Cape Coral, Florida

Economic Cluster Assessment and Strategy

Executive Summary

October 29, 2007

ICF INTERNATIONAL

Passion. Expertise. Results.

Cape Coral, Florida

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Prepared for
City of Cape Coral
Economic Development Office
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1. Project Background

ICF International conducted a Cluster Analysis and Strategic Recommendations for the City of Cape Coral during the summer and fall of 2007. ICF approached the analysis though our proven cluster development framework and examined the City's current and emerging industry clusters. This process entailed both a review of Cape Coral's current economic trends as well as an analysis of the City's competitive advantages, or "foundation" assets, that influence its future growth.

ICF strongly believes that any strategy-making process must be informed by rigorous, objective, and comparative analysis. ICF has developed an approach to industry analysis that integrates quantitative data analysis (using official government statistics as well as locally generated strategic plans), economic assessment, and qualitative research (through key informant interviews and/or focus groups). This resulting report analyzes the City's existing and emerging industry clusters, identifies related needs, and assesses the areas of strength and weakness.

Industry Analysis: ICF identified the current and emerging engines of the City's economy to forecast its future direction. We call these engines "clusters" because they include the companies that export from the region, their suppliers, and the key foundation input institutions that support them (e.g., universities, banks, government agencies, etc.). ICF used NAICS-based industry classifications to identify each cluster and segment (to the 4-digit level). After identification, ICF analyzed how each cluster has been growing and evolving in terms of employment, growth, and concentration. This report includes many growth-share matrices which ICF uses to illustrate the size, average annual growth rate, and specialization (location quotient) of each cluster. These matrices visually describe the life cycle stage of each cluster or cluster segment and therefore are a useful tool to quickly "understand" a cluster and its recent trends.

After thoroughly identifying and analyzing each of Cape Coral's clusters in isolation, ICF believes it is important to benchmark their success relative to peer locations. ICF used 4 "benchmark" locations throughout South Florida—Orland, Miami, Tampa, and Sarasota—to get a deeper understanding of Cape Coral's economic position.

Economic Foundation Capacity: The City of Cape Coral's economy is dependent on maintaining and strengthening its competitive advantages. To determine the source of such advantage, ICF conducted a review of the economy's foundation input institutions to determine how well they respond to the changing economic needs of industries as they grow and adapt. The foundation inputs that were analyzed include: Workforce, Innovation/Technology, Finance, Infrastructure, Governance, Marketing, and Quality of Life. These seven categories have been shown to be crucial to cluster formation, expansion, attraction, and retention. The foundation analysis helps explain the findings of the Industry Study by illuminating Cape Coral's strengths and weaknesses across a range of inputs (including workforce, infrastructure, and technology). This information was also benchmarked against peer locations to get a sense of Cape Coral's relative competitive position, a critical component in forecasting the future direction of the City's economy.

Additionally, ICF created and executed an e-survey targeted at companies in Cape Coral and surrounding areas. The survey was conducted during the month of August and received 100 unique responses. The responses indicate the perceptions that companies in Cape Coral have about access to key foundation components. ICF used the survey results in conjunction with the rigorous statistical analysis to identify and assess the City's key strengths and weaknesses and then make informed recommendations.

Lastly, ICF integrated the results of the industry cluster analysis, e-survey, and assessment of competitive advantages (foundational strengths and weaknesses) to generate strategic recommendations that Cape Coral should consider to foster economic growth. These recommendations involve pursuing a strategic direction for each of Cape Coral's clusters. Cross-cutting, economy-wide approaches to strengthening key input foundations are also included in overall recommendations.

2. Targeted Industry Study

Task 1: Identify and Evaluate Cape Coral's Clusters

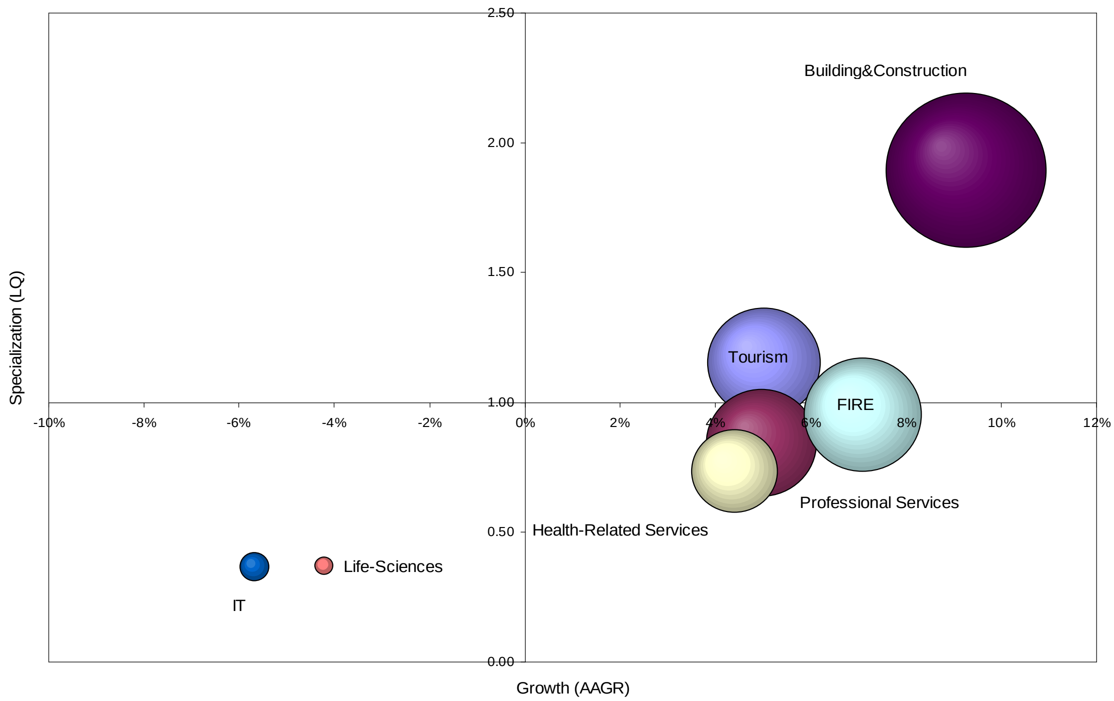
The first task undertaken by ICF was to "profile" Cape Coral's[1] economy, identifying the "clusters" or "engines of the economy" that drive its growth. Seven clusters were identified:

1. Building and Construction
2. Finance, Insurance, and Real Estate (FIRE)
3. Health-related Services
4. Information Technology
5. Life Sciences (Biotechnology and Bio-Medical Devices)
6. Professional Services
7. Tourism

Each cluster's basic characteristics—employment size, employment growth, and specialization (location quotient)—were evaluated. This evaluation can best be understood graphically, using a growth-share matrix. Figure 1, below provides a visual representation of Cape Coral's economic portfolio.

[1] For the purpose of this study 'Cape Coral' will be defined as the Cape Coral commute-shed, which encompasses the Cape Coral MSA (Charlotte, Collier, and Lee Counties). When evaluating job opportunities and industrial strength it is critical to take into account the immediate regional commute-shed of the local economy as political boundaries are often irrelevant to enterprises that attract talent and income from beyond their home county. Therefore the MSA region is the proper geography to conduct this analysis.

Figure 1: Cape Coral's Economic Portfolio

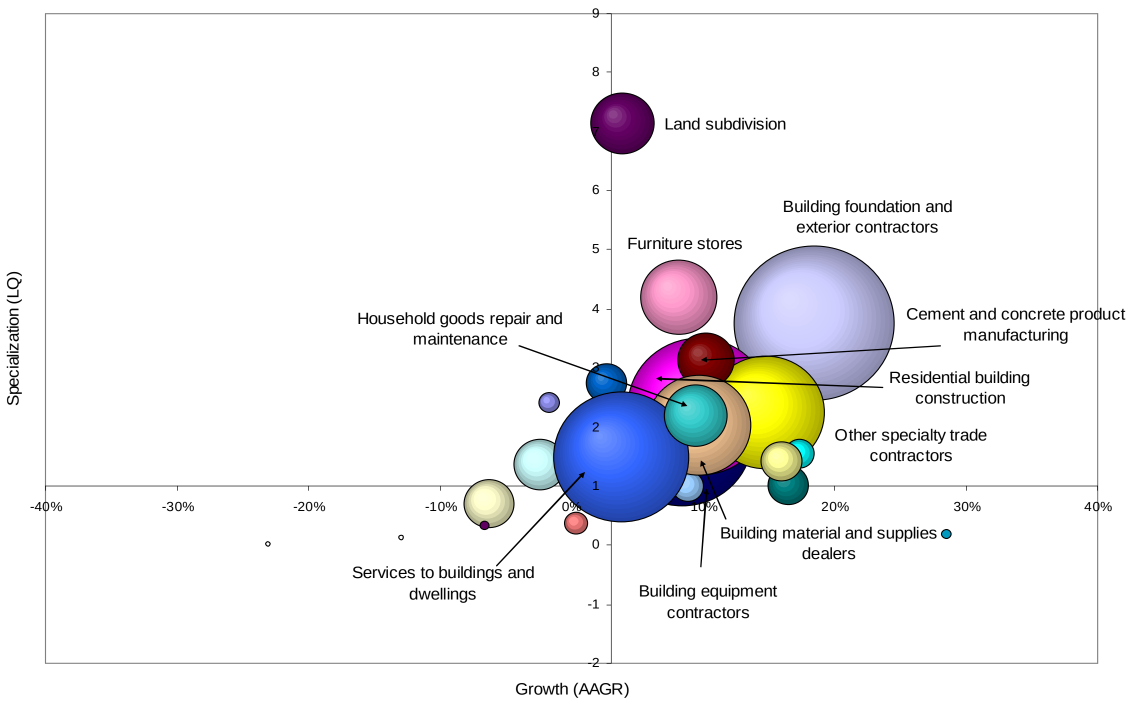


A cluster's location within the four quadrants of the growth-share matrix indicates its life-cycle stage. Clearly dominant in terms of size (size of bubble), growth (position along the x axis), and specialization (position along the y axis) is Cape Coral's Building & Construction Cluster. The Tourism Cluster is also "Expanding" (top, right quadrant), although comparatively it lags in terms of overall employment size and growth. The Finance, Insurance and Real Estate (FIRE), Professional Services and Health-Related Services Clusters are all "Emerging"—growing steadily, and with strong employment numbers, but not yet highly specialized in the region. Lastly, Cape Coral's two "Seed" Clusters, IT and Life Sciences are in the third quadrant, indicative of sluggish or declining employment and low specialization.

After defining and analyzing Cape Coral's clusters, ICF identified and analyzed the specific industries within each cluster. For a complete list of the cluster industries, identified at the 4-digit NAICS Code, see **Appendix A.** Each cluster's individual segments were analyzed based on their employment, growth, and specialization, and identified as "expanding," "emerging," "transforming," or "seed" industries.

Cape Coral's **Building & Construction Cluster** is booming, growing rapidly but driven primarily by the local residential housing demand. With over 67,000 jobs, this cluster is Cape Coral's largest. The growth-share (G-S) matrix below indicates traditional strengths in land subdivision and foundation construction but warns that innovation is needed to foster long-term success, such as the development of the higher value-added segments.

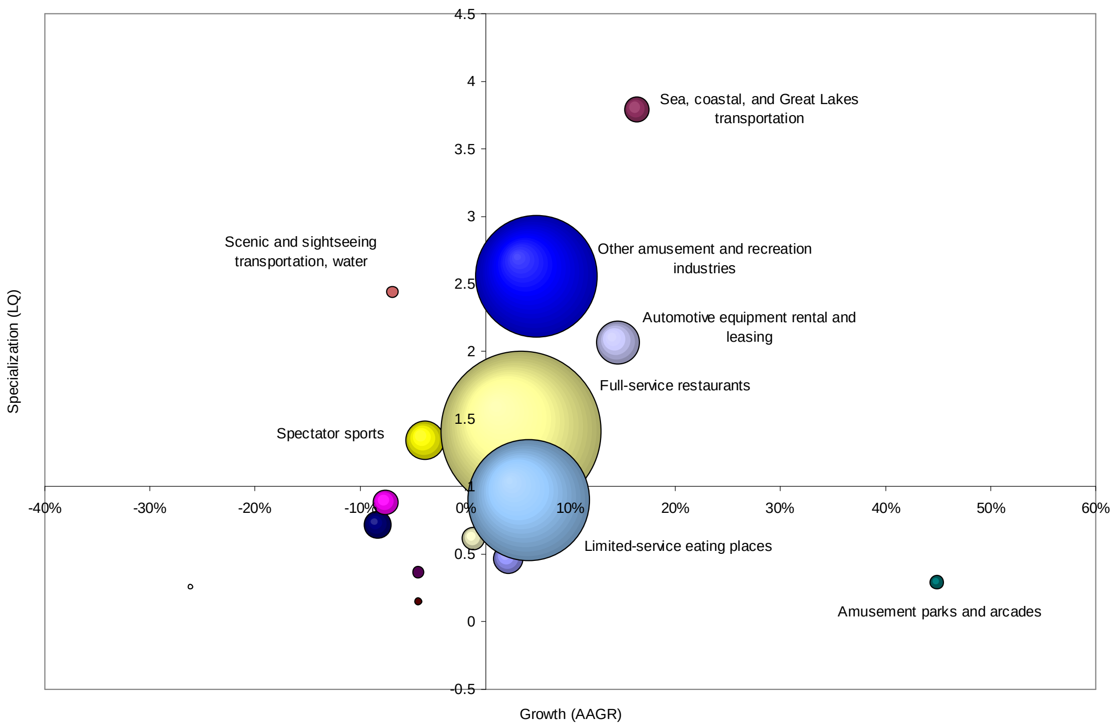
Figure 2: Building & Construction Cluster Segments



See **Appendix B** to review the data compiled and displayed visually in each growth-share matrix.

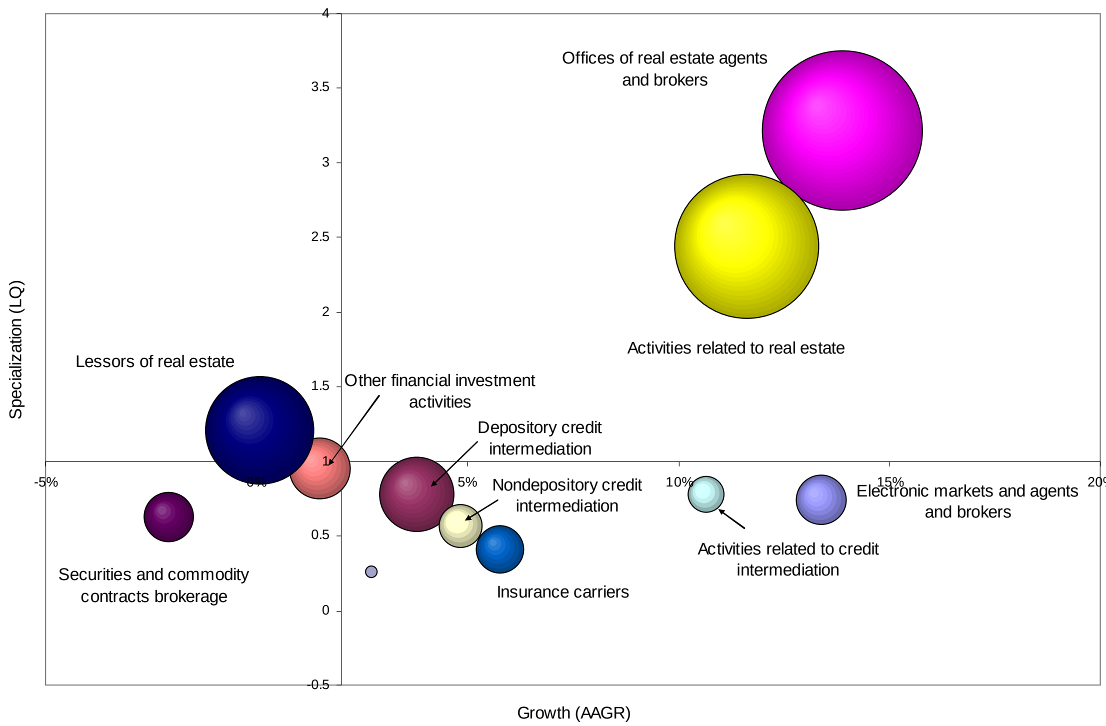
Providing more than 36,000 jobs in the region, the **Tourism Cluster** is a critical component of the Cape Coral economy. As can be seen in the G-S matrix below, there is a great diversity of industries and employment opportunities encompassed by the tourism industry—everything from restaurants and travel accommodations to the rapidly growing amusement park and water transportation industries.

Figure 3: Tourism Cluster Segments



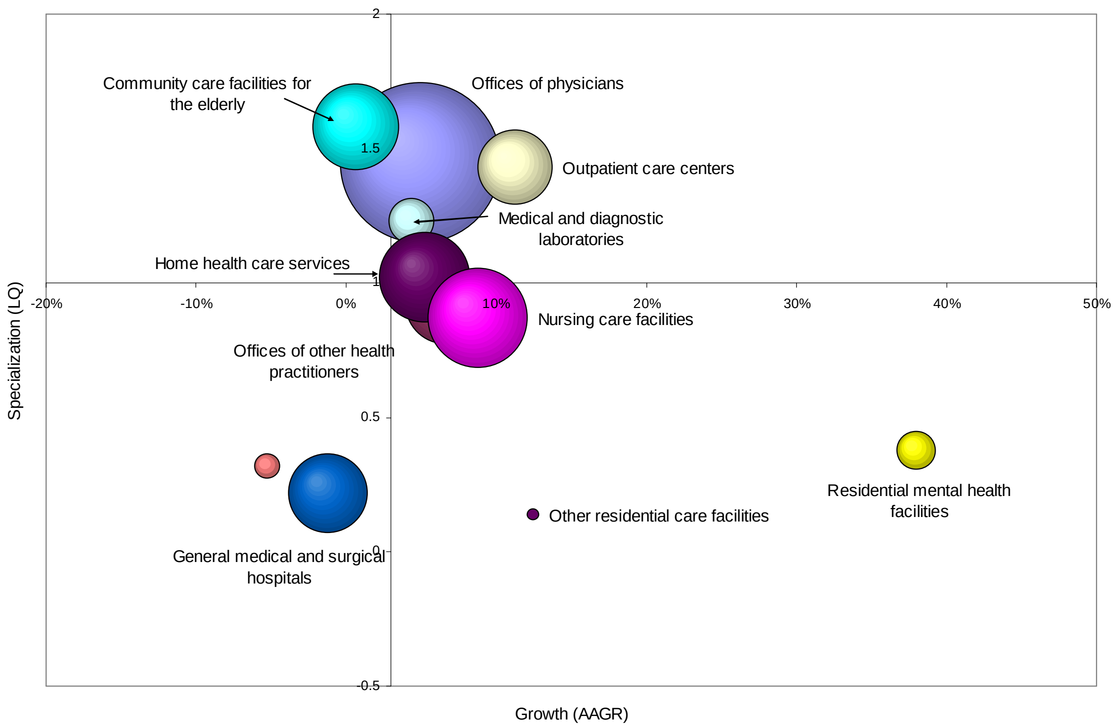
The **Finance, Insurance and Customer Service (FIRE) Cluster** is Cape Coral's second largest, with regional employment of roughly 36,000. While the cluster has average specialization, it continues to grow at a rate of 7% per year, faster than the national average. As can be seen in Figure 4, a significant portion of the jobs and growth of the FIRE cluster are related to the region's booming residential real estate market.

Figure 4: Finance, Insurance, and Real Estate Cluster Segments



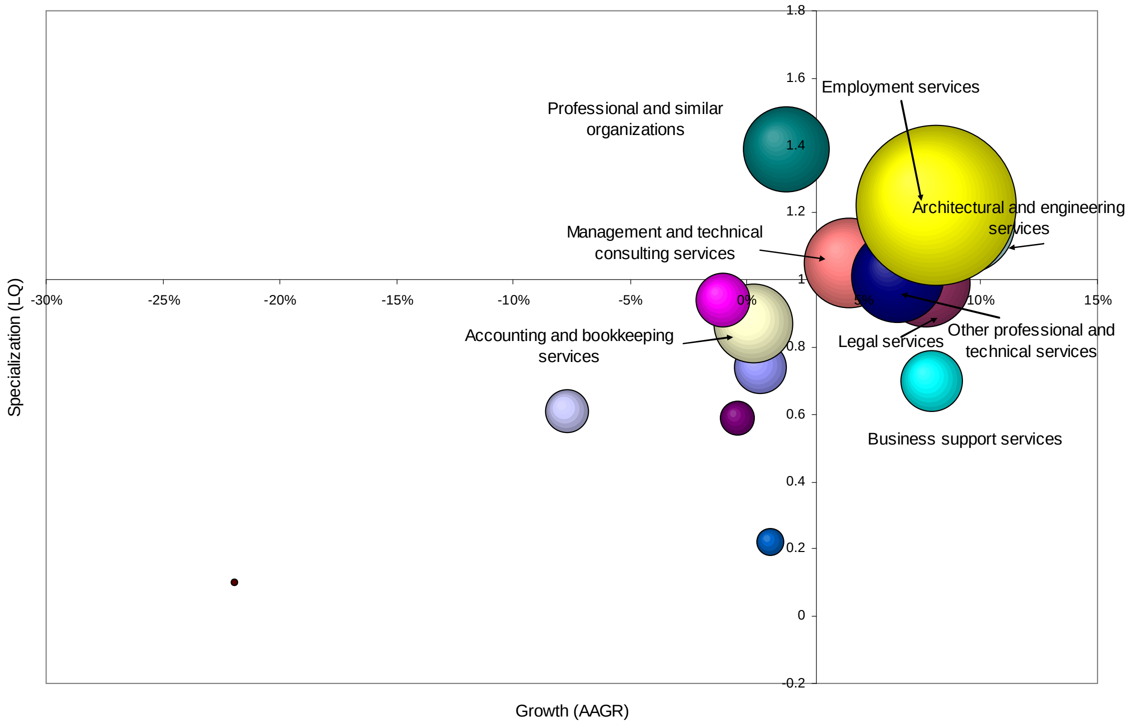
The **Health-Related Services Cluster** has a historical dominance in Florida. Regional employment in the cluster is more than 19,000; however it is not one of the region's larger clusters. While certain industries in the cluster have a high degree of specialization and have shown rapid growth in recent years, the cluster as a whole has a location quotient of .74 and a modest growth rate of 4%. The G-S matrix below shows strength in many key industries, with emerging growth in others.

Figure 5: Health-Related Services Cluster Segments



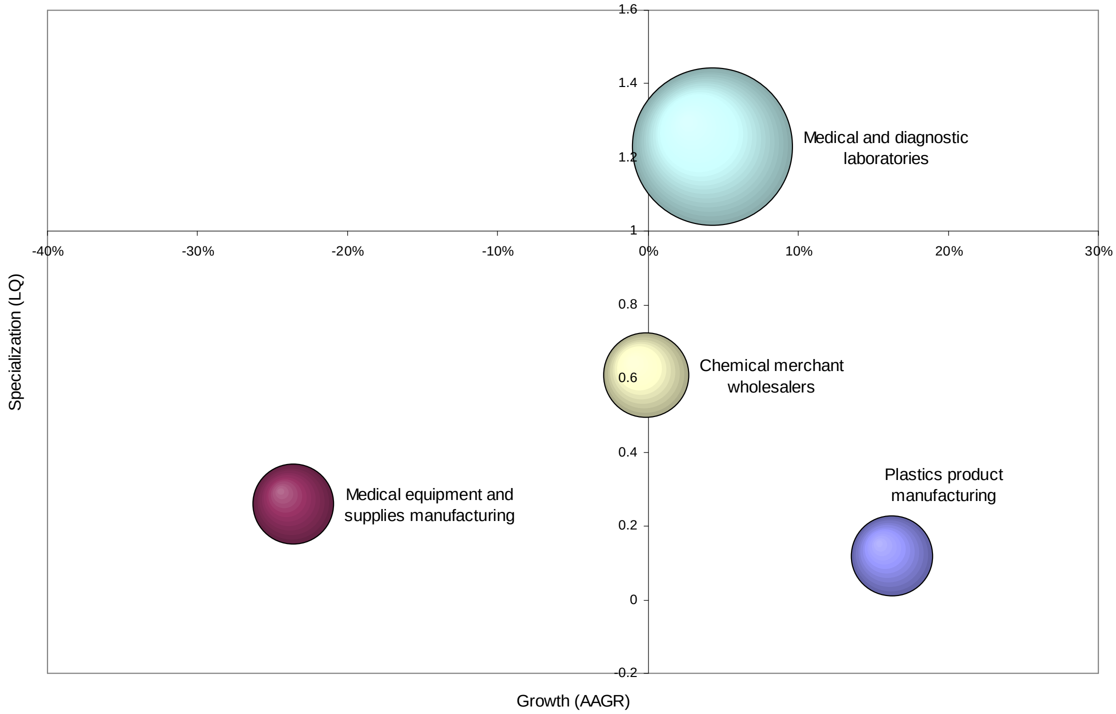
Regional employment in the **Professional Business Services Cluster** is growing slightly faster than the national average, at 5%. With roughly 32,000 employees regionally, this cluster is a critical element of the economy, however it will need support to grow and specialize. As Figure 6 indicates, this cluster is a solid, expanding engine, poised for future growth if it can leverage its regional assets.

Figure 6: Professional Business Services Cluster Segments



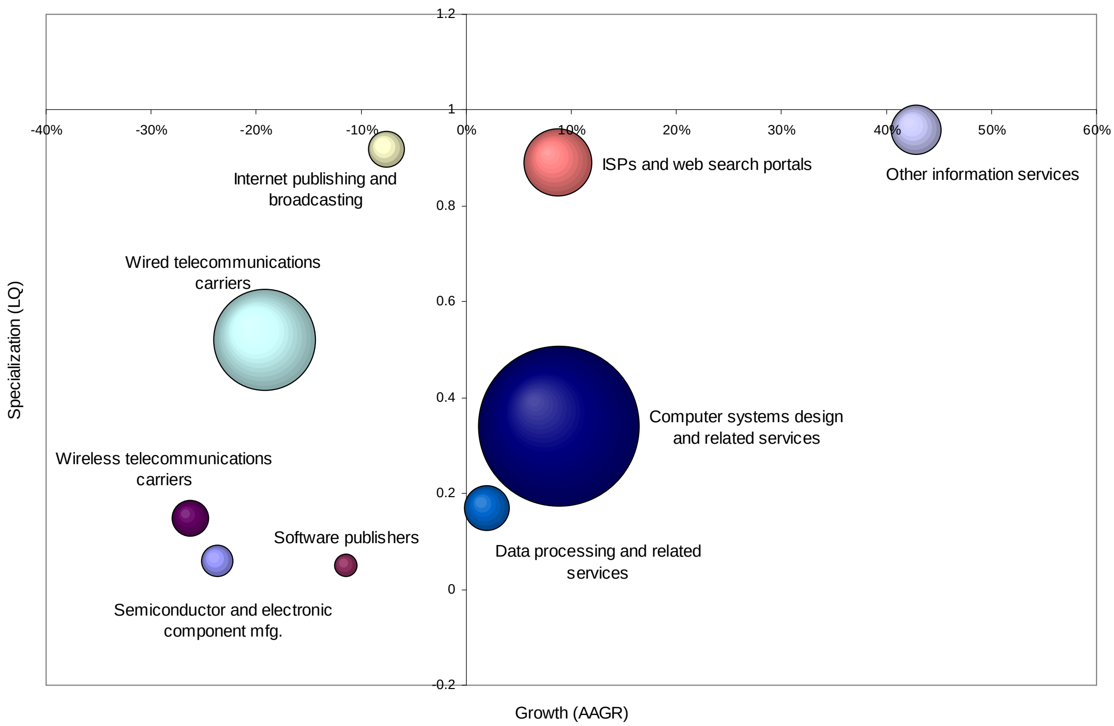
The region's seed stage **Life Science Cluster** includes companies engaged in biotechnology, medical device manufacturing, and pharmaceuticals. While employment is currently low, and growth is below the national average, the region does possess strong potential to capitalize on its already existent specialization in medical and diagnostic laboratories.

Figure 7: Life Science Cluster Segments



The region's **IT cluster** employs roughly 2,200 residents. With low employment and a negative growth rate of 6%, this seed cluster does not have an impressive presence in the region. Moreover no distinct specialization exists. Despite these shortcomings, there has been tremendous growth in IT-related services and therefore this might be a critical time to direct the future development of this cluster.

Figure 8: Information Technology Cluster Segments

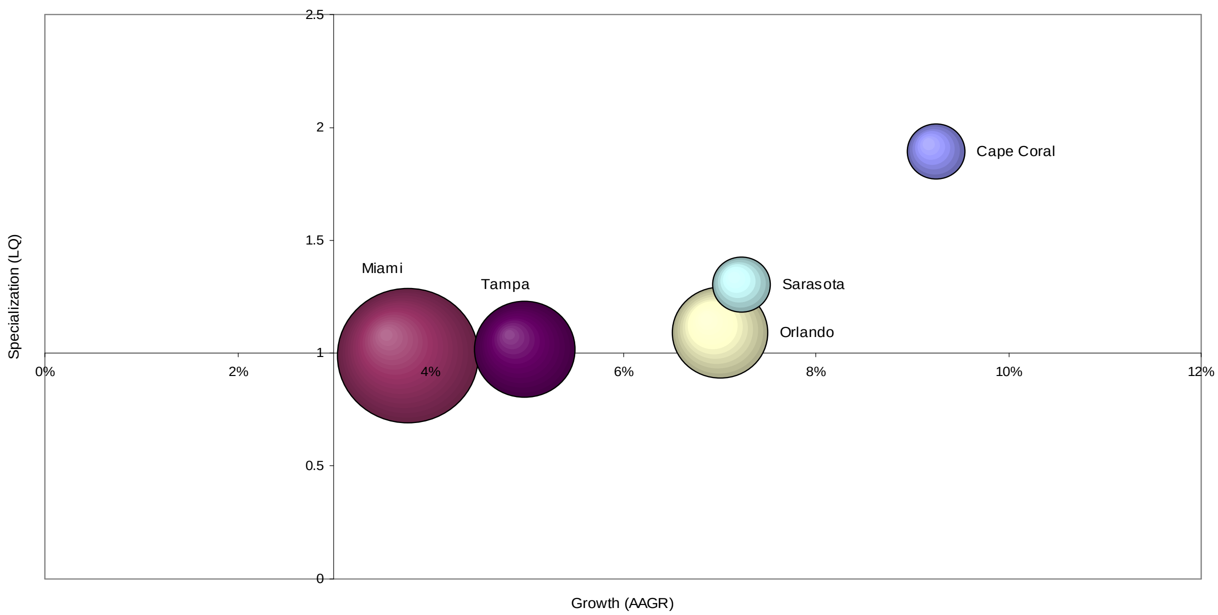


Task 2: Benchmarking Cape Coral's Clusters

After identifying and analyzing Cape Coral's clusters and their respective segments, ICF examined the position of each of Cape Coral's clusters relative to clusters in competitive peer regions across South Florida: Miami, Tampa, Sarasota and Orlando. Again growth-share matrices were used to illustrate each cluster's position, in terms of employment size, growth, and specialization.

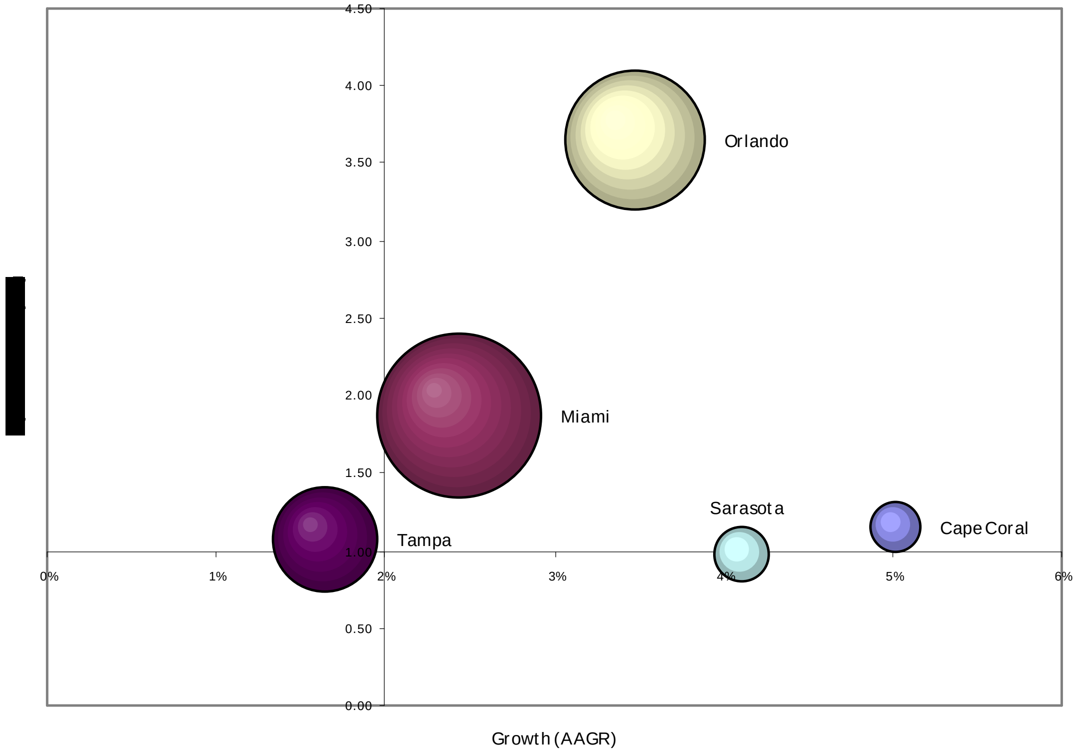
As the G-S matrix below indicates, Cape Coral is a strong leader in the **Building & Construction Cluster**. With high employment, specialization, and growth, this cluster continues to expand and outpace regional competition.

Figure 9: Building & Construction Cluster Comparison



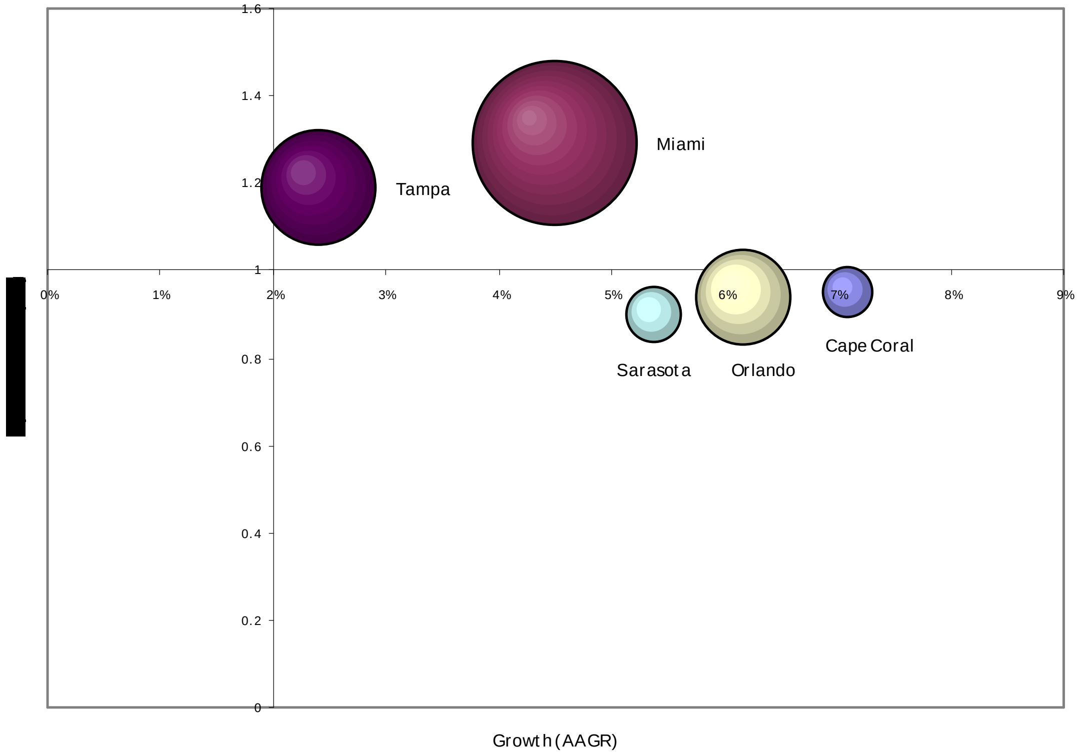
With an average annual growth rate of 5%, Cape Coral's **Tourism Cluster** is growing quicker than comparison regions. While overall employment is low, the cluster is average in terms of specialization.

Figure 10: Tourism Cluster Comparison



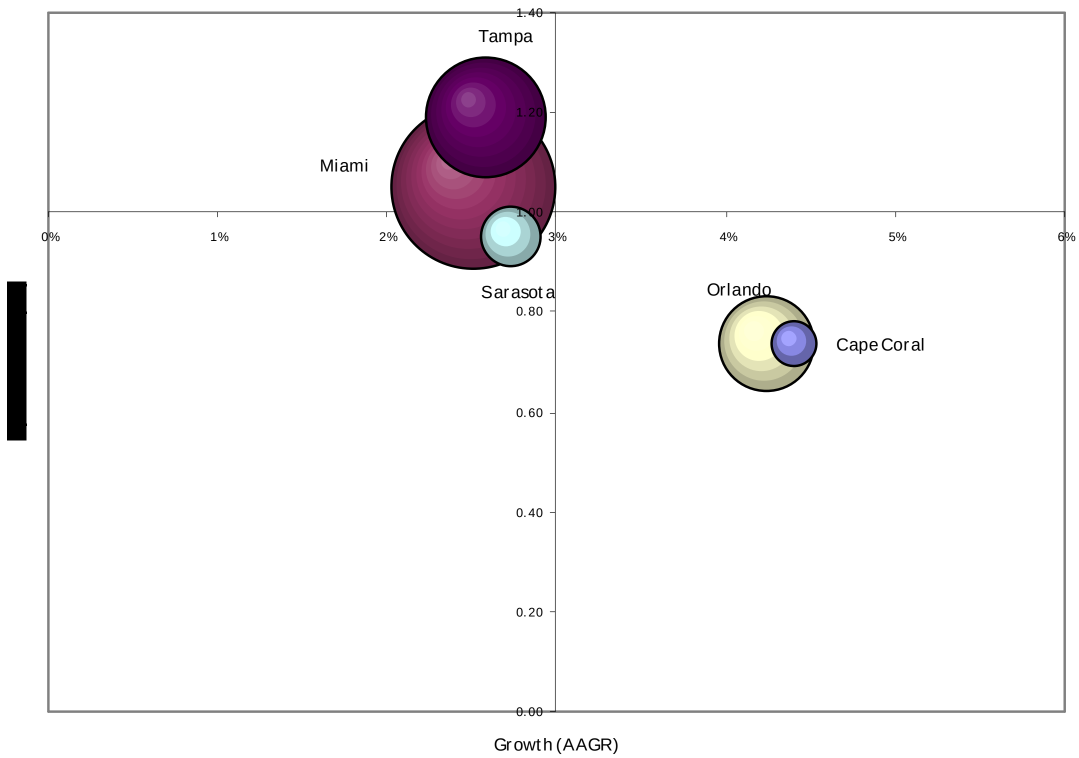
Cape Coral's **Finance, Insurance and Real Estate Cluster** is a real regional contender with tremendous growth, out-pacing all of the peer regions. Despite rapid growth leadership, FIRE shows average concentration in the region. The cluster employment is also small comparatively.

Figure 11: Finance, Insurance, and Real Estate Cluster Comparison



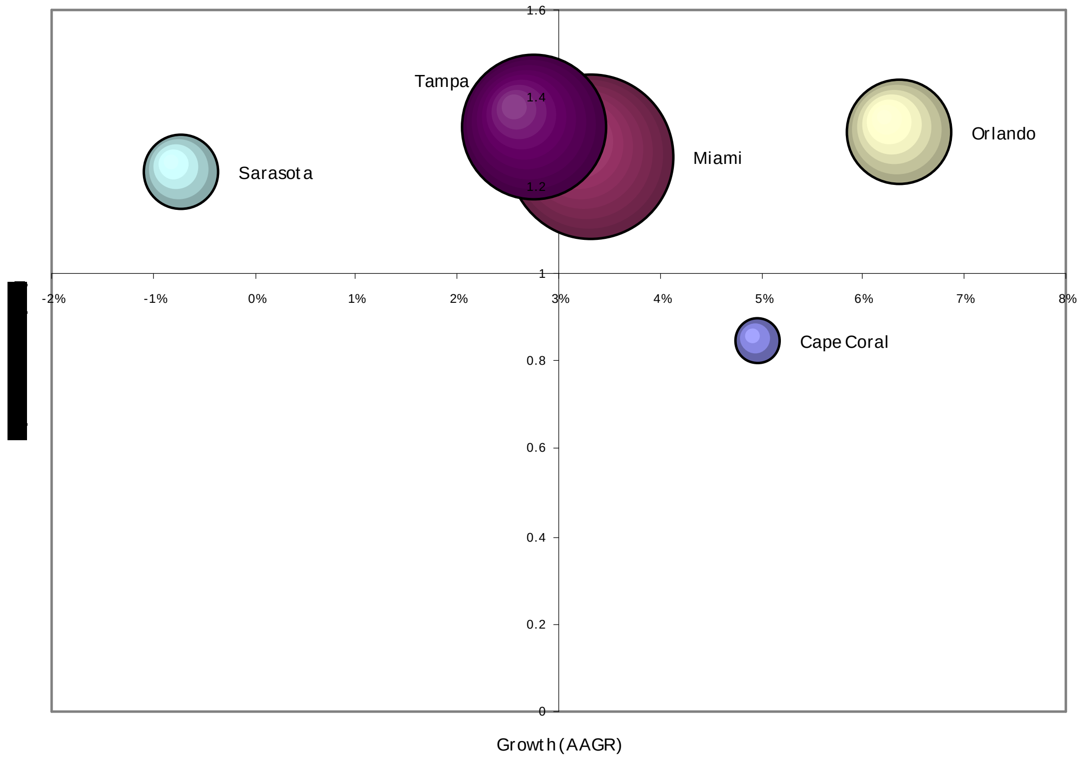
Florida is known for its booming healthcare industry. However, if Cape Coral wants to compete it has to ramp up and specialize quickly. Cape Coral's **Health-Related Services Cluster** shows high growth but lagging specialization and size compared to benchmark regions. The cluster is small but in transition. Cape Coral has an opportunity to channel recent growth to increase specialization, particularly in niche segment.

Figure 12: Health-Related Services Cluster Comparison



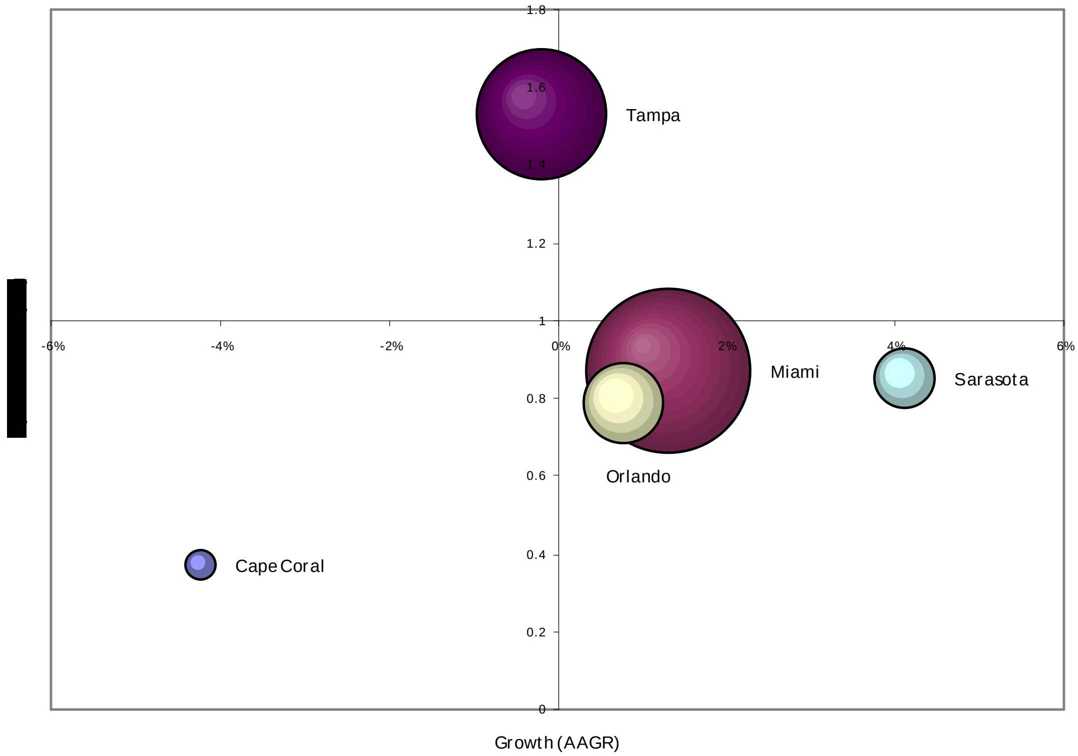
Cape Coral's **Professional Business Services Cluster** lags behind peer regions in employment and specialization. That said, its growth is well above the national average of 3% and other than Orlando, it vastly outpaces peer regions.

Figure 13: Professional Business Services Cluster Comparison



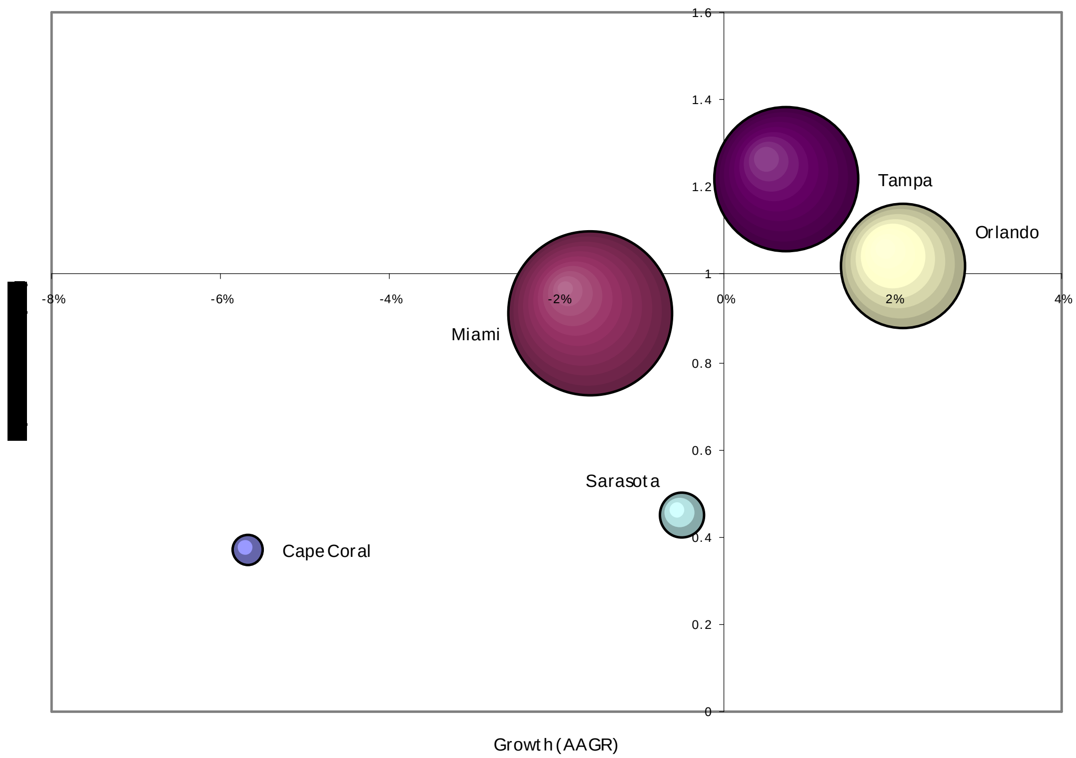
Cape Coral's **Life Sciences Cluster** is a seed cluster in early stages of development. The life sciences have had success throughout the state but have not yet grown roots in Cape Coral. Cape Coral's life-science cluster lags the nation and peer regions in all measures.

Figure 14: Life Sciences Cluster Comparison



Cape Coral's **Information Technology Cluster** is in need of a new direction. The cluster lags the nation and other peer regions in all measures. To facilitate the growth of this cluster, linkages need to be created to high growth clusters such as building & construction and real estate. Cape Coral needs to focus on its growth segments.

Figure 15: Information Technology Cluster Comparison



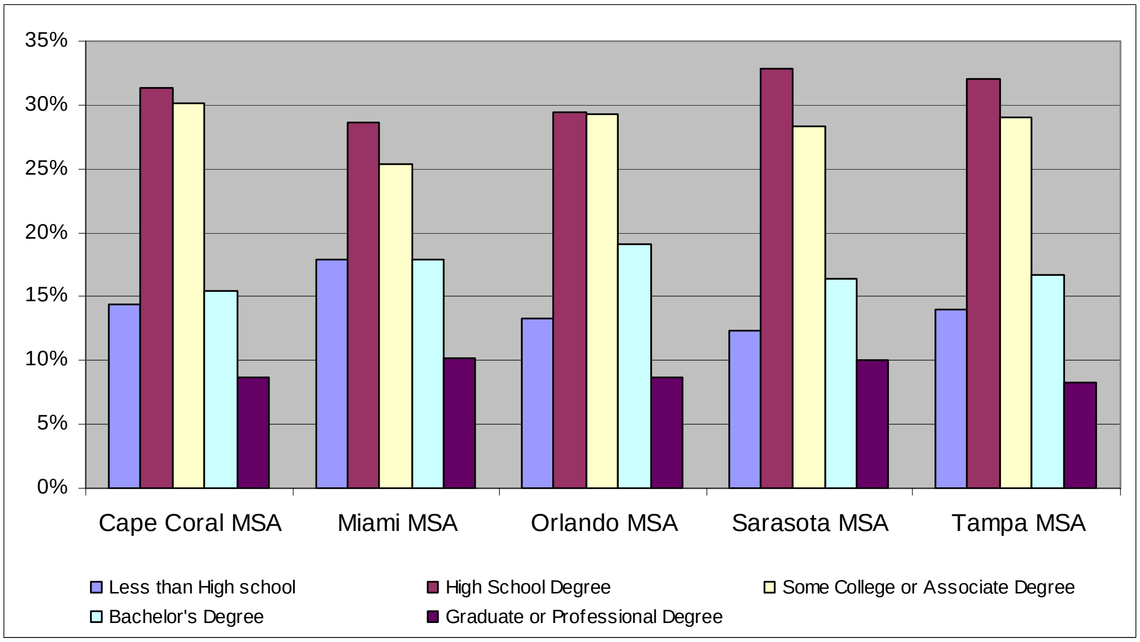
Task 3: Cape Coral's Competitive Advantage

After defining and analyzing each of Cape Coral's clusters and benchmarking them against key peer regions in South Florida, ICF conducted a through evaluation of each cluster's market position, assessing Cape Coral's foundational competitive advantages, its strengths and weaknesses. This analysis will evaluate existing capacity in terms of workforce, innovation, financing, infrastructure (technology and transportation), business climate, marketing, and quality of life.

Workforce

The entire State of Florida shares similar educational strengths and challenges. Increasing global competition increases the need for a workforce with higher and better skills. The number of students taking Advanced Placement STEM courses in the State is ranked one of the highest in the nation. As all of the benchmark regions rely on Statewide funding, it is not surprising that overall educational attainment in Cape Coral is comparable to benchmark regions. As the graph below illustrates in detail, Cape Coral's percent of 'some-college/associate degree' graduates is highest among benchmarks. That said, Cape Coral ranks average for high school graduation rate and below average for bachelors and graduate degrees.

Figure 16: Educational Attainment, 2006



Florida has a nationally recognized suite of workforce development programs. Cape Coral's age structure with a high portion of mature (45-60 year olds) population provides a potential pool of experienced workers for the economy. To differentiate itself Cape Coral must take advantage of statewide benefits and leverage local higher education/workforce renewal institutions.

Innovation

There is a good supply of creativity and entrepreneurialism in both the State and the region in addition to a competitive level of small business creation in the Cape Coral region. Florida is very well positioned to attract new talent and remains a highly innovative economy. That said, Cape Coral is not able to take advantage of all of the momentum that is occurring statewide. The region has lower patenting volumes and very low academic R&D compared to other areas in the State, in part due to the lack of a Tier 1 research university.

One method to increase innovation is to attract and retain the young and the talented. Cape Coral has very high levels of in-migration but loses too many of its talented youth to larger cities like Miami.

Finance

Florida has a high level of venture capital deals and investment, both of which are critical elements to financing innovation. Additionally, the state has strong initial public offering levels. Regionally, Cape Coral has high levels of SBIR/STTR financing. That said, virtually all VC activity occurs in other regions throughout Florida, with the most active VC firms in the Miami MSA. Virtually all IPO activity occurs in the Miami MSA region as well.

Infrastructure

Florida's fiscal structures severely limit the state's ability to build and maintain public infrastructure. As population and lane-miles driven increases, transportation funding declines. Despite this fact, the Florida Section of the American Society of Civil Engineers graded the State's infrastructure as mostly good in 2005. The Cape Coral region has a number of infrastructure strengths. The I-75 corridor provides easy access to Tampa in the north and Miami to the east. Additionally, Cape Coral experiences fewer hours of congestion on the region's roads and highways than benchmark regions. Enplanements from the Cape Coral region are comparatively low and the number of direct flights into the region is limited. In an effort to satiate demand and remedy this issue, Southwest Florida International Airport is the 8th fastest-growing airport in the country and is currently undergoing a $438 million expansion.

The State's home and business broadband infrastructure/access is excellent compared to the benchmark regions. The speed of connectivity is also strong. High-speed broadband access to homes, businesses, and the region's farm community provides a basis for building a stronger connection between the different areas of the region.

Governance

Florida's fiscal environment is very business friendly. The State Business Tax Climate Index, the Tax Foundation, ranks the 50 states on how "business friendly" their tax systems were at the start of 2003. Florida's State Tax System ranked 7th on the list. Government employment and government share of GSP are low. Still the goal needs to be good and efficient government not just small government. To that end, Cape Coral has numerous assistance programs. Despite these programs, increased marketing is required to heighten awareness of their existence. In addition to visibility, perception of the community is that the Cape Coral government is "anti-business." Many of those interviewed mentioned political tensions between the business community and the local government and an anti-entrepreneurial spirit.

Marketing

A critical element of Cape Coral's marketing is the fact that Florida is a world class brand. One aspect of its marketing success is good websites at every level of government. In addition, E-Florida, its main economic development website is seen as a premier web-resource. Building on the statewide reputation, Cape Coral is known nationwide as a business friendly location. INC Magazine ranked Cape Coral-Fort Myers area #1 city for doing business among cities over 100,000. Milken Institute lists Cape Coral-Fort Myers 2nd in its top performing cities for job creation in its 2005 index. The MSA has ranked no lower than third over the past 4 years.

Despite all of this good press in the general media, Cape Coral is often overshadowed by Ft. Myers and there is a perceived lack of available incentives and commitment to business attraction. While Florida and most of its communities have economic incentive programs, Cape Coral is not known for its incentives.

Quality of Life

The region boasts an excellent overall quality of life. It is the envy of many areas surrounded by great natural resources, world-class recreational opportunities, and a favorable climate for much of the year. The region can also boast an affordable cost of living and the opportunity to offer homeownership to many area residents. Additionally, the region as a whole boasts a low crime rate.

However, if the region wants to compete in the innovation economy it should look closely at the types of community amenities that are needed to continue to keep the best and the brightest. Investments may be necessary to attract and retain the young ‘innovative’ population. Currently, the region has fewer public libraries, museums, and other arts institutions than other benchmark communities.

Task 4: Strategic Recommendations

Lastly, ICF integrated the results of the industry cluster analysis, benchmarking, assessment of competitive advantages and outreach to generate strategic recommendations that Cape Coral should consider to foster economic growth. These recommendations involve identifying target cluster segments and pursuing a strategic direction for each of Cape Coral’s clusters as well as cross-cutting, economy-wide approaches to strengthening key input foundations.

Overview: How Cape Coral’s Economic Portfolio Can Evolve

Cape Coral’s cluster analysis revealed that the City shows tremendous growth potential. Most of its clusters showed growth that outpaced not only the national average, but all South Florida peer regions, as well. Despite recent growth, many of Cape Coral’s clusters are driven by local demand, particularly the booming residential construction market/industry. While providing short-term economic growth, employment, and income, this type of economy alone is not sustainable. For Cape Coral to prosper in the long-term it must create an export-focused economic portfolio. That is not to say that the City shouldn’t build off its existing strengths and continue to leverage the booming local construction market, but only that it needs to think strategically to link recent, local success to export-oriented development.

Using Cluster strategy, ICF has helped Cape Coral to identify potential areas of development, whether it be expanding target markets, value-chain elements, complementary markets, or special input advantages to foster growth in the local economy. Building a cluster should start by focusing on the development of three elements, Scale (revenues and employment), Depth (value-chain) and Breadth (diversity of segments).

In anticipation of action, ICF has provided Cape Coral with a clear definition of each cluster that characterizes the cluster’s position and segments and an understanding of the City’s input (foundation) strengths and weaknesses so that it can define its competitive advantage. Building from this knowledge, the strategic recommendations presented below identify target regions throughout South Florida as well as target segments (identified at the 4-digit NAICS) for focused attraction efforts. This analysis provides strategic approaches that will aid Cape Coral in its effort to "tell its story" and reach out to individual companies once it is prepared.

Cape Coral's Cluster Opportunities

BUILDING & CONSTRUCTION CLUSTER

Cape Coral is an established leader in the Building & Construction Cluster, regionally as well as nationwide. The City has very high employment, specialization, and growth. There has been broad industry growth due to the local residential real estate boom. Most segments in this cluster are performing well, however there is particularly high specialization, employment, and growth in foundation construction (NAICS 2381) and land subdivision (NAICS 2372) segments.

Cape Coral has a number of foundational strengths that support and encourage the continued growth of this cluster. Due to the cluster's large size, the region has a high number of experienced workers. The local physical infrastructure, as well, has been able to keep up and support broad growth. In addition to on-the-ground workforce and infrastructure, Cape Coral's marketing around this industry is premier. The City has recently been named one of the fastest growing metro areas, indicative of booming building & construction industries and a top image in terms of marketing.

That said, even a successful cluster has the potential to grow. Particularly given this one's dependence on the local market, expansion into the export market is critical. Cape Coral should look to Sarasota and Orlando, its Growing Competitors, regions of low concentration but rising growth to expand. These locations are emerging centers of activity, yet without any clear concentration they lack specialization and leadership. Cape Coral can target incoming firms with its premier advantages and provide incoming firms an alternative location opportunity. This type of attraction/expansion is critical to grow the scale of Cape Coral's cluster. These new incoming firms will help deepen the value chain and allow Cape Coral to develop and define its "specialty" services and ensure it has an exportable niche. In the meantime, Cape Coral can also focus on creating synergy between leading segments of this cluster and others to help tie its building & construction services to other clusters. This will enable the diversification of segments and expand the breadth of the cluster.

TOURISM CLUSTER

Compared to peer regions in South Florida, Cape Coral's tourism cluster has shown the fastest growth. That said, the cluster lags competitors in size and specialization. The cluster shows particularly high specialization and growth in water transportation, high employment and specialization but modest growth in the full-service restaurants, and high specialization and employment but a slight decline in spectator sports.

The Cape Coral region has a few clear competitive advantages that support this cluster; unfortunately until the weaknesses are addressed the strengths cannot fully be realized. Florida is an international tourist brand which supports the industry's marketing throughout the State, however Cape Coral as a region is not known as a national or international tourist draw. That said, Cape Coral has a high quality-of-life and spectacular natural amenities that attract residents and tourists alike. The regional airport is quickly developing. However, despite recent growth, the regional airport does not offer many direct flights, which reduces the ease of tourist travel.

To support the growth of this cluster, Cape Coral should look to its peer regions. Possibly the easiest location for attraction is Tampa, which represents a Vulnerable Competitor, a location with high concentration but declining growth. Cape Coral can attract the tourism market/firms that are leaving Tampa in search of a new location with better advantages. Cape Coral should create a strategy that markets its competitive factors and attracts defecting companies. Although slightly more difficult, Cape Coral could also focus its efforts on attracting incoming firms from Sarasota, a Growing Competitor. In this case the strategy must be to highly market similar input advantages and provide an alternative location opportunity. Lastly, the strategy must not ignore Tough Competitors such as Orlando. While Orlando already has an established cluster with high concentration and growth, as it continues to grow and diversity it will provide expansion spillover. Cape Coral should be able to attract key segments with complementary advantages or diversified segments that require alternative advantages.

Cape Coral's strategic approach should focus on growing the scale and depth of its Tourism Cluster by leveraging rapidly growing regional and national markets in niche segments. Cape Coral should focus on attracting Family Visitors, those who are in Florida visiting elderly relatives but want a "fun" alternative location to spend a few days. In light of its affordable and booming residential real estate market, Cape Coral should also target the Baby-boomer Second Home Population, looking for an affordable location with a high quality of life. Lastly, Cape Coral should focus on target segments that differentiate the City, such as, Water Transport (NAICS 4831 and 4872) capitalizing on its natural amenities such as canals, Fine Dining (NAICS 7221) catering to local and tourist markets, and Spectator Sports (NAICS 7112) that will play increasing importance due to FGCU's recent designation as a Division I school.

FINANCE, INSURANCE AND REAL ESTATE CLUSTER (FIRE)

Cape Coral's FIRE cluster is growing faster than other peer regions; however, it has average specialization and lags competitors in size. Currently, its segment strengths include: high employment, specialization and growth in real estate brokers and related services; high employment and specialization but modest growth in insurance agencies; and high growth and increasing potential in electronic agents and credit intermediation.

Again, many of Cape Coral's competitive advantages stem from its booming building & construction cluster. The region's real estate boom drives the FIRE cluster. Additionally, as the real estate industry matures it will require the growth of the finance and insurance industries. The region is well poised to receive this growth as it continues to ready its workforce. FGCU is one of the fastest growing universities in Florida, churning out an increasing number of qualified workers for this cluster. That said, Southwest Florida is not known as a center for FIRE, in large part because it does not have the infrastructure to support the marketing. Cape Coral lacks a traditional Central Business District, the area that tends to attract FIRE and other office-based firms.

Cape Coral has significant opportunity to attract FIRE firms from the South Florida region. Looking first to Tampa, a Vulnerable Competitor with a currently high concentration, but declining growth, Cape Coral should target its efforts towards firms that are leaving Tampa in search of a new location with better advantages. Marketing its competitive factors in workforce and growth in real-estate segments should attract defecting real-estate related FIRE firms. Cape Coral should look to Orlando and Sarasota as well and build upon their recent success as Growing Competitors. While these locations currently have a low Concentration of FIRE firms, they are growing quickly. Again Cape Coral can market its advantages and provide an alternative location opportunity. Lastly, Cape Coral should try to capture spill-over from the expanding Miami cluster. By strengthening and marketing its niche, expansion overflow might be attracted to Cape Coral.

The crux of Cape Coral's FIRE strategy should be to expand its depth by focusing on target segments that show growth in region. These segments include: Real estate brokers and related services (NAICS 5311, 5312, and 5313), Electronic markets/agents/brokers (NAICS 4251), Credit intermediation (NAICS 5221, 5222, and 5223). In addition, a cross-cutting, long-range strategy will be required to really support the growth of this industry. Because of the high level of interdependency within the FIRE industry, a cluster-based approach is needed. Cape Coral should form an industry collaborative-task force to examine markets and regional assets. The City should establish a cluster association to tie finance and insurance into the success of the real estate boom. These key alignments will foster the formation and attraction of high value-added financial services to this region.

HEALTH-RELATED SERVICES CLUSTER

Cape Coral's Heath-Related Services cluster shows high growth but lags competitors in specialization and size. The cluster's current segment strengths include: high employment, specialization and modest growth in doctor's offices; high employment, specialization but modest growth in community heath care services for the elderly; and high growth, specialization and increasing market potential in outpatient care centers.

The State of Florida is known as a premier retirement location. Within that designation, there are key locations that are able to provide the high retiree amenities as well as complementary health services. These locations are not only competitive in the retirement market, but have been able to capitalize on their health related innovation and leverage other clusters within their economy. For Cape Coral to be competitive, it must do the same. The City has the advantage of being in close proximity and home to a large elderly and retiree community, providing a strong local market. In addition, it has a high-quality of life that attracts baby boomers with increasing health demands. That said, the Cape currently lacks the ability to be highly innovative as it lacks premier health-related R&D at either a local university or institute. In addition, there is a deficit of premier, nationally-recognized hospitals in the nearby area.

To build its competitive position, Cape Coral should look to its peer regions. Specifically, Miami and Tampa, both Vulnerable Competitors, offer an opportunity for the Cape to attract firms that are leaving either area in search of a new location with better advantages. By improving and marketing Cape Coral's competitive inputs, the City should be able to attract defecting companies. Additionally, Cape Coral should look to Orlando's current growth as a Growing Competitor and target incoming firms. At this point in time, Orlando does not have a distinct concentration in the health-related services and thus, if Cape Coral could provide an equally or more attractive alternative location, it will be able to attract growth.

Cape Coral should focus its attraction strategy on target segments that show growth in region and increasing market demand to broaden its cluster depth. Specifically, the City should look to key segments; Community heath care services for the elderly (NAICS 6233), Outpatient centers (NAICS 6214), and Other residential care facilities (i.e., mental health) (NAICS 6339). In addition to the targeted approach, Cape Coral needs to coordinate its efforts with the ongoing State-wide strategy. The City needs to assess its and Southwest Florida's resources to prioritize a niche within the state, for example ecologically-minded health. Then the City could work with the State and region to aggressively market this niche.

PROFESSIONAL BUSINESS SERVICES CLUSTER

Cape Coral's Professional Business Services cluster lags behind peer regions in size and specialization but has above average growth. The clusters key segments include: high employment, specialization and growth in employment services; high employment, specialization and growth in architectural and engineering services; high employment, growth, and average specialization in a variety of technical and professional services including legal services.

The Cape has some clear input advantage relating to the generation and attraction of a qualified workforce. However, it does not have the current image of a business services center. Cape Coral is in close proximity to one of the fastest growing universities in the State. FGCU will produce a high volume of qualified labor to support this cluster. In addition, the City's high quality of life enables it to attract and retain high quality workers. Despite these advantages, the region is not known as a business center and therefore before a successful exporting cluster is created it must change this image. Additionally, the region lacks professional headquarters. These high-end, office-based firms often support the growth and continued success of the professional business services cluster as they constitute its main market.

In an effort to change its image and market the location to professional businesses of all sorts, Cape Coral should look to its South Florida neighbors. Vulnerable Competitors, such as Tampa, Sarasota, and Miami have existing expertise but have experienced recent declining growth. Now is the time for Cape Coral to target deflecting firms by marketing the Cape's workforce and quality of life assets. In addition, Cape Coral can look to Orlando, a Tough Competitor with high concentration and growth. As Orlando grows, Cape Coral should attempt to attract its expansion spill-over, again by marketing its foundational advantages and targeting niche firms.

To compete effectively, Cape Coral needs to identify a target niche and develop the value-chain to increase its cluster depth. Key segments should include: employment services (NAICS 5613); architectural and engineering services (NAICS 5413); and a variety of other technical and professional services including legal services (NAICS 5411 and 5419). The City should research the market opportunities and needs to expand the local and export market. One place to start would be to build upon the success of FIRE, particularly real estate services to cater to specific kind of firms. As the Business Services cluster is a high competition cluster, it requires the coordination of a region-wide strategy. Therefore, Cape Coral should form a regional industry task force of EDCs, professional business leaders, and entrepreneurs to develop the region's niche. To make a name for itself, Cape Coral could host an annual business services conference that highlights firms that are already here and regional attributes that might help attract outside firms.

LIFE SCIENCES CLUSTER

Note: Please see separate report: Life Sciences Strategy for more in-depth research and recommendations for this cluster.

Cape Coral's seed Life-Science Cluster lags behind the nation and peer regions in terms of size, growth, and specialization. As it is in the seed phase, it is critical to assess and prioritize segments for growth. Currently, Cape Coral's most promising segment is the medical diagnostic laboratories segment, which has shown modest specialization and growth.

To build a dominant life science cluster, Cape Coral will have to leverage its competitive advantages and remedy its foundational weaknesses. Innovation is a critical input to this cluster, and while Cape Coral is in close proximity to nascent R&D talent at FGCU, it currently lacks an existing premier research university to provide this needed innovation and accompanying workforce. In place of an R&D university, many locations have relied on other public or private R&D; however Cape Coral lacks a national/international anchor company or research institute as well. In addition or perhaps because of these R&D deficiencies, Cape Coral also lacks the infrastructure and funding to support this cluster. The City does not have a bio-focused R&D park or any appropriate infrastructure to house such innovation and most state-wide VC and R&D dollars are not currently attracted to SW Florida. Despite the fact that life science cluster competitive advantages do not currently exist in Cape Coral, there is great potential. In recent years the State of Florida has become recognized as an emerging leader in this field. Cape Coral needs to figure out a way to take advantage of the surrounding development before the storm of activity passes the City by.

A good place to start would be to evaluate the market trends of local competitive regions. Looking first to Vulnerable Competitor Tampa, Cape Coral can assess the characteristics of the firms that are leaving the area and provide attractive incentives. As mentioned above, life science growth has been tremendous throughout other parts of the State. Cape Coral should look to Growing Competitors like Miami, Sarasota, and Orlando to learn from their experiences.

To catch-up or build upon the success of the nation and the state and to really attract and grow this cluster, Cape Coral will need to do extensive research and create a fully tailored strategy, due to the complicated nature of this cluster and its needs. That said, the key points to the strategy are discussed here in this report. Cape Coral should focus on target segments that it is currently capable of attracting to initially boost its cluster depth. The key segments for this region are medical device R&D and manufacturing and laboratories (NAICS 3391 and 6215). Cape Coral should focus on niche markets where it has existing competencies, such as bio-ecology R&D, related to FCGU Everglades research. The City needs to remedy its foundational weaknesses by prioritizing the creation of cluster infrastructure, possibly a biotech/life-sciences park and increase its innovation and skills capacity in niche segments. To achieve these goals, the City should establish a cluster association to examine markets and regional assets and identify target segments or companies. Building ground-up regional cluster capacity is the first step to becoming a major player in the life science industry.

INFORMATION TECHNOLOGY CLUSTER

Cape Coral's IT Cluster lags behind the nation and peer regions in size, growth, and specialization. While nationally the cluster has shown decline in recent years, Cape Coral's seed cluster never gained the momentum or size that IT did elsewhere. If the City wants to prioritize the growth of this cluster, it needs to build upon existing growth in computer systems design and other information services industry segments.

The lack of clear competitive advantages in Cape Coral to support this cluster is likely to blame for its lack of growth. While Florida is an IT player nationally, Cape Coral will need work to overcome its foundational weaknesses before it can take advantage of regional marketing. As other IT-rich industries are not dominant in the region, Cape Coral lacks the workforce and innovation capacity. Additionally, Cape Coral missed the IT boom that took place around the nation and State. Therefore, to catch up will require an entirely different approach to marketing.

This cluster's strategy will need to be mindful of regional activity. Miami has existing strength but declining growth. Cape Coral should look to this Vulnerable Competitor to identify the firms and market segments that are defecting/declining and market its relative advantages. More importantly the Cape should evaluate locations such as Tampa, Sarasota, and Orlando that have nascent clusters but are growing. These Growing Competitors are attracting and growing firms and provide Cape Coral an opportunity to share in the development.

The major strategic direction for this cluster is to focus on finding synergies between existing strengths in the IT Cluster. Cape Coral should explore the growth of IT related to Building & Construction, IT related to Finance, Insurance, and Real Estate, and IT related to Professional Business Services. To do this effectively, a cross-cluster partnership is needed. The City needs to create a body to evaluate and get community buy-in to support initiatives. Once some degree of commitment is established, Cape Coral can create a forum to market local IT capacity to other Cape Coral industries and build local demand. This will generate a market that hopefully will grow large and specialized enough to compete in the export market.

Conclusion: Next Steps in Building Cape Coral's Economy

There is no denying that Cape Coral has some economic strength, particularly in terms of growth. That said, many of its industries are directly or indirectly related to the booming residential construction market, which poses the threat of drying up eventually. An economy needs to be export oriented to be sustainable. Now is the time for Cape Coral to address its economic weakness to ensure that the City continues to prosper.

The best way to ensure the sustainability of Cape Coral's overall economic portfolio is to craft a bottom-up market-driven strategy. This report takes the first step towards that end, by analyzing the City's current cluster portfolio, benchmarking it against its peers, assessing its competitive advantages, and recommending a cluster-by-cluster approach to development. Before Cape Coral can create an overall cluster-based strategy that enables and guides economic development, it needs political support and buy-in from the community. To be truly transformative, the strategy must be adopted and driven from the bottom-up. ICF can assist the City in creating regional partnerships to increase the capacity of the business community to develop from within and heighten the marketing presence of Cape Coral at regional and state venues. But the City needs to support these efforts as well as others that tackle the deficit of premier office infrastructure needed to attract top professionals across clusters. Cape Coral can become a premier location to live and do business, but it needs to successfully tap into State-wide growth and carve out a niche for itself.

Appendix A: Cluster Industries at the 4-digit NAICS Code

Building & Construction Cluster Industries

NAICS Code	Industry Title
2213	Water, sewage and other systems
2361	Residential building construction
2362	Nonresidential building construction
2371	Utility system construction
2372	Land subdivision
2373	Highway, street, and bridge construction
2379	Other heavy construction
2381	Building foundation and exterior contractors
2382	Building equipment contractors
2383	Building finishing contractors
2389	Other specialty trade contractors
3212	Plywood and engineered wood product mfg.
3255	Paint, coating, and adhesive manufacturing
3273	Cement and concrete product manufacturing
3323	Architectural and structural metals mfg.
3329	Other fabricated metal product manufacturing
3334	HVAC and commercial refrigeration equipment
3371	Household and institutional furniture mfg.
3379	Other furniture related product manufacturing
4233	Lumber and const. supply merchant wholesalers
4237	Hardware and plumbing merchant wholesalers
4421	Furniture stores
4422	Home furnishings stores
4441	Building material and supplies dealers
5617	Services to buildings and dwellings
8114	Household goods repair and maintenance

Tourism Cluster Industries

NAICS Code	Industry Title
4811	Scheduled air transportation
4812	Nonscheduled air transportation
4831	Sea, coastal, and Great Lakes transportation
4853	Taxi and limousine service
4855	Charter bus industry
4859	Other ground passenger transportation
4872	Scenic and sightseeing transportation, water
4881	Support activities for air transportation
5321	Automotive equipment rental and leasing
5615	Travel arrangement and reservation services
7111	Performing arts companies
7112	Spectator sports
7113	Promoters of performing arts and sports
7114	Agents and managers for public figures
7121	Museums, historical sites, zoos, and parks
7131	Amusement parks and arcades
7139	Other amusement and recreation industries
7211	Traveler accommodation
7212	RV parks and recreational camps
7213	Rooming and boarding houses
7221	Full-service restaurants
7222	Limited-service eating places

Finance, Insurance and Real Estate Cluster Segments

NAICS Code	Industry Title
4251	Electronic markets and agents and brokers
5221	Depository credit intermediation
5222	Nondepository credit intermediation
5223	Activities related to credit intermediation
5231	Securities and commodity contracts brokerage
5232	Securities and commodity exchanges
5239	Other financial investment activities
5241	Insurance carriers
5242	Insurance agencies, brokerages, and related
5251	Insurance and employee benefit funds
5259	Other investment pools and funds
5311	Lessors of real estate
5312	Offices of real estate agents and brokers
5313	Activities related to real estate

Health-Related Services Cluster Segments

NAICS Code	Industry Title
6211	Offices of physicians
6213	Offices of other health practitioners
6214	Outpatient care centers
6215	Medical and diagnostic laboratories
6216	Home health care services
6219	Other ambulatory health care services
6221	General medical and surgical hospitals
6222	Psychiatric and substance abuse hospitals
6223	Other hospitals
6231	Nursing care facilities
6232	Residential mental health facilities
6233	Community care facilities for the elderly
6239	Other residential care facilities

Professional Business Services Cluster Segments

NAICS Code	Industry Title
5417	Scientific research and development services
5418	Advertising and related services
5419	Other professional and technical services
5611	Office administrative services
5613	Employment services
5614	Business support services
5619	Other support services
6114	Business, computer and management training
8139	Professional and similar organizations

Life Science Cluster Segments

NAICS Code	Industry Title
3253	Agricultural chemical manufacturing
3254	Pharmaceutical and medicine manufacturing
3261	Plastics product manufacturing
3391	Medical equipment and supplies manufacturing
4246	Chemical merchant wholesalers
6215	Medical and diagnostic laboratories

Appendix B: Detailed Data on Each Cluster Segment

Building & Construction Cluster Segment Data

NAICS Description	AAGR	LQ	2007 Jobs
Building foundation and exterior contractors	18%	3.75	10724
Building finishing contractors	10%	2.34	8356
Building equipment contractors	8%	1.81	8274
Services to buildings and dwellings	4%	1.49	7748
Residential building construction	11%	2.33	6556
Other specialty trade contractors	15%	2.24	5753
Building material and supplies dealers	10%	2.02	4499
Furniture stores	8%	4.2	2536
Household goods repair and maintenance	9%	2.2	1705
Land subdivision	4%	7.15	1681
Cement and concrete product manufacturing	10%	3.13	1380
Home furnishings stores	8%	1.94	1168
Utility system construction	-2%	1.36	1117
Nonresidential building construction	-6%	0.7	1085
Household and institutional furniture mfg.	7%	1.37	965
Architectural and structural metals mfg.	16%	1.02	739
Other heavy construction	3%	2.75	722
Lumber and const. supply merchant wholesalers	16%	1.43	708

Tourism Cluster Segment Data

NAICS Description	AAGR	LQ	2007 Jobs
Full-service restaurants	5%	1.41	11721
Limited-service eating places	6%	0.9	6756
Other amusement and recreation industries	7%	2.56	6718
Traveler accommodation	4%	1.31	4401
Automotive equipment rental and leasing	15%	2.07	884
Spectator sports	-4%	1.34	731
Scheduled air transportation	4%	0.47	388
Travel arrangement and reservation services	-8%	0.72	369
Support activities for air transportation	6%	1.14	337
Performing arts companies	-8%	0.88	304
Sea, coastal, and Great Lakes transportation	16%	3.79	290
Taxi and limousine service	1%	0.62	267
Promoters of performing arts and sports	7%	0.7	202
RV parks and recreational camps	2%	1.56	154
Agents and managers for public figures	8%	0.96	126
Amusement parks and arcades	45%	0.29	102

Finance, Insurance and Real Estate Cluster Segment Data

NAICS Description	AAGR	LQ	2007 Jobs
Offices of real estate agents and brokers	14%	3.22	10693
Activities related to real estate	12%	2.44	8705
Lessors of real estate	0%	1.21	4998
Insurance agencies, brokerages, and related	1%	1.35	3248
Depository credit intermediation	4%	0.78	2379
Other financial investment activities	1%	0.95	1634
Electronic markets and agents and brokers	13%	0.74	1070
Securities and commodity contracts brokerage	-2%	0.63	1045
Insurance carriers	6%	0.41	958
Non-depository credit intermediation	5%	0.57	785
Activities related to credit intermediation	11%	0.78	536

Health-Related Services Cluster Segment Data

NAICS Description	AAGR	LQ	National 2007
Offices of physicians	5%	1.45	6672
Nursing care facilities	9%	0.87	2553
Home health care services	5%	1.02	2176
Community care facilities for the elderly	1%	1.58	1953
General medical and surgical hospitals	-1%	0.22	1662
Offices of other health practitioners	7%	0.92	1641
Outpatient care centers	11%	1.43	1422
Medical and diagnostic laboratories	4%	1.23	529
Residential mental health facilities	-7%	0.38	383
Other ambulatory health care services	-5%	0.32	161
Other residential care facilities	12%	0.14	45

Professional Business Services Cluster Segment Data

NAICS Description	AAGR	LQ	2007 Jobs
Employment services	8%	1.22	9161
Architectural and engineering services	9%	1.17	3816
Other professional and technical services	6%	1.01	3017
Management and technical consulting services	4%	1.05	2939
Legal services	8%	0.99	2859
Professional and similar organizations	2%	1.39	2663
Accounting and bookkeeping services	0%	0.87	2299
Business support services	8%	0.7	1379
Office administrative services	-1%	0.94	1086
Couriers	1%	0.74	1012
Advertising and related services	-8%	0.61	708
Specialized design services	4%	1.06	699
Other support services	0%	0.59	445
Scientific research and development services	1%	0.22	273

Life Science Cluster Segment Data

NAICS Description	AAGR	LQ	2007 Jobs
Medical and diagnostic laboratories	4%	1.23	529
Chemical merchant wholesalers	0%	0.61	152
Medical equipment and supplies manufacturing	-24%	0.26	141
Plastics product manufacturing	16%	0.12	134