for different categories of citizens: students, young professionals, specialists, and companies constantly rent housing for their employees. This mechanism is beneficial to business, government, and users.

For instance, one of the options for construction a financial model is a risk-sharing model. According to this model, higher education institution provides certain income guarantees, while private investors provide financing for the construction and management of the facilities [9]. The assessment of long-term profitability for investors in such projects is based on a number of indicators, including the coefficient of internal rate of return (IRR) and the payback period of investments. The average payback period for coliving projects implemented through concession agreements ranges 10-15 years (it depends on the region and project conditions) [1]. Moreover, investments in coliving facilities spaces have a high degree of liquidity, since the facilities can be used not only for students' accommodation, but also for short-term rentals during the off-season [5]. Assessment of concession agreements effectiveness concerns with educational fees and students living standards. Concession projects can help reduce the cost of living for students by attracting private investment and optimising operating costs. The flexibility of concession agreements allows government agencies to control pricing by setting rent limits for students. It makes such projects socially oriented [6]. An important aspect of concession projects economic efficiency are innovative technologies to increase profitability. However, digital solutions for managing coliving spaces, including automation of booking processes, monitoring of energy consumption, and integration of smart security systems reduce operating costs and increase convenience for residents. They also increase project attractiveness for investors [10].

Concession agreements in the field of coliving can provide new sources of income for educational institutions. It allows universities to cover their infrastructure maintenance costs, reinvest the funds received in educational programs, and improve the quality of education [3].

To improve the legislative framework governing concession projects in the field of coliving, it is necessary to develop more detailed investor support mechanisms. They are as follows: additional tax benefits for private partners undertaking significant financial obligations under concession agreements, reduction in income taxes for investors for the payback period of the project, minimising financial risks, and speed up the process of returning invested funds [11]. Moreover, it is necessary to consider mechanisms of financial direct participation of the public partner in the form of: end-user fees, capital grants, public partner fees, etc. It allows them to minimise the financial burden of the investor, make the participation of the private party more attractive, popularise the projects, and reduce the financial burden on the final consumer [12]. Another important aspect of legislative regulation is the introduction of mechanisms for monitoring the quality and affordability of housing within the framework of such projects. Since the services received by the user are complex, it is necessary to develop quality standards for coliving facilities from design and construction to operation. The introduction of such standards will improve the quality of life of residents, and make them more attractive to both governmental and private investors [4].

## **Conclusion**

The specifics of urban planning and the characteristics of each particular region should be considered to make these projects successful. Coliving concession projects in different regions experience different challenges depending on the level of urbanisation, economic activity and population social structure. More urbanised regions may demand these projects among students and young professionals. The less densely populated regions may have limited demand for such facilities. It requires flexibility in the approach to the design and operation of coliving facilities, the use of various financing and support models depending on the regional specifics [14]. The development of the coliving market has significant potential to address students and young professionals housing. The economic effectiveness of public-private partnership agreements and concession agreements in co-financing projects is confirmed by financial modeling using various scenarios. It allows investors and government agencies to achieve mutually beneficial results. The long-term profitability

of such projects is ensured through the flexibility of agreements, the use of innovative technologies, and the optimisation of operational processes. The impact of concession projects on educational costs and students' living standards is also significant. Indeed, these projects help to reduce living costs and improve the quality of services provided.

### FUNDING

The work was done on a personal initiative.

### CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

### AUTHOR'S CONTRIBUTIONS

Authors contributed to this manuscript equally.

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Received 11.09.2024

Revised 20.10.2024

Accepted 01.11.2024