Florida may have edge in Office Depot HQ sweepstakes

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BOCA RATON – Illinois’ pension problems might give Florida an unexpected edge in the fight for Office Depot’s headquarters.

Fresh off its merger with OfficeMax of Naperville, Ill., the Boca-based retailer has yet to announce the location of its main office. Both states covet the Fortune 500 company’s headquarters, but Illinois lawmakers last week failed to pass a $53 million tax incentive to lure the combined company’s headquarters there.

“I think now time is of the essence,” Ravi Saligram, co-chief executive of Office Depot, told an Illinois Senate committee last week.

Despite Saligram’s assertion that Office Depot could decide on a location “faster than a Tokyo bullet train” once the company names a new CEO, the subsidy didn’t make a full Senate vote during a session that ended last week. Even if lawmakers were to approve a package, Illinois Gov. Pat Quinn has said he won’t sign tax incentives until Illinois officials address a $100 billion hole in the state pension.

A spokesman for Office Depot (NYSE: ODP) declined to comment.

Illinois’ delay might work in Florida’s favor, said site selection specialist John Boyd of The Boyd Co. in Princeton, N.J.

The Chicago area is home to 29 Fortune 500 headquarters, compared to only four for South Florida, and Chicago executives are loyal to their area. But if Office Depot aims to act as quickly as Saligram indicated, the company might not wait for a signed offer from Illinois.
Florida officials have touted lower income taxes here. The corporate tax rate is 5.5 percent in Florida and 7 percent in Illinois. Florida has no personal income tax rate. Illinois’ rate is 5 percent.

Boyd said corporate income taxes are little more than an afterthought in the decision. As Office Depot struggles for profitability in a low-margin, fiercely competitive niche, costs are crucial – and Boca is a cheaper place to run a company than Naperville. According to an analysis by The Boyd Co., running a hypothetical 500-person headquarters would cost $25.8 million a year in Naperville and only $21.8 million in Boca.

“This company is competing with Amazon and Walmart, so they’re very concerned about costs,” Boyd said.

Office Depot and OfficeMax merged to pool resources against more profitable rival Staples.

Office Depot has 1,750 employees at its 600,000-square-foot headquarters at 6600 N. Military Trail. The company’s most recent incentive package promised $15 million from the state and Palm Beach County.

OfficeMax has 2,050 workers at its offices in Naperville. The retailer landed a $20 million package when it promised to employ 1,500 people in Naperville.
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