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## Possible Office Depot-Staples deal sets up another headquarters duel

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Posted: 5:06 p.m. Tuesday, Feb. 3, 2015

By [Jeff Ostrowski](#) - Palm Beach Post Staff Writer

**BOCA RATON** – Palm Beach County scored a win in 2013 when Office Depot kept its headquarters here after taking over smaller rival OfficeMax.

But what if Office Depot (NYSE: ODP) is snapped up by Staples (Nasdaq: SPLS), the No. 1 office supplies retailer?

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Office Depot Announces Possible Merger,

The Wall Street Journal reported Tuesday that the rivals are in “advanced talks to combine.” If the merger happens, Boca Raton again will vie with a suburb of a major city to keep a trophy

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headquarters.

OfficeMax was based in Naperville, Ill., a suburb of Chicago. Staples is based in Framingham, Mass., 20 miles west of Boston.

If the decision comes down to costs, Boca has a clear edge. John Boyd, a location consultant at The Boyd Co. in Princeton, N.J., said a move to Boca could save millions.

By his calculations, running a 625,000-square-foot office with 750 employees would cost \$68.5 million a year in Framingham and only \$55 million in Boca.

“I would like Boca’s chances,” Boyd said. “Boston is one of the most expensive real estate and labor markets in the country, and profit margins in the office supplies industry are paper-thin.”

Boca is clearly cheaper in three key categories:

- **Pay.** The average weekly wage in Palm Beach County is \$910, according to the Bureau of Labor Statistics, well below the \$1,386 average in Staples’ home, Middlesex County.
- **Taxes.** Massachusetts’ personal tax rate stands at 5.15 percent, and there’s a 12 percent state tax on some capital gains. The corporate income tax rate is 8 percent. Florida has no personal income tax and a 5.5 percent corporate income tax.
- **Housing costs.** A four-bedroom, two-bathroom house in Boca cost an average of \$395,760 last year, according to Coldwell Banker. A similar home in Framingham cost \$494,547.

But if company roots and a sophisticated business climate sway the decision, Staples might stay home. Massachusetts is home to Harvard, MIT and 12 Fortune 500 companies. South Florida counts seven Fortune 500 headquarters.

“We certainly compete well against Boston because of the tax environment,” said Kelly Smallridge, president of the Business Development Board of Palm Beach County.

But, she said, it’s “very premature” to pitch South Florida to

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Staples, given the early state of merger talks and the merger's need for regulatory approval.

"There's really no need for us to start talking about Boca-versus-Boston yet," Smallridge said.

Office Depot long has been one of Palm Beach County's big-name employers. It's one of only three Fortune 500 companies based here, along with NextEra Energy of Juno Beach and Jarden Corp. of Boca.

Office Depot leases its 625,000-square-foot headquarters in Boca that was built in 2007. Staples owns its 650,000-square-foot headquarters in Framingham.

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### Big savings

Running a 625,000-square-foot, 750-employee headquarters is far cheaper in Boca Raton, home of Office Depot, than in Framingham, Mass., where Staples is based. Location consultant John Boyd offers the following breakdown:

#### **Labor costs**

**Boca Raton: \$46.8 million**

**Framingham: \$55.7 million**

#### **Property taxes and sales taxes**

**Boca Raton: \$2.4 million**

**Framingham: \$5.2 million**

#### **Amortization**

**Boca Raton: \$4.9 million**

**Framingham: \$6.3 million**

#### **Electricity**

**Boca Raton: \$363,192**

**Framingham: \$771,432**

## Total

**Boca Raton: \$55 million**

**Framingham: \$68.5 million**

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