

## Construction and Operation of Student Dormitories in Partnership with Business Sector in Korea

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In Korea, there are two types of new schemes to construct and operate student dormitories on university campuses in partnership with private companies. One is BTO, Build-Transfer-Operation, and the other is BTL, Build-Transfer-Lease. In the BTO scheme, a private company (often called SPC: Special Purpose Company) undertakes the financing and construction of a student dormitory building. Upon completion of the construction, the private company turns the ownership of the dormitory building over to a university. In turn, the private company acquires the right to operate and manage the student dormitory from the university. More specifically, the private company is entitled to operate the student dormitory over a fixed term, during which it is allowed to charge student residents appropriate room rates and service fees. Such room rates and service fees should enable the private company to recover its investment in, earn a return on its investment in, and cover the operation and maintenance expenses of the student dormitory using the fixed term of the BTO scheme. The operating and managing right of the student dormitory is transferred to the university at the end of the fixed term which is defined its contract.

On the other hand, in the BTL scheme, a private company is authorized to finance and construct a student dormitory building. The ownership of the dormitory building is transferred to a university upon completion of the construction. In turn, the private company acquires the right to operate and manage the student dormitory from the university. The private company leases the student dormitory to the university for a fixed period. The operating and managing right of the student dormitory is automatically transferred to the university at the conclusion of the lease period.

The both schemes enable universities to build a student dormitory without a large amount of own funds up-front. Private universities tend to employ the BTO scheme since it can more attract private sector's investment as relatively high-return (but high-risk) potential. National universities use the BTL scheme due to its low-risk, low-return nature.

Those newly built student dormitories in partnership with business sector are high-quality and provide better services. However, those dormitories, especially built with BTO, are often criticized because room rates and service fees are much expensive

compared with old student dormitories, sometimes more expensive than rents of private apartments around the campus. Moreover, at the new student dormitories, domestic students complain that international students are given high priority regarding application and room assignments.