In 1896, the Elizabeth Peabody House was established in Boston's West End, one of the first of fifteen settlement houses to be opened in the United States before the end of the 19th century. Organized under Dr. Samuel Eliot, first president of the Elizabeth Peabody House, the Peabody House was dedicated to the work and memory of Elizabeth Palmer Peabody (1804-1884). A suffragette, abolitionist, advocate for Native American rights, and the woman responsible for introducing kindergarten into the American educational system, Peabody dedicated her life and work to a passionate commitment for sympathy and learning. She established the first English language kindergarten in the United States in 1860 and visited Germany to study the educational methods of Fredrick Froebel seven years later. At the time, the education of children under the age of six was not an accepted practice, however, Peabody advocated kindergarten education for children, even submitting a statement to Congress in 1887. Dr. Samuel Eliot was joined by others such as Boylston A. Beal, Lucy Wheelock, Lalah B. Pingree, Mary J. Garland, Arthur S. Johnson, Reuben Kidner, Arthur D. Hill, and Frank Eliot Sweetser in opening the settlement house in Boston's West End on the birthday of Fredrick Froebel, April 21st 1896.

In its first year, with Ms. Martha Spalding as its head resident, the Elizabeth Peabody House began to expand its activities. In the annual report Ms. Spalding documents the natural growth of the House, describing the tremendous need which brought more children to the kindergarten than space allowed, and the gradual and natural active cooperation of the parents in the Peabody Houses' initiatives. In 1897, Ms. Spalding was replaced by Miss Caroline M. Dresser as head resident and in 1899 Reverend Charles G. Ames became president. On May 15th, 1904 Ames presided over a centennial celebration of Elizabeth Palmer Peabody's birth. Notable guests were Mr. Nathan Haskell Dole, Mrs. Julia Ward Howe, Col. Thomas Wentworth Higginson and Mr. Frank B. Sanborn. On the afternoon of the 16th the guests visited active clubs and the afternoon ended with a rousing performance by Mrs. Howe of her own "Battle Hymn of the Republic," accompanied by the children of the Peabody House.

The House was first located at 156 Chambers Street, at the time a largely Jewish community with a small Irish immigrant population. Incorporated a day after its opening, its first purpose was as a kindergarten, housing its teachers and students as well as to provide community programs subsidiary to the kindergarten. Almost immediately, the Elizabeth Peabody House grew into an institution in the community with a much wider reach, affecting West Enders of all ages. It provided daycare, education and safe spaces for recreation, completely fulfilling the Settlement Movement's purpose of serving the community with sympathy, both learning and giving.