



Headquarters of joint Office Depot-OfficeMax shaping up for tax incentive battle

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By [Emily Roach](#) - Palm Beach Post Staff Writer

BOCA RATON —

The location of an Office Depot-OfficeMax merged headquarters will likely be decided by money, and Illinois lawmakers floated the first talk of incentives this week.

While Office Depot is in the middle of a 10-year, \$15 million deal it signed with state and local governments in 2006 to keep its headquarters in Palm Beach County, OfficeMax is not getting tax breaks. Stock prices for both companies dropped 3 percent on a day the market lost about 2 percent.

As the two office supply chains negotiate to combine operations to compete with industry leader Staples as well as online retailers, they are leaving big questions about who will run the company and where it will be located until later. The deal is expected to close by the end of the year.

It's typical for corporations to pit states against each other, said John H. Boyd, who helps corporations select locations for headquarters. The Boyd Company has worked with Office Depot and other South Florida firms.

"The corporations want it all. They're not bashful," he said. "To be competitive, to be a player, you need to have an incentive arsenal."

Palm Beach County's lead dealmaker Kelly Smallridge, who is president of the Business Development Board, said a conversation about economic incentives is premature because Office Depot is very focused on the sensitive nature of merger negotiations. But the county and state will be willing to talk once the merger is approved.

Shareholders of both companies are scheduled to vote July 10 on the merger. It also must clear the Federal Trade Commission.

“We don’t want to jump the gun. We want to do this right,” Smallridge said. “We are very serious about keeping the headquarters here in Palm Beach County.”

In Illinois on Wednesday, OfficeMax CEO Ravi Saligram and state Sen. Tom Cullerton outlined a proposed set of tax incentives to lawmakers that would encourage the joint headquarters to stay in Illinois. The new company would have to maintain 2,000 non-retail jobs and invest \$150 million in capital projects.

“The companies have agreed to discuss incentives with state and local officials at the right time in the integration process,” Office Depot said Thursday in a statement. “The Illinois state legislature appears to be trying to gain an advantage by being the first to the table ... However, Office Depot and OfficeMax will pursue these opportunities jointly, in Florida and Illinois, at the right time.”

Cullerton said Wednesday in a news release that the merger would bring hundreds of jobs to the greater Chicago area headquarters in addition to the employees who are already there.

“We are being proactive in the fight to keep businesses like Office Max in Illinois, and we are showing how competitive Illinois can be,” he said.

Office Depot’s current deal hinged on it building its 625,000-square-foot headquarters in Boca Raton, retaining 1,750 jobs at an average salary of \$76,729 and hiring 200 more workers by Aug. 31, 2014. It has fulfilled its part of the deal so far and in return received more than \$2 million from the county and more from the state.

In fact, the merger may help the company meet its job creation goals, if the headquarters remains in Boca Raton.

“Nobody has approached us to talk about incentivizing Office Depot to stay here,” said Shannon LaRocque, Palm Beach County assistant county administrator.

However, there’s no reason the joint company wouldn’t be able to keep the current deal, she said.

Incentives should not be the only consideration, Boyd said.

Palm Beach County offers a low cost of doing business and low cost of living as well as sunshine, Smallridge said. No state income tax and low labor costs compare favorably with Illinois, where the income tax was raised 67 percent two years ago and lawmakers are conducting a special session to deal with soaring pension costs.

However, Naperville, where OfficeMax is based, is a “high-end community with a low cost of doing business,” said Christine Jeffries, president of the Naperville Development Partnership.

Boyd said Illinois is a central location and offers access to Chicago’s O’Hare International Airport, but Florida is less expensive with real estate bargains now and a governor who is willing to deal.

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