

Meriton and Sydney Water –Memorandum of Understanding for Recycled Water Servicing (non-binding)

1. Introduction

- 1.1. Parties Meriton Property Services Limited ACN 152 212 809 (**Meriton**)
 Sydney Water Corporation ABN 49 776 225 038 (**SWC**)
- 1.2. The purpose of this Memorandum of Understanding (**MOU**) is to inform the development of recycled water (**RW**) servicing options for Meriton's site at Little Bay.
- 1.3. Both parties will use best endeavours and negotiate in good faith toward mutually beneficial outcomes and to give effect to the purpose of the MOU in a timely manner.
- 1.4. Both parties agree and understand that it will be necessary to enter a separate binding agreement to formalise the matters resolved by the process and principles set out in this MOU.
- 1.5. Background:
 - a. Meriton owns a development site located at 1408 Anzac Parade, Little Bay, NSW.
 - b. Meriton is seeking to develop the site.
 - c. The site currently has approval for development with the following characteristics:
Medium density residential development allowing up to 391 residential dwellings ranging in height from 2-5 storeys with an average Floor Space Ratio of 0.5:1.
 - d. Meriton is seeking a rezoning of the site to accommodate a development with the following characteristics: Mixed-use development allowing up to 1,909 dwellings in buildings up to 22 storeys with a maximum Floor Space Ratio of 2:1. Allowance for supplementary uses for a local centre including retail, supermarkets., medical centres, childcare, gyms and tourism development.
 - e. As part of development on the site, Meriton is seeking RW servicing from SWC.

2. Intention

- 2.1. Recycled water
 - a. The parties will work together to develop RW servicing options to meet Meriton's requirements.
 - b. Meriton and Sydney Water will investigate and determine mutual benefits in partnering to co-develop the servicing options.
- 2.2. Infrastructure requirements
 - a. Both parties acknowledge infrastructure requirements have not been developed to date.
 - b. The parties will work collaboratively to develop mutually agreeable conceptual infrastructure requirements.
 - c. Meriton will provide SWC access to the site to enable development of the infrastructure requirements.
 - d. RW infrastructure may be charged with potable water (**PW**) initially in order to meet development timeframes.

2.3. Commercial Principles

- a. The parties each have commercial principals that need to be met for the project to be viable.
- b. The parties will work together to consider commercial options that consider:
 - i. Financing options including variable financing, and/or staged financing.
 - ii. Allocation of capital contribution and revenue recovery. Consideration will be given to make up of financial contributions including capital, operation, provision of land.
- c. In commercial considerations, the parties will be guided by the following commercial principles:
 - i. SWC cannot forward fund development in accordance with its regulatory limitations.
 - ii. SWC cannot take on development risk, in accordance with its position as a State-Owned Corporation.
 - iii. Consideration will be made for SWC's efforts and expenditures under this MOU as part of any commercial agreement. Should significant planning work be required to inform the development of servicing options, commercial arrangements for funding planning and concept development works may be required during or after the investigation of servicing options under this MOU.
 - iv. Both parties must achieve an acceptable return on investment.
 - v. Both parties aim for equitable value and risk sharing between parties.
 - vi. Further commercial principles will be developed in detail between the parties as discussions progress.

2.4. Other Customers

- a. SWC may seek to explore how other customers may interact with the servicing options.
- b. The parties agree to work together to engage with other customers seeking RW services.

2.5. Environment, Sustainability and Governance Requirement

- a. SWC must abide by its material regulatory requirements, including IPART requirements, the Sydney Water Act of 1984, the State-Owned Corporations Act of 1989, and our Operating Licence, among other requirements.
- b. SWC aspires to provide water services for our city that sustain and enhance the lifestyle of our customers, now and in the future, and we intend to use our resources wisely, work with customers to save water and increase our recovery of energy.

3. Scope

- 3.1. The scope of the works includes mutually developing servicing options for RW infrastructure to service the site with the intent of informing commercial agreement(s) between Meriton and SWC to design, deliver, commission and operate RW infrastructure.
- 3.2. While other options may be developed, two broad servicing options generally are under consideration:
 - a. Servicing the site locally through a decentralised sewer mining scheme; or
 - b. Servicing the site via linear infrastructure with treatment assets located at SWC's site.

3.3. A combination of the two options may be contemplated from a staged delivery perspective pending reconciliation of desirability, feasibility and viability characteristics as part of options development.

3.4. The parties will work through the best approach for designing, procuring, building, owning and operating the network infrastructure as part of future commercial agreement(s) to be informed by options development.

4. Term and Timing

4.1. The term of the MOU is generally considered until such time as either:

- a. The parties agree to proceed to execution of a commercial agreement for progressing servicing the development with RW; or
- b. The parties cannot come to agreeable terms for a commercial arrangement.

4.2. The proposed timing for the development to be ready for service connection is not before February 2022.

4.3. The parties agree to work together to have RW services ready to service the site in line with development timing.

5. Confidentiality

5.1. A Mutual Confidentiality Agreement (MCA) was executed between the parties with an effective date of 06 January 2020.

5.2. The parties agree that this MOU is governed by the terms of the MCA.

6. Stakeholders

6.1. The parties agree there are public and private stakeholders with whom it may be beneficial to engage regarding the RW servicing options.

6.2. The parties agree to work together in engaging with stakeholders to mutual benefit.

6.3. Both parties acknowledge that stakeholder engagement is limited to the terms of the MCA.

SIGNED by

as authorised representative for **Sydney Water Corporation** in

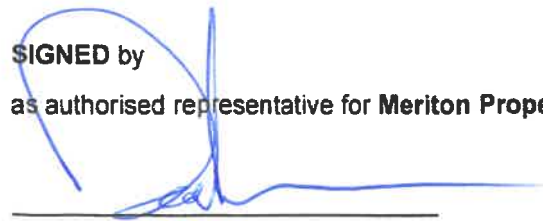


Signature of authorised representative

*CHRIS GOULD 6/2/2020
HEAD OF CITY GROWTH AND DEVELOPMENT.*

SIGNED by

as authorised representative for **Meriton Property Services** in



Signature of authorised representative

**DAVID CREMONA
COMPANY DIRECTOR**