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EqualHouse

Systemic Transformation or Scheme Adaptation? Transferring Affordable Housing Policies Between Austria and Ireland.

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1. Introduction

In recent years, cross-national policy transfer has gained greater prominence as a mechanism through which governments seek to respond to housing affordability challenges, as the increasingly acute and widespread nature of these challenges has encouraged policymakers to seek out new ideas for effective responses (Stone, Porto de Oliveira and Pal, 2020). As evidenced by the recent appointment of the EU's first Commissioner for Housing, this policy field has emerged as a key area of interest among European Union policy makers. The OECD has significantly strengthened its housing policy analysis capacity in recent years by establishing a database on affordable housing in member countries and conducting reviews of housing policy in these countries – some focused-on efforts at cross-national housing policy transfer (OECD, 2020, 2022). The United Nations Forum of Mayors has also become more active in housing policy, as have the UN-Habitat (the UN's urban development agency) and the United Nations Economic Commission for Europe, which co-sponsored the *Housing2030* report on policy tools to enable affordable housing provision (Lawson, Norris and Wolbraum, 2021). These developments have created one-off and regular 'convergence spaces' during which policy transfer conversations are initiated and continued, thereby increasing the potential for transferring policies that have successfully addressed housing unaffordability in one country to other countries (Temenos, 2016).

There is an extensive research literature, spanning several social science disciplines, that examines the movement of different policies between nations, within nations (between different levels of government and jurisdictions in federal systems), and over time. However, despite the growing interest in the transfer of housing policies, the research on their movement is significantly less developed (although it is far from non-existent, see Soaita et al., 2023). This paper aims to contribute to strengthening this literature by examining the specific challenges associated with transferring affordable housing policies between countries and the factors that influence the success or failure of these transfers and thereby enhancing the information available to policymakers about the options available to address housing unaffordability.

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It examines the transfer of the 'cost rental' model of housing provision, whereby dwellings are rented for cost-recovery rents to households who cannot access market housing, from Austria to Ireland. In Austria, this model has been used to provide social housing since the early twentieth century; at present, 24% of its housing stock is social housing let at cost rents (Mundt, 2018). In Ireland, by contrast, social housing accommodates 10% of households and rents are linked to tenants' incomes and not to costs, but a new 'cost rental' sector, modelled on the Austrian exemplar, was established by the Affordable Housing Act 2021 (Byrne et al., 2024). This is not a form of social housing, but rather an 'intermediate tenure' which targets households with incomes too high to qualify for social housing but too low to buy or rent market housing.

As is the norm in policy transfer research, the motivation for transferring policy, the key actors and mechanisms involved, and the different phases over which this occurred are all explored here. Our analysis of these developments focuses on three interrelated issues:

- the similarities and differences between the version of cost rental housing established in Ireland and its Austrian antecedent (what is termed 'fidelity' in the research on the transfer of homelessness policies) (Pleace, Baptista and Knutagård, 2019).
- The factors that have shaped this outcome and its implications.
- The effectiveness of Ireland's cost rental model as a response to housing unaffordability over the short and long terms, and its wider impact on the housing system.

The remainder of the paper is organised into six sections. The next two sections outline the key relevant themes in the literature on policy transfer and describe the methodology that underpins the analysis. In Section Four the phases through which the policy transfer case under examination progressed are described. Section Five compares the key features of the Austrian and Irish cost rental housing systems and assesses the achievements of the latter. Section Six draws together the preceding discussion by analysing the influences that shaped decision-making during each phase and how these relate to the key themes in the policy transfer literature. The conclusions identify the implications of this

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analysis for the literature on housing policy transfer and policy responses to housing affordability challenges

2. Relevant Themes and Methods in the Research on Policy Transfer

The large literature on the movement of policies over time and space employs a wide variety of terms to capture this process, including policy transfer, policy diffusion, policy plagiarism, and policy mobility. Their use is sometimes underpinned by a coherent theory of how policy movement occurs, but more often they are used loosely and interchangeably (Marsh & Sharman, 2009). Soaita et al's (2023) review of the literature on the movement of housing policies organises this research into three 'conceptual heuristic clusters' (albeit with 'fuzzy boundaries' between them) - policy diffusion, policy mobility, and policy transfer.

The analysis presented here draws on the third of these concepts and the associated literature and on the most cited definition of this policy transfer, which is 'the process through which knowledge about policies, administrative arrangements and situations in one context is used in the development of policies elsewhere' (Dolowitz & Marsh, 2000, p. 344). This choice reflects the relevance of this literature to the case examined and the analysis offered here. In contrast to policy diffusion, which is generally an unplanned process, policy transfer is an 'action-oriented intentional activity' and the transfer of the cost rental housing model from Austria to Ireland was an intentional, planned and managed process (Evans and Davies, 1999; Marsh and Sharman, 2009). In common with the central themes in the policy transfer literature, our analysis of this case aims to illuminate the mechanisms and conditions that influenced this process and associated outcomes (Dolowitz and Marsh, 2000; Evans, 2009).

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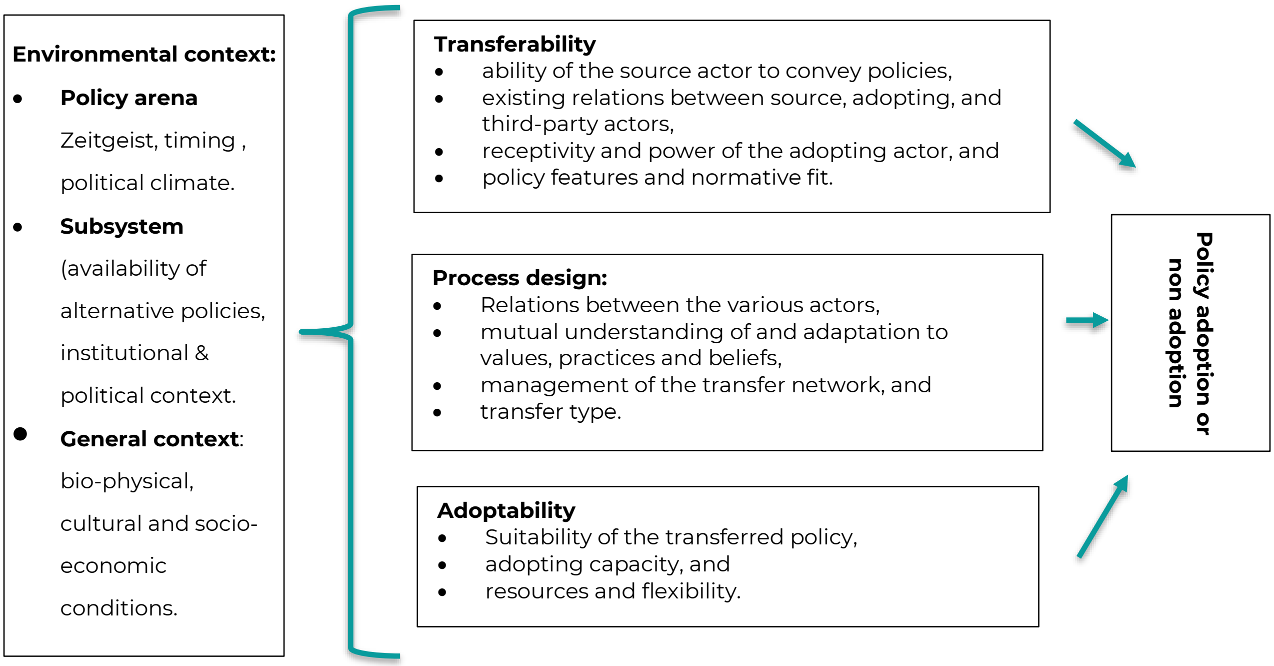
Minkman et al's, (2018) systematic review of the policy transfer literature identifies four factors that constrain or facilitate transfers (see Figure 1). One is external to the transfer process – this is the 'environmental context', i.e., the broader setting in which policy transfer occurs, including the political climate, socio-economic context, and timing, which can constrain or enable the actions of policy actors (Evans, 2009). The three other factors are internal to the policy transfer process and influential at different stages of its implementation. 'Transferability' is a particularly influential consideration at the exploration stage, and factors such as existing relations between source and adopting actors influence whether the transfer process proceeds past this stage. Later in the policy transfer process 'process design', meaning the 'set-up of interaction between actors exchanging knowledge and in adopting and implementing the transferred policy', becomes more influential (Minkman et al., 2018, p. 231).

Figure 1 Minkman et al's (2018) Framework of Factors that Facilitate or Constrain Policy Transfer



Source: adapted from Minkman et al., (2018)

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The final internal influence on policy transfer is ‘adoptability’, which is influenced by the suitability of the transferred policy to its receiving context and the adopting capacity, resources, and flexibility, is significant at the later stages in the policy transfer process. All these factors influence whether policies are adopted in full, in part, or will remain in symbolic use or weakly implemented in the new context or ultimately abandoned.

Although the research on the transfer of housing policies is less extensive than research on the other policy fields, there is research that illuminates the relevance of the issues identified in Minkman et al’s (2018) analysis to housing. This literature indicates that ‘environmental context’ and, in particular, ‘adoptability’ are key reasons for the failed or partial transfer of some housing policies. For instance, Chiu’s (2021) work on the transfer of Hong Kong’s system of public housing provision to Shenzhen in mainland China concludes that this was impeded by differences in the socio-economic functions and aims of housing policy and policy operational environments and implementation systems. This finding is echoed by Wei et al’s (2017) study of the failed transfer Singapore’s model of public housing provision to China.

In contrast, studies of wholly or partially successful housing policy transfers often stress the importance of flexibility and the ability of actors in the receiving country to adapt the policy to suit its new operational context. This is the finding of Pawson & Hulse’s (2011) study of the successful transfer of the choice-based lettings systems for allocating social housing from the Netherlands to Australia to the UK and of Thompson’s (2020) analysis of the partially successful transfer of the Community Land Trust model of affordable housing development from the USA to Liverpool in the UK. The extensive research conducted on perhaps the most widely transferred housing policy – the Housing First programme for combating homelessness among people with high and complex support needs, which originated in New York in 1992 and has been adopted in many US states and 19 European countries – echoes this view (Padgett, Henwood and Tsemberis, 2016) All Housing First transfers have been all subject to impact evaluations and also assessments of their ‘fidelity’ to the original model. These suggest that fidelity to the core principles of Housing First, combined with flexibility to adapt

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the details of service delivery to reflect local requirements are key to the success of these transfers (Pleace, et al, 2019).

3. Research Methodology:

3.1 Research Methods

The analysis presented here draws on two sources. Firstly, expert interviews were conducted with nine key actors involved in the transfer of the cost rental housing model from Austria to Ireland: six from Ireland (one local government official, one civil servant, two government policy advisors, two officials from the two housing policy implementation agencies) and three were from Austria (one local government official, one representative of Austrian social housing providers and one Austrian housing researcher). Interviewees were selected using purposive sampling based on their proximity to and influence on the cost rental policy transfer process. The interview schedule was based on Dolowitz & Marsh's (2000) framework of seven questions about policy transfer, which explores who is engaged in the policy transfer under examination and why, what was transferred, from where to where, and the process itself. Interviewees' views on how closely the Austrian cost rental model was replicated in Ireland and its effectiveness as a response to housing affordability challenges in the latter were also explored. Secondly, relevant documents and data were analysed, including:

- policy statements, and analyses,
- programme expenditure and housing output data,
- legislation, statutory instruments, and implementation guidelines,
- papers from policy and practitioner meetings and seminars,
- publications in practitioner and policy maker magazines, and
- academic and policy research literature.

A five-step sequential analysis of documents and interviews was conducted:

- The materials were thematically coded with reference to the key policy transfer themes identified in the literature.
- A summary of the steps in the policy transfer process and their timeframe was compiled, revealing a gradual process which progressed sequentially through

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three phases distinguished by ‘inflection points’ when critical decisions about policy design and implementation were made.

- Profiles of the Austrian and Irish cost rental systems were compiled. These focused on March 2025, when the Irish model had reached a ‘steady state’, with no signifcant changes made during the preceeding year.
- The two systems were compared using an adapted version of the Housng First ‘fidelity methodology, which focusing on the core design features and operating principles (Pleace, Baptista and Knutagård, 2019). To take account of Austrian regional variations, this exercise used the Vienna model as a comparator, because this was most influential on Ireland.
- Interview findings on the fidelity and effectiveness of the Irish cost rental model in addressing housing affordability in Ireland were then incorporated into the analysis.

3.2 Research Context

Ireland and Austria are both high-income, predominantly Catholic EU member states, mid-sized in population (5.3m and 9.1m respectively). Beyond these broad similarities, they differ significantly in political structure, welfare regime, and housing systems. Austria is a federal state with strong regional (länder) powers and a long corporatist policymaking tradition. It is a conservative welfare state, according to Esping-Andersen (1990), where benefits reflect earnings and social insurance contributions, maintaining income differentials rather than redistributing them. Its housing system is classed by Kemeny (1995, p. 34) as ‘unitary’. The private rental sector is tightly regulated, and the social/non-market sector uses a cost rental model. Limited profit housing associations (LPHAs) provided 16% of homes in 2018, while municipal housing accounted for another 8% (mainly in Vienna). Broad eligibility rules allow social housing to compete directly with private renting, which keeps standards high, curbs rental inflation, and makes renting an attractive alternative to ownership. While the housing model is robust however, rising demand and variances in regional subsidies have created pressures, particularly for lower-income households (Mundt, 2018).

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Ireland, by contrast, is a centralised state with a weaker corporatist tradition and a liberal welfare model (Esping-Andersen, 1990). Social benefits are largely means-tested, offering a safety net for the poorest. Kemeny (1995) classified Ireland's housing system as a 'dual' system. Social housing rents are based on income and below cost, which makes the sector dependent on state subsidies and restricts its scale. Local authorities provide most social housing (around 80% in 2022), but a growing proportion is provided by non-profit agencies call approved housing bodies (AHBs) (Central Statistics Office, various years). Because this sector is small and targeted at poorer households, it does not compete with the lightly regulated private rental market; as a result, homeownership is the dominant housing tenure. However, in recent years, stronger regulation of private renting and growth in social housing provision have led some to argue Ireland is shifting toward a unitary or at least a post-neo-liberal model (Norris, 2014; Byrne, 2022).

4. Phases in the Transfer of Cost Rental Housing Policy

4.1 Phase one: Debating systemic reform of the social housing sector

While cost-rental housing was only formally established in Ireland by the 2021 Affordable Housing Act, this concept itself is not new to the country; it has been discussed by policy analysts and researchers since the early 2000s. During the opening phase of the policy transfer discussion focused on the need for systemic reform of the Irish housing system. The National Economic and Social Council (NESC), a corporatist body made up of employer, farmer, trade union and NGO representatives which advises the Irish prime minister on economic and social, policy, played a central role in shaping this debate by publishing a series of reports on housing between 2004 and 2018. These argued that the Irish rental system should be transformed from a dual to a unitary model and detailed the reforms to housing policy, regulatory, financing, and delivery systems required to achieve this (see Table 1).

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Table 1 Phases in the Cost Rental Housing Policy Transfer

	Key event/ development	Description
Policy foundations are laid	2004-2018 Six key National Economic and Social Council (NESC) reports published	NESC published six influential reports from 2004-2018, which describe the elements of an effective rental system (i.e., they note how the influence of supply via active land management, new financing mechanisms, and cost rental systems are all linking elements of an effective system). These are: - Housing in Ireland: Performance and policy. December 2004. - Social Housing at the Crossroads: Possibilities for Investment, Provision and Cost Rental, June 2014. - Homeownership and Rental: what road is Ireland on? December 2014. - Ireland's Private Rental Sector: pathways to secure occupancy and affordable supply. May 2015. - Housing Supply and Land: Driving public action for the common good, July 2015. Urban Development Land, Housing and Infrastructure: fixing Ireland's broken system, May 2018.
	2016 Rebuilding Ireland housing policy published	The Rebuilding Ireland housing policy statement commits to the establishment of an '*affordable rental scheme'* (p. 11).
Policy window opens and policy design is selected	Vienna Housing Exhibition in Dublin 2019	In 2019, a major exhibition hosted in Dublin showcased the Vienna cost rental model. The aim of this was to highlight the Vienna model of cost rental and non-profit housing in Ireland – this included a seminar with housing experts and Irish policymakers.
	Publication of the Social Housing Strategy 2020	-Commits to exploring the conditions for the development of a cost rental segment in Ireland's housing system (p.10). - Positions cost rental as a way to protect against '*rising market rents that have greatly driven up the cost to the Exchequer of [housing allowances] and other supports for low-income tenants in private rented accommodation. In addition, a steady and enduring increase in the supply of affordable and cost rental housing can help ease demand for social housing*' (p. 11).
	Policy designs mid 2020 – 2021	-Meetings between social housing providers and funders about cost rental models. -Translation and study of the Austrian housing legislation – this informed the legal and financial structure of Ireland's own cost rental model.
	Housing for all policy statement, 2021	Proposed the roll out of cost rental at scale- '*This is targeted at people who are above the social housing income limits, and who wish to rent or are unable to buy their own home*'. Sets a target of providing of 18,000 cost rental dwellings by 2030.
Policy Design, Implementation and revision	Affordable Housing Act 2021	Legally underpins the cost rental tenure and specifies its target population, access rules, providers, rent setting, and funding arrangements.
	Land Development Agency Act, 2021	Reformed the remit of the LDA and placed it on a statutory footing. The LDA was given a specific statutory responsibility to deliver affordable housing, primarily on State land and also in partnerships with private developers
	Financing support for cost rental housing was established and reformed	- 2020 – cost rental pilot scheme commenced in south Dublin, on cheap land leased from the municipality and supported by state-guaranteed loans. No other public subsidy for cost- rental housing provision is envisaged at this time. - 2021 Cost Rental Equity Loan (CREL) introduced to fund cost rental housing. It is a government loan at 1% simple interest, repayable in one instalment at the end of its 40-year term. It initially funded 30% of delivery costs. -2023 - proportion of delivery costs funded by CREL increased to 45% - 2023- Secure Tenancy Affordable Rental (STAR) scheme established to provide an alternative public subsidy for cost rental housing. STAR is a government equity investment of up to 20% of development costs in return for designating dwellings as cost rental for 50 years. It must be used instead of CREL not in addition. - 2024 - proportion of delivery costs funded by CREL increased to 55%

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The first of NESC's reports was published in 2004, when Ireland was nearing the end of a decade-long economic and housing market boom. It introduced Kemeny's theory of rental markets and acknowledged that, while a transition to a full unitary model may not be feasible, introducing cost-rental housing would help to move Ireland's rental market in this direction (National Economic and Social Council, 2004). Notably, this report is ambiguous about the section of the population a cost rental sector might target. While its main analysis section discusses social housing systems that charge cost rents in Western Europe (including Austria), the recommendation that the cost rental housing model be introduced into Ireland is included in the discussion of the affordability problems faced by households with incomes too high to qualify for social housing, but too low to afford market housing. However, it does not explicitly recommend that the cost rental sector should only target this income segment.

When NESC next published a report on housing in 2014, the context was very different - the Irish economy and housing market experienced a crash of unprecedented scale during the global economic crisis (GFC), which necessitated entry into an IMF and EU-sponsored 'bailout' in 2010 (Norris & Coates, 2014). NESC's 2014 report repeated the recommendation that a cost-rental sector should be established and suggested that this should happen in tandem with increased regulation of for-profit renting, including the introduction of rent controls (National Economic and Social Council, 2014b). Notably, this report was explicit that the entire social housing sector should be transformed into a cost rental sector, and this view was repeated in four related NESC reports published over the next four years (National Economic and Social Council, 2014a, 2015b, 2015a, 2018)

During interviews with NESC policy analysts, they explained that these reports were inspired by concerns about the limited affordable rental options available in Ireland, the 'unemployment trap' created by the income-related rents used in social housing, and a shortage of social housing due to sales to tenants. They argue that policymakers should stop treating housing as a series of fragmented, unconnected policies and instead view it as a system, since tackling Ireland's housing problems requires systemic reform to shift from a unitary to a dual housing model. They also shared a 2018 seminar paper, 'Towards a Unitary Rental

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System in Ireland', which set out the steps they considered necessary to achieve this transformation more explicitly than in the NESC reports. These include ending the sale of social housing to tenants, converting the existing social housing stock to cost-rental, and reducing reliance on means-tested housing allowances for private rental tenants (O'Donnell, 2019).

4.2 Phase two: A policy window opens, and the policy focus is defined

Phase two of the policy transfer process was distinguished by the opening of a 'policy window', i.e., a period when political will, growing social need, and viable policy solutions converge to open an opportunity for significant policy change (Kingdon, 1984). An Irish local government official interviewed noted that this period marked a shift from debating the idea of cost rental to planning its implementation and designing early pilots.

A key milestone in this phase, referenced by all interviewees, was the staging of the 'Vienna Model' exhibition in Dublin in 2019 – a travelling exhibition of social housing in Vienna organised by the city's municipality. The exhibition occurred by chance on the suggestion of a government agency official who had professional ties to Vienna. However, it acted as a catalyst for public and media engagement in the idea of cost-rental housing, generated cross-sectoral support from trade unions, local authorities, and civil society organisations and provided an opportunity for Irish and Austrian housing policy makers to exchange information. A municipal government official from Vienna explained how the exhibition was:

> a moment of very intense contact (with Irish housing policy makers). it was not just in the seminars (at the exhibition) but in backroom conversations and meetings where Irish colleges were asking 'how do you make this work in Vienna?'

Interviewees from Ireland confirmed the value of this exchange and explained that, because of the exhibition, the Vienna model became the focus for the cost rental conversation. One interviewee stated, 'It had an impact, it got a lot of traction', while another reported 'there was cross-party support, there was political appetite'. At this time, the housing ministry had the Austrian Limited Profit Housing Act translated into English for study by its officials (see Table 1).

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Concurrently, gaps between the version of cost rental that Irish policy makers envisaged and the Austrian model began to emerge. A housing policy statement published in 2020 committed the housing ministry to exploring the potential for establishing a cost-rental system in Ireland, but the stated rationale was to ease the demand for social housing (see Table 1). Thus, at this stage, policy makers envisioned cost-rental as an intermediate tenure, not as the route for reforming the social housing sector envisaged by NESC. This direction was confirmed when the housing ministry published another housing policy statement in 2021 (see Table 1). It also announced that 'Cost Rental will be targeted to achieve rents that are at least 25% below what they would be on the private market' (Government of Ireland, 2021, p. 25).

4.3 Phase three: Policy design is finalised, implemented, and revised

The Affordable Housing Act 2021 established cost rental as a formal tenure in Ireland and specified the core elements of its provision, funding, and operation. However, financing arrangements have been changed several times since this programme first emerged (see Table 1). The first 'pilot' cost-rental housing development commenced construction in 2020 in the suburbs of Dublin, before the enactment of the supporting legislation. It was supported by the provision of free land (on a leasehold basis) by the municipality and low-interest, public loans, but no direct cash subsidy was provided by the government. Instead, it was envisaged that, like in Austria, Irish cost rental housing would be funded mainly by borrowing repaid by rents. However, since 2021, government subsidisation of the sector has increased steadily. Providers can now secure up to 55% of development costs from a government soft loan called the Cost Rental Equity Loan (CREL) and a government equity contribution and this proportion has been increased twice since CREL was introduced in 2021.

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4 Assessing the Success of the Cost Rental Housing Policy Transfer

4.1 Fidelity of the Cost Rental Housing Policy Transfer

Table 2 compares the fundamental design and operational principles of the Austrian cost rental system (and particularly the version operated by Limited Profit Housing Associations in Vienna) to Irish version. This assessment ranks the degree of fidelity between the two into three categories: low, moderate, and high.

It reveals that the fidelity between these systems is high only with respect to the types of landlords that provide cost rental housing. In Vienna, both LPHAs and private developers are eligible to do this (but this isn't the case throughout Austria), and the former has provided approximately 75% of new cost rental housing in the city in recent years (Norris & Byrne, 2018). In Ireland, AHBs, municipalities, a government agency called the Land Development Agency (LDA), and private developers can provide cost-rental housing. However, to date, almost all provision has been by AHBs and the LDA (Byrne *et al.*, 2024).

In respect of rent determination and targeting rules, the Irish system exhibits moderate levels of fidelity to its Austrian antecedent. Rents in both countries are pegged to costs, but in Austria this is the sole determinant of rent, and providers are obliged to ensure that rents fund reserves that help pay for future housing developments. Whereas in Ireland, rents are pegged to both costs (including debt service, management and maintenance costs) and market rents (which must be 25% below), and no requirement exists to fund reserves to contribute to new housing development (Byrne *et al.*, 2024). Austrian cost-rental housing is broadly targeted at all households eligible for social housing (80% of the population), whereas in Ireland, this is not a form of social housing, but an 'intermediate' tenure targeted at households with incomes too high to qualify for social housing but too low to afford market housing. However, interviewees from Austria suggested that this is more of a *de jure* than a *de facto* distinction. In Austria, cost-rental housing is formally (*de jure*) available to all households eligible

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Table 2 Comparison of Austrian and Irish Cost Rental Sectors and Fidelity Assessment

Design Principles	Austria	Ireland	Fidelity
Target households	All households that qualify for social housing. This encompasses 90% of households in Austria. Rules regarding prioritisation of applicants vary regionally but generally relate to household income and need.	Households with incomes too high to qualify for social housing but too low to afford market housing. Current maximum net household incomes are €66k in Dublin and €59K elsewhere Tenancies are allocated to qualified applicants on the basis of a lottery.	**Moderate**
Rent calculation	Rent based on actual costs (minus the public subsidy) Legal obligation that rents must make provision for maintenance and reserves, including a contribution to new housing development costs Monitored lifecycle costs	Rent pegged to both costs (debt service, management and maintenance, minus public subsidy) and market rents (must be minimum 25% below market rents) No legal requirement to accumulate reserves that will contribute to future housing development costs.	**Moderate**
Landlords/ providers	Non-profit sector (housing associations) and for-profit/ private providers	Non-profit sector (housing associations), municipalities, Land Development Agency (government agency), and for-profit/ private providers	**High**
Duration of provision	Dwellings are permanently designed as cost rental if provided by housing associations, designation is limited to the duration of the associated government loan if provided by for for-profit sector	Dwellings are designated as cost rental for between 40 and 50 years (the latter term applies if government equity contributes to development costs)	**Low**
Finance	Mainly non-governmental. It encompasses: • tenant's downpayment (0-10%) • landlords' equity contribution (10-20%) • commercial mortgage bank loan (40-60%) • government loan (30-40%).	Mainly government finance, encompassing: • government equity contribution (0-20% of development costs) <u>or</u> • government loan (1% simple interest, 'bullet loan' repayable in one instalment at the end of its 40-year term) – covers up to 55% of development costs • The remainder of the finance is from a government or commercial standard amortising mortgage. To date, all of this finance has come from government loans. • No requirement for landlords to contribute their equity to development costs. Tenants' downpayments are equivalenty to one month of rent.	**Low**
Non-financial subsidies	Public land banker in Vienna buys land cheaply ahead of zoning and sells on at cost price for cost rental housing Zoning of land for affordable housing reduces costs	Land Development Agency is empowered to assemble public land for cost rental (and social) housing but to date has not provided land to other cost rental housing providers.	**Low**

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for social housing but in the Vienna region tenants must typically pay a significant down payment (0–10% of development costs) to access LPHA dwellings, which in practice excludes many low-income households and funnels them into municipal social housing instead. Consequently, In Vienna cost rental housing functions largely as a *de facto* intermediate rental tenure (Angel and Mundt (2024) confirm this view). However, the downpayment requirement does not apply in all Austrian länder, meaning that outside Vienna cost rental operates both formally and in practice as a form of social housing.

In terms of the duration of provision, financing arrangements, and non-financial supports, the fidelity of the Irish to the Austrian cost rental system is low. Cost rental housing provided by Austrian housing associations must be permanently let at cost rents (this stipulation only applies to private sector provision for the duration of the state loan provided), whereas in Ireland, the cost rental designation is temporary (40-50 years) in all cases. In Vienna (but not all Austrian länder), cost-rental housing provision is supported low-cost land banking and specific land use zoning, which reduces the price of private land. The latter support does not exist in Ireland. Here, the Land Development Agency, which was established in 2018 (on the recommendation of the aforementioned NESC reports) on an informal basis and underpinned by legislation in 2021, is tasked with providing low-cost public land for affordable housing provision. To date, the LDA has not provided AHBs or local authorities with any land, although it has commenced building its own cost rental developments on public land (Sweeney, 2022). The capital costs of Irish cost-rental housing provision are almost entirely state-financed, whereas the Austrian counterpart draws on a wider variety of funding sources, of which only 30-40% comes from government loans. Notably, LPHAs in Austria contribute significant equity to these costs from their reserves or land holdings. The Limited Profit Housing Act that governs the sector allows them to make a 'limited profit' on their cost rents to build up these reserves but also obliges them to reinvest the reserves in new housing. Thus, they essentially operate internal 'revolving funds' (Mundt, 2018). The Irish cost rental legislation includes no similar provisions, and to date, no cost rental housing provider in Ireland has contributed any equity to housing development

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costs, nor do Irish cost rental tenants contribute downpayments of any significance to costs (Byrne *et al.*, 2024).

4.2 Effectiveness of the Cost Rental Housing Policy Transfer

In terms of its short-term impact on housing supply and the security and quality of dwellings provided to tenants, the version of cost rental housing implemented in Ireland was assessed very positively by the Irish policy makers and implementers interviewed. This view is echoed by the only study conducted with cost-rental housing tenants to date (Byrne *et al.*, 2024).

The first tenants moved into new cost rental homes in 2022, and between then and Q1 2025, 3,899 cost rental units have been delivered (see Table 3). The vast majority are new-build dwellings, and in 2024 these accounted for 7% of total new housing output. If this level of output is maintained, the programme is likely to achieve the output target of 18,000 dwellings by 2030 specified in the current national housing policy statement (Government of Ireland, 2021) A minority of cost-rental units have been bought from the existing housing stock under the 'tenant-in-situ scheme', which funds municipalities to buy private rented dwellings occupied by tenants who are facing eviction and at risk of homelessness.

Most cost rental dwellings have been provided by AHBs and, to a lesser extent, the LDA. Local Authority delivery is low, and private sector providers have provided no dwellings to date (see Table 3). 80% of the cost rental dwellings delivered to date are in Dublin, Ireland's capital (and largest) city, where affordability constraints are most acute. Demand for dwellings is very high, and new schemes regularly attract 10-20 qualified applicants per available unit. All newly built cost-rental homes have very high energy efficiency ratings. Tenant surveys show a strong sense of security and satisfaction, with 80% feeling very secure in their tenancies (Byrne et al., 2024, p. 6). Nevertheless, 66% stated that they aspire to homeownership in the future, which suggests that, despite its significant attractions, many tenants view cost renting as a transitional rather than permanent tenure.

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Table 3 Cost Rental Housing Output in Ireland 2022-Q1 2025.

Year	Cost rental total output				
	Housing Association	**Land Development Agency**	**Local authority**	**Cost rental tenant in situ**	**Total**
2022	470	164	50		684
2023	286	561	22	97	966
2024	1213	784	30	119	2146
Q1 2025	88			15	103
Total	2057	1509	102	231	**3899**

Source: Department of Housing, Local Government & Heritage (various years).

Assessments of the affordability of cost-rental housing is for tenants reveal a more mixed picture. Byrne et al's (2024) research on the first AHB cost rental tenants found that, on average, they devoted 34.5% of their net income to rents, just below the eligibility threshold of 35% specified in the government regulations of the scheme. The rents of 75% of tenants exceed the 30% of income affordability benchmark commonly used in academic research. 32.4% all private renting households not in receipt of means-tested housing allowances devoted more than 30% of income to housing costs in 2021, which indicates that cost-rental housing is not significantly more affordable than private renting (Disch and Slaymaker, 2023). Notably, the Key informants interviewed reported that the affordability of cost-rental housing appears to have diminished over time. Rents in aforementioned pilot cost rental scheme, completed in 2022, were 40% below market, but, due to rising construction costs since then and the fact that this is the only scheme built on cheap public land to date, rents for more recently completed units are closer to 30% below market. However, these affordability constraints partially reflect the stringent targeting of cost-rental housing at a narrow band of middle-income households (see Table 2). Furthermore, these affordability assessments don't take account of heating costs, which are likely to be low due to the high energy efficiency of cost rental dwellings.

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While acknowledging the impressive level of cost rental housing delivery achieved in the short term, interviewees raised concerns about prospects for sustaining this over the long term. The Housing Commission (2024) established by the Irish government to review housing policy recommended that the proportion of all households living in social and cost rental housing combined should be doubled to 20%. If cost rental housing is to contribute half of this target, this would require 90,000 dwellings -five times the cost rental housing output the Irish government currently plans to achieve by 2030.

Interviewees' concerns about long term sustainability of output reflect their concerns about the sustainability of cost rental's funding model, due to its overwhelming reliance on government funding. The Housing Commission (2024) highlighted a long-term pattern of sharp fluctuations in capital spending on social housing since the 1980s, which it linked to overreliance on state finance and the tendency of governments to focus retrenchment efforts on capital spending during fiscal crises. To break this cycle, it is recommended that the sources of finance for both social and cost rental housing should be diversified to include contributions from state, market, and non-profit sources. However, interviewees pointed out that cost rental housing financing arrangements do not achieve this. Several were particularly critical of the fact that, unlike their counterparts in Austria, Irish cost rental housing providers are not required to contribute equity to the capital costs of housing development or to permanently let these dwellings at cost rents (see Table 2). They suggested that the latter would undermine the long-term impact of this programme by reducing the cost rental stock.

The supply of affordable land for cost rental housing was also identified as a problem by several interviewees because the AHBs do not currently have land banks of any scale, and the LDA has not to date provided public land to other cost rental housing providers. Consequently, the vast majority of the cost rental homes provided by AHBs to date are 'turnkey units' purchased directly from private developers. This limits AHBs' control over the locations and design and fit-out specifications of these dwellings and means that many of the levers used to lower costs and hence rents in the Austrian cost rental system are not available to

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the AHBs in Ireland. As an Austrian local government official interviewed argued: “The problem with your cost rental concept is that it's too expensive… you're not using the money in a very economical way.”

6 Influences on the Transfer of Cost Rental Housing Policy

6.1 Influence of Factors External to the Policy Transfer Process

As predicted by Minkman et al's (2018) framework factors external to the policy transfer process were most influential during the early phases of this transfer. This policy transfer was promoted initially by ‘policy entrepreneurs’ at the NESC think-tank as a method of enabling systemic reform of Ireland’s social rented sector (Kingdon, 1984). During phase one of this transfer (the 2000s-2010s), politicians were not actively involved in discussions about NESC’s proposals. The presentation made by NESC staff on the transition from a dual to a unitary rental model and cost-rental housing’s contribution to this transformation highlighted significant barriers to implementing these proposals. For instance, replacing income-related rents with cost rents in the social housing sector was regarded as ‘hard to sell’ politically and it suggested: “there is a lack of affordable rental stock, and homeownership is attractive in Ireland, which could undermine the impact/use/interest in cost renting” (O’Donnell, 2019, p. 2, 3).

The policy makers and implementers interviewed for this paper argued that changing political and socio-economic context during the decade after the 2008 Global Financial Crisis (GFC) contributed to opening the ‘policy window’ during phase two of the policy transfer, when cost rental was adopted as a key housing policy – albeit in a narrower form than that envisaged by NESC. The particularly severe banking, building industry, and housing market crash, which accompanied the GFC in Ireland, prompted recognition by domestic and EU policy makers of the need for systemic reform to avert another boom-and-bust cycle (Ó Rian, 2016). Concurrently, politicians faced growing political pressure to address the housing access and affordability crisis that emerged as resurgent economic and population growth drove up housing demand while commercial housing output failed to rise due to capacity constraints created by the collapse

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of banks and construction firms during the GFC. As in many policy transfers, timing was critical, and the cost-rental housing proposal gained traction because it provided a viable, effective, and concrete response to this suite of pressures (Evans, 2009).

Interviewees also identified the tightening of banking and mortgage lending regulation as key factor in the introduction of cost rental housing. In 2015, the Irish central bank introduced limits on mortgage loan-to-income ratios of 3.5 times gross income and mortgage loan-to-value limits of 90% for first-time buyers. A 2016 survey of first-time home buyers showed that 71% were impacted, most of them negatively, and 44% felt unable to save the deposit required to buy a home (Behaviour & Attitudes, 2016). The fact that the vast majority of these were living in private rented housing significantly strengthened the rationale for providing them with a secure, affordable alternative housing option. One of the NESC staff interviewed argued that this is the most consequential housing policy reform made in recent decades, because it imposes a ceiling on home ownership rates and thereby necessitates the provision of alternative housing options for low-to-middle earners who might have managed to buy homes under more liberal lending rules.

The constraints on the private sector housing output and the resultant housing crisis also promoted a dramatic increase in public spending on housing and intervention in the housing market, which provided ideological and practical support for the cost-rental sector. This expansion in state housing activity was supported (albeit with differences in emphasis) by politicians across almost the entire political spectrum. Practical support was provided by growing social housing output in the late 2010s. Public capital spending on housing had contracted by 90% (from €1.4 billion to just €167 million) between 2008 and 2014, and output declined by a similar level. However, by 2019, public spending had rebounded to €1.25 billion, and output increased proportionately (Department of Public Expenditure and Reform, various years). Notably, the contribution of AHBs (traditionally minor players in social housing provision) has expanded significantly in recent years and several large AHBs have become major providers of general

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needs social housing. This increased capacity enabled them to extend to cost rental delivery.

The lack of viable alternative policies to address the housing crisis, particularly for middle-income households, also helped to open this policy window during phase two (Ademmer (2014) reports a similar phenomenon in energy policy). As the housing crisis dragged on, the policy focus shifted from social housing provision (emphasised in the 2016 national housing policy statement) to enabling affordable home purchase (emphasised in the 2021 housing policy statement) (Government of Ireland, 2016, 2021). However, there were significant practical impediments to implementing the latter programme (called the First Home Scheme) because it required the negotiation of a legally complex 'shared equity scheme' using a vehicle co-funded by the government and main commercial banks. The cost-rental housing programme could be established quickly, particularly in view of the expanded capacity among AHBs. The First Home scheme was also very politically controversial (it was criticised as a subsidy for housing developers that would inflate house prices) whereas there was more support for cost-rental housing. A senior housing ministry official said:

> The Minister started getting more invested because he could see those across the Oireachtas [Irish Parliament] support… Cost rental was everything to everybody, whatever you wanted to be. So, there was universal support for cost rental.

However, rather than enabling wholesale housing system change, due to these external pressures cost rental came to be a targeted scheme responding to affordability challenges in the private rental market. As one official of an Irish government agency said, "it is seen as a scheme or a strand, as opposed to an ambition to a unitary system." A senior Irish policy maker explained the rationale was to provide the "squeezed middle" with "an intermediate model of support… You want to assist them, but at the same time, you don't want to be giving social housing-level of support."

Moreover, the government had committed that rents would be at least 25% below market rents. Interviewees confirmed that this had nothing to do with the cost rental model but rather was prompted by political messaging concerns. A senior government official attributed this decision to the fact that "In terms of

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political messaging, the government felt it had to at least achieve [25%] for it to be worth the candle, for it to demonstrate the fact that there is a level of affordability provided here."

The influence of external factors was not entirely confined to the opening phases of the cost rental housing policy transfer, however. Pressures emerged in the early 2020s following the COVID-19 pandemic and the war in Ukraine that influenced phase three of the transfer and the uneven fidelity between the Irish and Austrian versions of cost rental housing. These crises caused sharp increases in interest rates and construction prices – which increased by 14% between July 2021 and June 2022 (Society of Chartered Surveyors, 2019). An Irish civil servant admitted that "Cost rental was probably initiated at the worst possible time because of the cost of building." Public subsidies for the programme (detailed in Table 2) were repeatedly increased to address cost increases and ensure rents were at least 25% below market (which became increasingly challenging as rent controls on private rented housing were tightened, but construction costs rose), and that households with qualifying incomes could afford the rents. As one Irish policymaker involved in the design of the programme said, "… it is very challenging. It's like playing international darts, I would suggest, because you're trying to hit a very narrow band."

5.2 Factors Internal to the Policy Transfer Process,

As Minkman et al (2018) predict, factors internal to the policy transfer process were generally most influential on its final phase and therefore on the version of the cost rental model adopted in Ireland (Kerlin (2009) and Gullberg and Guri (2015) report similar findings).

An exception is Austria's role as the policy 'sending' country. This element of the 'process design' was pivotal in encouraging the Irish government to adopt and implement the cost rental model during phase two. Intense engagement between the 'sending' and 'receiving' countries followed the 2019 Vienna Model exhibition but ended with the Affordable Housing Act 2021, when the programme's broad design was finalised. This cessation no doubt contributed to divergence from the Austrian model, but it also reflected Irish policymakers'

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intentions to implement a stand-alone intermediate rental scheme rather than a systemic social housing reform, and they thus saw no need for continued contact with Vienna.

Following the enactment of the 2021 legislation, the design of the cost rental scheme was built primarily around the needs of the housing providers and rested upon the existing social housing delivery infrastructure. This reflected the intense political pressure to establish the cost-rental programme and deliver houses quickly. Within the framework of internal influences on policy transfer, the 'adoptability' of the cost rental model (i.e. its suitability, capacity for adoption, resources, and flexibility) was particularly influential in the final stage of the transfer (Minkman, et al, 2018).

A civil servant involved in designing the cost rental scheme, described how this entire process was completed over just over two years:

> Cost Rental had been talked about for 16, 20 years. We got into an environment where, within a year, we had the sanction to go. We had the attorney general at our fingertips [to draft the legislation]. We had a funding package made available to us…. So, as well as being the most challenging environment I've ever worked in, it was also the most dynamic, and stuff is getting done here.

The pressure to establish the cost rental scheme so quickly may explain why the existing social housing delivery infrastructure was adapted for this purpose, and no new implementation arrangements were established. For instance, the design of the main public capital subsidy for cost rental housing (the Cost Rental Equity Loan) is almost identical to the principal public capital subsidy for AHB social housing (the Capital Advance Leasing Facility). Both are 'bullet loans', which are not serviced on an ongoing basis but repaid in full at the end of their term and generally topped up by low-cost, amortising state loans. Notably, following the repayment of these social housing loans, AHBs are under no legal obligation to continue to let the dwellings for social housing rents (Housing Commission, 2024). This may explain why similar provisions were applied to cost-rental housing.

Repurposing other delivery channels was less straightforward. Although the Land Development Agency has become a significant provider of cost-rental housing, it was still in its set-up phase in 2021, having been established in 2018.

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Irish local authorities are the primary providers of social housing and affordable homes for purchase, but they were overstretched by these responsibilities and have restricted borrowing powers. The AHB sector was therefore the natural provider for cost rental housing. While this sector's adopting capacity has grown with rising social housing output, it remains highly fragmented (Housing Commission, 2024). With only three large AHBs (out of 450 mostly small organisations in this sector) capable of delivering social and cost-rental housing at scale, as oligopoly providers they had considerable influence as the phase three programme design.

Although nominally nonprofit organisations, Irish AHBs rely heavily on state support with over 95% of social housing capital coming from government grants or loans, with additional revenue subsidies enabling them to service debt since tenants' income-based rents are insufficient for this purpose (Housing Commission, 2024). Cost rental was generally seen as a higher risk by AHBs because sufficient rental income is vital to service debt. One interviewee said, "It was a big transition for them to make from social to cost rental. I do remember being involved in an AHB, and they're being somewhat reluctant at the board [of directors] level". The adoptability of cost rental in the Irish context therefore necessitated the design of a financing model that was both viable and tolerable for AHBs within their risk appetite. This explains why they were not required to contribute equity to the cost rental housing delivery costs, like their Austrian counterparts. In combination with the benchmarking of cost rents at 25% below market and construction cost inflation, this decision necessitated increased state subsidies to make the sector financially viable.

As mentioned above, the non-financial subsidies used to support the Austrian cost-rental model have to date proved to be less easily adoptable in the Irish context. While the affordable housing specific land use zoning policies used in Vienna have been promoted by some opposition parties, they have not to date been adopted by the government, and the LDA has not yet provided any other cost rental housing providers with low-cost public land.

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3. Conclusions

Drawing on the extensive literature on policy transfer, this paper has examined attempts to transfer the cost rental housing model from Austria to Ireland. In addition to examining the motivation for this transfer, the key actors and actions involved, and the different phases over which it occurred, the paper has assessed the 'fidelity' of version of this model established in Ireland to its Australian antecedent, its effectiveness as a response to housing unaffordability in Ireland and the factors that shaped these outcomes.

Although the policy entrepreneurs who promoted the transfer of the Austrian cost rental model to Ireland had envisaged that there would be a high degree of fidelity between both models, we argue that, as the process of policy transfer progressed through its three phases, the divergence between the Irish and Austrian models increased steadily. Thus, what had been envisaged as a process of 'policy imitation' developed into largely a process of 'policy adaptation' and, in some respects, a 'policy inspiration' (Minkman, et al, 2018). This meant in turn that what had proposed originally an enormously ambitious 'systemic transfer' – i.e. a transfer of the full Austrian cost rental system to drive systemic transformation of the Irish rental system into a unitary system – turned into a 'scheme transfer' – i.e. the transfer of selected elements of the Austrian cost rental system, to establish a new intermediate rental housing scheme in Ireland.

Despite the partial nature of the policy transfer, the cost rental housing scheme has in the short-term provided a successful response to housing unaffordability in Ireland. Just two years after its establishment, the scheme provided 7% of new housing in Ireland, targeting areas where housing affordability is lowest, generating very high demand among eligible households, and earning strong tenant satisfaction (Byrne *et al.*, 2024).

Furthermore, many of the adaptations made during the policy transfer process were necessary to successfully and speedily establish cost rental housing provision in Ireland. The policy transfer research suggests that adaptation is often necessary for a transfer to be successful, and policies with high flexibility in implementation will be adopted more easily by receiving countries (Kerlin, 2009).

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Indeed, policy imitation is often used as a "quick fix" solution by policymakers and is strongly associated with failed transfers (Toens and Landwehr, 2009).

The literature also suggests that inter-country transfers of multi-dimensional 'systems' such as cost rental housing are far more challenging than moving one-dimensional 'schemes' (the failed transfers examined by Chiu (2021 and Wei et al. (2017) were both systems). This is because firstly, unlike schemes such as housing allowances which encompass a single task or a small number of related tasks (primarily payments to landlords or tenants in this case), providing cost rental housing encompasses many, complex, diverse but interdependent tasks, (including land acquisition, land use planning, financing, dwelling construction/procurement, regulation, tenant selection, rent collection, housing management and maintenance). Secondly, cost-rental housing provision depends on a complex infrastructure of wider policy, regulatory, and institutional supports. Land banking, private financing mechanisms and the institutional strength of the LPHA sector play a vital role in supporting the Austrian cost rental housing system, for instance (Mundt, 2018). Since the Irish housing system currently lacks a similar supporting infrastructure, the cost rental housing model required adaptation to operate successfully in this new context.

However, not only did these adaptations limit the potential of the cost rental policy transfer to achieve the systemic transformation originally envisaged, several of the key informants interviewed also argued that they also reduced the long-term sustainability of the cost rental model in Ireland. This is because these adaptations replicated the structural weaknesses that have undermined the Irish social housing system, in terms of over-reliance on state capital funding (i.e., vulnerable to fiscal crises) and also the 'temporary' nature of provision (i.e., 40 -50 years in the case of cost rental housing or until social housing is purchased by tenants) (Housing Commission, 2024).

To address these challenges, arrangements for providing cost-rental housing will require ongoing adaptation in the future, to incorporate financing from commercial lenders, housing providers' own equity, and more low-cost land for providers, as is the case in Austria. While these issues have not been discussed in any housing ministry policy statements to date, they are the subject of active

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debate among politicians, policy commentators, and social housing providers in Ireland. Most notably the Housing Commission (2024) recommended that the social and cost rental sectors be integrated into a single tenure, which should draw on more diversified sources of finance and access cheap land by expanding the LDA's land banking activities and charge cost rents to all tenants. It also recommended the removal of the requirement that cost rents be 25% below market rents and the introduction of a requirement that these dwellings be let at cost rents in perpetuity.

While, for practical reasons, this analysis has examined the transfer of cost rental policy up to a specific and rather arbitrary point in time (March 2025), policy transfer is not necessarily a short-term, time-limited process but often an ongoing and long-term project (Pawson & Hulse (2011) make this point). In the case of the 'systemic policy transfer', such as cost rental policy, the complexity and implementational context challenges highlighted above may mean that a multi-staged, long-term process is the only viable strategy for successful transfer. Systemic transfers may be easier to implement over the long term, as the cost rental sector achieves a level of 'maturation' (to use Kemeny's (1995) concept), meaning that the value of outstanding debt declines compared to rent, which would enable landlords to accumulate reserves to contribute to the costs of new housing. In addition, the expansion of the Land Development Agency's land banking activities, when the setup of this currently embryonic organisation is complete, should provide more low-cost land for cost rental housing and therefore reduce costs and rents.

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