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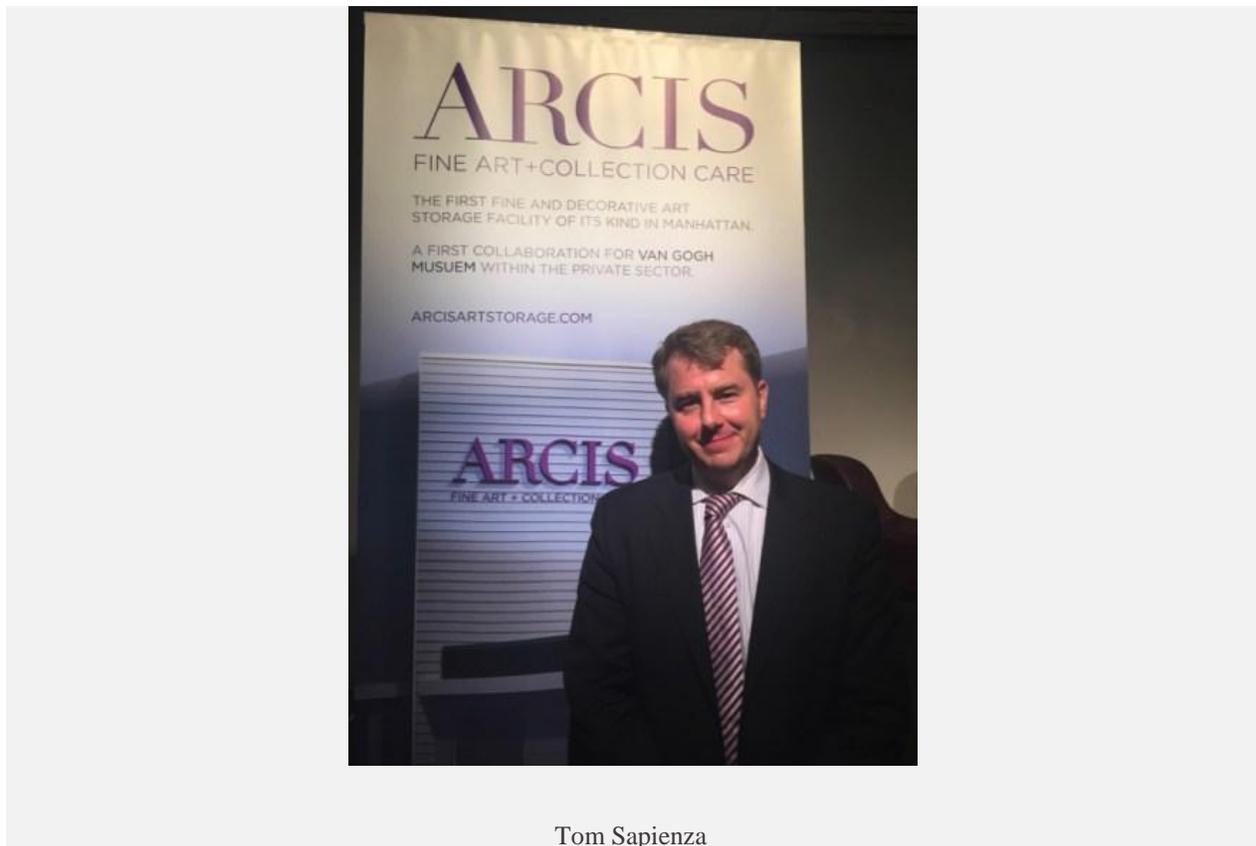
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## PICASSO FINDS POSSIBLE DIGS IN HARLEM USD2.5B ART PORT

- MONDAY, MARCH 6, 2017



Tom Sapienza

Geneva has one. So does Singapore. And now New York City is getting its first free port for fine art.

Located on West 146th Street in Harlem, the 110,000-square-foot, five-story facility called Arcis has been designated for as much as USD2.5 billion of art, according to executive director Tom Sapienza. Its security features include retina scanning, biometric key control and more than 60 video feeds.

The project, which took more than \$40 million and two years to complete by developer Cayre Equities, is scheduled to open in July, said Sapienza, who previously worked for fine-art storage company Crozier. The storage sits on a former parking lot designated by officials as a foreign-trade zone. While in the zone, merchandise isn't subject to U.S. duty or excise tax, according to the U.S. Customs and Border Protection website.

“New York is the art-market capital of the world,” Sapienza said. “So how can it not have a foreign-trade zone right here next to the auction houses?”

As prices of art have risen in the past decade, works by the likes of Picasso and Warhol are increasingly seen as an investment. Many collectors hold their trophies in duty-free bunkers in Geneva and Singapore to avoid a tax hit.

Arcis, which means fortress in Latin, partnered with the Van Gogh Museum's professional-services division to construct a museum-quality, sustainable building, according to Sapienza. Works will be scanned as they move through the building, and the air will change three to six times an hour.

“It's going to be pristine like a hospital,” he said. The tariff-free areas in this country date to 1934, when Congress passed the U.S. Foreign-Trade Zones Act in the midst of the Great Depression, according to a report by the Congressional Research Service. The goal was to boost international trade and promote domestic activity and investment. Similar zones exist in more than 130 countries.

Arcis may soon face competition. Fritz Dietl, who operates art shipping, storage and logistics companies in the U.S., plans to expand his Delaware Freeport into New York. Dietl has applied for a foreign-trade zone permit and is looking for a 20,000-to-30,000-square-foot space in Brooklyn or Queens, according to his lawyer Thomas C. Danziger, a partner at Danziger, Danziger & Muro LLP.

To be sure, the tax advantages of using free ports in the Big Apple may be limited.

Those who buy art in New York may still have to pay local taxes even if the works end up stored in a foreign-trade zone, lawyers said. Clients should consult their attorneys and accountants about the tax implications, Sapienza said. **Katya Kazakina**, Bloomberg