



A Start-up Case Study of

PENINSULA HOME CARE COOPERATIVE *Port Townsend, WA*

Background and Introduction:

Jefferson County, Washington is a beautiful place boasting mountains, forests, ocean views and a portion of the Olympic National Park and Olympic National Forest. As the only incorporated city in a county of over 2,000 square miles, accessible more easily by boat than road, residents of Port Townsend are used to relying on their own initiative and resources to get things done.

A 19th-century maritime power and once among the most important seaports on the West Coast, this charming town of 9,500 residents on the northeast corner of the Olympic Peninsula has in recent years nestled into a more sedate lifestyle. While still a center for the maritime trades, Port Townsend has since the 1970s emerged as a tourism destination and gained popularity as a retirement community.



Today, the largest employer overall in Port Townsend is the local hospital. And nearly one in three Jefferson County residents

are aged 65 or older. This is more than twice the proportion for Washington State or the United States as a whole.

PENINSULA HOME CARE COOPERATIVE: A Snapshot

Year Launched:

First organizing meeting in April, 2015; Cooperative incorporated in February, 2016.

Type of Business:

Agency of licensed Home Care Aides providing personal, home and respite care to seniors and disabled individual in Eastern Jefferson County, WA.

Membership:

Peninsula Home Care is a worker-owned cooperative with 21 member-owners (mid-2018).

Co-op Governance Structure:

The Cooperative is governed by a five-member board elected by the membership. Only caregivers are eligible for co-op membership.

Revenues:

Approximately \$600,000 their first full year of operation (2017) and growing.

The Peninsula Homecare Cooperative Start-up Story:

Co-ops aren't new to Port Townsend. It has been home to a Shipwrights Cooperative since 1981, and a popular local food cooperative since 1972, but no one in town had thought to organize a home care agency as a worker-owned cooperative. That is, until the fateful day in 2015 when co-founder Kippi Waters heard about the idea through a chance conversation with the local food co-op manager, who in turn had heard of it by way of a regional organization, the Northwest Cooperative Development Center (NWCDC). Local home care



workers knew something had to be done to improve pay and conditions, and the cooperative model seemed to be just the thing. A call to NWCDC confirmed their interest, and NWCDC quickly sent a team to meet with the group and discuss their

situation. The fact that a similar group of home care workers had successfully formed their own worker-owned business less than 100 miles away in nearby Bellingham, WA provided both inspiration and the practical example of a peer organization.

NWCDC staff helped the group figure out a start-up budget including state licensing fees, office rental, and a few months of payroll for their initial administrative staff. At first, co-op leaders approached their local credit union with a loan request for \$35,000 in working capital start-up funds. When the loan officer told them all co-op members would be required to personally guarantee the full loan, the group was discouraged and decided not to apply.

But at about this time the group heard about LION, the Local Investment Opportunity Network, a loose-knit social-investment organization of Port Townsend area residents willing to make loans to help local businesses grow (see sidebar for more about LION). PHC Board President Kippi Waters made a presentation to the group, drawing the largest turnout of potential investors of any presentation.

Recognizing the importance of quality homecare for the area's aging population, four LION members offered help. The group was able to raise their entire start-up budget in a single evening, in low-interest (4-5%)



notes, with interest-only payments for the first 12-24 months. “It was really a psychological boost to know that the community is behind you,” said Kippi Waters.

Ten months after their first organizing meeting in April 2015, Peninsula Home Care Cooperative was open for business. Four of the five initial organizers became part of the new co-op, joined by 10 more, with additional members joining as the co-op slowly gained momentum and added customers. Within the first five months of operations the co-op had achieved profitability. By the end of 18 months, they had paid back all of their LION lenders.

Technical assistance throughout the start-up was provided by the staff of the Northwest Cooperative Development Center. The co-op was also fortunate in that co-founder and initial board president Kippi Waters, who now serves as the co-op’s Administrator, had significant previous business and communications experience, and all of the members were experienced caregivers. A local volunteer provided meeting facilitation services during the many meetings it took to bring the co-op idea to fruition, and continues to provide these services today. The co-op



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Kippi Waters, Co-founder, PHC

was also aided in their smooth start-up by members willing and able to move hours to the new business on a gradual basis, keeping their old clients and agency assignments until PCH could find them full-time shifts.



The **Local Investing Opportunity Network (LION)** is a collaborative network of individuals in East Jefferson County, WA who join together to invest their money in local businesses. The LION network mailing list is facilitated by the EDC Team Jefferson, the local economic development council, but each LION Member makes his or her own investment decisions. Either for-profit or non-profit entrepreneurs can apply, and a summary of each project is sent out to members. If there is enough interest, Team Jefferson helps to arrange an opportunity for the entrepreneur to present to the group. Investments can take the form of loans or equity investments, and each LION member determines his or her own terms and conditions. Fewer than half of submitters end up attracting funds, but when they do make an investment, LION members will structure their deals to support the success of the company. The intent is to create jobs locally, and use local funds to help build a resilient and vibrant local economy. Beneficiaries have included a cider works, cheesemaker and coffee roaster, as well as a truck repair shop, roofing company and bike shop.

In a town of 9,500 people, people tend to know each other. “We are people who know each other investing in people we know” as one member put it. Port Townsend’s 64 LION members have invested over \$7.5 million in 75 projects since the effort began in 2006, with a median amount invested per project of about \$30,500 from an average of three investors per project. Interest rates are below market, ranging from 3–8.5%. LION investors have no control of the business, but they do often give advice or meet regularly with investees. Companies also frequently take advantage of the small business advising services offered by Team Jefferson.

Port Townsend was home to the first LION investment network, but since its founding the concept (and name) has spread to other communities in the state and beyond. “I love the idea that money stays local and benefits the local economy” said another member “this is some of the best stuff I have ever been involved in.”



Early Successes:

Initial year 2016 revenues (10-month year) were about \$150,000. This figure grew almost four-fold in their first full year of operations in 2017, and by mid-year 2018 sales were showing another 45% increase.

Word-of-mouth has been a major source of recognition and referrals, and the co-op has not needed to spend much on advertising. Instead, pre-existing strong relationships with key decision-makers in the area and newly cultivated ones paid dividends. Peninsula leaders are outgoing and articulate, and every member is trained on the “sales pitch”—it is part of everyone’s job to promote the co-op.

In addition to paying off their community loans ahead of schedule and putting aside a small emergency fund, the co-op was also able to pay its first member dividend—a distribution of



profits to the worker-owners—in late 2017. The dividend, based upon hours worked, brought the average wage of Peninsula members up to \$21 per hour. This figure was well above the Washington state average hourly pay rate for home care workers of about \$12, a figure that had not effectively changed in more than 10 years.

“They really demonstrated that they were all the things they said they were: reliable, quality people. . . They have amazing quality of care,” said Deborah Craig, Northwest Cooperative Development Center.

The co-op received additional technical assistance in 2017 and 2018 from another cooperative development center, the Cooperative Development Foundation, and from consultants at the ICA Group, a nonprofit consulting firm specializing in worker ownership.

ICA staff helped Peninsula organize their financials and plan for future dividend distributions, and also provided guidance as the co-op worked through a contentious vacation policy issue. “That was our first glimpse into the privilege versus the responsibility of

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Deborah Craig, NWCDC

business ownership” noted Waters. Deciding on such an important policy meant getting lots of member input. PHC set up a special committee of members to work out a solution. “From early on, the issues being decided were really important” noted Laura Polina who

served on the ad hoc committee and was later elected to the board. “I’m really vested in the outcome of these decisions for the sustainability of our business.”

Caregivers in Port Townsend had already established a tight network, a factor that helped the cooperative to organize quickly and effectively. Starting with a grassroots group of experienced caregivers, who knew the issues as well as the local community, was an



advantage that cooperative members have identified as key to their success. Other factors cited by the co-op were the early and continuous technical assistance they received from experts such as those at the NWCDC and The ICA Group. There was a great need for quality care in the area that was recognized by county officials and others in the community. Investors in the LION group, for example, immediately understood that the idea

for Peninsula Home Care would make a real improvement in the quality of care that was available locally, so caregivers did not feel they were alone in either naming or combating the problem.

Previous business and operational experience of key co-op leaders helped the group to form quickly and efficiently as well. The high level of previous experience of caregivers involved in the co-op has also helped. Washington State is a recognized leader in providing long-term care to its residents, setting both funding levels and expectations well above most other states. All home care providers in Washington must be trained and licensed individually by the state, and home care agencies face a stringent licensure process as well. This situation provides a beneficial structure for newly organized agencies like Peninsula, but can also add significantly to the cost of organizing a new business if workers don’t come to the job already trained and licensed. In the case of PHC, workers had already borne this cost.



Finally, caregivers identified communication skills as one of their real strengths. The number one responsibility of members is communication, say co-op leaders. It's a base expectation of new hires, and "it's a big request" they acknowledge. Just starting out, "we had no idea that communication would be so vital to the care of our clients" said Waters. Clients are serviced by an established team of caregivers, and "everyone is a leader" on the caregiver team. At their monthly meetings, in addition to sharing financial statements, co-op members also share a moment to honor the clients who have passed away that month.

I like to see profit and loss statements, balance sheets. It's more than just caregiving, its an opportunity to learn the business side of it.
Laura Polina, PHC



The Cooperative Difference:

For workers:

In addition to a competitive wage, Peninsula co-op members gain from the respect and business knowledge that come with being part of a worker-owned cooperative. "I could not

The co-op holds us to expectations, allowing us to work to our potential.
Phil Rowe, PHC

imagine me doing this work for an hourly rate without the support of the co-op. ... It is really meaningful," said Laura Polina, Board President.

Many members appreciate being involved in the financial end of the operation. "I like to see profit and

loss statements, balance sheets. It's more than just caregiving. It's an opportunity to learn the business side of it." Noting that people often rise to the level of expectations, board member Phil Rowe said that "the co-op holds them to expectations, allowing them to work to their potential."

Others are glad for the greater comradery generated, and the difference it makes in the workplace.

"I love the heart of it," said caregiver Raea Stika. "The appreciation we have of each other. . . I love that we are respected as caregivers." "Passion is such a key," agreed administrator Lindsay Simon. "We have that . . . It helps solidify the trust we have with our own caregivers."

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Raea Stika, PHC

Empowered caregivers make the very best caregivers.
Kippi Waters, PHC

The link between worker ownership and quality care is very clear to the members of Peninsula Homecare. "Empowered caregivers make the very best caregivers," said Waters.

For Clients:

Caregivers who feel valued in their jobs are going to stay with the job longer, and cooperatives like Peninsula Homecare have shown that cooperative ownership can reduce turnover. The cooperative's clients have certainly noted and appreciated the commitment of the co-op's members. "I know it is not an easy job caring for cranky old people . . . I feel happy with the service because I know my caregivers . . . will never leave me alone. They are lovely people. They are my lifeline to the world." shared client Marjorie Ehnbuske.



They are my lifeline to the world.
Marjorie Ehnbuske, PHC Client

Looking to the Future:

The co-op now pays members a wage of \$13-15 an hour, not including semi-annual patronage dividends, which is well above the competition. Yet as in the rest of the country, Port Townsend still faces a shortage of available caregivers to meet the growing need of elders. The co-op is working with economic development professionals, businesses, nonprofits, and local officer-holders to combat the problem by doing things like planning a community summit on the caregiver shortage crisis. “The event was invented by us, but it’s not ABOUT us,” explains Waters. “It’s about taking a leadership role in an issue of common concern.”

I was just so impressed with the idea (of the cooperative) . . . it just made so much sense.
Raea Stika, PHC

Which illustrates how Peninsula Home care is much more than a business to its many friends and supporters. “We are not positioning ourselves as competitors. We are positioning ourselves as a paradigm shift,” Waters added.

As PHC continues to grow, the largest barrier they face will be finding enough high-quality caregivers. But the co-op is wary of growth at the expense of quality, and are committed to continuing their commitment to make caregiving a profession more than a job. Their vision of growth is to grow, but only if they can keep doing the job in the way that they are doing it now. “I had been a caregiver before” noted one member, in describing the difference “But I was just so impressed with the idea (of the co-op). It just made so much sense.”

We are not about positioning ourselves as competitors . . . we are about positioning ourselves as a paradigm shift.
Kippi Waters, PHC



Lessons Learned:

Peninsula Homecare Cooperative members had many advantages in setting up their business: A range of beneficial factors including a founder and lead organizer with previous business experience, strong community relationships and excellent public speaking skills, a tight-knit and well-educated community, and a state with high standards and strong guidance for caregiver agencies all helped to make Peninsula Homecare's launch a success.

But the start-up was not without its challenges: The co-op has yet to be able to afford to pay healthcare benefits for its worker-owners, and the early disagreement over vacation policy demonstrated that not all worker-owners think alike about how the worker co-op should operate as an employer. Co-ops members came to the project with many important skills and experience, but few had ever served on a board before. It took time to figure out the proper role of a board in setting policy, and it is something co-op members are still working on with the help of their technical assistance providers. The co-op also relied on outside technical assistance to help them in balancing the needs of the cooperative versus those of individual members and figure out the right amount of money to keep in a reserve fund, rather than paying out all profits in patronage to members. And like all enterprises with strong leaders, the board of PHC will have to face the challenge of succession planning to make sure the co-op can effectively transition to new leadership when key founding members retire.

One important lesson for others that seek to organize worker-owned homecare cooperatives is to seek technical assistance. Even with all of their advantages, PHC sought out and used a variety of outside technical assistance, including a regular board facilitator, to help them manage issues and become a stronger cooperative. Another good practice that other cooperators could emulate is their strong relationships in the community. Not every community has an organization like LION, but every community has leaders and people who care about what happens to the elders among them. Reaching out to those people, building relationships, and helping them to see caregivers as a core part of any solution is something that Peninsula Homecare organizers did really well, and is something that other co-ops can also do. Finally, PHC and all homecare agencies, workers, and clients in Washington state benefit from that state's leadership in setting high standards for the homecare industry. Co-ops and their advocates and allies can work to put these same practices in place in other states, ideally through legislation, but also through their own practices. Setting the bar high for our own organizations helps others to realize what is possible when caregivers take their place at both the heart and the head of a homecare agency.